

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

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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 |

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Version: 1

Company Information / Cash Proceeds

| Event | Approval | Proceeds | Date of | Type of | Class of | Earnings per Share |
|-----------------------------|-----------------|----------------------------------|----------------|----------------|-----------------|---------------------------|
| | | | Payment | Share | Share | (Reais / Share) |
| Board of Directors' Meeting | 3/27/2014 | 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 |

(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 |
| 2.02.01.01.01 | 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 |

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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 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 |

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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 |

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Version: 1

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

| Code | Description | Capital Reserves, Options Granted and | | Profit Reserves | Retained Earnings/ Accumulated Losses | Other Comprehensive Income | Total Equity |
|---------|--|---------------------------------------|-----------------|-----------------|---------------------------------------|----------------------------|--------------|
| | | Paid-up Capital | Treasury Shares | | | | |
| 5.01 | Opening Balances | 6,203,688 | 124,255 | 5,387,634 | 0 | -458,815 | 11,256,762 |
| 5.03 | Restated Opening Balances | 6,203,688 | 124,255 | 5,387,634 | 0 | -458,815 | 11,256,762 |
| 5.04 | Capital Transactions with Shareholders | 0 | 0 | -80,201 | 0 | 0 | -80,201 |
| 5.04.08 | Additional Dividends Approved | 0 | 0 | -80,201 | 0 | 0 | -80,201 |
| 5.05 | Total Comprehensive Income | 0 | 0 | 0 | 1,332,834 | 0 | 1,332,834 |
| 5.05.01 | Net Income for the Period | 0 | 0 | 0 | 1,332,834 | 0 | 1,332,834 |
| 5.07 | Closing Balances | 6,203,688 | 124,255 | 5,307,433 | 1,332,834 | -458,815 | 12,509,395 |

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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 | 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 Subsidiaries | 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 | Taxes and Contributions | 1,275,831 | 1,501,986 |
| 7.08.02 | Federal | 1,204,239 | 1,429,291 |
| 7.08.02.01 | State | 50,402 | 42,733 |
| 7.08.02.02 | Municipal | 21,190 | 29,962 |
| 7.08.02.03 | | | |

| | | | |
|------------|---|---------|-----------|
| 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 |

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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 | 45.02, | 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 | 10.04, | 707.34, |
| (-) Construction costs | 782.1 539.5 | 242.6 | 45.01, | 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.

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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.

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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) |

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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.

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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.

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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.

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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.

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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

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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.

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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.

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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:

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- 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.

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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.

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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) |

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(*) 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.

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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 |

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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 |

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Future interest

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

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(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).

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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 |

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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.

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(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.

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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 |

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(*) 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

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(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.

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| | 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.

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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 |

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| | 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.

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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.

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(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 | | |

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(*) 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 nº 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)).

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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 |

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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.

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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.

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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.

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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.

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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 |

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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 |
| Interest and charges | 40,801 | - | 40,801 | 21,645 | - | 21,645 |
| TOTAL IN FOREIGN CURRENCY | 241,914 | 3,705,578 | 3,947,492 | 215,980 | 3,482,573 | 3,698,553 |
| TOTAL LOANS AND FINANCING | 710,373 | 9,581,700 | 10,292,073 | 640,940 | 8,809,134 | 9,450,074 |

Quote on September 30, 2014 US\$2.4510; ¥0.022350(US\$2.3426; ¥0.022330 on December 31, 2013)

On September 30, 2014, the Company did not record balances of loans and financing raised in 2014 to mature within 12 months.

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| | GUARANTEES | MATURITY | ANNUAL INTEREST RATES | INFLATION ADJUSTED |
|---|--|-----------|---|--------------------|
| DOMESTIC CURRENCY | | | | |
| | SÃO PAULO STATE GOVERNMENT AND OWN FUNDS | | | |
| Banco do Brasil | GOVERNMENT AND OWN FUNDS | 2014 | 8.50% | T |
| 10 th issuance debentures | OWN FUNDS | 2020 | TJLP +1.92% (series 1 and 3) and 9.53% (series 2) | IPCA (|
| 12 th issuance debentures | OWN FUNDS | 2025 | TR + 9.5% | |
| 14 th issuance debentures | OWN FUNDS | 2022 | TJLP +1.92% (series 1 and 3) and 9.19% (series 2) | IPCA (|
| 15 th issuance debentures | OWN FUNDS | 2019 | CDI + 0.99% (series 1) and 6.2% (series 2) | IPCA (|
| 16 th issuance debentures | OWN FUNDS | 2015 | CDI + 0.30% to 0.70% | |
| 17 ^h issuance debentures | OWN FUNDS | 2023 | CDI +0.75 (series 1) and 4.5% (series 2) and 4.75% (series 3) | IPCA (an |
| 18 th issuance debentures | OWN FUNDS | 2024 | TJLP + 1.92 % (series 1 and 3) and 8.25% (series 2) | IPCA (|
| 19 th issuance debentures | OWN FUNDS | 2017 | CDI + 0.80% to 1.08% | |
| Brazilian Federal Savings Bank | OWN FUNDS | 2014/2037 | 6.8% (weighted) | T |
| Brazilian Development Bank - BNDES BAIXADA SANTISTA | OWN FUNDS | 2019 | 2.5% + TJLP | |
| Brazilian Development Bank - BNDES PAC | OWN FUNDS | 2023 | 2.15% + TJLP | |
| Brazilian Development Bank - BNDES PAC II 9751 | OWN FUNDS | 2027 | 1.72%+TJLP | |
| Brazilian Development Bank - BNDES PAC II 9752 | OWN FUNDS | 2027 | 1.72%+TJLP | |
| Brazilian Development Bank - BNDES ONDA LIMPA | OWN FUNDS | 2025 | 1.92% + TJLP | |
| Brazilian Development Bank - BNDES TIETE III | OWN FUNDS | 2025 | 1.66% + TJLP | |
| Leasing | OWN FUNDS | 2035 | 7.73% to 10.12% | IF |
| Others | OWN FUNDS | 2015/2018 | TJLP + 2% (Fehidro) and 12% (Presidente Prudente) | T |

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| | GUARANTEES | MATURITY | ANNUAL INTEREST |
|--|--------------------|-----------------|------------------------|
| FOREIGN CURRENCY | | | |
| Inter-American Development Bank - IDB 713 | FEDERAL GOVERNMENT | 2016 | 3.04% |
| Inter-American Development Bank - IDB 896 | FEDERAL GOVERNMENT | 2017 | 3.00% |
| Inter-American Development Bank - IDB 1212 | FEDERAL GOVERNMENT | 2025 | 2.51% |
| Inter-American Development Bank - IDB 2202 | FEDERAL GOVERNMENT | 2035 | 1.12% |
| International Bank for Reconstruction and Development - IBRD | FEDERAL GOVERNMENT | 2034 | 0.43% |
| Eurobonds | - | 2016 | 7.50% |
| Eurobonds | - | 2020 | 6.25% |
| JICA 15 | FEDERAL GOVERNMENT | 2029 | 1.8% and 2.5% |
| JICA 18 | FEDERAL GOVERNMENT | 2029 | 1.8% and 2.5% |
| JICA 17 | FEDERAL GOVERNMENT | 2035 | 1.2% and 0.01% |
| JICA 19 | FEDERAL GOVERNMENT | 2037 | 1.7% and 0.01% |
| BID 1983AB | - | 2023 | 2.49% to 2.99% |

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(i) Payment schedule – accounting balances on September 30, 2014

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 to 2037 | TOTAL |
|--|----------------|------------------|------------------|------------------|----------------|----------------|------------------|-------------------|
| <i>IN DOMESTIC CURRENCY</i> | | | | | | | | |
| Debentures | 37,115 | 714,467 | 356,648 | 875,617 | 565,080 | 638,116 | 891,622 | 4,078,665 |
| Brazilian Federal Savings Bank | 18,061 | 66,412 | 66,676 | 70,038 | 73,917 | 77,111 | 694,551 | 1,066,766 |
| BNDES | 12,424 | 52,229 | 63,440 | 66,662 | 66,662 | 66,663 | 284,274 | 612,354 |
| Leasing | 4,040 | 16,604 | 17,149 | 18,215 | 17,771 | 19,985 | 365,683 | 459,447 |
| Other | 164 | 598 | 670 | 717 | 528 | - | - | 2,677 |
| Interest and other charges | 63,160 | 61,512 | - | - | - | - | - | 124,672 |
| <i>TOTAL IN DOMESTIC CURRENCY</i> | 134,964 | 911,822 | 504,583 | 1,031,249 | 723,958 | 801,875 | 2,236,130 | 6,344,581 |
| <i>IN FOREIGN CURRENCY</i> | | | | | | | | |
| IDB | 34,161 | 93,514 | 93,514 | 127,090 | 65,576 | 65,576 | 789,183 | 1,268,614 |
| IBRD | - | - | - | - | - | 3,747 | 108,285 | 112,032 |
| Eurobonds | - | - | 342,899 | - | - | - | 852,717 | 1,195,616 |
| JICA | - | 48,915 | 48,915 | 49,390 | 49,865 | 60,959 | 696,443 | 954,487 |
| IDB 1983AB | - | 58,683 | 58,683 | 58,683 | 58,368 | 43,364 | 98,161 | 375,942 |
| Interests and other charges | 36,351 | 4,450 | - | - | - | - | - | 40,801 |
| <i>TOTAL IN FOREIGN CURRENCY</i> | 70,512 | 205,562 | 544,011 | 235,163 | 173,809 | 173,646 | 2,544,789 | 3,947,492 |
| <i>Overall Total</i> | 205,476 | 1,117,384 | 1,048,594 | 1,266,412 | 897,767 | 975,521 | 4,780,919 | 10,292,073 |

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(i) Main events in the quarter

There was no relevant event in the quarter, except for foreign exchange variation.

(ii) Covenants

On September 30, 2014, the Company had met the requirements set forth by its loan and financing agreement.

(a) Leasing

The Company has lease agreements signed as Financial Lease. During the construction period, works are capitalized to intangible assets in progress and the lease amount is recorded at the same proportion. Works are estimated to be concluded in 2014 and 2015.

After startup, the lease payment period starts (240 monthly installments), whose amount is periodically restated by contracted price index.

On August 31, 2013, the operation of SES Campo Limpo Paulista and Várzea Paulista started and the corresponding amount for September 30, 2014 and December 31, 2013 is R\$140,178 and R\$144,384, respectively.

On March 22, 2014, ETE Campos do Jordão started operations and the corresponding amount on September 30, 2014 is R\$136,466.

(b) Financing contracted and not yet used

In order to comply with its Capex plan, SABESP relies on a fund-raising plan.

Financing resources contracted have specific purposes, which have been released for the execution of their respective investments, according to the progress of the works.

| Agent | September 30, 2014 (in millions of reais (*)) |
|--|---|
| Brazilian Federal Savings Bank | 2,396 |
| Japan International Cooperation Agency – JICA | 667 |
| Inter-American Development Bank – BID | 703 |
| Brazilian Development Bank – BNDES | 1,993 |
| International Bank for Reconstruction and Development - IBRD | 133 |
| Others | 79 |
| TOTAL | 5,971 |

(*). Closing quote of 09/30/2014. (US\$1.00 = R\$2.4510; ¥ 1.00 = R\$0.022350).

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Notes to the Interim Financial Information**15 Taxes Payable****(a) Current assets**

| | September 30, 2014 | December 31, 2013 |
|--|---------------------------|--------------------------|
| Recoverable taxes | | |
| Income tax and social contribution | 84,617 | 79,548 |
| Withholding income tax (IRRF) on financial investments | 8,006 | 2,437 |
| Other federal taxes | 1,381 | 4,764 |
| Other municipal taxes | 670 | 656 |
| Total recoverable taxes | 94,674 | 87,405 |

(b) Current liabilities

| | September 30, 2014 | December 31, 2013 |
|--|---------------------------|--------------------------|
| Taxes and contributions payable | | |
| Cofins and Pasep | 308 | 21,797 |
| INSS (Social Security contribution) | 32,076 | 30,822 |
| IRRF (withholding income tax) | 1,586 | 39,330 |
| Other | 19,474 | 23,433 |
| Total | 53,444 | 115,382 |

The decrease in taxes payable of current liabilities mainly derives from the payment of withholding income tax over interest on shareholders' equity in 2013 and Cofins and Pasep recoverable relative to previous periods.

16 Deferred Taxes and Contributions

(a) Equity balances

| | September 30, 2014 | December 31, 2013 |
|---|---------------------------|--------------------------|
| Deferred income tax assets | | |
| Provisions | 511,862 | 506,568 |
| Pension obligations – G0 (1) | 85,271 | 85,271 |
| Pension obligations – G1 | 226,028 | 215,187 |
| Donations of underlying assets on concession agreements | 44,975 | 43,901 |
| Allowance for loan losses | 159,768 | 172,482 |
| Other | 115,118 | 87,266 |
| Total deferred tax assets | 1,143,022 | 1,110,675 |

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| | <u>September 30, 2014</u> | <u>December 31, 2013</u> |
|--|---------------------------|--------------------------|
| Deferred income tax liabilities | | |
| Temporary difference on concession intangible assets | (567,993) | (595,285) |
| Capitalization of borrowing costs | (233,846) | (200,343) |
| Profit on supply to governmental entities | (85,745) | (81,711) |
| Actuarial gain/loss – G1 Plan | (32,405) | (32,405) |
| Other | (101,691) | (86,901) |
| Total deferred tax liabilities | (1,021,680) | (996,645) |
| Deferred tax asset, net | 121,342 | 114,030 |

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

(b) Changes

| | December 31, 2013 | Net Change in Profit or Loss | September 30, 2014 |
|---|--------------------------|-------------------------------------|---------------------------|
| Deferred income tax assets | | | |
| Provisions | 506,568 | 5,294 | 511,862 |
| Pension obligations – G0 | 85,271 | - | 85,271 |
| Pension obligations – G1 | 215,187 | 10,841 | 226,028 |
| Donations of underlying assets on concession agreements | 43,901 | 1,074 | 44,975 |
| Credit losses | 172,482 | (12,714) | 159,768 |
| Other | 87,266 | 27,852 | 115,118 |
| Total | 1,110,675 | 32,347 | 1,143,022 |
| Deferred income tax liabilities | (595,285) | 27,292 | (567,993) |

Temporary difference on concession intangible
assets

| | | | |
|---|-----------|----------|-------------|
| Capitalization of borrowing costs | (200,343) | (33,503) | (233,846) |
| Profit on supply to governmental entities | (81,711) | (4,034) | (85,745) |
| Actuarial gain/loss –G1 | (32,405) | - | (32,405) |
| Other | (86,901) | (14,790) | (101,691) |
| Total | (996,645) | (25,035) | (1,021,680) |
| Deferred tax asset, net | 114,030 | 7,312 | 121,342 |

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| | December 31, 2012 | Net Change in Profit or Loss | September 30, 2013 |
|---|--------------------------|-------------------------------------|---------------------------|
| Deferred tax assets | | | |
| Provisions | 512,107 | (11,590) | 500,517 |
| Pension obligations – G0 | 85,271 | - | 85,271 |
| Pension obligations - G1 | 193,125 | 17,267 | 210,392 |
| Actuarial gains(losses)– G1 | 9,405 | - | 9,405 |
| Donations of underlying assets on concession agreements | 41,312 | 2,572 | 43,884 |
| Credit losses | 162,670 | 7,681 | 170,351 |
| Other | 97,425 | (10,602) | 86,823 |
| Total | 1,101,315 | 5,328 | 1,106,643 |
| Deferred tax liabilities | | | |
| Temporary difference on intangible asset concession | (650,093) | 43,338 | (606,755) |
| Capitalization of borrowing costs | (158,298) | (36,097) | (194,395) |
| Profit on supply to governmental entities | (77,827) | (3,843) | (81,670) |
| Other | (69,795) | (12,403) | (82,198) |
| Total | (956,013) | (9,005) | (965,018) |
| Deferred tax assets, net | 145,302 | (3,677) | 141,625 |

(c) Reconciliation of the effective tax rate

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

| | July to September 2014 | January to September 2014 | July to September 2013 | January to September 2013 |
|----------------------------|-------------------------------|----------------------------------|-------------------------------|----------------------------------|
| Profit before income taxes | 155,207 | 1,317,996 | 725,347 | 1,990,000 |

| | | | | |
|---|----------|-----------|-----------|----------|
| Statutory rate | 34% | 34% | 34% | |
| Estimated expenses at statutory rate | (52,770) | (448,119) | (246,618) | (67,033) |
| Tax benefit from interest on shareholders' equity | - | 27,411 | - | 2,000 |
| Permanent differences | | | | |
| Provision - Law 4,819/58 (i) | (11,963) | (37,723) | (8,899) | (2,000) |
| Donations | (1,221) | (5,593) | (1,578) | (1,000) |
| Other differences | 2,248 | 17,537 | 6,712 | 2,000 |
| Income tax and social contribution | (63,706) | (446,487) | (250,383) | (66,033) |
| Current income tax and social contribution | (41,608) | (453,799) | (256,336) | (66,033) |
| Deferred income tax and social contribution | (22,098) | 7,312 | 5,953 | (1,000) |
| Effective rate | 41% | 34% | 35% | |

(i) Permanent difference related to the provision for actuarial liability (Note 18 (b) (iii)).

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(d) Transition Tax Regime (RTT)

For the purposes of calculating the income tax and the social contribution related to 2009 and 2008, the Company opted to adopt the Transition Tax Regime (RTT), which allow eliminate the accounting effects of the Law 11,638/07 and the Provisional Presidential Decree 449/08, converted into Law No. 11,941/2009, by the registers in the fiscal books – LALUR and auxiliary controls, without any modification in the bookkeeping.

The Company has been adopting the same tax practices since 2008, as RTT started to be mandatory.

(e) Law 12,973/2014

On May 13, 2014, the Provisional Presidential Decree 627 of November 11, 2013 was converted into Law 12,973, which amend the federal tax laws related to the Corporate Income Tax - IRPJ, Social Contribution on Net Income - CSLL, Contribution to PIS/Pasep and Contribution to Social Security Financing– Cofins and revokes the Tax Transition System- RTT, enacted by Law No.11,941 of May 27, 2009.

Pursuant to this law, each legal entity may adopt the rules as of January 1, 2014, an option of which shall be irreversibly expressed to the Federal Revenue Service, except for Articles 3, 72 to 75 and 93 to 119, which are in force as of the publication date. The Company has decided not to adopt such anticipated option.

The analyses prepared by the Company do not show relevant impacts on its operations and on its accounting information for the period ended September 30, 2014.

17 Provisions**(a) Lawsuits with probable likelihood of loss****(i) Financial position balances**

The Company is party to a number of claims and legal proceedings arising in the normal course of business, including civil, tax, labor and environmental matters. Management, recognized provisions at an amount considered sufficient to cover probable losses. These provisions, net of escrow deposits are as follows:

| | Provisions | Escrow deposits | September 30, 2014 | Provisions | Escrow deposits | December 31, 2013 |
|---------------------------|-------------------|------------------------|---------------------------|-------------------|------------------------|--------------------------|
| Customer claims (i) | 664,497 | (118,841) | 545,656 | 621,999 | (110,384) | 511,615 |
| Supplier claims (ii) | 263,820 | (192,844) | 70,976 | 340,100 | (183,606) | 156,494 |
| Other civil claims (iii) | 120,950 | (9,005) | 111,945 | 129,400 | (11,965) | 117,435 |
| Tax claims (iv) | 54,046 | - | 54,046 | 59,659 | (1,956) | 57,703 |
| Labor claims (v) | 174,873 | (2,164) | 172,709 | 156,060 | (1,614) | 154,446 |
| Environmental claims (vi) | 227,291 | (796) | 226,495 | 182,689 | - | 182,689 |
| Total | 1,505,477 | (323,650) | 1,181,827 | 1,489,907 | (309,525) | 1,180,382 |
| Current | 565,622 | - | 565,622 | 631,374 | - | 631,374 |
| Noncurrent | 939,855 | (323,650) | 616,205 | 858,533 | (309,525) | 549,008 |

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Notes to the Interim Financial Information**(ii) Changes**

| | December 31, 2013 | Additional provisions | Interest and inflation adjustment | Amounts from provision | Amounts not used (reversal) | September 30, 2014 |
|---------------------------|------------------------------|----------------------------------|--|---------------------------------------|--|-------------------------------|
| Customer claims (i) | 621,999 | 57,465 | 67,812 | (38,543) | (44,236) | 664,497 |
| Supplier claims (ii) | 340,100 | 1,383 | 14,495 | (66,032) | (26,126) | 263,820 |
| Other civil claims (iii) | 129,400 | 25,752 | 26,888 | (12,929) | (48,161) | 120,950 |
| Tax claims (iv) | 59,659 | 753 | 5,300 | (2,074) | (9,592) | 54,046 |
| Labor claims (v) | 156,060 | 53,690 | 16,498 | (33,481) | (17,894) | 174,873 |
| Environmental claims (vi) | <u>182,689</u> | <u>47,584</u> | <u>14,903</u> | <u>(13)</u> | <u>(17,872)</u> | <u>227,291</u> |
| Subtotal | 1,489,907 | 186,627 | 145,896 | (153,072) | (163,881) | 1,505,477 |
| Escrow deposits | <u>(309,525)</u> | <u>(21,734)</u> | <u>(16,866)</u> | <u>24,475</u> | = | <u>(323,650)</u> |
| Total | <u>1,180,382</u> | <u>164,893</u> | <u>129,030</u> | <u>(128,597)</u> | <u>(163,881)</u> | <u>1,181,827</u> |

(b) Lawsuits with possible likelihood of loss

The Company is party to lawsuits and administrative proceedings relating to environmental, tax, civil and labor claims, which are assessed by Management whose chances of loss are possible and are not recorded. Liability contingencies classified as possible loss represent the amount of approximately R\$3,598,900 on September 30, 2014 (R\$3,244,500 in December 2013).

(c) Explanation on the nature of main classes of lawsuits**(i) Customer claims**

Approximately 1,270 lawsuits were filed by commercial customers, which claim that their tariffs should correspond to other consumer categories, and 720 lawsuits which claim a reduction in the sewage tariff due to losses in the system, consequently requesting the refund of amounts charged by the Company and 60 lawsuits where customers plead the reduction in tariff under the category as “Social Welfare Entity”. The Company was granted both favorable and unfavorable final decisions at several court levels and recognized provisions when the chances of losses are probable. The R\$34,041 increase in the lawsuits classified as probable loss (net of escrow deposits) is related to new lawsuits filed and interest rates, fees and updates of lawsuits in progress, partially offset by payments made in the period and revisions of expectations caused by favorable decisions during 2014.

(ii) Supplier claims

Suppliers’ claims include lawsuits filed by some suppliers alleging underpayment of monetary restatements, withholding of amounts related to the understated inflation rates deriving from Real economic plan, and the economic and financial imbalance of the agreements. These lawsuits are in progress at different courts and a provision is recognized when the chances of losses are probable. The R\$85,518 decrease in lawsuits whose likelihood of loss is considered probable (net of escrow deposits) is mainly related payments made and revisions of expectations caused by favorable decisions to the Company during 2014.

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(iii) Other civil claims

These mainly refer to indemnities for property damage, pain and suffering, and loss of profits allegedly caused to third parties, filed at different court levels, dully accrued when classified as probable losses. The R\$5,490 decrease in lawsuits with probable chances of loss (net of escrow deposits) was mainly due to shelving of several lawsuits and revisions of expectations caused by favorable decisions to the Company during 2014.

(iv) Tax claims

Tax claims refers mainly to issues related to tax collections challenged due to differences in the interpretation of legislation by the Company's management, accrued when classified as probable loss. The decrease of R\$3,657 in lawsuits with expectation of probable losses (net of escrow deposits) was mainly due to favorable decisions to the Company.

(v) Labor claims

The Company is a party to labor lawsuits, involving issues such as overtime, shift schedule, health hazard premium and hazardous duty premium, prior notice, change of function, salary equalization, and other. Part of the amount involved is in provisional or final execution at various court levels, and thus is classified as of probable or possible loss. The Company recognized a provision for claims which likelihood of loss is considered probable. The R\$18,263 increase in lawsuits with probable chances of losses (net of escrow deposits) is related to new lawsuits filed and interest rates, fees and updates of lawsuits in progress, partially offset by payments made in the period and revisions of expectations caused by favorable decisions to the Company during 2014.

(vi) Environmental claims

Environmental claims refer to several administrative proceedings and lawsuits filed by government entities, including Companhia de Tecnologia de Saneamento Ambiental – Cetesb, Public Prosecution Office of the State of São Paulo and others, that aim affirmative and negative covenants and penalty is estimated due to failure to comply in addition to the imposition of indemnity due to environmental damages allegedly caused by the Company. The amounts accrued represent the best estimate of the Company at this moment, however, may differ from the amount to be disbursed as indemnity to alleged damages, in view of the current stage of referred proceedings. The R\$43,806 increase in lawsuits with expectation of probable losses (net of escrow deposits) is mainly related to the complementary estimates of lawsuits, agreements in progress and new lawsuits filed, partially offset by the revisions of expectations caused by favorable decisions to the Company during 2014.

Other information is stated in Note 18 to the Annual Financial Statements as at December 31, 2013.

18 Employee Benefits

(a) Health benefit plan

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

- . Company: 7.6 % on average, of gross payroll;

- . Participating employees - 3.21% of base salary and premiums, equivalent to 2.2% of payroll, on average.

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Notes to the Interim Financial Information**(b) Pension plan benefits****Amounts recorded in the statement of financial position****Funded plan – G1**

| | |
|---|----------------|
| Pension plan liabilities on December 31, 2013 | 546,748 |
| Expenses recognized in 2014 | 48,272 |
| Payments made in 2014 | (16,387) |
| Pension plan liabilities on September 30, 2014 (i) | 578,633 |

Unfunded plan – G0

| | |
|---|------------------|
| Pension plan liabilities on December 31, 2013 | 1,780,268 |
| Expenses recognized in 2014 | 168,698 |
| Payments made in 2014 | (103,193) |
| Pension plan liabilities on September 30, 2014 (iii) | 1,845,773 |

| | |
|--------------|------------------|
| Total | 2,424,406 |
|--------------|------------------|

(i) Plan G1

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

- 1.19% of the portion of the salary of participation up to 20 salaries; and
- 10.13% of the surplus, if any, of the portion of the salary of participation over 20 salaries.

As of September 30, 2014, SABESP had a net actuarial liability of R\$578,633 (R\$546,748 in December 2013) representing the difference between the present value of the Company's defined benefit obligations to the participating employees, retired employees, and pensioners; the fair value of the related assets.

(ii) Private pension plan benefits – Defined contribution

On September 30, 2014, Sabesprev Mais plan, based on defined contribution, had 5,293 (5,627 in December 2013) active and assisted participants.

With respect to the Sabesprev Mais plan, the contributions from the sponsor represent 100% over the total basic contribution from the participants.

On September 30, 2014, the commitment to all participants who migrated to the Sabesprev Mais plan amounted to R\$9,531 (R\$10,613 in December 2013) referred to active participants.

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(iii) Plan G0

Pursuant to Law 4,819/58, employees who started services prior to May 1974 and were retired as an employee of the Company acquired a legal right to receive supplemental pension payments, which rights are referred as "Plan G0". The Company pays these supplemental benefits on behalf of the State Government and makes claims for reimbursements from the State Government, which are recorded as accounts receivable from shareholder, limited to the amounts considered virtually certain that will be reimbursed by the State Government. As of September 30, 2014, the Company recorded a defined benefit obligation for Plan G0 of R\$1,845,773 (R\$1,780,268 in December 2013).

(c) Profit sharing

The Company recorded as reference to the 2014 Profit Sharing Program, the amount corresponding to one-month salary for each employee, depending on the establishment goals. In the third quarter of 2014, R\$18,233 was accrued (third quarter of 2013 – R\$17,569). From January to September 2014 and 2013, R\$54,749 and R\$51,622, respectively were accrued.

19 Services payable

The services account records the balances payable, mainly from services received from third parties, such as supply of electric power, reading of hydrometers and delivery of water and sewage bills, cleaning, surveillance and security services, collection, legal counsel services, audit, marketing and advertising and consulting services, among others. This account also records the amounts payable from the percentage in the revenues of São Paulo local government. The balances on September 30, 2014 and December 31, 2013 were R\$327,774 and R\$323,208, respectively.

20 Equity

(a) Authorized capital

The Company is authorized to increase capital by up to R\$15,000,000 (R\$10,000,000 in December 2013), based on a Board of Directors' resolution, after submission to the Fiscal Council.

In the event of capital increase, issue of convertible debentures and/or warrants by means of private subscription, shareholders will have preemptive right in the proportion of number of shares held, pursuant to Article 171 of Law 6.404/76.

(b) Subscribed and paid-in capital

Subscribed and paid-in capital is represented by 683,509,869 registered, book-entry common shares without par value as of September 30, 2014 (683,509,869 in December 2013) held as follows:

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| | September 30, 2014 | | December 31, 2013 | |
|--|---------------------------|----------------|--------------------------|----------------|
| | Number of shares | % | Number of shares | % |
| State Department of Finance | 343,524,285 | 50.26% | 343,524,258 | 50.26% |
| Brazil Clearing and Depository Corporation - CBLC | 165,818,454 | 24.26% | 174,076,755 | 25.41% |
| The Bank Of New York ADR Department (equivalent in shares) (*) | 173,558,002 | 25.39% | 165,291,202 | 24.11% |
| Other | 609,128 | 0.09% | 617,654 | 0.09% |
| | 683,509,869 | 100.00% | 683,509,869 | 100.00% |

(*) Each ADR corresponds to 1 share.

The following was approved at the Annual and Extraordinary Shareholders' Meetings held on April 30, 2014:

- the distribution of dividends as interest on shareholders' equity amounting to R\$537,465;
- the capital increase from R\$6,203,688 to R\$10,000,000, due to the capitalization of part of profit reserve and total capital reserve, totaling R\$3,672,057 and R\$124,255, respectively; and,
- regardless of Bylaws amendment, the capital stock may be increased up to the maximum limit of R\$15,000,000, by means of the Board of Directors' resolution and previously hearing the fiscal council.

The payment of interest on shareholders' equity in the amount of R\$499,768, net of withholding income tax of R\$37,697, totaling R\$537,465, started in June 2014, with the amount of R\$467,438 paid.

Further information about equity, such as shareholder' compensation, dividends and purpose of reserves, can be found in Note 21 to the Annual Financial Statements as of December 31, 2013.

21 Earnings per Share

Basic and diluted

Basic earnings per share is calculated by dividing the income attributable to the Company's shareholders by the weighted average number of outstanding common shares during the year. The Company does not have potentially dilutive common shares outstanding or debts convertible into common shares. Accordingly, basic and diluted earnings per share are equal.

January to September 2014 January to September 2013

| | | |
|--|-------------|----------------|
| Income attributable to the Company's shareholders | 871,509 | 1,332,834 |
| Weighted average number of common shares issued | 683,509,869 | 683,509,869(*) |
| Basic and diluted earnings per share (<i>reais</i> per share) | 1.27505 | 1.94999 |

(*) Amount restated due to the split occurred on April, 22, 2013.

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Notes to the Interim Financial Information**22 Business segment information**

Management, comprised by the Board of Directors and the Board of Executive Officers, has determined the operating segments used to make strategic decisions, as water supply and sewage services.

Result

| | Water | Sewage | Reconciliation to |
|---|--------------|---------------|--------------------------|
| Gross operating income from external customers | 1,192,165 | 973,512 | |
| Gross sales deductions | (78,097) | (63,779) | |
| Net operating income from external customers | 1,114,068 | 909,733 | |
| Costs, selling and administrative expenses | (905,554) | (635,421) | |
| Income from operations before other operating expenses, net and equity accounting | 208,514 | 274,312 | |
| Other operating income (expenses), net | | | |
| Equity accounting | | | |
| Financial result, net | | | |
| Income from operations before taxes | | | |
| Depreciation and amortization | 121,541 | 121,658 | |

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| | Water | Sewage | Reconciliatio |
|---|--------------|---------------|----------------------|
| Gross operating income from external customers | 3,763,611 | 3,070,515 | |
| Gross sales deductions | (261,156) | (213,062) | |
| Net operating income from external customers | 3,502,455 | 2,857,453 | |
| Costs, selling and administrative expenses | (2,861,925) | (1,845,418) | |
| Income from operations before other operating expenses, net and equity accounting | 640,530 | 1,012,035 | |
| Other operating income (expenses), net | | | |
| Equity accounting | | | |
| Financial result, net | | | |
| Income from operations before taxes | | | |
| Depreciation and amortization | 384,133 | 341,918 | |

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| | Water | Sewage | Reconciliation t |
|---|--------------|---------------|-------------------------|
| Gross operating income from external customers | 1,321,891 | 1,071,379 | |
| Gross sales deductions | (95,151) | (77,122) | |
| Net operating income from external customers | 1,226,740 | 994,257 | |
| Costs, selling and administrative expenses | (840,443) | (560,656) | |
| Income from operations before other operating expenses, net and equity accounting | 386,297 | 433,601 | |
| Other operating income (expenses), net | | | |
| Equity accounting | | | |
| Financial result, net | | | |
| Income from operations before taxes | | | |
| Depreciation and amortization | 108,510 | 99,875 | |

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| | Water | Sewage | Reconciliatio |
|---|--------------|---------------|----------------------|
| Gross operating income from external customers | 3,880,693 | 3,138,853 | |
| Gross sales deductions | (281,771) | (227,908) | |
| Net operating income from external customers | 3,598,922 | 2,910,945 | |
| Costs, selling and administrative expenses | (2,602,039) | (1,669,966) | |
| Income from operations before other operating expenses, net and equity accounting | 996,883 | 1,240,979 | |
| Other operating income (expenses), net | | | |
| Equity accounting | | | |
| Financial result, net | | | |
| Income from operations before taxes | | | |
| Depreciation and amortization | 318,533 | 281,776 | |

Explanation on the reconciliation items for the Financial Statements: the impacts on gross operating income and in costs are as follows:

| | July to September 2014 | January to September 2014 |
|--|-------------------------------|----------------------------------|
| Gross revenue from construction recognized under ICPC 1 (R1) (a) | 799,731 | 2,009,700 |
| Construction costs recognized under ICPC 1 (R1) (a) | 782,243 | 1,966,930 |

Construction margin

17,488

42,77

(a) Revenue from concession construction contracts is recognized in accordance with CPC 17 (R1), Construction Contracts (IAS 11), using the percentage-of-completion method. See Note 12 (c) and (f).

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Notes to the Interim Financial Information**23 Operating Revenue****(a) Revenue from water and sewage services:**

| | July to September 2014 | January to September 2014 | July to September 2013 | January to September 2013 |
|----------------------------------|-------------------------------|----------------------------------|-------------------------------|----------------------------------|
| Metropolitan region of São Paulo | 1,513,008 | 4,821,592 | 1,770,410 | 5,160,205 |
| Regional Systems (i) | 652,669 | 2,012,534 | 622,860 | 1,859,341 |
| Total (ii) | 2,165,677 | 6,834,126 | 2,393,270 | 7,019,546 |

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

(ii) Revenue from water and sewage services decreased by 9.5% in the third quarter of 2014 year-on-year. This result was mainly impacted by the incentive program for reduction of consumption (Bonus*).

* Bonus: SABESP's Incentive Program for Reduction of Water Consumption

After ARSESP's approval on an emergency basis by means of Resolution 469/2014, SABESP adopted an economic incentive to encourage the population of Greater São Paulo to reduce water consumption. This measure was adopted due to the record heat and the unheard lack of rainfall at the Cantareira System, which is at a critical level and supplies almost 10 million people.

Consumers who reduce by, at least, 20% the average consumption of the twelve-month period, between February 2013 and January 2014, will receive 30% discount in their bills. The discount shall apply to a smaller amount, since reduced consumption will result in cheaper bills.

This measure applies to households, commerce and industries supplied by the Cantareira System – the entire north zone and São Paulo downtown, part of the east and west zones of São Paulo, Barueri, Caieiras, Carapicuíba, Francisco Morato, Franco da Rocha, Itapevi, Jandira, Osasco and Santana de Parnaíba. In Guarulhos and São Caetano do Sul, also supplied by the Cantareira System, distribution relies on the local governments, which buy water from SABESP. The municipal services shall resolve on granting this incentive.

The benefit will be valid for the bills of reference months from February to August, and consumers will receive the bills between March and September. In Santana de Parnaíba, this measure will be applied in the reference months from March to August and consumers will receive the bills between April and September.

However, in April 2014, the incentive program for reduction of water consumption was postponed until the end of 2014 to the entire São Paulo metropolitan region, or until water levels at reservoirs are regularized. Due to the dry weather and the low water volume at the Cantareira System, the Department of Water and Electricity of the State of São Paulo (DAEE) and the National Water Agency (ANA) set forth that, as of March 10, 2014, we are temporarily required to restrict the water outflow caught from the Cantareira System, from 33m³/s to 27.9m³/s. In order to supply this lower water availability and continue supplying the population, we are expanding the use of water from other water mains. This may increase costs to serve consumers of the metropolitan region of São Paulo. If the situation of the reservoirs affected by dry weather does not improve, we may be forced to take more drastic measures.

On May 26, 2014, the Incentive Program for Reduction of Water Consumption was expanded to the municipalities operated by SABESP which compose by Piracicaba basins, Capivari and Jaguari rivers, located in the coverage area of the Cantareira System.

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Likewise, consumers who reduce by, at least, 20% their monthly consumption will be entitled to bonus, compared to the average consumption of the twelve-month period, between February 2013 and January 2014. These consumers will receive 30% discount on their water and sewage bills. The participating municipalities are Bragança Paulista, Joanópolis, Nazaré Paulista, Pinhalzinho, Piracaia, Vargem, Hortolândia, Itatiba, Jarinu, Monte Mor, Morungaba and Paulínia.

This measure includes residential, commercial, industrial and government customers and will be valid for the bills issued as of June 2014, effective until December 2014.

The bonus amount for the period between July and September was R\$127,241 and for the period between January and September 2014 was R\$226,103.

(b) Reconciliation between gross operating income and net operating income:

| | July to September 2014 | January to September 2014 | July to September 2013 | January to September 2013 |
|--|------------------------------|---------------------------------|------------------------------|---------------------------------|
| Revenue from water and sewage services | 2,165,677 | 6,834,126 | 2,393,270 | 7,019,546 |
| Construction revenue (Note 12 (c)) | 799,731 | 2,009,707 | 551,362 | 1,703,814 |
| Sales tax | (141,876) | (474,218) | (172,273) | (509,679) |
| Net revenue | 2,823,532 | 8,369,615 | 2,772,359 | 8,213,681 |

24 Operating Costs and Expenses

July to September 2014 January to September 2014

| | | |
|---|-----------|-----------|
| Operating costs | | |
| Salaries and payroll charges | 377,045 | 1,109,573 |
| Pension obligations | 12,135 | 35,886 |
| Construction costs (Note 12 (c)) | 782,243 | 1,966,932 |
| General supplies | 51,827 | 140,372 |
| Treatment supplies | 65,628 | 199,880 |
| Outsourced services | 217,728 | 627,943 |
| Electricity | 155,801 | 439,624 |
| General expenses | 99,632 | 308,021 |
| Depreciation and amortization | 223,899 | 666,557 |
| | 1,985,938 | 5,494,788 |
| Selling expenses | | |
| Salaries and payroll charges | 60,248 | 175,748 |
| Pension obligations | 1,582 | 4,675 |
| General supplies | 1,094 | 3,264 |
| Outsourced services | 60,363 | 188,348 |
| Electricity | 139 | 443 |
| General expenses | 22,304 | 63,385 |
| Depreciation and amortization | 2,474 | 7,842 |
| Allowance for doubtful accounts, net of recoveries (Note 7 (c)) | (21,640) | 54,688 |
| | 126,564 | 498,393 |
| Administrative expenses | | |
| Salaries and payroll charges | 45,876 | 134,629 |
| Pension plan | 38,982 | 123,497 |
| General supplies | 1,799 | 5,138 |
| Outsourced services | 23,052 | 151,095 |
| Electricity | 340 | 758 |
| General expenses | 65,660 | 158,864 |
| Depreciation and amortization | 16,826 | 51,652 |
| Tax expenses | 18,181 | 55,461 |
| | 210,716 | 681,094 |
| Operating costs and expenses | | |
| Salaries and payroll charges | 483,169 | 1,419,950 |
| Pension plan | 52,699 | 164,058 |
| Construction costs (Note 12 (c)) | 782,243 | 1,966,932 |
| General supplies | 54,720 | 148,774 |
| Treatment supplies | 65,628 | 199,880 |
| Outsourced services | 301,143 | 967,386 |
| Electricity | 156,280 | 440,825 |
| General expenses | 187,596 | 530,270 |
| Depreciation and amortization | 243,199 | 726,051 |
| Tax expenses | 18,181 | 55,461 |
| Allowance for doubtful accounts, net of recoveries (Note 7 (c)) | (21,640) | 54,688 |
| | 2,323,218 | 6,674,275 |

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Notes to the Interim Financial Information**25 Financial Expenses and Income**

| | July to September 2014 | January to September 2014 |
|---|-------------------------------|----------------------------------|
| Financial expenses | | |
| Interest and charges on loans and financing – local currency (i) | (46,533) | (208,704) |
| Interest and charges on loans and financing – foreign currency (ii) | (27,140) | (74,581) |
| Other financial expenses (iii) | (23,351) | (65,376) |
| Income tax over international remittance | (2,976) | (9,715) |
| Inflation adjustment on loans and financing (iv) | (10,155) | (72,141) |
| Inflation adjustment on Sabesprev Mais deficit (v) | (215) | (899) |
| Other inflation adjustments (vi) | (1,817) | (7,686) |
| Interest and inflation adjustments on provisions (vii) | (22,348) | (71,840) |
| Total financial expenses | (134,535) | (510,942) |
| Financial income | | |
| Inflation adjustment gains (viii) | 29,024 | 65,262 |
| Income on short-term investments (ix) | 52,205 | 148,309 |
| Interest and other income (x) | 28,673 | 78,058 |
| Total financial income | 109,902 | 291,629 |
| Financial, net before foreign exchange changes | (24,633) | (219,313) |
| Net foreign exchange gains (losses) | | |
| Foreign exchange change on loans and financing (xi) | (312,931) | (111,667) |
| Other foreign exchange changes | (30) | (60) |
| Foreign exchange gains | (178) | (790) |
| Foreign exchange changes, net | (313,139) | (112,517) |
| Financial, net | (337,772) | (331,830) |

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- (i) The variation in expenses related to local currency-denominated loans and financing interest decreased mainly due to higher capitalization of interest in the third quarter of 2014, compared to the same period last year.
- (ii) The increase in expenses related to foreign currency-denominated loans and financing interest mainly reflect the increased balance of debt due to the 11.3% appreciation of the US dollar and the 2.8% appreciation of Yen against Real, in the third quarter of 2014, when compared to lower appreciation of currencies in the third quarter of 2013, 0.7% and 1.6%, respectively.
- (iii) Other financial expenses increased mainly due to the startup of two sewage treatment stations financed by means of leasing (Campo Limpo Paulista/Várzea Paulista and Campos do Jordão, respectively, in August 2013 and in March 2014), under CPC 20(R1), the interest paid are recognized as financial expense.
- (iv) The monetary variation derives from increase in the indexes defined in the loan agreements, such as, TR, IPCA, CDI and TJLP, which were 0.3%, 0.8%, 10.8% and 1.3%, respectively in the third quarter of 2014 (0.03%, 0.6%, 8.7% and 1.3%, respectively, in same period of 2013). The exposures to these rates are shown in Note 3.1.
- (v) The decrease derives from smaller balance of SABESP's commitments in relation to the deficit of Sabesprev Mais pension plan. The INPC index (Consumer Price National Index), which is applied to adjust commitments in the period changed 0.8% the third quarter of 2014 and 0.3% in the same period of 2013.
- (vi) Other monetary variations expenses are mainly adjustments to liabilities referring to investment commitments required by private-public partnerships, program contracts which are indexed by IPC and IPCA which stood at 0.7% and 0.8%, respectively, in the third quarter of 2014 and 0.3% and 0.6%, respectively, in the same period of 2013.
- (vii) The account variation mainly derives from favorable progress of lawsuits in the third quarter of 2013, with effects on the decrease of interest expenses in that period.
- (viii) The monetary variations increased mainly due to monetary restatements over escrow deposits referring to the third quarter of 2014, which are adjusted by the index defined by the Brazilian judiciary branch which varied

between 0.6% in the third quarter of 2014 and 0.3% in the same period of 2013, partial receipt of court-ordered payment of government debt of Guarulhos in September 2014, and bills/invoices from accounts receivable in arrears which are adjusted depending on the date of payment by indexes IPCA (0.8% in the third quarter of 2014 and 0.6% in the same period of 2013) or IPC-FIPE (Consumer Price Index), 0.7% in the third quarter of 2014 and 0.3% in the same period of 2013).

(ix) The account variation derives from financial investments in the period, indexed to CDI, due to CDI increase in the third quarter of 2014 (10.8%) compared to the same period of 2013 (9.7%).

(x) The account variation derives from interest over agreements and installment payments in the third quarter of 2014.

(xi) The expense related to the exchange rate variation on loans and financing mainly derives from the 11.3% appreciation of the US dollar and 2.8% appreciation of Yen against real in the third quarter of 2014, compared to a lower appreciation of these currencies in the same period of 2013, which was 0.7% and 1.6%, respectively.

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Notes to the Interim Financial Information**26 Other Operating Income (expenses), net**

| | July to September 2014 | January to September 2014 | July to September 2013 | January to September 2013 |
|---------------------------------------|-------------------------------|----------------------------------|-------------------------------|----------------------------------|
| Other net operating income | 21,014 | 59,159 | 16,531 | 40,749 |
| Other operating expenses (i) | (27,182) | (103,187) | (4,792) | (18,667) |
| Other net operating income (expenses) | (6,168) | (44,028) | 11,739 | 22,082 |

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

Other operating expenses consist mainly of write-off of concessions due to obsolescence, discontinued construction works, unproductive wells, projects considered economically unfeasible.

(i) R\$22.4 million increase in other operating expenses, mainly due to the write-off of obsolete assets (household connections, piping and hydraulic parts) in the third quarter of 2014 totaling R\$26.3 million.

27 Commitments

The Company has agreements to manage and maintain its activities, as well as agreements to build new projects aiming at achieving the objectives proposed in its target plan. Below, main committed amounts as of September 30, 2014 are as follows:

| | October to December 2014 | 2015-2016 | 2017-2018 | 2019 onwards | Total |
|---|--------------------------|-----------|-----------|--------------|------------|
| Contractual obligations - Expenses | 416,735 | 1,468,627 | 84,105 | 3,785,124 | 5,754,591 |
| Contractual obligations – Investments (i) | 457,830 | 2,823,512 | 716,469 | 3,558,023 | 7,555,834 |
| Total | 874,565 | 4,292,139 | 800,574 | 7,343,147 | 13,310,425 |

(i) The main commitment refers to São Lourenço PPP, see Note 12 (h).

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Notes to the Interim Financial Information**28 Additional information on cash flows**

| | January to September 2014 | January to September 2013 |
|--|--|--|
| Total additions of intangible assets as per Note 12 | 2,283,864 | 1,893,407 |
| Items not affecting cash (see breakdown below) | (449,560) | (346,958) |
| Total additions to intangible assets as per statement of cash flows | 1,834,304 | 1,546,449 |
| Investments and financing operations affecting intangible assets but not cash: | | |
| Interest capitalized in the period | 176,724 | 163,975 |
| Contractors | 37,535 | (38,040) |
| Program contract commitments | 70,250 | 36,779 |
| Public-Private-Partnership | 43,459 | - |
| Leasing | 78,817 | 149,074 |
| Construction margin | 42,775 | 35,170 |
| Total | 449,560 | 346,958 |

29 Events after the reporting period

- **Bonus extension**

On October 22, 2014, ARSESP published the Resolution n° 514 which approves the bonus by consumption reduction levels for SABESP's Incentive Program to Reduce Water Consumption.

The bonus by levels of consumption reduction during the effectiveness period of the Incentive Program to Reduce Water Consumption will be:

(a) A thirty percent (30%) bonus for users whose monthly consumption is reduced by at least, twenty percent (20%) in relation to the average consumption in the period between February 2013 and January 2014.

(b) A twenty percent (20%) bonus for users whose monthly consumption reduction exceeds or equals to fifteen percent (15%) and lower than twenty percent (20%) in relation to the average consumption in the period between February 2013 and January 2014.

(c) A ten percent (10%) bonus for users whose monthly consumption reduction exceeds or equals to ten percent (10%) and lower than fifteen percent (15%) in relation to the average consumption in the period between February 2013 and January 2014.

The bonus by levels of consumption reduction shall apply to all the municipalities which currently already receive the bonus over the water and sewage bills.

The new levels of the Bonus Program will use as reference, consumption as of November 1, 2014.

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- **New calculation of tariffs**

On November 13, 2014, the Board of Directors, pursuant to item VI of Article 13 of its Bylaws, having the Executive Board been heard, authorized the Company to request the São Paulo State Sanitation and Energy Regulatory Agency – ARSESP the publication of the recalculation of the tariffs to be applied in December 2014, as permitted by ARSESP Resolution 484/2014 and in accordance with the Board of Directors resolution of April 16, 2014.

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Comments on the Company's projections

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

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

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Other Information Deemed as Relevant by the Company**1. CHANGES IN INTEREST HELD BY CONTROLLING SHAREHOLDER, BOARD MEMBERS AND EXECUTIVE OFFICERS****CONSOLIDATED SHAREHOLDING OF CONTROLLING SHAREHOLDERS, MANAGEMENT AND OUTSTANDING SHARES**

Position as at 09/30/2014

| Shareholder | Number of Common Shares (units) | % | Total Number of Shares (units) | % |
|--------------------------------|--|--------------|---|--------------|
| Controlling shareholder | | | | |
| Treasury Department | 343,524,285 | 50.3% | 343,524,285 | 50.3% |
| Management | | | | |
| Board of Directors | - | - | - | - |
| Executive Officers | - | - | - | - |
| Fiscal Council | - | - | - | - |
| Treasury shares | - | - | - | - |
| Other shareholders | | | | |
| Total | 343,524,285 | 50.3% | 343,524,285 | 50.3% |
| Outstanding shares | 339,985,584 | 49.7% | 339,985,584 | 49.7% |

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**CONSOLIDATED SHAREHOLDING OF CONTROLLING SHAREHOLDERS, MANAGEMENT AND
OUTSTANDING SHARES
Position as at 9/30/2013**

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

2. SHAREHOLDING POSITION

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

Company:

CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

| Shareholder | Common shares | | Position as at 09/30/2014 (shares) | |
|---------------------|-------------------------|----------|---|----------|
| | Number of shares | % | Number of shares | % |
| Treasury Department | 343,524,285 | 50.3 | 343,524,285 | 50.3 |

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Version: 1

Reports and Statements / Unqualified Report on Special Review

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders, Board of Directors and Management of

Companhia de Saneamento Básico do Estado de São Paulo - SABESP

São Paulo - SP

Introduction

We have reviewed the accompanying interim financial information of Companhia de Saneamento Básico do Estado de São Paulo - SABESP (the “Company”) included in the Interim Financial Information Form (ITR), for the quarter ended September 30, 2014, which comprises the balance sheet as of September 30, 2014 and the related statements of income and comprehensive income for the three and nine-month period then ended and changes in equity and of cash flows for the nine-month period then ended, including the explanatory notes.

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

Scope of review

We conducted our review in accordance with Brazilian and international standards on review of interim financial information (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with standards on auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the interim financial information

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

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ESTADO SÃO PAULO

**Version:
1**

Other matters

Statements of value added

We have also reviewed the statements of value added (DVA) for the nine-month period ended September 30, 2014, prepared under the responsibility of the Company's Management, the presentation of which is required by the standards issued by the CVM applicable to the preparation of Interim Financial Information (ITR) and considered as supplemental information for International Financial Reporting Standards - IFRS, which does not require the presentation of DVA. These statements were subject to the same review procedures described above, and, based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the interim financial information taken as a whole.

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

São Paulo, November 13, 2014

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Délio Rocha Leite
Engagement Partner

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