Form 6-K December 06, 2013

# SECURITIES AND EXCHANGE COMMISSION Washington, DC 20549

#### FORM 6-K

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

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

#### Companhia de Saneamento Básico do Estado de São Paulo - SABESP

(Exact name of registrant as specified in its charter)

#### Basic Sanitation Company of the State of Sao Paulo - SABESP

(Translation of Registrant's name into English)

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

Indicate by check mark whether the registrant files or will file

annual reports under cover Form 20-F or Form 40-F.

Form 20-F \_\_X\_\_ 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 \_\_\_X\_\_\_

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

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

Version:

1

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**Version:** 

#### 1

### **Company Information / Capital Breakdown**

Number of Shares	Current Quarter
(Units)	9/30/2013
Paid-in Capital	0,00,2010
Common	683,509,869
Preferred	0
Total	683,509,869
Treasury Shares	
Common	0
Preferred	0
Total	0

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## Company Information / Cash Proceeds

			Ea	arnings per Share
Event	ApprovalProceeds	Date ofType of PaymentShare	Class of Share	(Reais / Share)
Board of Directors'		•		
Meeting	3/21/2013Others	6/21/2013Common		2.34500

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### Parent Company Financial Statements/Statement of Financial Position - Assets

### (R\$ thousand)

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

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

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### Parent Company Financial Statements/Statement of Financial Position – Liabilities

### (R\$ thousand)

Cada	Decembries	<b>Current Quarter</b>	Previous Year
Code	Description	9/30/2013	12/31/2012
2	Total Liabilities	27,560,792	26,476,097
2.01	Current Liabilities	2,716,136	3,758,189
2.01.01	Labor and Pension Plan Liabilities	354,514	267,332
2.01.01.01	Pension Plan Liabilities	21,963	35,188
2.01.01.02	Labor Liabilities	332,551	232,144
2.01.02	Trade Accounts Payable	217,658	295,392
2.01.02.01	Domestic Suppliers	217,658	295,392
2.01.03	Tax Liabilities	231,167	152,710
2.01.03.01	Federal Tax Liabilities	225,828	147,013
2.01.03.01.0	1 Income Tax and Social Contribution Payable	137,749	0
	PIS-PASEP and COFINS (taxes on revenue)		
2.01.03.01.0		40,985	46,576
	3 INSS (social security contribution) Payable	29,791	29,401
	4 Installment Program - Law 10684/03	0	19,011
	OOther Federal Taxes	17,303	52,025
2.01.03.03	Municipal Taxes Liabilities	5,339	5,697
2.01.04	Loans and Financing	705,971	1,342,594
2.01.04.01	Loans and Financing	655,457	833,635
	1 In Domestic Currency	429,207	635,968
	2In Foreign Currency	226,250	197,667
2.01.04.02	Debentures	50,514	508,959
2.01.05	Other Liabilities	595,962	1,135,078
2.01.05.01	•	1,772	958
	3 Payables to Controlling Shareholders	1,772	958
2.01.05.02	Other	594,190	1,134,120
	1 Dividends and Interest on Equity Payable	130	414,355
	4Services Payable	303,688	389,091
	5 Refundable Amounts	34,893	42,479
2.01.05.02.0	6 Program Contract Commitments	158,261	148,220

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2.01.05.02.0	7 Private Public Partnership – PPP	13,759	24,357
2.01.05.02.09	•	16,640	8,697
	OOther Payables	66,819	106,921
2.01.06	Provisions	610,864	565,083
	Tax, Social Security, Labor and Civil	,	,
2.01.06.01	Provisions	109,404	112,119
2.01.06.01.0	1 Tax Provisions	6,643	9,912
2.01.06.01.0	2Social Security and Labor Provisions	64,638	59,868
2.01.06.01.0	4Civil Provisions	38,123	42,339
2.01.06.02	Other Provisions	501,460	452,964
2.01.06.02.03 Provisions for Environmental		42,404	11,586
2.01.06.02.0	4		
	Provisions for Customers	366,927	355,520
2.01.06.02.0	5		
	Provisions for Suppliers	92,129	85,858
2.02	Non-Current Liabilities	12,335,261	11,461,146
2.02.01	Loans and Financing	8,379,212	7,532,661
2.02.01.01	Loans and Financing	5,037,410	4,669,478

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## **Version:**

### Parent Company Financial Statements/Statement of Financial Position – Liabilities

### (R\$ thousand)

		<b>Current Quarter</b>	<b>Previous Year</b>
Code	Description		
		9/30/2013	12/31/2012
	In Domestic Currency	1,713,375	1,651,384
2.02.01.01.02			
	In Foreign Currency	3,324,035	3,018,094
2.02.01.02	Debentures	3,341,802	2,863,183
2.02.02	Other Payables	3,396,421	3,304,414
2.02.02.02	Other	3,396,421	3,304,414
	Pension Plan Liabilities	2,680,300	2,592,550
	Program Contract Commitments	97,880	87,407
	Private Public Partnership – PPP	332,304	331,960
2.02.02.02.07		8,057	17,577
	TAC – Retirees	39,748	36,804
	Deferred COFINS and PASEP	127,944	123,731
2.02.02.02.20			
	Other Payables	110,188	114,385
2.02.04	Provisions	559,628	624,071
2.02.04.01	Tax, Pension Plan, Labor and Civil Provisions	230,957	292,198
2.02.04.01.01			
	Tax Provisions	57,785	58,173
2.02.04.01.02			
	Pension PLan and Labor Provisions	83,988	111,830
2.02.04.01.04			
	Civil Provisions	89,184	122,195
2.02.04.02	Other Provisions	328,671	331,873
2.02.04.02.03			
	Provisions for Environmental	138,401	136,839
2.02.04.02.04			
	Provisions for Customers	159,132	165,735
2.02.04.02.05			
	Provisions for Suppliers	31,138	29,299
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2.03	Equity	12,509,395	11,256,762
2.03.01	Paid-Up Capital	6,203,688	6,203,688
2.03.02	Capital Reserves	124,255	124,255
2.03.02.07	Projects Support	108,475	108,475
2.03.02.08	Incentive Reserves	15,780	15,780
2.03.04	Profit Reserve	5,307,433	5,387,634
2.03.04.01	Legal Reserve	616,814	616,814
2.03.04.08	Additional Dividend Proposed	0	80,201
2.03.04.10	Reserve for Investments	4,690,619	4,690,619
2.03.05	Retained Earnings/Accumulated Losses	1,332,834	0
2.03.08	Other Comprehensive Income	-458,815	-458,815

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Version:

### Parent Company Financial Statements/Statement of Income

### (R\$ thousand)

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

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

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### Parent Company Financial Statements / Statement of Income

### (R\$ thousand)

			VTD 0	0	YTD Previous
Code	Description	Current Quarter	YTD Current Year	Same Quarter Previous Year	Year
Couo	Doodiipiioii	7/1/2013 to 9/30/2013	1/1/2013 to 9/30/2013	7/1/2012 to 9/30/2012	1/1/2012 to 9/30/2012
	Earnings Before				
3.07	Income Tax	725,347	1,996,706	552,946	1,616,586
	Income Tax and				
3.08	Social Contribution	-250,383	-663,872	-191,182	-470,098
3.08.01	Current	-256,336	-660,195	-240,126	-479,581
3.08.02	Deferred	5,953	-3,677	48,944	9,483
	Net Result from				
	Continued				
3.09	Operations	474,964	1,332,834	361,764	1,146,488
	Profit/Loss for the				
3.11	Period	474,964	1,332,834	361,764	1,146,488
	Earnings per				
	Share - (Reais /				
3.99	Share)				
	Basic Earnings per				
3.99.01	Share				
3.99.01.0	1 Common Share Diluted Earnings	0.69489	1.94999	0.52927	1.67736
3.99.02	per Share				
3.99.02.0	1 Common Share	0.69489	1.94999	0.52927	1.67736

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**Version:** 

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### Parent Company Financial Statements / Statement of Comprehensive Income

### (R\$ thousand)

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

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

### (R\$ thousand)

Code	Description	YTD Current Year 1/1/2013 to	YTD Previous Year 1/1/2012 to 9/30/2012
		0,00,00	
6.01	Net Cash from Operating Activities	2,157,978	1,847,791
6.01.01	Cash from Operations	3,315,346	3,263,693
	Net Income Before Income Tax and Social		
6.01.01.01	Contribution	1,996,706	1,616,586
	Provision and Inflation Adjustments on		
6.01.01.02	Provisions	154,444	231,150
6.01.01.04	Financial Charges from Customers	-167,665	-114,613
	Residual Value of Written-Off Property, Plant and		
6.01.01.05	Equipment	8,067	2,129
6.01.01.06	Depreciation and Amortization	600,309	543,702
6.01.01.07	Interest on Loans and Financing Payable	276,654	306,742
6.01.01.08	Monetary and Foreign Exchange Variation on		
	Loans and Financing	207,776	169,399
6.01.01.09	Interest and Monetary Variation on Liabilities	17,458	1,147
6.01.01.10	Interest and Monetary Variation in Assets	-8,023	-9,919
6.01.01.11	Allowance for Doubtful Accounts	83,924	304,011
6.01.01.12	Provision for Consent Decree (TAC)	17,314	24,482
6.01.01.13	Equity in the Earnings of Subsidiaries	-1,476	3,643
6.01.01.14	Provision for Sabesprev Mais	7,383	-6,522
6.01.01.15	Other Provisions/Reversals	-34,975	1,186
	Transfer of Funds to São Paulo Municipal		
6.01.01.16	Government	-4,612	-4,080
6.01.01.17	Gross Margin over Intangible Assets Resulting		
	from Concession Contracts	-35,170	-36,919
6.01.01.18	Pension Plan Liabilities	197,232	161,355
6.01.01.20	Other Adjustments	0	70,214
6.01.02	Changes in Assets and Liabilities	-376,447	-657,140

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

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### Parent Company Financial Statements/Statement of Cash Flows - Indirect Method

### (R\$ thousand)

Code	Description	YTD Current Year	YTD Previous Year
0040	2000p	1/1/2013 to 9/30/2013	1/1/2012 to 9/30/2012
6.01.03.01	Interest Paid	-394,918	-471,168
6.01.03.02	Income Tax and Social Contribution Paid	-386,003	-287,594
6.02	Net Cash from Investing Activities	-1,503,878	-1,330,861
6.02.01	Acquisition of Property, Plant and Equipment	-11,560	-12,305
6.02.02	Increase in Intangible Assets	-1,546,449	-1,342,180
6.02.03	Increase (Decrease) in Investment	-373	-5,092
6.02.04	Restricted Cash	54,504	28,716
6.03	Net Cash from Financing Activities	-741,304	-892,696
6.03.01	Funding – Loans	1,391,619	995,442
6.03.02	Amortization of Loans	-1,590,430	-1,350,366
6.03.03	Payment of Interest on Equity	-498,669	-537,772
6.03.04	Public-Private Partnership – PPP	-10,254	0
6.03.05	Program Contract - Commitments	-33,570	0
6.05	Increase (Decrease) in Cash and Cash		
	Equivalents	-87,204	-375,766
6.05.01	Opening Cash and Cash Equivalents	1,915,974	2,142,079
6.05.02	Closing Cash and Cash Equivalents	1,828,770	1,766,313

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### Parent Company Financial Statements/Statement of Changes in Equity – 1/1/2013 to 9/30/2013

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### (R\$ thousand)

Code	Description	Paid-up Capital	Capital Reserves, Options Granted and Treasury	Profit Reserves	Retained Earnings/ Accumulated Losses	Other Comprehensive	Total Equity
5.01	Opening Balances	6,203,688		5,387,634	0		1,256,762
5.03	Restated Opening Balances	6,203,688	,	5,387,634	0	,	1,256,762
5.04	Capital Transactions with Partners	0	0	-80,201	0	0	-80,201
5.04.08	Additional Dividends Approved	0	0	-80,201	0	0	-80,201
5.05	Total Comprehensive Income	0	0	0	1,332,834	0	1,332,834
5.05.01	Net Income for the Period	0	0	0	1,332,834	0	1,332,834
5.07	Closing Balances	6,203,688	124,255	5,307,433	1,332,834	-458,8151	2,509,395

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### Parent Company Financial Statements/Statement of Changes in Equity- 1/1/2012 to 9/30/2012

### (R\$ thousand)

Code	Description	Paid-up Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Retained Earnings/ Accumulated Losses	Other Comprehensive Income	Total Equity
5.01	Opening Balances	6,203,688		4,217,953	0		10,544,943
5.03	Restated Opening Balances	6,203,688	•	4,217,953	0		10,544,943
5.04	Capital Transactions with Partners	0	0	-288,143	0	0	-288,143
5.04.08	Additional Dividends Approved	0	0	-288,143	0	0	-288,143
5.05	Total Comprehensive Income	0	0	0	1,146,488	0	1,146,488
5.05.01	Net Income for the Period	0	0	0	1,146,488	0	1,146,488
5.07	Closing Balances	6,203,688	124,255	3,929,810	1,146,488	-9531	11,403,288

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### Parent Company Financial Statements/Statement of Value Added

### (R\$ thousand)

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

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

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### **Comments on the Company's Performance**

### 1. Financial highlights

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

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

#### R\$ million

1.8	475.0	113.2	31.3	1,146.51	,332.9	186.4	16.3
1.2	250.4	59.2	31.0	470.1	663.9	193.8	41.2
9.3	119.9	10.6	9.7	395.6	299.9	(95.7)	(24.2)
9.5	(11.7)	(71.2)(1	19.7)	32.7	(22.1)	(54.8)	(167.6)
1.8	833.6	111.8	15.52	2,044.92	2,274.6	229.7	11.2
0.2	208.4	28.2	15.6	543.7	600.3	56.6	10.4
2.01	,042.0	140.0	15.52	2,588.62	2,874.9	286.3	11.1
3.3	37.6			33.3	35.0		
	1.2 9.3 9.5 1.8 0.2 2.01	1.8 475.0 1.2 250.4 9.3 119.9 9.5 (11.7) 1.8 833.6 0.2 208.4 2.01,042.0 3.3 37.6	1.2     250.4     59.2       9.3     119.9     10.6       9.5     (11.7)     (71.2)(1       1.8     833.6     111.8       0.2     208.4     28.2       2.01,042.0     140.0	1.2     250.4     59.2     31.0       9.3     119.9     10.6     9.7       9.5     (11.7)     (71.2)(119.7)       1.8     833.6     111.8     15.52       0.2     208.4     28.2     15.6       2.01,042.0     140.0     15.52	1.2     250.4     59.2     31.0     470.1       9.3     119.9     10.6     9.7     395.6       9.5     (11.7)     (71.2)(119.7)     32.7       1.8     833.6     111.8     15.52,044.92       0.2     208.4     28.2     15.6     543.7       2.01,042.0     140.0     15.52,588.62	1.2       250.4       59.2       31.0       470.1       663.9         9.3       119.9       10.6       9.7       395.6       299.9         9.5       (11.7)       (71.2)(119.7)       32.7       (22.1)         1.8       833.6       111.8       15.52,044.92,274.6         0.2       208.4       28.2       15.6       543.7       600.3         2.01,042.0       140.0       15.52,588.62,874.9	1.2     250.4     59.2     31.0     470.1     663.9     193.8       9.3     119.9     10.6     9.7     395.6     299.9     (95.7)       9.5     (11.7)     (71.2)(119.7)     32.7     (22.1)     (54.8)       1.8     833.6     111.8     15.52,044.92,274.6     229.7       0.2     208.4     28.2     15.6     543.7     600.3     56.6       2.01,042.0     140.0     15.52,588.62,874.9     286.3

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

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

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

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

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

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

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

#### 2. Gross operating revenue

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

The main factors that led to this variation were:

- Tariff adjustment of 5.15% since September 2012;
- The tariff repositioning index of 2.35% applied since April 2013; and
- Increase of 2.0% in the Company's total billed volume (1.9% in water and 2.1% in sewage).

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#### Comments on the Company's Performance

The less-than-expected growth was due to the conclusion of the implementation of TACE¹ services in municipalities in the interior region in 2Q12, which led to a decline in the number of days of unbilled water, decreasing the revenue estimated for June 2012. This reduced estimate caused a smaller reversal in July 2012, significantly affecting the variations presented in the periods analyzed.

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

#### 3. Construction revenue

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

#### 4. Billed volume

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

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

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

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Reused water	0.1	3.2	-	-	-	-	0.1	3.2	-
Total	522.7	532.5	1.9	384.5	392.5	2.1	907.2	925.0	2.0
Desidential	4 400 4	4.450.0	0.4	000.0	000.4	0.7	0.070.0	0.400.0	0.0
Residencial	1,136.4	1,159.9	2.1	936.9	962.1	2.7	2,073.3	2,122.0	2.3
Commercial	129.1	130.6	1.2	119.9	121.5	1.3	249.0	252.1	1.2
Industrial	28.4	29.3	3.2	31.7	33.3	5.0	60.1	62.6	4.2
Public	41.6	40.7	(2.2)	32.3	31.6	(2.2)	73.9	72.3	(2.2)
Total retail	1,335.5	1,360.5	1.9	1,120.8	1,148.5	2.5	2,456.3	2,509.0	2.1
Wholesale	221.8	223.5	8.0	21.0	22.7	8.1	242.8	246.2	1.4
Reused water	0.3	11.8	-	-	-	-	0.3	11.8	-
Total	1,557.6	1,595.8	2.5	1,141.8	1,171.2	2.6	2,699.4	2,767.0	2.5

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

Metropolitan	296.6	300.9	1.4	252.9	257.0	1.6	549.5	557.9	1.5
Regional <sup>(2)</sup>	151.2	153.9	1.8	124.1	127.6	2.8	275.3	281.5	2.3
Total retail	447.8	454.8	1.6	377.0	384.6	2.0	824.8	839.4	1.8
Wholesale	74.8	74.5	(0.4)	7.5	7.9	5.3	82.3	82.4	0.1
Reused water	0.1	3.2	-	-	-	-	0.1	3.2	-
Total	522.7	532.5	1.9	384.5	392.5	2.1	907.2	925.0	2.0
Metropolitan	0.088	896.6	1.9	748.9	764.5	2.1	1,628.9	1,661.1	2.0
Regional (2)	455.5	463.9	1.8	371.9	384.0	3.3	827.4	847.9	2.5
Total retail	1,335.5	1,360.5	1.9	1,120.8	1,148.5	2.5	2,456.3	2,509.0	2.1
Wholesale	221.8	223.5	0.8	21.0	22.7	8.1	242.8	246.2	1.4
Reused water	0.3	11.8	-	-	-	-	0.3	11.8	-
Total	1,557.6	1,595.8	2.5	1,141.8	1,171.2	2.6	2,699.4	2,767.0	2.5

<sup>(1)</sup> Unaudited

#### (2) Including coast and countryside

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

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#### **Comments on the Company's Performance**

#### 5. Costs, administrative expenses, selling and construction

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

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

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#### 5.1. Payroll and benefits

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

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

#### 5.2. Supplies

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

#### 5.3. Treatment supplies

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

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

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#### Comments on the Company's Performance

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

#### 5.4. Services

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

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

#### 5.5. Electric power

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This item decreased R\$ 11.7 million, or 8.1%, from R\$ 144.8 million in 3Q12 to R\$ 133.1 million in 3Q13, mainly due to the average decrease of 22.7% in the Tariff for the Use of Distribution System (TUSD), as a consequence of Provisional Presidential Decree 579/12 and Law 12,783/13.

#### 5.6. General expenses

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

#### 5.7. Depreciation and Amortization

Depreciation and amortization increased R\$ 28.2 million or 15.6%, from R\$ 180.2 million in 3Q12 to R\$ 208.4 million in 3Q13, due to the transfer of works to the operating intangible asset, with a net increase of R\$ 2.1 billion.

#### 5.8. Credit write-offs

Credit write-offs decreased R\$ 42.9 million or 60.8%, from R\$ 70.6 million in 3Q12 to R\$ 27.7 million in 3Q13, chiefly due to the additional provision held in 3Q12, in the amount of R\$ 41.2 million.

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#### **Comments on the Company's Performance**

#### 6. Other operating revenues/expenses

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

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

#### 7. Net Financial expenses

			R	\$ milion
Financial expenses, net of revenues	(84.1)	(45.0)	39.1	(46.5)
Net monetary variation	(25.2)	(74.9)	(49.7)	197.2
Net financial	(109.3)	(119.9)	(10.6)	9.7

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

			R	\$ million
Financial expenses Interest and charges on domestic loans and financing Interest and charges on international loans and financing	75.0 22.5	63.0 18.7	(12.0) (3.8)	(16.0) (16.9)
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Other financial expenses	41.2	22.9	(18.3)	(44.4)
Total financial expenses	138.7	104.6	(34.1)	(24.6)
Financial revenues	54.6	59.6	5.0	9.2
Financial expenses, net of revenues	84.1	45.0	(39.1)	(46.5)

### 7.1.1. Financial expenses

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

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

#### 7.1.2. Financial revenues

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

#### 7.2. Monetary variation on assets and liabilities

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

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#### **Comments on the Company's Performance**

#### 7.2.1. Monetary variation on liabilities

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

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

#### 7.2.2. Monetary variation on assets

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

#### 8. Income tax and social contribution

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

#### 9. Operating indicators

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

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

- (1) In thousand units at the end of the period
- (2) In million inhabitants, at the end of the period. Not including wholesale
- (3) In millions of cubic meters at the end of the period
- (\*) Unaudited

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#### Notes to the financial statements

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

#### 1. OPERATIONS

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

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

On September 30, 2013, the Company operated water and sewage services in 364 municipalities of the State of São Paulo. The municipality of Mogi das Cruzes has two partial concession agreements, one agreement was renewed and the other one will expire. Most of these municipalities operations are based on 30-year concession agreements.

SABESP is not temporarily operating in some municipalities due to judicial orders under ongoing lawsuits: Iperó, Cajobi, Álvares Florense, Macatuba and Embaúba, whose carrying amount of these municipalities' intangible assets was R\$11,352 on September 30, 2013.

On September 30, 2013, a total of 62 concessions had expired and are being negotiated. From 2013 to 2034, 38 concessions will expire. Management believes that all concessions expired and not yet renewed will result in new contracts, disregarding the risk of discontinuity in the provision of municipal water supply and sewage services. By September 30, 2013, a total of 265 program and metropolitan contracts were signed (258 contracts on December 31, 2012).

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

The Company's operations are concentrated in the municipality of São Paulo, which represents 51.56% of the gross revenue on September 30, 2013 (51.39% in September 2012) and 42.56% of intangible assets (43.51% in December 2012).

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

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#### Notes to the financial statements

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

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

In the municipality of Santos, in the Santos coast region, which has a significant population, the Company operates under an authorization by public deed, a situation similar to other municipalities in that region and in the Ribeira valley, where the Company started to operate after the merger of companies composing it. As of September 30, 2013 the carrying amount of the municipality of Santos' intangible assets was R\$335,469 (R\$328,693 in December 2012) and gross revenue for the nine-month period ended September 30, 2013 was R\$182,983 (R\$165,512 in September 2012).

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

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

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

The Company's shares have been listed in the *Novo Mercado* (New Market) segment of BM&FBovespa (the São Paulo Stock Exchange) under the ticker symbol SBSP3 since April 2002 and on the New York Stock Exchange (NYSE) as American Depositary Receipts ("ADRs") Level III, under the ticker symbol SBS since May 2002. In 2007, SABESP joined the BM&FBovespa's Corporate Sustainability Index (ISE), which evidences its high level of commitment to the sustainable development and the social practices.

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

This guarterly financial information was approved by the Board of Directors on November 14, 2013.

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#### Notes to the financial statements

- 2. BASIS OF PREPARATION AND PRESENTATION OF QUARTERLY FINANCIAL INFORMATION
- (i) Presentation of Quarterly Financial Information

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

## 2.1 Accounting policies

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

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

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

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### Notes to the financial statements

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

		December 31, 2012 CPC				
	Original	CPC 19(R2) Effects (a)	33(R1) Effects (b)	After adoption of CPCs		
Liabilities and equity Total current liabilities	3,797,370	(39,181)	-	3,758,189		
Loans and borrowings Total non-current liabilities	7,701,929 11,162,846	(169,268) (169,920)	468,220	7,532,661 11,461,146		
Total liabilities	14,960,216	(209,101)	468,220	15,219,335		
Total equity	11,715,577	-	(458,815)	11,256,762		
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Edgar Filing: COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP - Form 6-K Total liabilities and equity 26,675,793 (209,101) 9,405 26,476,097

(a) Adoption of CPC 19(R2)

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

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

### (b) Adoption of CPC 33 (R1)

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

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

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

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

## Janu

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

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#### Notes to the financial statements

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

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

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

### 3. FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

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

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

(a) Market risk

Foreign exchange risk

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

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

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

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#### Notes to the financial statements

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

This risk arises from the possibility that the Company may incur losses due to exchange rate fluctuations that would impact liability balances of foreign currency-denominated loans and financing raised in the market and related financial expenses. The Company does not maintain hedge or swap contracts neither any derivative financial instrument to hedge against this risk, but conducts an active management of debt, taking advantage of opportunities to change expensive debts with "cheaper" debts, reducing the cost through early maturity.

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

#### **December 31, 2012**

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

As at September 30, 2013, if the Brazilian Real had depreciated or appreciated by 10% against the US dollar and Yen with all other variables held constant, effects on results before taxes on September 30, 2013 would have been R\$356,774 (R\$323,118 in the year ended December 31, 2012) lower or higher, mainly as a result of foreign exchange losses or gains on the translation of foreign currency-denominated loans.

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

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

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

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#### Notes to the financial statements

Interest rate risk

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

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

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

	September 30, 2013	December 31, 2012 (Restated)
TR <sup>(i)</sup>	1,746,298	2,019,924
CDI <sup>(ii)</sup>	1,212,010	1,799,830
TJLP <sup>(iii)</sup>	805,676	845,913
IPCA <sup>(iv)</sup>	1,321,471	697,385
LIBOR <sup>(v)</sup>	1,395,203	1,243,058
Interest and charges	99,009	95,475
Total	6,579,667	6,701,585

(i) TR - (Taxa de Referência), a reference rate

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

- (iii) TJLP (Taxa de Juros a Longo Prazo), a long-term interest rate
- (iv) IPCA (Índice Nacional de Preços ao Consumidor Amplo), a consumer price index
- (v) LIBOR London Interbank Offered Rate

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

As at September 30, 2013, if interest rates on loans denominated in Brazilian *reais* had been 100 basis points higher or lower with all other variables held constant, the effects on profit for the nine-month period ended September 30, 2013 before taxes would have been R\$65,796 (R\$67,015 for the year ended December 31, 2012) lower or higher, mainly as a result of a lower or higher interest expense on floating rate loans.

### (b) Credit risk

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

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

Regarding the financial assets held with financial institutions, the credit quality that is not past due or subject to provision for impairment can be assessed by reference to external credit ratings (if available) or

to historical information about counterparty default rates. The credit quality of counterparties which are banks, such as deposits and financial investments, the Company considers the lower rating of the counterparty published by three main international rating agencies (Moody's, Fitch and S&P), according to the internal market risk management policy:

	September 30, 2013	December 31, 2012 (Restated)
Cash at bank and short-term bank deposits		
AAA(bra)	1,826,850	1,913,893
Others (*)	1,920	2,081
,	1,828,770	1,915,974

<sup>(\*)</sup>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:

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

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#### Notes to the financial statements

(c) Liquidity risk

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

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

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

October to December 2013 2014 2015 2016

As of September 30, 2013

Liabilities

Loans and financing Accounts payable to suppliers and contractors 248,398 1,052,990 1,479,365 1,373,330 1,0 217,658 - - -

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

	2013	2014	2015	2016	2017	2018 onwards	R
As of December 31, 2012							
Liabilities							
Loans and financing	1,743,344	1,221,613	1,660,890	1,100,013	779,905	5,678,481	12
Accounts payable to suppliers and contractors	295,392	-	-	-	-	-	
Services payable	389,091	-	-	-	-	-	
Pension plan liabilities	229,406	235,667	242,192	249,770	257,442	1,880,988	3
Public-private partnership— PPP	41,925	41,925	41,925	41,925	41,925	305,193	
Program contract commitments	160,784	11,227	66,052	4,222	1,911	37,204	
Other liabilities	159.055	168.766	_	-	_	_	

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Notes to the financial statements

Future interest

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

Cross-default clause

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

(d) Sensitivity analysis on interest rate risk

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

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

	September 3	0, 2013 Scenario I	Scenario II	Scenario III
Indicators	Exposure	(Probable) (i)	(25%)	(50%)
Assets CDI Financial income	1,739,277	9.7500%(*) 169,579	7.3125%(***) 127,185	4.8750%(***) 84,790
Liabilities CDI Interest to be incurred	1,212,010	9.7500%(*) (118,171)	7.3125%(***) (88,628)	4.8750%(***) (59,085)
Net exposure – CDI	527,267	51,408	38,557	<u>2</u> 5,705
Liabilities TR Expense to be incurred	1,746,298	0.0106%(*) (185)	0.0133% (232)	0.0159% (278)
IPCA Expense to be incurred	1,321,471	5.9700%(*) (78,892)	7.4625% (98,615)	8.9550% (118,338)
TJLP Interest to be incurred	805,676	5.0000%(*) (40,283)	6.2500% (50,355)	7.5000% (60,426)
LIBOR Interest to be incurred	1,395,203	0.3113%(**) (4,343)	0.3891% (5,429)	0.4669% (6,514)
Total net expenses to be incurred		<u>(72,295)</u>	<u>(116.074)</u>	<u>(159,851)</u>

<sup>(\*)</sup>Source: Focus Report – BACEN, September 27, 2013

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<sup>(\*\*)</sup> Source: Bloomberg
(\*\*\*) Scenario with 25% and 50% reduction, since the Company's net exposure in CDI is positive.

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#### Notes to the financial statements

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

## 3.2 Capital management

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

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

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

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

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#### Notes to the financial statements

#### 3.3 Fair value estimates

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

### 3.4 Financial instruments

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

The estimated fair values of financial instruments are as follows:

**December 31, 2012** 

September 30, 2013 (Restated)
Carrying amount Fair value Carrying amount Fair value

**Financial assets** 

Cash and cash equivalents 1,828,770 1,828,770 1,915,974 1,915,974

Restricted cash Trade accounts receivable Accounts receivable from related parties Water National Agency – ANA Other accounts receivable	10,473	10,473	64,977	64,977
	1,396,851	1,396,851	1,374,632	1,374,632
	256,338	256,338	262,371	262,371
	104,967	104,967	108,099	108,099
	172,243	172,243	141,027	141,027
Financial liabilities Loans and financing (i) to (vii) Accounts payable to suppliers and contractors Services payable	9,085,183	9,415,566	8,875,255	9,201,317
	217,658	217,658	295,392	295,392
	303,688	303,688	389,091	389,091