

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

June 07, 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 June 7, 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 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 Financial Information - March 31, 2013 – CIA SANEAMENTO BÁSICO
ESTADO SÃO PAULO

Version:
1

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ITR - Quarterly Financial Information - March 31, 2013 – CIA SANEAMENTO BÁSICO
ESTADO SÃO PAULO

**Version:
1**

Company Information / Capital Breakdown

| Number of Shares | Current Quarter |
|-------------------------|------------------------|
| (Units) | 03/31/2013 |
| 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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ITR - Quarterly Financial Information - March 31, 2013 – CIA SANEAMENTO BÁSICO
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Version:
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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 | 03/21/2013 | Others | 06/21/2013 | Common | | 2.34500 |

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

| Code | Description | Current Quarter | Previous Year |
|---------------|---|------------------------|----------------------|
| | | 03/31/2013 | 12/31/2012 |
| 1 | Total Assets | 26,999,760 | 26,476,097 |
| 1.01 | Current Assets | 3,438,300 | 3,330,598 |
| 1.01.01 | Cash and Cash Equivalents | 2,127,035 | 1,915,974 |
| 1.01.03 | Accounts Receivable | 1,181,332 | 1,148,218 |
| 1.01.03.01 | Trade Accounts Receivable | 1,067,729 | 1,038,945 |
| 1.01.03.02 | Other Accounts Receivable | 113,603 | 109,273 |
| 1.01.03.02.01 | Balances with Related Parties | 113,603 | 109,273 |
| 1.01.04 | Inventories | 46,586 | 53,028 |
| 1.01.06 | Recoverable Taxes | 7,479 | 118,421 |
| 1.01.06.01 | Current Recoverable Taxes | 7,479 | 118,421 |
| 1.01.08 | Other Current Assets | 75,868 | 94,957 |
| 1.01.08.03 | Other | 75,868 | 94,957 |
| 1.01.08.03.01 | Restricted Cash | 11,151 | 64,977 |
| 1.01.08.03.20 | Other Accounts Receivable | 64,717 | 29,980 |
| 1.02 | Noncurrent Assets | 23,561,460 | 23,145,499 |
| 1.02.01 | Long-Term Assets | 925,195 | 906,391 |
| 1.02.01.03 | Accounts Receivable | 356,663 | 335,687 |
| 1.02.01.03.01 | Trade Accounts Receivable | 356,663 | 335,687 |
| 1.02.01.06 | Deferred Taxes | 166,594 | 145,302 |
| 1.02.01.06.01 | Deferred Income Tax and Social Contribution | 166,594 | 145,302 |
| 1.02.01.08 | Receivables from Related Parties | 144,052 | 153,098 |
| 1.02.01.08.03 | Receivables from Controlling Shareholders | 144,052 | 153,098 |
| 1.02.01.09 | Other Noncurrent Assets | 257,886 | 272,304 |
| 1.02.01.09.04 | Escrow Deposits | 55,238 | 53,158 |
| 1.02.01.09.05 | ANA – National Water Agency | 102,366 | 108,099 |
| 1.02.01.09.20 | Other Accounts Receivable | 100,282 | 111,047 |
| 1.02.02 | Investments | 75,061 | 74,872 |
| 1.02.02.01 | Shareholdings | 21,022 | 20,826 |
| 1.02.02.01.04 | Other Shareholdings | 21,022 | 20,826 |

| | | | |
|---------------|-------------------------------|------------|------------|
| 1.02.02.02 | Investment Properties | 54,039 | 54,046 |
| 1.02.03 | Property, Plant and Equipment | 195,286 | 196,710 |
| 1.02.04 | Intangible Assets | 22,365,918 | 21,967,526 |
| 1.02.04.01 | Intangible Assets | 22,365,918 | 21,967,526 |
| 1.02.04.01.01 | Concession Contracts | 7,928,792 | 8,006,130 |
| 1.02.04.01.02 | Program Contracts | 4,714,798 | 4,390,263 |
| 1.02.04.01.03 | Service Contracts | 9,658,010 | 9,568,487 |
| 1.02.04.01.04 | Software License | 64,318 | 2,646 |

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ESTADO SÃO PAULO**Version:**
1**Financial Statements / Statement of Financial Position – Liabilities****(R\$ thousand)**

| Code | Description | Current Quarter | Previous Year |
|---------------|---|------------------------|----------------------|
| | | 03/31/2013 | 12/31/2012 |
| 2 | Total Liabilities | 26,999,760 | 26,476,097 |
| 2.01 | Current Liabilities | 3,390,179 | 3,758,189 |
| 2.01.01 | Labor and Pension Plan Liabilities | 302,966 | 267,332 |
| 2.01.01.01 | Pension Plan Liabilities | 18,847 | 35,188 |
| 2.01.01.02 | Labor Liabilities | 284,119 | 232,144 |
| 2.01.02 | Trade Accounts Payable | 210,291 | 295,392 |
| 2.01.02.01 | Domestic Suppliers | 210,291 | 295,392 |
| 2.01.03 | Tax Liabilities | 139,346 | 152,710 |
| 2.01.03.01 | Federal Tax Liabilities | 134,887 | 147,013 |
| 2.01.03.01.01 | Income Tax and Social Contribution Payable | 44,527 | 0 |
| 2.01.03.01.02 | PIS-PASEP and COFINS (taxes on revenue) Payable | 42,461 | 46,576 |
| 2.01.03.01.03 | INSS (social security contribution) Payable | 28,310 | 29,401 |
| 2.01.03.01.04 | Installment Program - Law 10684/03 | 9,582 | 19,011 |
| 2.01.03.01.20 | Other Federal Taxes | 10,007 | 52,025 |
| 2.01.03.03 | Municipal Taxes Liabilities | 4,459 | 5,697 |
| 2.01.04 | Loans and Financing | 839,160 | 1,342,594 |
| 2.01.04.01 | Loans and Financing | 800,857 | 833,635 |
| 2.01.04.01.01 | In Domestic Currency | 594,386 | 635,968 |
| 2.01.04.01.02 | In Foreign Currency | 206,471 | 197,667 |
| 2.01.04.02 | Debentures | 38,303 | 508,959 |
| 2.01.05 | Other Liabilities | 1,176,188 | 1,135,078 |
| 2.01.05.01 | Payables to Related Parties | 951 | 958 |
| 2.01.05.01.03 | Payables to Controlling Shareholders | 951 | 958 |
| 2.01.05.02 | Other | 1,175,237 | 1,134,120 |
| 2.01.05.02.01 | Dividends and Interest on Equity Payable | 414,328 | 414,355 |
| 2.01.05.02.04 | Services Payable | 431,340 | 389,091 |
| 2.01.05.02.05 | Refundable Amounts | 40,039 | 42,479 |
| 2.01.05.02.06 | Program Contracts - Commitments | 156,676 | 148,220 |

| | | | |
|---------------|---|------------|------------|
| 2.01.05.02.07 | Private Public Partnership (PPP) | 41,925 | 24,357 |
| 2.01.05.02.09 | Indemnities | 23,824 | 8,697 |
| 2.01.05.02.20 | Other Payables | 67,105 | 106,921 |
| 2.01.06 | Provisions | 722,228 | 565,083 |
| 2.01.06.01 | Tax, Pension Plan, Labor and Civil Provisions | 105,963 | 112,119 |
| 2.01.06.01.01 | Tax Provisions | 6,449 | 9,912 |
| 2.01.06.01.02 | Social Security and Labor Provisions | 59,988 | 59,868 |
| 2.01.06.01.04 | Civil Provisions | 39,526 | 42,339 |
| 2.01.06.02 | Other Provisions | 616,265 | 452,964 |
| 2.01.06.02.03 | Provisions for Environmental | 148,486 | 11,586 |
| 2.01.06.02.04 | Provisions for Customers | 378,311 | 355,520 |
| 2.01.06.02.05 | Provisions for Suppliers | 89,468 | 85,858 |
| 2.02 | Noncurrent Liabilities | 11,856,618 | 11,461,146 |
| 2.02.01 | Loans and Financing | 7,990,403 | 7,532,661 |
| 2.02.01.01 | Loans and Financing | 4,647,131 | 4,669,478 |
| 2.02.01.01.01 | In Domestic Currency | 1,607,962 | 1,651,384 |
| 2.02.01.01.02 | In Foreign Currency | 3,039,169 | 3,018,094 |
| 2.02.01.02 | Debentures | 3,343,272 | 2,863,183 |

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ESTADO SÃO PAULO**Version:**
1**Financial Statements / Statement of Financial Position – Liabilities****(R\$ thousand)**

| Code | Description | Current Quarter | Previous Year |
|---------------|---|------------------------|----------------------|
| | | 03/31/2013 | 12/31/2012 |
| 2.02.02 | Other Payables | 3,328,759 | 3,304,414 |
| 2.02.02.02 | Other | 3,328,759 | 3,304,414 |
| 2.02.02.02.04 | Pension Plan Liabilities | 2,625,341 | 2,592,550 |
| 2.02.02.02.05 | Program Contracts - Commitments | 118,868 | 87,407 |
| 2.02.02.02.06 | Private Public Partnership – PPP | 303,911 | 331,960 |
| 2.02.02.02.07 | Indemnities | 9,350 | 17,577 |
| 2.02.02.02.08 | TAC – Retirees | 36,804 | 36,804 |
| 2.02.02.02.09 | Deferred COFINS and PASEP | 126,682 | 123,731 |
| 2.02.02.02.20 | Other Payables | 107,803 | 114,385 |
| 2.02.04 | Provisions | 537,456 | 624,071 |
| 2.02.04.01 | Tax, Pension Plan, Labor and Civil Provisions | 303,004 | 292,198 |
| 2.02.04.01.01 | Tax Provisions | 60,056 | 58,173 |
| 2.02.04.01.02 | Pension Plan and Labor Provisions | 129,934 | 111,830 |
| 2.02.04.01.04 | Civil Provisions | 113,014 | 122,195 |
| 2.02.04.02 | Other Provisions | 234,452 | 331,873 |
| 2.02.04.02.03 | Provisions for Environmental | 21,573 | 136,839 |
| 2.02.04.02.04 | Provisions for Customers | 181,376 | 165,735 |
| 2.02.04.02.05 | Provisions for Suppliers | 31,503 | 29,299 |
| 2.03 | Equity | 11,752,963 | 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 | Support to Projects | 108,475 | 108,475 |
| 2.03.02.08 | Incentive Reserves | 15,780 | 15,780 |
| 2.03.04 | Profit Reserve | 5,387,634 | 5,387,634 |
| 2.03.04.01 | Legal Reserve | 616,814 | 616,814 |
| 2.03.04.08 | Additional Dividend Proposed | 80,201 | 80,201 |
| 2.03.04.10 | Reserve for Investments | 4,690,619 | 4,690,619 |
| 2.03.05 | Retained Earnings/Accumulated Losses | 496,201 | 0 |
| 2.03.08 | Other Comprehensive Income | -458,815 | -458,815 |

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

| Code | Description | YTD Current Year | YTD Previous Year |
|-------------|---|-------------------------------------|-------------------------------------|
| | | 01/01/2013 to 03/31/2013 | 01/01/2012 to 03/31/2012 |
| 3.01 | Revenue from Sales and/or Services | 2,645,043 | 2,577,682 |
| 3.02 | Cost of Sales and/or Services | -1,536,866 | -1,496,439 |
| 3.02.01 | Cost of Sales and/or Services | -1,050,904 | -957,057 |
| 3.02.02 | Construction Cost | -485,962 | -539,382 |
| 3.03 | Gross Profit | 1,108,177 | 1,081,243 |
| 3.04 | Operating Income/Expenses | -373,036 | -371,065 |
| 3.04.01 | Selling Expenses | -141,284 | -170,777 |
| 3.04.02 | General and Administrative Expenses | -240,437 | -206,991 |
| 3.04.04 | Other Operating Expenses | 10,637 | 10,607 |
| 3.04.04.01 | Other Operating Income | 11,729 | 11,906 |
| 3.04.04.02 | COFINS and PASEP | -1,092 | -1,299 |
| 3.04.05 | Other Operating Expenses | -1,802 | -2,144 |
| 3.04.05.01 | Loss on Write-off of Property, Plant and Equipment Items | -1,666 | -939 |
| 3.04.05.03 | Tax Incentives | -135 | -1,189 |
| 3.04.05.20 | Other | -1 | -16 |
| 3.04.06 | Equity in the Earnings (Losses) of Joint Ventures | -150 | -1,760 |
| 3.05 | Income Before Financial Result and Taxes | 735,141 | 710,178 |
| 3.06 | Financial Result | 27,309 | 45,010 |
| 3.06.01 | Financial Income | 93,368 | 87,358 |
| 3.06.01.01 | Financial Income | 93,403 | 87,607 |
| 3.06.01.02 | Foreign Exchange Gains | -35 | -249 |
| 3.06.02 | Financial Expenses | -66,059 | -42,348 |
| 3.06.02.01 | Financial Expenses | -195,662 | -201,560 |
| 3.06.02.02 | Foreign Exchange Losses | 129,603 | 159,212 |
| 3.07 | Profit Before Income Tax | 762,450 | 755,188 |

| | | | |
|------------|---------------------------------------|----------|----------|
| 3.08 | Income Tax and Social Contribution | -266,249 | -263,275 |
| 3.08.01 | Current | -287,541 | -263,995 |
| 3.08.02 | Deferred | 21,292 | 720 |
| 3.09 | Net Income from Continuing Operations | 496,201 | 491,913 |
| 3.11 | Net Income/Loss for the Period | 496,201 | 491,913 |
| 3.99 | Earnings per Share - (Reais / Share) | | |
| 3.99.01 | Basic Earnings per Share | | |
| 3.99.01.01 | Common Shares | 0.72596 | 0.71969 |
| 3.99.02 | Diluted Earnings per Share | | |
| 3.99.02.01 | Common Shares | 0.72596 | 0.71969 |

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

ITR - Quarterly Financial Information - March 31, 2013 – CIA SANEAMENTO BÁSICO
ESTADO SÃO PAULO

Version:
1

Financial Statements / Statement of Comprehensive Income

(R\$ thousand)

| Code | Description | YTD Current Year | YTD Previous Year |
|-------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | | 01/01/2013 to 03/31/2013 | 01/01/2012 to 03/31/2012 |
| 4.01 | Net Income for the Period | 496,201 | 491,913 |
| 4.03 | Comprehensive Income for the Period | 496,201 | 491,213 |

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

| Code | Description | YTD Current Year 01/01/2013 to 03/31/2013 | YTD Previous Year 01/01/2012 to 03/31/2012 |
|-------------|--|--|---|
| 6.01 | Net Cash from Operating Activities | 643,326 | 419,920 |
| 6.01.01 | Cash from Operations | 1,124,566 | 1,100,676 |
| 6.01.01.01 | Net Income Before Income Tax and Social Contribution | 762,450 | 755,188 |
| 6.01.01.02 | Provisions and Inflation Adjustments on Provisions | 106,873 | 126,349 |
| 6.01.01.04 | Financial Charges from Customers | -48,543 | -34,632 |
| 6.01.01.05 | Income in Write-off of Intangible Assets and Fixed Assets | 474 | 940 |
| 6.01.01.06 | Depreciation and Amortization | 195,165 | 186,495 |
| 6.01.01.07 | Interest on Loans and Financing Payable | 102,818 | 105,520 |
| 6.01.01.08 | Monetary and Foreign Exchange Variation on Loans and Financing | -105,455 | -150,699 |
| 6.01.01.09 | Interest and Monetary Variations on Liabilities | 7,535 | 479 |
| 6.01.01.10 | Interest and Monetary Variations on Assets | -7,792 | -2,144 |
| 6.01.01.11 | Allowance for Doubtful Accounts | 94,054 | 97,608 |
| 6.01.01.12 | Provision for Consent Decree (TAC) | 5,600 | 8,878 |
| 6.01.01.13 | Equity in the Earnings (Losses) of Joint Ventures | 150 | 1,760 |
| 6.01.01.14 | Provision for Sabesprev Mais | 3,123 | -2,771 |
| 6.01.01.15 | Other Provisions/Reversals | -41,333 | 3,050 |
| 6.01.01.16 | Transfer of Funds to São Paulo Municipal Government | -6,399 | -9,228 |
| 6.01.01.17 | Gross Margin over Intangible Assets Resulting from Concession Contracts | -9,647 | -11,474 |

| | | | |
|------------|--|----------|----------|
| 6.01.01.18 | Pension Plan Liabilities | 65,493 | 25,357 |
| 6.01.02 | Changes in Assets and Liabilities | -187,652 | -328,143 |
| 6.01.02.01 | Trade Accounts Receivable | -94,730 | -86,318 |
| | Balances and Transactions with Related | | |
| 6.01.02.02 | Parties | 11,967 | 17,715 |
| 6.01.02.03 | Inventories | 6,402 | 2,799 |
| 6.01.02.04 | Recoverable Taxes | -9,911 | -51,066 |
| 6.01.02.05 | Other Accounts Receivable | -18,239 | -23,397 |
| 6.01.02.06 | Escrow Deposits | -2,080 | 1,475 |
| 6.01.02.08 | Contractors and Suppliers | -31,765 | -84,426 |
| | Payroll, Provisions and Social | | |
| 6.01.02.09 | Contribution | 35,634 | 33,832 |
| 6.01.02.10 | Pension Plan Liabilities | -32,702 | -2,497 |
| 6.01.02.11 | Taxes and Contributions Payable | -58,196 | -17,761 |
| 6.01.02.12 | Services Received | 42,249 | -76,006 |
| 6.01.02.13 | Other Liabilities | -2,889 | -14,007 |
| 6.01.02.14 | Provisions | -36,343 | -31,708 |
| 6.01.02.15 | Deferred COFINS/PASEP | 2,951 | 3,222 |
| 6.01.03 | Other | -293,588 | -352,613 |

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

| Code | Description | YTD Current Year 01/01/2013 to 03/31/2013 | YTD Previous Year 01/01/2012 to 03/31/2012 |
|-------------|---|--|---|
| 6.01.03.01 | Interest Paid | -171,400 | -203,776 |
| 6.01.03.02 | Income Tax and Social Contribution Paid | -122,188 | -148,837 |
| 6.02 | Net Cash from Investing Activities | -402,169 | -397,509 |
| | Acquisition of Property, Plant and | | |
| 6.02.01 | Equipment | -4,333 | -7,084 |
| 6.02.02 | Acquisition of Intangible Assets | -451,316 | -405,222 |
| 6.02.03 | Increase (Decrease) in Investment | -346 | 66 |
| 6.02.04 | Restricted Cash | 53,826 | 14,731 |
| 6.03 | Net Cash from Financing Activities | -30,096 | -153,118 |
| 6.03.01 | Funding - Loans | 1,194,758 | 810,284 |
| 6.03.02 | Amortization of Loans | -1,189,451 | -963,402 |
| 6.03.04 | Public-Private Partnership | -10,481 | 0 |
| 6.03.05 | Program Contracts - Commitments | -24,922 | 0 |
| 6.05 | Increase (Decrease) in Cash and Cash | | |
| | Equivalents | 211,061 | -130,707 |
| 6.05.01 | Opening Cash and Cash Equivalents | 1,915,974 | 2,142,079 |
| 6.05.02 | Closing Cash and Cash Equivalents | 2,127,035 | 2,011,372 |

(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)ITR - Quarterly Financial Information - March 31, 2013 – CIA SANEAMENTO BÁSICO
ESTADO SÃO PAULO**Version:
1****Financial Statements / Statement of Changes in Equity – 01/01/2013 to 03/31/2013****(R\$ thousand)**

| Code | Description | Paid-in Capital | Capital Reserves, Options Granted and Treasury Shares | Reserves Profit | Retained Earnings/ Accumulated Losses | Other Comprehensive Income | Equity |
|-------------|----------------------------------|----------------------------|--|----------------------------|--|---|---------------|
| 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 |
| 5.05 | Total Comprehensive Income | 0 | 0 | 0 | 496,201 | 0 | 496,201 |
| 5.05.01 | Net income for the Period | 0 | 0 | 0 | 496,201 | 0 | 496,201 |
| 5.07 | Closing Balances | 6,203,688 | 124,255 | 5,387,634 | 496,201 | -458,815 | 11,752,963 |

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ESTADO SÃO PAULO**Version:
1****Financial Statements / Statement of Changes in Equity– 01/01/2012 to 03/31/2012****(R\$ thousand)**

| Code | Description | Paid-in Capital | Capital Reserves, Options Granted and Treasury Shares | Reserves | Retained Earnings/ Profit Accumulated Losses | Other Comprehensive Income | Equity |
|-------------|----------------------------------|----------------------------|--|-----------------|---|---|---------------|
| 5.01 | Opening Balances | 6,203,688 | 124,255 | 4,217,953 | 0 | -953 | 10,544,943 |
| 5.03 | Restated Opening Balances | 6,203,688 | 124,255 | 4,217,953 | 0 | -953 | 10,544,943 |
| 5.05 | Total Comprehensive Income | 0 | 0 | 0 | 491,913 | 0 | 491,913 |
| 5.05.01 | Net income for the Period | 0 | 0 | 0 | 491,913 | 0 | 491,913 |
| 5.07 | Closing Balances | 6,203,688 | 124,255 | 4,217,953 | 491,913 | -953 | 11,036,856 |

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ESTADO SÃO PAULO**Version:**
1**Financial Statements / Statement of Value Added****(R\$ thousand)**

| Code | Description | YTD Current Year | YTD Previous Year |
|-------------|--|-------------------------------------|-------------------------------------|
| | | 01/01/2013 to 03/31/2013 | 01/01/2012 to 03/31/2012 |
| 7.01 | Revenue | 2,788,784 | 2,713,407 |
| 7.01.01 | Sales of Goods, Products and Services | 2,318,847 | 2,189,407 |
| 7.01.02 | Other Revenue | 11,729 | 11,906 |
| 7.01.03 | Revenue from the Construction | 495,609 | 550,856 |
| 7.01.04 | Allowance for/Reversal of Doubtful Accounts | -37,401 | -38,762 |
| 7.02 | Inputs Acquired from Third Parties | -1,077,357 | -1,101,055 |
| 7.02.01 | Costs of Products, Goods and Services Sold | -901,992 | -908,639 |
| 7.02.02 | Materials, Energy, Outsourced Services and Other | -173,563 | -190,272 |
| 7.02.04 | Other | -1,802 | -2,144 |
| 7.03 | Gross Value Added | 1,711,427 | 1,612,352 |
| 7.04 | Retentions | -195,165 | -186,495 |
| 7.04.01 | Depreciation, Amortization and Depletion | -195,165 | -186,495 |
| 7.05 | Net Value Added Produced | 1,516,262 | 1,425,857 |
| 7.06 | Value Added Received through Transfer | 93,218 | 85,598 |
| 7.06.01 | Equity in the Earnings (Losses) of Joint Ventures | -150 | -1,760 |
| 7.06.02 | Financial Income | 93,368 | 87,358 |
| 7.07 | Total Value Added to Distribute | 1,609,480 | 1,511,455 |
| 7.08 | Value Added Distribution | 1,609,480 | 1,511,455 |
| 7.08.01 | Personnel | 417,667 | 365,420 |
| 7.08.01.01 | Direct Compensation | 280,689 | 243,505 |
| 7.08.01.02 | Benefits | 114,333 | 98,270 |
| 7.08.01.03 | | 22,645 | 23,645 |

| Government Severance Indemnity Fund for Employees (FGTS) | | | |
|---|--|---------|---------|
| 7.08.02 | Taxes and Contributions | 558,342 | 536,927 |
| 7.08.02.01 | Federal | 515,563 | 499,721 |
| 7.08.02.02 | State | 14,387 | 13,007 |
| 7.08.02.03 | Municipal | 28,392 | 24,199 |
| 7.08.03 | Value Distributed to Providers of Capital | 137,270 | 117,195 |
| 7.08.03.01 | Interest | 121,841 | 101,168 |
| 7.08.03.02 | Rental | 15,429 | 16,027 |
| 7.08.04 | Value Distributed to Shareholders | 496,201 | 491,913 |
| 7.08.04.03 | Retained Earnings/Accumulated Loss for the Period | 496,201 | 491,913 |

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| | <i>R\$ million</i> | | | |
|---|--------------------|---------|--------|--------|
| (+) Operating revenue before construction revenue | 2,189.4 | 2,318.8 | 129.4 | 5.9 |
| (+) Construction revenue | 550.9 | 495.6 | (55.3) | (10.0) |
| (=) Gross operating revenue | 2,740.3 | 2,814.4 | 74.1 | 2.7 |
| (-) COFINS and PASEP taxes | 162.6 | 169.4 | 6.8 | 4.2 |
| (=) Net operating revenue | 2,577.7 | 2,645.0 | 67.3 | 2.6 |
| (-) Costs, administrative and selling expenses | 1,334.8 | 1,432.6 | 97.8 | 7.3 |
| (-) Construction costs | 539.4 | 486.0 | (53.4) | (9.9) |
| (=) Costs, adm. and selling expenses and construction costs | 1,874.2 | 1,918.6 | 44.4 | 2.4 |
| (+) Equity result | (1.8) | (0.1) | 1.7 | - |
| (=) Earnings before financial expenses (EBIT*) | 701.7 | 726.3 | 24.6 | 3.5 |
| (+) Depreciation and amortization | 186.5 | 195.2 | 8.7 | 4.7 |
| (=) Adjusted EBITDA (**) | 888.2 | 921.5 | 33.3 | 3.7 |
| (%) EBITDA margin | 34.5 | 34.8 | | |
| Net income | 491.9 | 496.2 | 4.3 | 0.9 |
| Total shares (thousand) | 683,509 | 683,509 | | |
| Earnings per share (R\$) | 0.72 | 0.73 | | |
| (*) Earnings before interest and taxes | | | | |

EBITDA Reconciliation (Non-accounting measures)

| | <i>R\$ million</i> | | | |
|-------------------------------|--------------------|--------|------|--------|
| Net income | 491.9 | 496.2 | 4.3 | 0.9 |
| Financial result | (45.0) | (27.3) | 17.7 | (39.3) |
| Depreciation and amortization | 186.5 | 195.2 | 8.7 | 4.7 |

| | | | | |
|------------------------------------|-------|-------|-------|-----|
| Income tax and social contribution | 263.3 | 266.2 | 2.9 | 1.1 |
| Other operating expenses, net | (8.5) | (8.8) | (0.3) | 3.5 |
| (=) EBITDA ** | 888.2 | 921.5 | 33.3 | 3.7 |
| (%) EBITDA margin | 34.5 | 34.8 | | |

(**) EBITDA corresponds to net income before: (i) depreciation and amortization expenses; (ii) income tax and social contribution (federal taxes on income); (iii) financial result; and (iv) other operating expenses, net.

In 1Q13, net operating revenue reached R\$ 2.6 billion, a 2.6% growth compared to 1Q12.

Costs and expenses, including construction costs, in the amount of R\$ 1.9 billion grew 2.4% over 1Q12.

EBIT grew 3.5%, from R\$ 701.7 million in 1Q12 to R\$ 726.3 million in 1Q13.

Adjusted EBITDA increased 3.7%, from R\$ 888.2 million in 1Q12 to R\$ 921.5 million in 1Q13.

The adjusted EBITDA margin was 34.8% in 1Q13 in comparison to 34.5% in 1Q12. Excluding construction revenues and construction costs, the adjusted EBITDA margin was 42.4% in 1Q13 (43.3% in 1Q12).

Net income reached R\$ 496.2 million in 1Q13, 0.9% higher than in 1Q12.

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1****Comments on Company Performance****2. Operating revenue before construction revenue**

Gross operating revenue from water supply and sewage collection grew from R\$ 2.2 billion in 1Q12 to R\$ 2.3 billion in 1Q13, an increase of R\$ 129.4 million or 5.9%.

The main factors that led to this variation were: the increase of 2.0% in the Company's billed volume (2.1% in water billed volume and 1.9% in sewage billed volume), and the tariff adjustment of 5.15% since September 2012.

3. Construction revenue

In 1Q13, construction revenue decreased R\$ 55.3 million or 10.0%, comparing to 1Q12. This variation was mainly due to lower investments in 1Q13.

4. Billed volume

The following tables show the billed water and sewage volume per customer category and region in 1Q12 and 1Q13.

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

| | | | | | | | | | |
|---------------------|--------------|--------------|------------|--------------|--------------|------------|--------------|--------------|------------|
| Residential | 384.6 | 389.0 | 1.1 | 315.2 | 321.2 | 1.9 | 699.8 | 710.2 | 1.5 |
| Commercial | 42.9 | 43.1 | 0.5 | 39.7 | 40.0 | 0.8 | 82.6 | 83.1 | 0.6 |
| Industrial | 9.6 | 9.6 | - | 10.4 | 10.6 | 1.9 | 20.0 | 20.2 | 1.0 |
| Public | 13.2 | 12.9 | (2.3) | 10.1 | 10.1 | - | 23.3 | 23.0 | (1.3) |
| Total retail | 450.3 | 454.6 | 1.0 | 375.4 | 381.9 | 1.7 | 825.7 | 836.5 | 1.3 |
| Wholesale | 73.3 | 74.5 | 1.6 | 6.4 | 7.3 | 14.1 | 79.7 | 81.8 | 2.6 |
| Reused water | 0.1 | 5.6 | - | - | - | - | 0.1 | 5.6 | - |
| Total | 523.7 | 534.7 | 2.1 | 381.8 | 389.2 | 1.9 | 905.5 | 923.9 | 2.0 |

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

| | | | | | | | | | |
|-------------------------|--------------|--------------|------------|--------------|--------------|------------|--------------|--------------|------------|
| Metropolitan | 293.2 | 296.8 | 1.2 | 248.3 | 252.3 | 1.6 | 541.5 | 549.1 | 1.4 |
| Regional ⁽²⁾ | 157.1 | 157.8 | 0.4 | 127.1 | 129.6 | 2.0 | 284.2 | 287.4 | 1.1 |
| Total retail | 450.3 | 454.6 | 1.0 | 375.4 | 381.9 | 1.7 | 825.7 | 836.5 | 1.3 |
| Wholesale | 73.3 | 74.5 | 1.6 | 6.4 | 7.3 | 14.1 | 79.7 | 81.8 | 2.6 |
| Reused water | 0.1 | 5.6 | - | - | - | - | 0.1 | 5.6 | - |
| Total | 523.7 | 534.7 | 2.1 | 381.8 | 389.2 | 1.9 | 905.5 | 923.9 | 2.0 |

(1) Unaudited

(2) Including coastal and countryside

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In 1Q13, costs of products and services, administrative, selling and construction expenses grew 2.4% (R\$ 44.4 million). Excluding construction costs, total costs and expenses grew 7.3%. As a percentage of net revenue, cost and expenses moved from 72.7% in 1Q12 to 72.5% in 1Q13.

| | <i>R\$ million</i> | | | |
|---|--------------------|----------------|-------------|------------|
| Payroll and benefits | 406.3 | 461.8 | 55.5 | 13.7 |
| Supplies | 40.5 | 44.3 | 3.8 | 9.4 |
| Treatment supplies | 44.6 | 64.9 | 20.3 | 45.5 |
| Services | 265.0 | 228.7 | (36.3) | (13.7) |
| Electric power | 150.3 | 144.8 | (5.5) | (3.7) |
| General expenses | 167.8 | 215.4 | 47.6 | 28.4 |
| Tax expenses | 35.0 | 40.1 | 5.1 | 14.6 |
| Sub-total | 1,109.5 | 1,200.0 | 90.5 | 8.2 |
| Depreciation and amortization | 186.5 | 195.2 | 8.7 | 4.7 |
| Credit write-offs | 38.8 | 37.4 | (1.4) | (3.6) |
| Sub-total | 1,334.8 | 1,432.6 | 97.8 | 7.3 |
| Construction costs | 539.4 | 486.0 | (53.4) | (9.9) |
| Costs, administrative, selling and construction expenses | 1,874.2 | 1,918.6 | 44.4 | 2.4 |
| % over net revenue | 72.7 | 72.5 | | |

5.1. Payroll and benefits

In 1Q13 payroll and benefits grew R\$ 55.5 million or 13.7%, from R\$ 406.3 million to R\$ 461.8 million, due to the following:

- 6.17% increase in wages since May 2012, with an impact of approximately R\$ 33.0 million;
- Provision for vacation with a R\$ 4.3 million impact, due to the increases in wages and headcount;
- R\$ 5.0 million increase in overtime pay; and
- R\$ 9.3 million upturn in the provision for the Defined Benefit Plan, arising from changes in actuarial assumptions.

5.2. Supplies

In 1Q13, expenses with supplies increased by R\$ 3.8 million or 9.4%, when compared to the previous year, from R\$ 40.5 million to R\$ 44.3 million, mostly due to: (i) preventive and corrective maintenance in water and sewage systems, in the amount of R\$ 2.0 million; and (ii) R\$ 1.0 million higher spending on property and facility upkeep in administrative and operating areas.

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5.3. Treatment supplies

Treatment supplies expenses in 1Q13 were R\$ 20.3 million or 45.5% higher than in 1Q12, from R\$ 44.6 million to R\$ 64.9 million. The main factors for this variation were:

- Increase of R\$ 5.5 million due to the higher consumption of aluminum polychloride, mainly used at the Water Treatment Station of Guaraú, ensuring water quality in maximum flow;
- Higher consumption of activated carbon, with a price increase of approximately 11.73%, leading to an upturn of R\$ 3.2 million due to weather and watershed conditions;
- Higher consumption of lime, due to the higher treated volume, associated with the price increase of approximately 7%, leading to a net upturn of R\$ 1.7 million;
- Higher consumption of iron chloride, with a net addition of R\$ 1.3 million, in order to meet the quality parameters of the treatment of the water resulting from the strong rain in the city of Cubatão; and
- Increase of R\$ 8.7 million from the consumption of products, such as: (i) hydrogen peroxide, due to the startup of 2 sewage pumping stations in Guarujá; (ii) sodium hypochlorite as a replacement of chlorine gas, due to the increased efficiency and security related to the use of a less dangerous product; and (iii) chlorine, arising from the increase in turbidity and color at the Guaraú Water Treatment Station.

5.4. Services

In 1Q13 this item decreased R\$ 36.3 million or 13.7%, from R\$ 265.0 million in 1Q12 to R\$ 228.7 million in 1Q13. The main factors were:

- Decrease of R\$ 38.3 million, due to the reversal of the provision for expenses, following the end of the partnership with the São Paulo Municipal Government - PMP.

- Decline of R\$ 4.3 million in expenses with risk credit recovery contracts, due to the discontinuation of these contracts in several Business Units; and
- Decrease in paving services and replacement of sidewalks in the amount of R\$ 4.2 million, due to the conclusion of the paving contract with the Municipal Government of São Bernardo do Campo, whose services were included in Global Sourcing.

The following services presented increases:

- Preventive and corrective maintenance in the water and sewage systems in the amount of R\$ 4.6 million; and
- Increase of R\$ 2.0 million due to the new contracts of the Program for the Rational Use of Water – PURA in municipal entities.

5.5. Electric power

In 1Q13, this item decreased R\$ 5.5 million, or 3.7%, from R\$ 150.3 million in 1Q12 to R\$ 144.8 million in 1Q13, due to the average decrease of approximately 25.5% in the tariff for the Use of Distribution System Tariff (TUSD), of the consumption units by the Free Market, as a consequence of Provisional Presidential Decree 579/12 and Law 12783/13.

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5.6. General expenses

In 1Q13 general expenses increased R\$ 47.6 million or 28.4%, from R\$ 167.8 million in 1Q12 to R\$ 215.4 million in 1Q13, due to:

- Increase in the provision for lawsuits, in the amount of R\$ 24.6 million;
- Increase of R\$ 17.3 million, arising from agreements for environmental compensation; and
- Increase of R\$ 5.0 million in the provision for payment to the municipal fund pursuant to the Service Agreement with the Municipal Government of São Paulo.

5.7. Depreciation and Amortization

Depreciation and amortization increased R\$ 8.7 million or 4.7%, from R\$ 186.5 million in 1Q12 to R\$ 195.2 million in 1Q13, due to the higher transfer of works to the operating intangible asset in the period.

5.8. Credit write-off

In 1Q13 credit write-offs decreased R\$ 1.4 million or 13.7%, from R\$ 38.8 million in 1Q12 to R\$ 33.5 million in 1Q13, chiefly due to the lower need for provision.

5.9. Tax expenses

In 1Q13 tax expenses grew R\$ 5.1 million or 14.6%, mainly in the municipality of São Paulo, due to: (i) 5.4% adjustment by the São Paulo Municipal Government; and (ii) expansion of the Centro Business Unit.

6. Financial revenues and expenses

| | <i>R\$ million</i> | | | |
|---|--------------------|--------------|---------------|---------------|
| Financial expenses | | | | |
| Interest and charges on domestic loans and financing | 82.2 | 82.5 | 0.3 | 0.4 |
| Interest and charges on international loans and financing | 20.0 | 18.4 | (1.6) | (8.0) |
| Interest rate over lawsuit | 52.5 | 27.2 | (25.3) | (48.2) |
| Other financial expenses | 15.8 | 14.1 | (1.7) | (10.8) |
| Total financial expenses | 170.5 | 142.2 | (28.3) | (16.6) |
| Financial revenues | 75.8 | 64.4 | (11.4) | (15.0) |
| Financial expenses net of revenues | 94.7 | 77.8 | (16.9) | (17.8) |

6.1. Financial expenses

In 1Q13 financial expenses dropped R\$ 28.3 million, or 16.6%. The main reason for this result was the lower interest related to lawsuits, mainly regarding corporate clients.

6.2. Financial revenues

Financial revenues decreased by R\$ 11.4 million, due to:

- Decrease of R\$ 21.8 million in interest from financial investments, due to the gradual reduction in the interest rates and the lower cash availability in the period; and

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- Increase of R\$ 6.3 million in interest revenue, related to the period between the date of the 17th debenture issue, in January 2013, and its respective financial settlement in February 2013.

7. Monetary variation on assets and liabilities

| | <i>R\$ million</i> | | | |
|--|--------------------|----------------|-------------|---------------|
| Monetary variation on loans and financing | 8.5 | 24.1 | 15.6 | 183.5 |
| Currency exchange variation on loans and financing | (159.2) | (129.6) | 29.6 | (18.6) |
| Other monetary/exchange rate variations | 22.5 | 29.4 | 6.9 | 30.7 |
| Variation on Liabilities | (128.2) | (76.1) | 52.1 | (40.6) |
| Variation on assets | 11.5 | 29.0 | 17.5 | 152.2 |
| Net Variation | (139.7) | (105.1) | 34.6 | (24.8) |

7.1. Monetary variation on liabilities

The effect on the monetary variation on liabilities in 1Q13 was R\$ 52.1 million higher than in 1Q12, specially:

- Increase in the exchange rate variation on loans and financing, in the amount of R\$ 29.6 million, due to: (i) the lower appreciation of the Brazilian Real versus the US Dollar in 1Q13 1.4%, compared with 2.9% in 1Q12; and (ii) the 10.0% appreciation of the Brazilian Real versus the Yen in 1Q13 (9.0% appreciation in 1Q12);

- Monetary variation on domestic loans and financing increasing by R\$ 15.6 million, mainly due to: (i) the increase in debt following the 17th debenture issue in February 2013; and (ii) the 1.9% IPCA rate variation in 1Q13 compared to the 1.2% variation in the same period in 2012; and
- Expenses relating to lawsuits in the amount of R\$ 4.7 million.

7.2. Monetary variation on assets

Monetary variation on assets increased by R\$ 17.5 million in 1Q13 over 1Q12, chiefly due to:

- R\$ 6.8 million related to the period between the date of the 17th debenture issue (January 2013) and its financial settlement (February 2013); and
- R\$ 6.5 million related to the restatement of judicial deposits, arising from the increase in deposits related to lawsuits.

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Regarding the loss index, it remained stable at 25.5%.

It is worth noting that the Corporate Loss Reduction Program was granted an unprecedented financing with JICA in February 2012, in the amount of R\$710 million. The funds support the hiring of the actions provided for in the 1st Stage of the Program, scheduled for the second half of 2013, when the drop in the index should resume.

| | | | |
|--|--------|--------|-------|
| Water connections ⁽¹⁾ | 7,526 | 7,726 | 2.7 |
| Sewage connections ⁽¹⁾ | 5,965 | 6,172 | 3.5 |
| Population directly served - water ⁽²⁾ | 24.0 | 24.3 | 1.3 |
| Population directly served - sewage ⁽²⁾ | 20.6 | 21.1 | 2.4 |
| Number of employees | 14,725 | 15,065 | 2.3 |
| Water volume produced ⁽³⁾ | 770 | 762 | (1.0) |
| Water losses (%) | 25.7 | 25.5 | (0.8) |

(1) In thousands units at the end of the period.

(2) In millions of inhabitants at the end of the period. It does not include wholesale supply.

(3) In millions of m³ at the end of the period.

*Unaudited

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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, focused on the customer, and in a sustainable and competitive manner, with excellence in environmental solutions.

On March 31, 2013, the Company operated water and sewage services in 363 municipalities of the State of São Paulo. 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 and Macatuba, whose carrying amount of these municipalities' intangible assets was R\$16,536 as of March 31, 2013.

On March 31, 2013, a total of 66 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 March 31, 2013, a total of 259 program and metropolitan contracts were signed (258 contracts on December 31, 2012).

On March 31, 2013, the carrying amount of intangible assets used in the 66 concessions of the municipalities under negotiation totaled R\$5,801 million, accounting for 25.94% of total, and the related gross revenue totaled R\$484 million in the three-month period ended March 31, 2013, accounting for 17.20% of total.

The Company's operations are concentrated in the municipality of São Paulo, which represents 50.57% of the gross revenue in the three months ended on March 31, 2013 (53.47% in the three months ended in March 2012) and 43.19% of intangible assets as of March 31, 2013 (43.51% on December 31, 2012).

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 March 31, 2013, the carrying amount of the municipality of Santos’ intangible assets was R\$332,685 (R\$328,693 on December 31, 2012) and gross revenue for the three-month period ended March 31, 2013 was R\$55,658 (R\$54,393 in March 2012).

Article 58 of Law 11445/07 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 12693 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 8987/95 and 11445/07, including those municipalities served without an agreement.

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

The Company's shares have been listed in the *Novo Mercado* (New Market) segment of BM&FBOVESPA (the São Paulo Stock Exchange) since April 2002 and on the New York Stock Exchange (NYSE) as American Depositary Receipts (“ADRs”) since May 2002.

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

This quarterly financial information was approved by the Board of Directors on May 9, 2013.

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2. BASIS OF PREPARATION AND PRESENTATION OF QUARTERLY FINANCIAL INFORMATION

(i) Presentation of Quarterly Financial Information

The quarterly financial information as of March 31, 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 Financial Information – 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 March 31, 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 March 31, 2013 are consistent with those used to prepare the Annual Financial Statements for the year ended December 31, 2012. These policies are disclosed in Note 3 in the Annual Financial Statements.

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

| | Original | December 31, 2012 | | After adoption of CPCs |
|---|------------|------------------------|------------------------|------------------------|
| | | CPC 19(R2) Effects (a) | CPC 33(R1) Effects (b) | |
| 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 | 23,338,928 | (202,834) | 9,405 | 23,145,499 |
| Total assets | 26,675,793 | (209,101) | 9,405 | 26,476,097 |

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| | Original | December 31, 2012 | | After adoption of CPCs |
|-------------------------------|------------|------------------------|------------------------|------------------------|
| | | CPC 19(R2) Effects (a) | CPC 33(R1) Effects (b) | |
| Liabilities and equity | | | | |
| Total current liabilities | 3,797,370 | (39,181) | - | 3,758,189 |
| Loans and financing | 7,701,929 | (169,268) | - | 7,532,661 |
| Total non-current liabilities | 11,162,846 | (169,920) | 468,220 | 11,461,146 |
| Total liabilities | 14,960,216 | (209,101) | 468,220 | 15,219,335 |
| Total equity | 11,715,577 | - | (458,815) | 11,256,762 |
| Total liabilities and equity | 26,675,793 | (209,101) | 9,405 | 26,476,097 |

(a) Adoption of CPC 19(R2)

The Company adopted CPC 19(R2). Accordingly, 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.

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, Saneagua Mairinque S.A., Aquapolo Ambiental S.A. and Attend Ambiental S/A.

(b) Adoption of CPC 33 (R1)

The Company adopted 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 comprehensive income, not being recorded in income statement. Such accounting method was applied in the quarterly financial information for the quarter ended March 31, 2013, with a retrospective effect in the Company's financial statements for the year ended December 31, 2012 and the opening balance as 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 is the reconciliation of the new asset and liability balances of the actuarial obligations for the year ended December 31, 2012 and the opening balance of January 1, 2012, affected by the change in the standard:

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

Due to the adjustment described above, arising from the adoption of CPC 33(R1), the balances of “Deferred taxes” in non-current assets, “Other accounts payable” 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 in the statements of income and cash flow presented in this quarterly financial information.

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2.2 Standards, amendments and interpretations of standards to existing standards not effective yet

In addition to the matters disclosed in item 2.1 above, there are no new CPCs/IFRS or interpretations applicable for the first time this quarter to have significant effects on the Company. For more information, see Notes 4.1 and 4.2 of the annual financial statements as of December 31, 2012.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities are exposed to Brazilian economic scenario, expositing to market risk, such as exchange rate, interest rate, credit risk and liquidity risk. The Company's financial risk management is focused on the unforeseeableness 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 periods reported.

(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 portion and long-term portion of this denominated in foreign currency.

The management of SABESP's foreign currency 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 or any financial instrument to protect 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\$3,262.238 million on March 31, 2013 (R\$3,231,183 million in December 2012). Below is shown, the Company's exposure to foreign currency risk:

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| | December 31, 2012 | | | |
|--|--------------------------|------------------|-------------------------|------------------|
| | March 31, 2013 | | (Restated) | |
| | Foreign currency | R\$ | Foreign currency | R\$ |
| Loans and financing – US\$ | 1,150,558 | 2,316,994 | 1,136,274 | 2,321,976 |
| Loans and financing – Yen | 42,516,382 | 910,701 | 37,535,650 | 890,346 |
| Interest and charges from loans and financing – US\$ | | 32,615 | | 12,487 |
| Interest and charges from loans and financing – Yen | | 1,928 | | 6,374 |
| TOTAL | | 3,262,238 | | 3,231,183 |

The chart above details the foreign currency-denominated loans and financing. Including R\$16,598 on March 31, 2013 (R\$15,422 in December 2012) of funding costs.

As at March 31, 2013, if the Brazilian Real had weakened or strengthened by 10% against the US dollar and Yen with all other variables held constant, effects on results before taxes for the three month period ended March 31, 2013 would have been R\$326,223 (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 statement 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 March 31, 2013 (Liabilities) in US\$ | 1,150,558 | 1,150,558 | 1,150,558 |
| US\$ rate on March 31, 2013 | 2.0138 | 2.0138 | 2.0138 |
| Exchange rate estimated according to the scenario | 2.0500 | 2.5625 | 3.0750 |
| Difference between the rates | (0.0362) | (0.5487) | (1.0612) |
| Effect on net financial result R\$ - (loss) | (41,650) | (631,311) | (1,220,972) |
| Net currency exposure on March 31, 2013 (Liabilities) in Yen | 42,516,382 | 42,516,382 | 42,516,382 |
| Yen rate on March 31, 2013 | 0.02142 | 0.02142 | 0.02142 |
| Exchange rate estimated according to the scenario | 0.02092 | 0.02615 | 0.03139 |
| Difference between the rates | 0.00050 | (0.00473) | (0.00997) |
| Effect on net financial result in R\$ - gain / (loss) | 21,258 | (201,102) | (423,888) |
| Total effect on net financial result in R\$ - (loss) | (20,392) | (832,413) | (1,644,860) |

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(*) The probable scenario in US\$ considered the average exchange rate for the 12-month period after March 31, 2013, according to BM&FBovespa. The Yen used an average rate for the next 12 months as of March 31, 2013, 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 protect 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:

| | March 31, 2013 | December 31, 2012 |
|-----------------------|-----------------------|--------------------------|
| | | (Restated) |
| TR ⁽ⁱ⁾ | 1,927,206 | 2,019,924 |
| CDI ⁽ⁱⁱ⁾ | 1,212,010 | 1,799,830 |
| TJLP ⁽ⁱⁱⁱ⁾ | 824,565 | 845,913 |
| IPCA ^(iv) | 1,298,801 | 697,385 |
| LIBOR ^(v) | 1,248,679 | 1,243,058 |
| Interest and charges | 54,648 | 95,475 |
| Total | 6,565,909 | 6,701,585 |

- (i) TR (*Taxa de Referência*), a reference rate
- (ii) CDI (*Certificado de Depósito Interbancário*), an interbank deposit certificate
- (iii) TJLP (*Taxa de Juros de 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 loans and financing with those of its service revenues. Water supply and sewage services tariffs do not necessarily follow the increases in the interest rates affecting the Company's debt.

As at March 31, 2013, 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 before taxes for the three-month period ended March 31, 2013 would have been R\$65,659 (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 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. 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.

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The maximum exposure 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. (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 internal policy of market risk management:

| | March 31, 2013 | December 31, 2012 |
|---|-----------------------|--------------------------|
| | | Restated |
| Cash at bank and short-term bank deposits | | |
| AAA(bra) | 2,124,329 | 1,913,893 |
| Others (*) | 2,706 | 2,081 |
| | 2,127,035 | 1,915,974 |

(*) This category includes current accounts and investment funds in banks which have no credit rating information available.

The available credit rating information of the banks in which the Company made transactions during the period is as follow:

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

For financial assets corresponding to trade accounts receivable, the Company's credit risk is minimized, given that the client base is dispersed.

(c) Liquidity risk

The Company's liquidity is primarily reliant upon cash provided by operating activities, borrowings 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.

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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.

| | April to December 2013 | 2014 | 2015 | 2016 | 2017 | |
|---|------------------------|-----------|-----------|-----------|---------|--------------|
| As of March 31, 2013 | | | | | | |
| Liabilities | | | | | | |
| Loans and financing | 933,750 | 938,245 | 1,425,257 | 1,300,913 | 984,047 | 6 |
| Accounts payable to suppliers and contractors | 210,291 | - | - | - | - | - |
| Services payable | 431,340 | - | - | - | - | - |
| Pension plan liabilities | 172,055 | 235,667 | 242,192 | 249,770 | 257,442 | 1 |
| Public-private partnership (PPP) | 31,443 | 41,925 | 41,925 | 41,925 | 41,925 | 41,925 |
| Program contract commitments | 167,106 | 36,227 | 76,052 | 4,222 | 1,911 | |
| Other liabilities | 131,919 | 153,957 | - | - | - | - |
| | | | | | | |
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 onwards |
| 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 |
| 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 |
| 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 | - | - | - | - |

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).

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The purpose of the sensitivity analysis is measure the 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 | March 31, 2013 | | | |
|-----------------------------------|-----------------------|------------------------------|------------------------|-------------------------|
| | Exposure | Scenario I (Probable) (i) | Scenario II (+ 25%) | Scenario III (+ 50%) |
| Assets | | | | |
| CDI | 2,037,459 | 8.5000%(*) | 10.6250% | 12.7500% |
| Financial income | | 173,184 | 216,480 | 259,776 |
| Liabilities | | | | |
| CDI | 1,212,010 | 8.5000%(*) | 10.6250% | 12.7500% |
| Interest to be incurred | | (103,021) | (128,776) | (154,531) |
| Net exposure - CDI | | 70,163 | 87,704 | 105,245 |
| TR | 1,927,206 | 0.2030%(*) | 0.2538% | 0.3045% |
| Expense to be incurred | | (3,912) | (4,891) | (5,868) |
| TJLP | 824,565 | 5.0000%(*) | 6.2500% | 7.5000% |
| Interest to be incurred | | (41,228) | (51,535) | (61,842) |
| IPCA | 1,298,801 | 5.6800%(*) | 7.1000% | 8.5200% |
| Expense to be incurred | | (73,771) | (92,214) | (110,658) |
| LIBOR | 1,248,679 | 0.3510%**) | 0.4388% | 0.5266% |
| Interest to be incurred | | (4,382) | (5,479) | (6,575) |
| Total net expenses to be incurred | | (53,130) | (66,415) | (79,698) |

(*) Source: Focus Report – BACEN, March 28, 2013

(**) Source: Bloomberg

(i) Refers to the scenario of interest to be incurred for the 12 months as of March 31, 2013 or until the maturity of the contracts, whichever is shorter.

3.2 Capital management

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

The Company monitors capital based on the 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.

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| | March 31, 2013 | December 31, 2012 |
|---------------------------------|-----------------------|--------------------------|
| | | Restated |
| Total loans and financing | 8,829,563 | 8,875,255 |
| Less: cash and cash equivalents | (2,127,035) | (1,915,974) |
| Net debt | 6,702,528 | 6,959,281 |
| Total equity | 11,752,963 | 11,256,762 |
| Total capital | 18,455,491 | 18,216,043 |
| Leverage ratio | 36% | 38% |

On March 31, 2013, the leverage ratio decreased to 36% versus 38% on December 31, 2012, due to the increase in equity arising from the income for the period.

3.3 Fair value estimates

We assume 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

The estimated fair values of financial instruments are as follows:

| | December 31, 2012 | | | |
|---|--------------------------|-------------------|------------------------|-------------------|
| | March 31, 2013 | Fair value | Restated | Fair value |
| | Carrying amount | | Carrying amount | |
| Financial assets | | | | |
| Cash and cash equivalents | 2,127,035 | 2,127,035 | 1,915,974 | 1,915,974 |
| Restricted cash | 11,151 | 11,151 | 64,977 | 64,977 |
| Trade accounts receivable | 1,424,392 | 1,424,392 | 1,374,632 | 1,374,632 |
| Accounts receivable from related parties | 257,655 | 257,655 | 262,371 | 262,371 |
| Agência Nacional de Água – ANA | 102,366 | 102,366 | 108,099 | 108,099 |
| Other accounts receivable | 164,999 | 164,999 | 141,027 | 141,027 |
| Financial liabilities | | | | |
| Loans and financing (i) to (vii) | 8,829,563 | 9,297,403 | 8,875,255 | 9,201,317 |
| Accounts payable to suppliers and contractors | 210,291 | 210,291 | 295,392 | 295,392 |
| Services payable | 431,340 | 431,340 | 389,091 | 389,091 |
| Program contracts - commitments | 275,544 | 275,544 | 235,627 | 235,627 |
| Public-Private Partnership - PPP | 345,836 | 345,836 | 356,317 | 356,317 |

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

(i) Agreements with Banco do Brasil and CEF (Brazilian Federal Savings Bank) were projected until final maturity, at contractual rates (projected TR + spread) and discounted at present value by TR x DI, both rates were obtained from BM&F.

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(ii) Debentures were projected up to the final mature 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 equivalent market rates, or the Company's share traded in the Brazilian market.

(iii) BNDES loans are financial instruments valued at carrying amount plus contractual interest rate till mature date, and are indexed by long term interest rate – TJLP.

These loans have specific characteristics and the conditions defined in the loan agreements with BNDES between independent parties, and reflect the conditions for those types of loan. In Brazil, a consolidated market of long-term debts does not exist with the same characteristics of BNDES loans, the offering of credit to the entities in general, with this long-term characteristic, usually is restricted to BNDES.

(iv) Other financing in local currency are considered by carrying amount plus contractual interest rate till mature date, discounted to present value considering a future interest rate published by BM&FBovespa.

(v) Agreements with IDB, IBRD, were projected until final maturity in origin currency, applying interest rates contracted, discounted at present value at Libor futures rate, obtained from Bloomberg. Eurobonds were priced at market value through quotes published by Bloomberg. All the amounts obtained were translated into Brazilian *reais* at the exchange rate of March 31, 2013.

(vi) Agreements with JICA, were projected until final maturity in origin currency, using interest rates contracted and discounted at present value, at Tibor futures rate obtained from Bloomberg. The amounts obtained were translated into Brazilian reais at the exchange rate of March 31, 2013.

(vii) Leasing is an instrument 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 fair value, the amount recorded on March 31, 2013.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and on other factors, including expectations of future events that are believed to be reasonable under the circumstances. There were no changes when compared to the Annual Financial Statements for the year ended December 31, 2012, according to Note 5.

5. CASH AND CASH EQUIVALENTS

| | March 31, 2013 | December 31, 2012 |
|------------------|-----------------------|--------------------------|
| | | Restated |
| Cash and banks | 89,576 | 119,397 |
| Cash equivalents | 2,037,459 | 1,796,577 |
| | 2,127,035 | 1,915,974 |

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Cash and cash equivalents include cash, bank deposits and high-liquidity short-term investments, mainly represented by purchase commitments (remunerated at CDI), deposited in Banco do Brasil, with maturities lower than three months, which are promptly convertible into a known cash amount and subject to an insignificant risk of change in value.

The average yield of financial investments corresponds to 100.5% of CDI in March (100.01% in December 2012).

6. RESTRICTED CASH

As of March 31, 2013, the restricted cash totaled R\$11,151, referring mainly to the default in the municipality of São Paulo, where the Company transfers 7.5% of the Municipality's revenue to the Municipal Fund (R\$64,977 in December 2012).

The variation occurred in the period from January to March 2013, when compared to the Financial Statements as at December 31, 2012, mainly refers to the removal of restriction on use of funds by the Municipal Government of São Paulo.

7. TRADE ACCOUNTS RECEIVABLE

(a) Balance sheet balances

| | March 31, 2013 | December 31, 2012 |
|---|-----------------------|--------------------------|
| | | Restated |
| Private sector: | | |
| General and special customers (i) (ii) | 945,709 | 949,800 |
| Agreements (iii) | 265,244 | 249,470 |
| | 1,210,953 | 1,199,270 |
| Government entities: | | |
| Municipal | 619,170 | 610,779 |
| Federal | 4,073 | 3,150 |
| Agreements (iii) | 173,809 | 181,271 |
| | 797,052 | 795,200 |
| Wholesale customers – Municipal governments: | | |
| (iv) | | |
| Guarulhos | 602,195 | 578,314 |
| Mauá | 293,006 | 281,398 |
| Mogi das Cruzes | 15,189 | 15,202 |
| Santo André | 638,832 | 620,276 |
| São Caetano do Sul | 4,358 | 2,072 |
| Diadema | 188,198 | 180,465 |
| Total wholesale customers – Municipal governments | 1,741,778 | 1,677,727 |
| Unbilled receivables | 470,298 | 425,843 |
| Subtotal | 4,220,081 | 4,098,040 |
| Allowance for doubtful accounts | (2,795,689) | (2,723,408) |
| Total | 1,424,392 | 1,374,632 |
| Current | 1,067,729 | 1,038,945 |
| Noncurrent (v) | 356,663 | 335,687 |
| | 1,424,392 | 1,374,632 |

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From January to March 2013, there were no relevant changes when compared with the operations reported in the financial statements as at December 31, 2012.

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

(ii) Special customers - large consumers, commercial, industries, condominiums and special billing consumers (industrial waste, wells, etc.).

(iii) Agreements - installment payments of past-due receivables, plus monetary restatement and interest.

(iv) Wholesale basis customers - municipal governments - This balance refers to the sale of treated water to municipalities, which are responsible for distributing to, billing and charging final customers. Some of these municipalities are 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.

**Twelve-month period
ended December 31, 2012**

**Three-month period
ended March 31, 2013**

Restated

| | | |
|--|-----------|-----------|
| Balance at the beginning of period | 1,677,727 | 1,486,342 |
| Billing for services rendered | 103,158 | 394,922 |
| Collections – current year’s services | (16,165) | (165,967) |
| Collections – previous years’ services | (22,942) | (37,570) |
| Balance at the end of the period | 1,741,778 | 1,677,727 |
| Current | 34,481 | 33,924 |
| Non-current | 1,707,297 | 1,643,803 |

(v) The noncurrent portion consists of trade accounts receivable that are past due and renegotiated with customers and amounts past due related to wholesale basis to municipal governments, and the amounts are net of allowance for doubtful account.

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

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| | March 31, 2013 | December 31, 2012 |
|----------------------|-----------------------|--------------------------|
| | | Restated |
| Falling due | 1,107,045 | 1,091,834 |
| Past-due: | | |
| Up to 30 days | 221,652 | 197,936 |
| From 31 to 60 days | 94,682 | 97,426 |
| From 61 to 90 days | 69,222 | 61,527 |
| From 91 to 120 days | 54,721 | 50,729 |
| From 121 to 180 days | 92,520 | 89,297 |
| From 181 to 360 days | 154,018 | 139,788 |
| Over 360 days | 2,426,221 | 2,369,503 |
| Total past-due | 3,113,036 | 3,006,206 |
| Total | 4,220,081 | 4,098,040 |

(c) Allowance for doubtful accounts

| | March 31, 2013 | March 31, 2012 |
|------------------------------------|-----------------------|-----------------------|
| | | Restated |
| Balance at beginning of period | 2,723,408 | 2,436,428 |
| Private sector/government entities | 21,588 | 33,672 |
| Recoveries | (5,960) | (10,287) |
| Wholesale customers | 56,653 | 58,846 |
| Additions for the period | 72,281 | 82,231 |

| | | |
|--------------------------|-----------|-----------|
| Balance at end of period | 2,795,689 | 2,518,659 |
| Current | 1,269,932 | 1,171,918 |
| Noncurrent | 1,525,757 | 1,346,741 |

| | Three-month period ended | Three-month period ended |
|---|-------------------------------------|-------------------------------------|
| | March 31, 2013 | March 31, 2012 |
| Reconciliation of provision for losses in profit or loss | March 31, 2013 | Restated |
| Losses (write-off) | 21,232 | 15,377 |
| Provision for state entities (related parties) | 541 | - |
| Provision for private sector/government entities | 21,588 | 33,672 |
| Recoveries | (5,960) | (10,287) |
| Balance | 37,401 | 38,762 |

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

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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, revenue and expenses with the São Paulo State Government

| | March 31, 2013 | December 31, 2012 |
|--|-----------------------|--------------------------|
| | | Restated |
| Accounts receivable | | |
| Current: | | |
| Water and sewage services | 115,458 | 113,027 |
| Allowance for losses | (48,072) | (47,531) |
| Reimbursement for pension plan benefits paid - Gesp Agreement | 35,278 | 35,278 |
| Reimbursement for pension benefits paid - monthly flow | 10,939 | 8,499 |
| Total current | 113,603 | 109,273 |
| Noncurrent: | | |
| Reimbursement of additional retirement and pension benefits – GESP Agreement | 144,052 | 153,098 |

| | | |
|---|---------|---------|
| Total noncurrent | 144,052 | 153,098 |
| Total receivables from shareholders | 257,655 | 262,371 |
| Water and sewage services | 67,386 | 65,496 |
| Reimbursement of additional retirement and pension benefits | 190,269 | 196,875 |
| Total | 257,655 | 262,371 |
| Interest on shareholders equity payable to related parties | 228,214 | 228,214 |

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| | March 31, 2013 | March 31, 2012 |
|---|-----------------------|-----------------------|
| | | Restated |
| Gross revenue from sales and services | | |
| Water supply | 54,500 | 54,476 |
| Sewage services | 48,181 | 48,124 |
| Payments received from related parties | (100,893) | (108,698) |
| Financial income | 32,448 | 54,609 |
| Collection of GESP reimbursement referring to Law 4819/58 | 23,099 | 24,027 |

From January to March 2013, there were no significant changes in the operations reported in the financial statements as at December 31, 2012. Further details and explanations on the nature of related-party transactions are included in Note 9 of the Financial Statements as at December 31, 2012.

(b) Contingent assets – GESP (not recorded)

On March 31, 2012 and December 31, 2012, SABESP had off-balance contingent assets with GESP relating to the complementary retirement and pension paid (Law 4819), as follows:

| | March 31, 2012 |
|---|-----------------------|
| Amounts in controversy receivable | 668,000 |
| Undisputed reimbursement relating to the transfer to SABESP of Alto Tietê system reservoirs | 696,000 |

Total

1,364,

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

(c) Agreements for the use of reservoirs

EMAE – Empresa Metropolitana de Águas e Energia S.A. claims the collection of payment and financial compensation for the use of water from Guarapiranga and Billings reservoirs, used by SABESP in its operations, as well as the reimbursement of damages related to the failure of SABESP to pay appropriately.

The Company understands that no amounts are due for the use of these reservoirs but it is responsible for their maintenance and operating costs. Should these reservoirs not be available for use to the Company, there could be the need to collect water in more distant places and there would be the risk of making services in the region unfeasible and increasing sourcing cost.

Three proceedings were filed, two of them are writs of prevention to toll statute of limitation and another one to file arbitration commitment, by force of an arbitration clause in the agreement entered into between the São Paulo State Government and former Light, in 1958.

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The plaintiff understands that diverging opinions between it and SABESP should be resolved at the Court of Arbitration, which was disputed by SABESP, which in turn claims it is not bound to an agreement in which its predecessor only participated as intervening party.

In February 2012, the decision to submit to arbitration was established by the judge during the first hearing, which is subject to appeal. Notwithstanding, if an arbitration proceeding is filed, we will take all available judicial actions to defend our position. The Company's management assessed this risk as possible loss and considers that it is not possible to estimate the total amount involved in this process since the extent was not determined.

(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, under which the expenses are fully passed on and monetarily reimbursed. On March 31, 2013, the expenses related to personnel assigned by SABESP to other state government entities amounted to R\$2,761 (R\$2,750 as of March 2012).

No expenses related to personnel assigned by other entities to SABESP were recorded on March 31, 2013 and December 31, 2012.

(g) Services obtained from state government entities

As of March 31, 2013 and December 31, 2012, SABESP had an outstanding amount payable of R\$951 and R\$958, respectively, for services rendered by São Paulo State Government entities.

(h) Non-operating assets

As of March 31, 2013 and December 31, 2012, the Company had an amount of R\$969 related to free land lent to DAEE (Water and Electricity Department).

(i) SABESPREV

The Company sponsors a private defined benefit pension plan, which is operated and administered by Fundação Sabesp de Seguridade Social - SABESPREV. The net actuarial liability recognized as of March 31, 2013 amounted to R\$623,531 (R\$604,832 as of December 2012, including the effect of CPC 33(R1)).

(j) Management's Compensation

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Expenses related to the compensation of members of the Board of Directors and Board of Executive Officers was R\$750 and R\$756, respectively, from January to March 2013 and 2012, and refers to short-term benefits. An additional amount of R\$141 referring to the Executive Officers' bonus program was recorded in the period between January and March 2013 (from January to March 2012 – R\$274).

(j) Loan agreement through credit facility

The Company holds interest in certain Special Purpose Entities (SPE), not holding the majority interest but with cast vote and power of veto in some issues. Therefore, these SPEs are considered for accounting purposes as jointly-owned subsidiaries.

The Company entered into a loan agreement through credit facility with the SPEs Águas de Andradina S.A., Águas de Castilho S.A. and Aquapolo Ambiental S.A. to finance the operations of these companies, until the loans and financing required to banks is cleared.

The contracts signed on January 19, 2012 with Águas de Andradina and Águas de Castilho were settled in July 2012, according to the agreement's provisions. On July 18, 2012, new agreements were signed with both companies, pursuant to the conditions in the table below. The agreement signed with Aquapolo Ambiental on March 30, 2012 remains with the same characteristics, according to the table below:

| SPE | Credit limit | Principal disbursed amount | Interest balance | Interest rate | Maturity |
|--------------------|--------------|----------------------------|------------------|-----------------------|------------|
| Águas de Andradina | 3,467 | 1,427 | 13 | SELIC + 3.5 % p.a. | 07/17/2013 |

| | | | | | |
|--------------------|--------|--------|-----|-----------------------|------------|
| Águas de Castilho | 675 | 403 | 4 | SELIC + 3.5 % p.a. | 07/17/2013 |
| Aquapolo Ambiental | 5,629 | 5,629 | 135 | CDI + 1.2% p.a. | 04/30/2016 |
| Aquapolo Ambiental | 19,000 | 19,000 | 433 | CDI + 1.2% p.a. | 04/30/2015 |
| Total | 28,771 | 26,459 | 585 | | |

The amount disbursed is recognized in Assets under “Other Receivables” and mounts to R\$1,830 for principal and R\$44 for interest recognized in Current Assets and R\$24,629 for principal and R\$2,163 for interest in Noncurrent Assets. As of March 31, 2013, the balance of principal and interest rates of these contracts is R\$28,666. From January to March 2013, financial income was impacted by R\$585 (R\$16 from January to March 2012).

9. INVESTMENTS

The Company holds interest in the following investees: Sesamm – Serviços de Saneamento de Mogi Mirim S/A, Águas de Andradina, Águas de Castilho, Saneagua Mairinque, Aquapolo Ambiental and Attend Ambiental which were consolidated by the equity accounting method. The accounting policies of its investees are consistent with the accounting policies adopted by the Company.

Although SABESP has no majority shares of its investees, the shareholders’ agreement provides for the power of veto in certain management issues, indicating participating shared control (joint venture – CPC 19).

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

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

| Company | Investments | | Equity in the earnings (losses) of investees | | | | Equity | | Profit (loss) for the period | |
|--------------------|-------------|----------|--|----------|----------|----------|----------|----------|------------------------------|----------|
| | March | December | March | December | March | December | March | December | March | December |
| | 31, 2013 | 31, 2012 | 31, 2013 | 31, 2012 | 31, 2013 | 31, 2012 | 31, 2013 | 31, 2012 | 31, 2013 | 31, 2012 |
| Sesamm | 6,028 | 5,760 | 268 | 393 | 36% | 36% | 16,744 | 15,999 | 745 | 1,092 |
| Águas de Andradina | 803 | 751 | 52 | (170) | 30% | 30% | 2,677 | 2,503 | 172 | (567) |
| Águas de Castilho | 534 | 474 | 60 | 48 | 30% | 30% | 1,780 | 1,580 | 200 | 160 |
| Saneaqua Mairinque | 743 | 722 | 21 | (60) | 30% | 30% | 2,477 | 2,407 | 70 | (200) |
| Attend Ambiental | 4,145 | 4,379 | (232) | (1,802) | 45% | 45% | 9,211 | 9,731 | (516) | (4,004) |
| Aquapolo Ambiental | 8,220 | 8,538 | (319) | (169) | 49% | 49% | 16,775 | 17,424 | (651) | (345) |
| Total | 20,473 | 20,624 | (150) | (1,760) | | | 49,664 | 49,644 | 21 | (3,864) |
| Other investments | 549 | 203 | | | | | | | | |
| Total | 21,022 | 20,826 | | | | | | | | |

March 31, 2013

| | Sesamm 36% | Águas de Andradina 30% | Águas de Castilho 30% | Saneaqua Mairinque 30% | Aquapolo Ambiental 49% | Attend Ambiental 45% | TOTAL |
|------------------------|----------------------|--------------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|------------------------------------|--------------|
| Current assets | 983 | 1,806 | 336 | 375 | 20,551 | 927 | 24,978 |
| Noncurrent assets | 19,478 | 4,169 | 1,001 | 879 | 178,625 | 3,517 | 207,669 |
| Current liabilities | 582 | 4,615 | 702 | 478 | 17,574 | 299 | 24,250 |
| Noncurrent liabilities | 13,851 | 557 | 101 | 33 | 173,382 | - | 187,924 |
| Equity | 6,028 | 803 | 534 | 743 | 8,220 | 4,145 | 20,473 |

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| | December 31, 2012 | | | | | | |
|------------------------|-------------------|--------------------|-------------------|--------------------|--------------------|------------------|---------|
| | Sesamm | Águas de Andradina | Águas de Castilho | Saneaqua Mairinque | Aquapolo Ambiental | Attend Ambiental | TOTAL |
| | 36% | 30% | 30% | 30% | 49% | 45% | |
| Current assets | 875 | 2,199 | 404 | 414 | 15,247 | 1,976 | 21,115 |
| Noncurrent assets | 19,609 | 3,934 | 904 | 858 | 181,749 | 2,570 | 209,624 |
| Current liabilities | 822 | 4,827 | 757 | 535 | 31,411 | 167 | 38,519 |
| Noncurrent liabilities | 13,902 | 555 | 77 | 15 | 157,047 | - | 171,596 |
| Equity | 5,760 | 751 | 474 | 722 | 8,538 | 4,379 | 20,624 |

| | March 31, 2013 | | | | | | |
|------------------------------|----------------|--------------------|-------------------|--------------------|--------------------|------------------|----------|
| | Sesamm | Águas de Andradina | Águas de Castilho | Saneaqua Mairinque | Aquapolo Ambiental | Attend Ambiental | TOTAL |
| | 36% | 30% | 30% | 30% | 49% | 45% | |
| Operating revenue | 303 | 1,043 | 375 | 685 | 9,706 | 59 | 12,171 |
| Operating expenses | (596) | (1,023) | (321) | (666) | (10,052) | (312) | (12,970) |
| Financial income, net | 561 | 32 | 6 | 2 | 27 | 21 | 649 |
| Profit (loss) for the period | 268 | 52 | 60 | 21 | (319) | (232) | (150) |

March 31, 2012

| | Sesamm 36% | Águas de Andradina 30% | Águas de Castilho 30% | Saneaqua Mairinque 30% | Aquapolo Ambiental 49% | Attend Ambiental 45% | TOTAL |
|------------------------------|-----------------------|---------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|-------------------------------------|--------------|
| Operating revenue | 5,823 | 4,046 | 895 | 652 | - | - | 11,416 |
| Operating expenses | (5,482) | (4,259) | (855) | (719) | (1,802) | (287) | (13,404) |
| Financial income, net | 52 | 43 | 8 | 7 | - | 118 | 228 |
| Profit (loss) for the period | 393 | (170) | 48 | (60) | (1,802) | (169) | (1,760) |

10. INVESTMENT PROPERTIES

As of March 31, 2013, "Investment Properties" totaled R\$54,039 (R\$54,046 in December 2012). As of December 31, 2013, the market value of these properties was R\$295,538 (R\$295,538 in December 2012).

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11. INTANGIBLE ASSETS

(a) Balances

| | December 31, 2012 | | | | | |
|---------------------------------------|--------------------------|--------------|------------|-----------------|--------------|------------|
| | March 31, 2013 | | | Restated | | |
| | Accumulated | | | Accumulated | | |
| | Cost | amortization | Net | Cost | amortization | Net |
| Intangible arising from: | | | | | | |
| Agreements – equity value | 8,241,070 | (1,438,550) | 6,802,520 | 8,408,007 | (1,511,813) | 6,896,194 |
| Concession contracts – economic value | 1,430,263 | (303,991) | 1,126,272 | 1,402,854 | (292,918) | 1,109,936 |
| Program contracts | 5,706,278 | (1,614,786) | 4,091,492 | 5,288,541 | (1,469,369) | 3,819,172 |
| Program contracts – commitments | 685,599 | (62,293) | 623,306 | 627,989 | (56,898) | 571,091 |
| Service contract – São Paulo | 10,788,910 | (1,130,900) | 9,658,010 | 10,604,942 | (1,036,455) | 9,568,487 |
| Software licenses (vi) | 119,648 | (55,330) | 64,318 | 55,615 | (52,969) | 2,646 |
| Total | 26,971,768 | (4,605,850) | 22,365,918 | 26,387,948 | (4,420,422) | 21,967,526 |

(b) Changes

| | December 31, 2012 | | | | | |
|--|-------------------|-----------|------------------|----------|--------------------------|--------------|
| | Restated | Additions | Contract renewal | Transfer | Write-offs and disposals | Amortization |
| | | | | | | |
| Intangibles arising from: | | | | | | |
| Agreements – equity value | 6,896,194 | 83,409 | (148,704) | 253 | (407) | (28,000) |
| Concession agreements – economic value | 1,109,936 | 27,517 | - | - | - | (11,000) |
| Program contracts | 3,819,172 | 171,829 | 148,704 | (212) | (2) | (47,000) |
| Program contracts – commitments | 571,091 | 57,609 | - | - | - | (5,000) |

| | | | | | | |
|------------------------------|------------|---------|---|----|-------|-------|
| Service contract – São Paulo | 9,568,487 | 183,877 | - | - | (18) | (94, |
| Software licenses | 2,646 | 64,033 | - | - | - | (2, |
| Total | 21,967,526 | 588,274 | - | 41 | (427) | (189, |

On March 19, 2013, the Company renewed the agreement with Presidente Prudente municipality for 30 years.

(c) Construction services

| | March 31, 2013 | | Total |
|-------------------------------------|-----------------------|------------------------|--------------|
| | Water supply | Sewage services | |
| Construction cost incurred | 208,518 | 277,444 | 485,962 |
| Recognition of construction revenue | 212,296 | 283,313 | 495,609 |

| | March 31, 2012 | | Total |
|-------------------------------------|-----------------------|------------------------|--------------|
| | Water supply | Sewage services | |
| Construction cost incurred | 236,102 | 303,280 | 539,382 |
| Recognition of construction revenue | 240,571 | 310,285 | 550,856 |

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(d) General information

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

The Company has obligations recorded in “Program Contracts – Commitments” under current liabilities (R\$156,676 and R\$148,220 on March 31, 2013 and December 31, 2012, respectively) and noncurrent liabilities (R\$118,868 and R\$87,407 on March 31, 2013 and December 31, 2012, respectively).

(vi) Software license

Software licenses are capitalized based on costs incurred to acquire software and make them ready for use. In the first quarter of 2013, the Company started implementing the corporate integrated management solution (ERP system).

On March 31, 2013 and December 31, 2012, the balances was R\$64,318 and R\$2,646, respectively.

(e) Disposal of concession intangible underlying assets

In the first quarters of 2013 and 2012, the Company wrote off intangible underlying assets items totaling R\$427 and R\$905, respectively, due to obsolescence, theft, misplacements, unproductive wells and projects considered economically unfeasible.

(f) Capitalization of interest and other financial charges

In the first quarter of 2013, the Company capitalized interest and inflation adjustment, including related foreign currency exchange effects, in concession intangible assets during the construction period of the qualifying asset totaling R\$57,659 with an average rate of 1.27%. In the first quarter of 2012, R\$60,929 was capitalized with an average rate of 1.14%), during the period of the construction.

(g) 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.

However, 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. In the first quarters of 2013 and 2012, the margin was 2.3%.

Construction margins for the first quarters of 2013 and 2012 were R\$9,647 and R\$11,474, respectively.

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(h) 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. On March 31, 2013, the total amount related to expropriations was R\$3,832 (R\$1,646 in March 2012).

(i) Assets pledged as guarantee

On March 31, 2013 and December 31, 2012, the Company had underlying physical assets totaling R\$249,034 offered as guarantee to the request for the PAES (tax debt refinancing program) (Note 14).

(j) Public-Private Partnership (PPP)

The Company and CAB-Sistema Produtor Alto Tietê S.A., special purpose entity, 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 Taiapuèba from 10 thousand to 15 thousand of liters per second, whose operation began in October 2011.

On March 31, 2013 and December 31, 2012, the amount recognized as intangible asset related to this PPP was R\$410,134 and R\$426,791, respectively.

(k) Works in progress

The amount of R\$5.3 billion is recorded as intangible assets from works in progress on March 31, 2013 (R\$5.1 billion on December 31, 2012).

(l) Amortization of intangible assets

The amortization average rate was 4.0% on March 31, 2013 (4.1% in March 2012).

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12. PROPERTY, PLANT AND EQUIPMENT

(a) Balances

| | March 31, 2013 | | | December 31, 2012 | | |
|--------------------------|----------------|--------------------------|---------|-------------------|-----------------------------------|---------|
| | Cost | Accumulated depreciation | Net | Cost | Restated Accumulated depreciation | Net |
| Land | 88,328 | - | 88,328 | 88,328 | - | 88,328 |
| Buildings | 56,339 | (31,106) | 25,233 | 56,339 | (30,778) | 25,561 |
| Equipment | 193,642 | (126,100) | 67,542 | 191,202 | (121,569) | 69,633 |
| Transportation equipment | 14,606 | (7,033) | 7,573 | 13,882 | (7,267) | 6,615 |
| Furniture and fixtures | 16,332 | (10,089) | 6,243 | 16,203 | (10,016) | 6,187 |
| Other | 1,048 | (681) | 367 | 1,109 | (723) | 386 |
| | 370,295 | (175,009) | 195,286 | 367,063 | (170,353) | 196,710 |

(b) Changes

December 31, 2012

Write-offs and

March 31, 2013

| | Restated | Additions | Transfer | disposals | Depreciation | |
|--------------------------|----------|-----------|----------|-----------|--------------|---------|
| Land | 88,328 | - | - | - | - | 88,328 |
| Buildings | 25,561 | - | - | - | (328) | 25,233 |
| Equipment | 69,633 | 2,880 | (36) | (22) | (4,913) | 67,542 |
| Transportation equipment | 6,615 | 1,157 | 45 | - | (244) | 7,573 |
| Furniture and fixtures | 6,187 | 296 | (38) | (25) | (177) | 6,243 |
| Other | 386 | - | (12) | - | (7) | 367 |
| | 196,710 | 4,333 | (41) | (47) | (5,669) | 195,286 |

(c) Depreciation

The Company revises annually the estimated useful lives of: buildings - 2%; equipment - 5%; transportation equipment - 10% and furniture and fixture - 6.7%. Land is not depreciated.

The depreciation average rate in the first quarters of 2013 and 2012 were 10.8% and 10.8%, respectively.

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Outstanding balance of loans and financing

| | December 31, 2012 | | | | | |
|--|--------------------------|-------------------|--------------|-----------------|-------------------|--------------|
| | March 31, 2013 | | | Restated | | |
| Financial institutions | Current | Noncurrent | Total | Current | Noncurrent | Total |
| DOMESTIC CURRENCY | | | | | | |
| Banco do Brasil | 388,782 | - | 388,782 | 380,631 | 100,306 | 480,937 |
| 10 th issue debentures | 36,295 | 248,595 | 284,890 | 36,459 | 252,166 | 288,625 |
| 11 th issue debentures | - | - | - | 472,500 | 535,949 | 1,008,449 |
| 12 th issue debentures | - | 499,488 | 499,488 | - | 499,511 | 499,511 |
| 14 th issue debentures | 2,008 | 284,739 | 286,747 | - | 284,649 | 284,649 |
| 15 th issue debentures | - | 803,062 | 803,062 | - | 791,451 | 791,451 |
| 16 th issue debentures | - | 499,481 | 499,481 | - | 499,457 | 499,457 |
| 17 th issue debentures | - | 1,007,907 | 1,007,907 | - | - | - |
| Brazilian Federal Savings Bank | 113,705 | 921,460 | 1,035,165 | 116,867 | 918,756 | 1,035,623 |
| Brazilian Development Bank - BNDES | - | - | - | 4,154 | - | 4,154 |
| Brazilian Development Bank - BNDES BAIXADA SANTISTA | 16,309 | 93,778 | 110,087 | 16,309 | 97,855 | 114,164 |
| Brazilian Development Bank - BNDES PAC | 8,447 | 78,132 | 86,579 | 8,447 | 80,244 | 88,691 |
| Brazilian Development Bank - BNDES PAC II 9751 | 90 | 6,410 | 6,500 | - | 6,500 | 6,500 |
| Brazilian Development Bank - BNDES PAC II 9752 | - | 13,000 | 13,000 | - | 13,000 | 13,000 |
| Brazilian Development Bank - BNDES ONDA LIMPA | 19,230 | 211,225 | 230,455 | 19,230 | 216,026 | 235,256 |

| | | | | | | |
|----------------------------|---------|-----------|-----------|-----------|-----------|-----------|
| Leasing | - | 281,153 | 281,153 | - | 215,774 | 215,774 |
| Others | 603 | 2,804 | 3,407 | 763 | 2,923 | 3,686 |
| Interest and charges | 47,220 | - | 47,220 | 89,567 | - | 89,567 |
| TOTAL IN DOMESTIC CURRENCY | 632,689 | 4,951,234 | 5,583,923 | 1,144,927 | 4,514,567 | 5,659,494 |

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| | December 31, 2012 | | | | | |
|--|--------------------------|-------------------|------------------|------------------|-------------------|------------------|
| | March 31, 2013 | | | Restated | | |
| Financial institutions | Current | Noncurrent | Total | Current | Noncurrent | Total |
| FOREIGN CURRENCY | | | | | | |
| Inter-American Development Bank – BID US\$429,057 thousand | 76,834 | 781,841 | 858,675 | 77,967 | 770,494 | 848,461 |
| International Bank for Reconstruction and Development -BIRD – US\$29,386 thousand | - | 58,778 | 58,778 | - | 54,492 | 54,492 |
| Eurobonds – US\$140,000 thousand | - | 281,525 | 281,525 | - | 285,655 | 285,655 |
| Eurobonds – US\$350,000 thousand | - | 697,903 | 697,903 | - | 708,076 | 708,076 |
| JICA 15 ¥19,015,095 thousand | 24,684 | 382,619 | 407,303 | 27,335 | 437,371 | 464,706 |
| JICA 18 ¥17,096,640 thousand | 22,195 | 343,671 | 365,866 | 24,578 | 392,894 | 417,472 |
| JICA 17 ¥382,378 thousand | - | 7,949 | 7,949 | - | 7,524 | 7,524 |
| JICA 19 ¥6,022,269 thousand | - | 128,509 | 128,509 | - | 1 | 1 |
| BID 1983AB – US\$202,115 thousand | 48,215 | 356,374 | 404,589 | 48,926 | 361,587 | 410,513 |
| Interest and charges | 34,543 | - | 34,543 | 18,861 | - | 18,861 |
| TOTAL IN FOREIGN CURRENCY | 206,471 | 3,039,169 | 3,245,640 | 197,667 | 3,018,094 | 3,215,761 |
| TOTAL LOANS AND FINANCING | 839,160 | 7,990,403 | 8,829,563 | 1,342,594 | 7,532,661 | 8,875,255 |

Quotes on March 31, 2013 – US\$1.00 = R\$2.0138; Yen 1.00 = R\$0.021420 (US\$1.00 = R\$2.0435; Yen 1.00 = R\$0.023720 on December 31, 2012)

On March 31, 2013, the Company did not record balances of loans and financing raised in 2013 to mature within 12 months.

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| | | GUARANTEES | MATURITY | ANNUAL INTEREST RATES |
|--|--------------------------------|-------------------|-----------------|--|
| DOMESTIC CURRENCY | | | | |
| | SÃO PAULO STATE | | | |
| Banco do Brasil | GOVERNMENT AND OWN FUNDS | | 2014 | 8.50% |
| 10 th issue debentures | OWN FUNDS | | 2020 | TJLP +1.92% (series 1 and 3) and 9.53% (series 2) |
| 11 th issue debentures | OWN FUNDS | | 2015 | CDI + 1.95% (series 1) and CDI + 1.4% (series 2) |
| 12 th issue debentures | OWN FUNDS | | 2025 | TR + 9.5% |
| 14 th issue debentures | OWN FUNDS | | 2022 | TJLP +1.92% (series 1 and 3) and 9.19% (series 2) |
| 15 th issue debentures | OWN FUNDS | | 2019 | CDI + 0.99% (series 1) and 6.2% (series 2) |
| 16 th issue debentures | OWN FUNDS | | 2015 | CDI + 0.30% to 0.70% |
| 17 th issue debentures | OWN FUNDS | | 2023 | CDI + 0.75% (series 1), IPCA + 4.5% (series 2), IPCA + 4.75% (series 3) |
| Brazilian Federal Savings Bank | OWN FUNDS | | 2013/32 | 6.8% (weighted) |
| Brazilian Development Bank - BNDES | OWN FUNDS | | 2013 | 3% + TJLP |
| 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 |
| Others | OWN FUNDS | | 2018/2025 | TJLP + 6% / 12% |

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GUARANTEES

FOREIGN CURRENCY

| | |
|--|--------------------|
| Inter-American Development Bank – BID US\$429,057 thousand | FEDERAL GOVERNMENT |
| International Bank for Reconstruction and Development - BIRD – US\$29,386 thousand | FEDERAL GOVERNMENT |
| Eurobonds – US\$140,000 thousand | - |
| Eurobonds – US\$350,000 thousand | - |
| JICA 15 ¥19,015,095 thousand | FEDERAL GOVERNMENT |
| JICA 18 ¥17,096,640 thousand | FEDERAL GOVERNMENT |
| JICA 17 ¥382,378 thousand | FEDERAL GOVERNMENT |
| JICA 19 ¥6,022,269 thousand | FEDERAL GOVERNMENT |
| BID 1983AB – US\$202,115 thousand | - |

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The Company reported the main changes in loans and financings in the period ended March 31, 2013. Other information on loans and financing is provided in Note 13 to the Annual Financial Statements as at December 31, 2012.

(i) 17th issue of Debentures

On January 15, 2013, the Company issued the 17th Issue of non-convertible, registered, book-entry unsecured debentures in three series, with the following characteristics:

Date of Issue: January 15, 2013.

Total Amount: R\$1,000,000, number 100,000 debentures, in three series, unit value R\$10.

| | Amount | Adjustment | Interest rate | Interest payment | Amortization |
|------------------------|-----------|------------|----------------|------------------------------|-----------------------------|
| 1 st Series | 424,680 | | DI+ 0.75% p.a. | Half-year (January and July) | Annual (as of January 2016) |
| 2 nd Series | 395,230 | IPCA | 4.50% p.a. | Annual (January) | Annual (as of January 2019) |
| 3 rd Series | 180,090 | IPCA | 4.75% p.a. | Annual (January) | Annual (as of January 2021) |
| Total | 1,000,000 | | | | |

Early redemption: none

The proceeds resulting from the funding raised by the 17th Issue of Debentures will be exclusively allocated as follows: R\$500,000 for settlement of financial commitments maturing in 2013, and up to R\$500,000 for early redemption of other Company debts.

(ii) Redemption of the 11th issue of Debentures

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

(iii) Payment schedule of loans and financings

The total volume of debt to be paid until the end of 2013 is R\$650,952, R\$172,683 is the amount indexed to foreign currency and R\$478,269 is the falling due amount of interest rates and principal of loans denominated in reais.

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| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> <u>onwards</u> | <u>TOTAL</u> |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|-------------------------------|------------------|
| Domestic currency | | | | | | | | |
| Banco do Brasil | 288,476 | 100,306 | - | - | - | - | - | 388,782 |
| Brazilian Federal Savings Bank | 87,764 | 79,586 | 58,065 | 57,546 | 60,249 | 63,693 | 628,262 | 1,035,165 |
| Debentures | 30,717 | 79,547 | 712,338 | 353,002 | 355,012 | 520,541 | 1,330,418 | 3,381,575 |
| BNDES Bx Santista | 12,232 | 16,309 | 16,309 | 16,309 | 16,309 | 16,309 | 16,310 | 110,087 |
| BNDES PAC | 6,335 | 8,447 | 8,447 | 8,447 | 8,447 | 8,447 | 38,009 | 86,579 |
| BNDES PAC II 9751 | - | 813 | 1,083 | 1,083 | 1,083 | 1,083 | 1,355 | 6,500 |
| BNDES PAC II 9752 | - | - | 813 | 1,083 | 1,083 | 1,083 | 8,938 | 13,000 |
| BNDES Onda Limpa | 14,423 | 19,230 | 19,230 | 19,230 | 19,230 | 19,230 | 119,882 | 230,455 |
| Leasing | - | - | - | - | - | - | 281,153 | 281,153 |
| Others | 484 | 497 | 560 | 631 | 711 | 524 | - | 3,407 |
| Interest and charges | <u>37,838</u> | <u>9,382</u> | = | = | = | = | = | <u>47,220</u> |
| Domestic currency | 478,269 | 314,117 | 816,845 | 457,331 | 462,124 | 630,910 | 2,424,327 | 5,583,923 |
| Foreign currency | | | | | | | | |
| BID | 66,485 | 76,834 | 76,834 | 76,834 | 88,620 | 38,078 | 434,990 | 858,675 |
| BIRD | - | - | - | - | - | - | 58,778 | 58,778 |
| Eurobonds | - | - | - | 281,525 | - | - | 697,903 | 979,428 |
| JICA | 23,440 | 46,880 | 46,880 | 46,880 | 47,101 | 47,322 | 651,124 | 909,627 |
| BID 1983AB | 48,215 | 48,215 | 48,215 | 48,215 | 48,215 | 47,805 | 115,709 | 404,589 |
| Interest and charges | <u>34,543</u> | = | = | = | = | = | = | <u>34,543</u> |
| Foreign currency | <u>172,683</u> | <u>171,929</u> | <u>171,929</u> | <u>453,454</u> | <u>183,936</u> | <u>133,205</u> | <u>1,958,504</u> | <u>3,245,640</u> |
| Overall total | <u>650,952</u> | <u>486,046</u> | <u>988,774</u> | <u>910,785</u> | <u>646,060</u> | <u>764,115</u> | <u>4,382,831</u> | <u>8,829,563</u> |

(iv) Financial Commitments – “Covenants”

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

17th Issue of Debentures

Indicators are calculated every quarter, upon disclosure of interim or annual financial statements:

- Adjusted Total Debt/Ebitda: lower than or equal to 3.65; and
- Ebitda/Paid Financial Expenses: equal to or higher than 1.5.

Non-fulfillment of the covenant clauses shall trigger the early maturity of the contract.

The agreement has a cross-default clause, which sets forth early maturity of this contract in the event of early maturity of any of the Issuer's debts, in individual or total amount equal to or higher than ninety million reais (R\$90,000).

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

On March 31, 2013, the Company had met the requirements set forth by its loan and financing agreement.

(v) Loans and financing contracted but not yet used

In order to implement its investment plan, SABESP has a financing plan.

Funds from financing have specific purposes, which are released for their related investments.

| Agent | March 31 de 2013 (in millions of reais (*)) | |
|--|--|--------------|
| Brazilian Federal Savings Bank - CEF | | 1,096 |
| Japanese Bank for International Cooperation - JICA | | 810 |
| Inter-American Development Bank - BID | | 892 |
| Brazilian Development bank - BNDES | | 548 |
| International Bank for Reconstruction and Development - BIRD | | 144 |
| Other | | 53 |
| TOTAL | | 3,543 |

(*) Based on closing quotation of March 31, 2013 (US\$1.00 = R\$2.0138; ¥1.00 = R\$0.021420).

14. TAXES AND CONTRIBUTIONS

a) Current assets

| | December 31, 2012 | |
|--|--------------------------|-----------------|
| | March 31, 2013 | Restated |
| Taxes recoverable | | |
| Income tax and social contribution | - | 100,225 |
| IRRF (withholding income tax) on financial investments | 3,195 | 14,302 |
| Other federal taxes | 3,628 | 3,238 |
| Other municipal taxes | 656 | 656 |
| Total taxes recoverable | 7,479 | 118,421 |

The decrease in current assets is mainly due to the fact that the 2012 income tax and social contribution balance was used to settle the amounts of these taxes calculated in the first quarter of 2013.

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b) Liabilities

| | Current | December 31, 2012 |
|-------------------------------------|-----------------------|--------------------------|
| | March 31, 2013 | Restated |
| Income tax and social contribution | 44,527 | - |
| COFINS and PASEP | 42,461 | 46,576 |
| PAES (tax debt refinancing program) | 9,582 | 19,011 |
| INSS (Social Security contribution) | 28,310 | 29,401 |
| IRRF (withholding income tax) | 283 | 41,588 |
| Other | 14,183 | 16,134 |
| Total | 139,346 | 152,710 |

The decrease in current liabilities arises mainly from payment of withholding income tax on interest on equity declared in December 2012, the payment of Paes installments in the period, offset by the income tax and social contribution payable in the first quarter of 2013.

The Company applied for enrollment in PAES on July 15, 2003, in accordance with Law 10684 of May 30, 2003, and included in its application the debts related to COFINS and PASEP which were involved in a legal action challenging application of Law 9718/98, and the outstanding balance under the Tax Recovery Program (REFIS). The original amount included in PAES was R\$316,953, as follows:

| Tax | Principal | Fine | Interest | Total |
|------------|------------------|-------------|-----------------|--------------|
| COFINS | 132,499 | 13,250 | 50,994 | 196,743 |

| | | | | |
|-------|---------|--------|--------|---------|
| PASEP | 5,001 | 509 | 2,061 | 7,571 |
| REFIS | 112,639 | - | - | 112,639 |
| Total | 250,139 | 13,759 | 53,055 | 316,953 |

The loan related to Paes (Special Installment Payment) is being paid in 120 months. The amounts paid from January to March 2013 and in 2012 were R\$9,546 and R\$37,421, respectively, and financial expenses of R\$117 and R\$479 in the first quarter of 2013 and 2012, respectively, were recorded. The outstanding balance as of March 31, 2013 was R\$9,582. The assets offered as guarantee in REFIS, totaling R\$249,034, are still guaranteeing the amounts in the PAES program.

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15. DEFERRED TAXES

a) Balances

| | December 31, 2012 | |
|---|--------------------------|-----------------|
| | March 31, 2013 | Restated |
| Deferred income tax assets (i) | | |
| Provisions | 541,318 | 512,107 |
| Pension plan liabilities – G1 | 199,483 | 193,125 |
| Pension plan liabilities – G0 (1) | 85,271 | 85,271 |
| Donations of underlying assets on concession agreements | 40,913 | 41,312 |
| Allowance for loan losses | 167,861 | 162,670 |
| Actuarial gain/loss – Plan G1 (Note 2.1) | 9,405 | 9,405 |
| Others | 84,400 | 97,425 |
| Total deferred tax assets | 1,128,651 | 1,101,315 |
| Deferred tax liabilities (ii) | | |
| Temporary difference on concession of intangible assets | (622,526) | (650,093) |
| Capitalization of borrowing costs | (184,682) | (158,298) |
| Revenue – government entities | (81,147) | (77,827) |
| Others | (73,702) | (69,795) |
| Total deferred tax liabilities | (962,057) | (956,013) |

| | | |
|--------------------------|---------|---------|
| Deferred tax assets, net | 166,594 | 145,302 |
|--------------------------|---------|---------|

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

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b) Changes

| | December 31, 2011 | Recorded in the statement of income | March 31, 2012 |
|--|----------------------|---|-------------------|
| Deferred tax assets | Restated | | Restated |
| Provisions | 575,473 | 32,177 | 607,650 |
| Pension plan liabilities - G1 | 180,018 | 3,197 | 183,215 |
| Pension plan liabilities – G0 | 85,271 | - | 85,271 |
| Donations of underlying assets on concession agreements | 38,213 | - | 38,213 |
| Allowance for loan losses | 135,223 | 5,405 | 140,628 |
| Actuarial gain/loss – G1 | 35,323 | - | 35,323 |
| Others | 77,175 | 441 | 77,616 |
| Total | 1,126,696 | 41,220 | 1,167,916 |
| | December 31, 2011 | Recorded in the statement of income | March 31, 2012 |
| Deferred tax liabilities | Restated | | Restated |
| Temporary difference on concession of intangible assets | (692,210) | - | (692,210) |
| Capitalization of borrowing costs | (101,507) | - | (101,507) |
| Revenue – government entities | (76,773) | (1,393) | (78,166) |
| Others | (42,957) | (39,107) | (82,064) |
| Total | (913,447) | (40,500) | (953,947) |

Deferred tax assets

| | December 31, 2012 | Recorded in the statement of income | March 31, 2013 |
|--|----------------------|---|-------------------|
| | Restated | | |
| Provisions | 512,107 | 29,211 | 541,318 |
| Pension plan liabilities - G1 | 193,125 | 6,358 | 199,483 |
| Pension plan liabilities – G0 | 85,271 | - | 85,271 |
| Donations of underlying assets on concession agreements | 41,312 | (399) | 40,913 |
| Allowance for loan losses | 162,670 | 5,191 | 167,861 |
| Actuarial gain/loss – G1 | 9,405 | - | 9,405 |
| Others | 97,425 | (13,025) | 84,400 |
| Total | 1,101,315 | 27,336 | 1,128,651 |

| | December 31, 2012 | Recorded in the statement of income | March 31, 2013 |
|--|----------------------|---|-------------------|
| | Restated | | Restated |
| Deferred tax liabilities | | | |
| Temporary difference on concession of intangible assets | (650,093) | 27,567 | (622,526) |
| Capitalization of borrowing costs | (158,298) | (26,384) | (184,682) |
| Revenue – government entities | (77,827) | (3,320) | (81,147) |
| Others | (69,795) | (3,907) | (73,702) |
| Total | (956,013) | (6,044) | (962,057) |

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c) Reconciliation of the effective tax rate

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

| | Three-month period ended March 31, 2013 | Three-month period ended March 31, 2012 Restated |
|---|--|---|
| Profit before income taxes | 762,450 | 755,188 |
| Statutory rate | 34% | 34% |
| Estimated expense at statutory rate | (259,233) | (256,764) |
| Permanente differences | | |
| Provision Law 4819/58 (i) | (9,341) | (8,826) |
| Donations | (1,059) | - |
| Other differences | 3,384 | 2,315 |
| Income tax and social contribution | (266,249) | (263,275) |
| Current income tax and social contribution | (287,541) | (263,995) |
| Deferred income tax and social contribution | 21,292 | 720 |
| Effective rate | 35% | 35% |

- (i) Permanent difference related to the provision for actuarial liability.

Transition Tax Regime (RTT)

For purpose to calculate the income tax and the social contribution on net income for 2009 and 2008, the Company opted to adopt the Transition Tax Regime (RTT), which allow to eliminate the accounting effects of the Law 11638/07 and the Provisional Measure 449/08, converted into Law 11941/2009, through the taxable income journal (LALUR) and auxiliary controls, without any modification in the bookkeeping.

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

16. PROVISIONS

- (a) Lawsuits deemed as probable loss

- (i) Balances

The Company is party to a number of lawsuits arising from the normal course of business, relating to civil, tax, labor and environmental matters. Management recognized provisions at amounts deemed sufficient to cover probable losses. These provisions, net of escrow deposits, are as follows:

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| | | | | | | December 31, 2012 |
|---------------------------|------------------|------------------|------------------|------------------|------------------|----------------------|
| | Provisions | Escrow deposits | March 31, 2013 | Provisions | Escrow deposits | Restated |
| Customer claims (i) | 694,780 | (135,093) | 559,687 | 652,663 | (131,408) | 521,255 |
| Supplier claims (ii) | 300,297 | (179,326) | 120,971 | 290,593 | (175,437) | 115,156 |
| Other civil claims (iii) | 164,150 | (11,610) | 152,540 | 169,513 | (4,978) | 164,535 |
| Tax claims (iv) | 70,691 | (4,186) | 66,505 | 71,141 | (3,056) | 68,085 |
| Labor claims (v) | 191,484 | (1,562) | 189,922 | 173,227 | (1,529) | 171,698 |
| Environmental claims (vi) | 170,709 | (650) | 170,059 | 149,061 | (636) | 148,425 |
| Total | 1,592,111 | (332,427) | 1,259,684 | 1,506,198 | (317,044) | 1,189,154 |
| Current | 722,228 | - | 722,228 | 565,083 | - | 565,083 |
| Noncurrent | 869,883 | (332,427) | 537,456 | 941,115 | (317,044) | 624,071 |

(ii) Changes

| | December 31, 2012 | Additional provisions | Interest and inflation adjustment | Amounts used in provision | Amounts not used (reversal) | March 31, 2013 |
|----------------------|----------------------|--------------------------|---|---------------------------------|-----------------------------------|-------------------|
| Customer claims (i) | 652,663 | 32,583 | 45,688 | (11,300) | (24,854) | 694,780 |
| Supplier claims (ii) | 290,593 | 3,110 | 7,474 | (55) | (825) | 300,297 |

| | | | | | | |
|---------------------------|------------------|-----------------|----------------|-----------------|-----------------|------------------|
| Other civil claims (iii) | 169,513 | 7,342 | 11,392 | (1,907) | (22,190) | 164,150 |
| Tax claims (iv) | 71,141 | 1,054 | 2,747 | (3,957) | (294) | 70,691 |
| Labor claims (v) | 173,227 | 25,452 | 8,654 | (10,650) | (5,199) | 191,484 |
| Environmental claims (vi) | <u>149,061</u> | <u>17,484</u> | <u>4,385</u> | = | <u>(221)</u> | <u>170,709</u> |
| Subtotal | 1,506,198 | 87,025 | 80,340 | (27,869) | (53,583) | 1,592,111 |
| Escrow deposits | <u>(317,044)</u> | <u>(15,894)</u> | <u>(7,017)</u> | <u>7,420</u> | <u>108</u> | <u>(332,427)</u> |
| Total | <u>1,189,154</u> | <u>71,131</u> | <u>73,323</u> | <u>(20,449)</u> | <u>(53,475)</u> | <u>1,259,684</u> |

(b) Lawsuits deemed as possible loss

The Company is party to lawsuits and administrative proceedings relating to environmental, tax, civil and labor matters, which are assessed by Management whose chances of loss are possible and are not recorded. Lawsuits, classified as possible loss, represent approximately R\$2,935,700 on March 31, 2013 (R\$2,796,500 in December 2012).

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

(i) Customer claims

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Approximately 1,560 lawsuits were filed by commercial customers, which claim that their tariffs should correspond to other consumer categories, and 670 lawsuits which claim a reduction in the sewage tariff due to losses in the system, consequently requesting the refund of amounts charged by the Company. The Company was granted both favorable and unfavorable final decisions at several court levels and recognized provisions when the chances of losses are probable. The R\$38,432 increase in the lawsuits classified as probable loss (net of escrow deposits) relates to the filling of new lawsuits and interest, fees and inflation adjustments on amounts involving lawsuits in progress, partially offset by payments made in the year and revisions of expectations caused by favorable decisions to the Company in 2013.

(ii) Supplier claims

Suppliers' claims include lawsuits filed by some suppliers alleging underpayment of inflation adjustment, withholding of amounts related to the understated inflation rates deriving from the Brazilian Real economic plan, and the economic and financial imbalance of the agreements. These lawsuits are in progress at different courts and a provision is recognized when the chances of losses are probable.

(iii) Other civil claims

These refer mainly to indemnities for property damage, pain and suffering, and loss of profits allegedly caused to third parties, filled at different court levels, dully accrued when classified as probable losses. The R\$11,995 decrease, for lawsuits with probable chances of loss (net of escrow deposits), was mainly due to favorable decisions to the Company.

(iv) Tax claims

Tax lawsuits 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.

(v) Labor claims

The Company is a party to several labor lawsuits, involving issues such as overtime, shift schedule, health hazard premium and hazardous duty premium, prior notice, change of function, salary equalization, and other. Part of the amount involved is in provisional or final execution at various court levels. The Company recognized a provision for claims which likelihood of loss is considered probable. The R\$18,224 addition in lawsuits with probable chances of loss (net of escrow deposits) mainly refers to the estimates and inflation adjustments of amounts involving lawsuits in progress.

(vi) Environmental claims

Environmental claims refer to several administrative proceedings and lawsuits filed by government entities, including Companhia de Tecnologia de Saneamento Ambiental – Cetesb, Public Prosecution Office of the State of São Paulo and others, that aim affirmative and negative covenants and penalty 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\$21,634 increase in the lawsuits with probable chances of loss (net of escrow deposits) mainly refers to the addition in the estimates of lawsuits in progress.

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17. EMPLOYEE BENEFITS

(a) Health benefit plan

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

. Company: 7.5% on average, of gross payroll;

. Participating employees: 3.21% of base salary and premiums, equivalent to 2.1% of payroll, on average.

(b) Pension plan benefits

Amounts recorded in the statement of financial position

Funded plan – G1

| | |
|--|----------------|
| Pension plan liabilities on December 31, 2012 | 577,169 |
| Effect from the adoption of CPC 33(R1) | 27,663 |
| Adjusted pension plan liabilities on December 31, 2012 | 604,832 |
| Expenses recognized in 2013 | 21,301 |
| Payments in 2013 | (2,602) |
| Pension plan liabilities on March 31, 2013 (i) | 623,531 |

Amounts recorded in the statement of financial position

Unfunded plan – G0

| | |
|---|------------------|
| Pension plan liabilities on December 31, 2012 | 1,547,161 |
| Effect from the adoption of CPC 33(R1) | 440,557 |
| Adjusted pension plan liabilities on December 31, 2012 | 1,987,718 |
| Expenses recognized in 2013 | 44,192 |
| Payments in 2013 | (30,100) |
| Pension plan liabilities on March 31, 2013 (iii) | 2,001,810 |

Total **2,625,341**

(i) Plan G1

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

- 0.53% of the portion of the salary of participation up to 20 salaries; and
- 4.5% of the surplus, if any, of the portion of the salary of participation over 20 salaries.

On March 31, 2013, SABESP had a net actuarial liability of R\$623,531 (R\$604,832 on December 31, 2012) representing the difference between the present value of the Company's defined benefit obligations to the participating employees, retired employees, and pensioners and the fair value of the related assets.

(ii) Private pension plan benefits – Defined contribution

On March 31, 2013, Sabesprev Mais plan, based on defined contribution, had 4,952 active and assisted participants (4,569 in December 2011).

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

Regarding the Sabesprev Mais plan, the commitment to all participants who migrated up to March 31, 2013 amounted to R\$11,991 (R\$12,441 in December 2012) referred to active participants.

(iii) Plan G0

Pursuant to Law 4819/58, employees who provided 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 March 31, 2013, the Company recorded a defined benefit obligation for Plan G0 of R\$2,001,810 (R\$1,987,718 in December 2012).

(c) Profit sharing

The Company's 2013 Profit Sharing Program was equivalent to one month salary for each employee, depending on performance of goals reached. In the first quarter of 2013, the profit distribution accrued amounted to R\$15,674 (R\$14,144 in the first quarter of 2012).

18. EQUITY

a) Authorized capital

The Company is authorized to increase capital by up to R\$10,000,000 (R\$10,000,000 in December 2012), based on a Board of Directors' resolution, after submission to the Fiscal Council.

b) Subscribed and paid-in capital

As at March 31, 2013, subscribed and paid-in capital was represented by 227,836,623 non-par, registered book entry common shares (227,836,623 shares in December 2012) held as follows:

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Before the share split occurred on April 22, 2013

| | March 31, 2013 | |
|--|-------------------------|---------------|
| | Number of shares | % |
| State Department of Finance | 114,508,086 | 50.26% |
| Companhia Brasileira de Liquidação e Custódia | 59,762,074 | 26.23% |
| The Bank Of New York ADR Department (equivalent in shares) (*) | 53,366,486 | 23.42% |
| Other | 199,977 | 0.09% |
| | 227,836,623 | 100.0% |

(*) Each ADR corresponds to 1 share.

On April 22, 2013 the Shareholders approved the stock split in the annual Shareholders' meeting. The stock split was in a portion of 1 (one) to 3 (three) of the common shares.

After the share split occurred on April 22, 2013

Subscribed and paid-in capital after the share split is composed of 683,509,869 non-par, registered book-entry common shares, held as follows:

| | March 31, 2013 | |
|--|-------------------------|---------------|
| | Number of shares | % |
| State Department of Finance | 343,524,258 | 50.26% |
| Companhia Brasileira de Liquidação e Custódia | 179,286,222 | 26.23% |
| The Bank Of New York ADR Department (equivalent in shares) (*) | 160,099,458 | 23.42% |
| Other | 599,931 | 0.09% |
| | 683,509,869 | 100.0% |

The proposal for allocation of net income for 2012 was approved at the Shareholders' Meeting held on April 22, 2013.

Other information on equity, such as earnings allocation, dividends, objective and purpose of reserves, can be found in Note 19 to the Annual Financial Statements as at December 31, 2012.

19. EARNINGS PER SHARE

(a) Basic and diluted

Basic earnings per share are 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. According to CPC 41, earnings per share after the share split occurred on April 22, 2013 are calculated as follows:

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|--|--|---|
| Income attributable to the Company's shareholders | 496,201 | 491,913 |
| Weighted average number of common shares issued | 683,509 | 683,509 |
| Basic and diluted earnings per share (reais per share) | 0.72596 | 0.71969 |

20. SEGMENT INFORMATION

Management, composed of 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.

Three-m

| | | | | per er |
|---|-----------|-----------|---|---------------------------------------|
| | | | | March |
| | | | Reconciliation to the Financial Statements | Balance per Financial Statement |
| | Water | Sewage | | |
| Gross revenue from sales and services – from external customers | 1,285,902 | 1,032,945 | 495,609 | 2,814 |
| Gross sale deductions | (93,947) | (75,466) | - | (169) |
| Net revenue from sales and services – from external customers | 1,191,955 | 957,479 | 495,609 | 2,645 |
| Costs, selling and administrative expenses | (888,964) | (543,661) | (485,962) | (1,918) |
| Income from operations before other operating expenses, net | 302,991 | 413,818 | 9,647 | 726 |
| Other operating expenses, net | | | | 8 |
| Equity in the earnings (losses) of joint ventures | | | | (|
| Financial result, net | | | | 27 |
| Income from operations before taxes | | | | 762 |
| Depreciation and amortization | 105,253 | 89,912 | - | 195 |

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| | | | | Three-m pe er |
|---|-----------|-----------|---|-------------------------------|
| | | | | March 2 |
| | | | | Rest |
| | | | Reconciliation to the Financial Statements | Balanc per Finan Statem |
| | Water | Sewage | | |
| Gross revenue from sales and services – from external customers | 1,212,069 | 977,338 | 550,856 | 2,740 |
| Gross sales deductions | (90,006) | (72,575) | - | (162, |
| Net revenue from sales and services – from external customers | 1,122,063 | 904,763 | 550,856 | 2,577 |
| Costs, selling and administrative expenses | (849,057) | (485,768) | (539,382) | (1,874, |
| Income from operations before other operating expenses, net | 273,006 | 418,995 | 11,474 | 703 |
| Other operating expenses, net | | | | 8 |
| Equity in the earnings (losses) of joint ventures | | | | (1, |
| Financial result, net | | | | 45 |
| Income from operations before taxes | | | | 755 |

| | | | | |
|-------------------------------|---------|--------|---|-----|
| Depreciation and amortization | 106,114 | 80,381 | - | 186 |
|-------------------------------|---------|--------|---|-----|

Explanation on the reconciliation items for the Financial Statements: the impacts on gross revenues from sales and services and on costs are as follows:

| | Three-month period ended March 31, 2013 | Three-month period ended March 31, 2012 Restated |
|---|--|---|
| Gross revenue from construction recognized under ICPC 1 (a) | 495,609 | 550,856 |
| Construction costs recognized under ICPC 1 (a) | 485,962 | 539,382 |
| Construction margin | 9,647 | 11,474 |

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

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21. REVENUE PER REGION

(a) Gross revenue from sales of products and services

| | Three-month period ended March 31, 2013 | Three-month period ended March 31, 2012 |
|--|--|--|
| Metropolitan Region of São Paulo | 1,688,016 | 1,587,422 |
| Regional Systems (i) | <u>630,831</u> | <u>601,985</u> |
| Total excluding revenue from construction (ii) | <u>2,318,847</u> | <u>2,189,407</u> |

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

(ii) Gross operating revenue from sales of products and services increased by 5.9% in the first quarter of 2013 over the first quarter of 2012. The Company's volume billed was up 2.0% on March 31, 2013 and the tariff adjustment has been 5.15% since September 2012.

(b) Reconciliation between gross revenue and net revenue

| | Three-month period ended March 31, 2013 | Three-month period ended March 31, 2012 Restated |
|--|--|---|
| Gross revenue from sales and/or services | 2,318,847 | 2,189,407 |
| Construction revenue | 495,609 | 550,856 |
| Sales tax | (169,413) | (162,581) |
| Net revenue | 2,645,043 | 2,577,682 |

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| <u>Description</u> | Three-month period ended March 31, 2013 | Three-month period ended March 31, 2012 Restated |
|--|--|---|
| | Cost of sales and services: | |
| Salaries and payroll charges | 318,734 | 283,081 |
| Pension plan liabilities | 15,402 | 9,058 |
| Construction costs (Note 11 c) | 485,962 | 539,382 |
| General supplies | 40,576 | 37,592 |
| Treatment supplies | 64,876 | 44,574 |
| Outsourced services | 163,730 | 160,813 |
| Electricity | 144,387 | 149,732 |
| General expenses | 116,351 | 92,456 |
| Depreciation and amortization | 186,848 | 179,751 |
| | 1,536,866 | 1,496,439 |
| Selling expenses: | | |
| Salaries and payroll charges | 51,486 | 46,281 |
| Pension plan liabilities | 2,601 | 1,396 |
| General supplies | 2,119 | 1,870 |
| Outsourced services | 26,426 | 62,179 |
| Electricity | 172 | 261 |
| General expenses | 18,361 | 18,539 |
| Depreciation and amortization | 2,718 | 1,489 |
| Allowance for doubtful accounts, net of recoveries (Note 7(c)) | 37,401 | 38,762 |
| | 141,284 | 170,777 |
| Administrative expenses: | | |
| Salaries and payroll charges | 41,854 | 38,441 |

| | | |
|--|-----------|-----------|
| Pension plan liabilities | 31,739 | 28,065 |
| General supplies | 1,584 | 1,012 |
| Outsourced services | 38,595 | 42,003 |
| Electricity | 268 | 354 |
| General expenses | 80,713 | 56,849 |
| Depreciation and amortization | 5,599 | 5,255 |
| Tax expenses | 40,085 | 35,012 |
| | 240,437 | 206,991 |
| Cost, sales and administrative expenses: | | |
| Salaries and payroll charges | 412,074 | 367,803 |
| Pension plan liabilities | 49,742 | 38,519 |
| Construction costs (Note 11 c) | 485,962 | 539,382 |
| General supplies | 44,279 | 40,474 |
| Treatment supplies | 64,876 | 44,574 |
| Outsourced services | 228,751 | 264,995 |
| Electricity | 144,827 | 150,347 |
| General expenses | 215,425 | 167,844 |
| Depreciation and amortization | 195,165 | 186,495 |
| Tax expenses | 40,085 | 35,012 |
| Allowance for doubtful accounts, net of recoveries (Note 7(c)) | 37,401 | 38,762 |
| | 1,918,587 | 1,874,207 |

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23. FINANCIAL EXPENSES AND INCOME

| | Three-month period ended March 31, 2013 | Three-month period ended March 31, 2012 Restated |
|--|--|---|
| Financial expenses: | | |
| Interest and charges on loans and financing – local currency | (82,525) | (82,203) |
| Interest and charges on loans and financing – foreign currency | (18,416) | (20,019) |
| Other financial expenses | (12,178) | (13,736) |
| Income tax over international remittance | (1,877) | (2,109) |
| Inflation adjustment on loans and financing (i) | (24,149) | (8,554) |
| Inflation adjustment on Sabesprev Mais deficit (ii) | (448) | (415) |
| Other inflation adjustments (iii) | (3,638) | (1,535) |
| Interest and inflation adjustments on provisions | (52,431) | (72,989) |
| Total financial expenses | (195,662) | (201,560) |
| Financial income: | | |
| Inflation adjustment gains (iv) | 28,996 | 11,774 |
| Income on short-term investments | 32,978 | 54,839 |
| Interest and other income | 31,429 | 20,994 |
| Total financial income | 93,403 | 87,607 |
| Financial, net before foreign exchange variations | (102,259) | (113,953) |
| Net foreign exchange gains (losses): | | |
| Foreign exchange variation on loans and financing | 129,604 | 159,232 |

| | | |
|-----------------------------------|---------|---------|
| Other foreign exchange variations | (1) | (20) |
| Foreign exchange gains | (35) | (249) |
| Foreign exchange variations, net | 129,568 | 158,963 |
| Financial, net | 27,309 | 45,010 |

(i) This inflation adjustment derives mainly from: (i) fund raising from the 17th issue of debentures conducted in February 2013; and (ii) IPCA variation at 1.9% in the first quarter of 2013, in comparison with the 1.2% variation in the same period in 2012. The exposures to these rates are shown in Note 3 (3.1).

(ii) This inflation adjustment derives from the change in the National Consumer Price Index (INPC) rate of 2.0% in the first quarter of 2013 (1.0% in the first quarter of 2012), which is used to adjust the balance of SABESP's commitment in relation to the deficit of the Sabesprev Mais pension plan.

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(iii) Other expenses related to inflation adjustment mainly arises from the adjustment of liabilities referring to investment commitments required by the public-private partnerships and mainly from program contracts indexed to the IPC and IPCA of 1.2% and 1.9% in the first quarter of 2013, respectively (0.7% and 1.2% in the first quarter of 2012, respectively).

(iv) These inflation adjustments mainly arises from the changes in the adjustment indexes of overdue trade account receivables which can be IPCA (1.9% in the first quarter of 2013 and 1.2% in the first quarter of 2012) or IPC-Fipe (Consumer Price Index, 1.2% in the first quarter of 2013 and 2.0% in the first quarter of 2012), depending on the contract date, and escrow deposits, which are adjusted at the index defined by the Judiciary Branch, which varied 2.2% in the first quarter of 2013 (1.4% in the first quarter of 2012) and the 17th issue of debentures, adjusted based on the IPCA rate, which was 1.9%.

24. OTHER OPERATING INCOME (EXPENSES), NET

| | Three-month period ended | Three-month period ended |
|-----------------------------|-------------------------------------|-------------------------------------|
| | March 31, 2013 | March 31, 2012 |
| Other operating income, net | 10,637 | Restated 10,607 |

| | | |
|--|---------|---------|
| Other operating expenses | (1,802) | (2,144) |
| Other operating income (expenses), net | 8,835 | 8,463 |

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

Other operating expenses consist mainly of write-off of property, plant and equipment due to obsolescence, discontinued construction works, unproductive wells, projects considered economically unfeasible, losses on property, plant and equipment.

25. 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 March 31, 2013, are as follow:

| | 1 year | 1-3 year | 3-5 year | More than 5 years | Total |
|---------------------------------------|-----------|-----------|----------|----------------------|-----------|
| Contractual obligations - Expenses | 872,066 | 1,080,288 | 49,181 | 1,698 | 2,003,233 |
| Contractual obligations - Investments | 1,223,255 | 895,175 | 51,028 | - | 2,169,458 |
| Total | 2,095,321 | 1,975,463 | 100,209 | 1,698 | 4,172,691 |

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26. ADDITIONAL INFORMATION ON CASH FLOWS

Non-cash investing and financing transactions:

| | Three-month period ended March 31, 2013 | Three-month period ended March 31, 2012 Restated |
|--|--|---|
| Interest capitalized in the period | 57,659 | 60,929 |
| Variation in payables to contractors | (53,336) | 34,631 |
| Program contract commitments with a corresponding entry to intangible assets | 57,609 | (8,389) |
| Leasing | 65,379 | 34,663 |
| Construction margin recorded in intangible assets | 9,647 | 11,474 |
| | 136,958 | 133,308 |

27. EVENTS AFTER THE REPORTING PERIOD

- Share split

The Special Shareholders' Meeting held on April 22, 2013 approved the proposal of the Company's Board of Directors, dated January 10, 2013, to split shares representing its capital stock at the ratio of one (1) to three (3), i.e., for each Company share held, the shareholders will receive two (2) new shares, for a total of three (3) shares. The capital stock will be divided into 683,509,869 common shares issued by the Company.

- Allocation of 2012 net income

The Annual Shareholders' Meeting held on April 22, 2013 approved the proposal of the Company's Board of Directors to allocate the net income for 2012 totaling R\$1,911,900 as follows:
Legal Reserve – R\$95,595; Minimum Mandatory Dividends – R\$454,076; Additional Dividends – R\$80,201; Investment Reserves – R\$1,282,028.

- Tariff system rules

In compliance with ARSESP Resolution 406 and Article 28 of the Tariff System Rules, approved by State Decree 41446 of December 16, 1996, on April 19, 2013, the Board of Directors resolved to apply the tariff repositioning index of 2.3509% to annual tariffs.

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Notes to the Financial Statements

The Regulation and Inspection Fee of 0.5%, authorized by Resolution 406, will be applied as soon as the operating adjustments necessary for the discrimination in bills from municipalities in which the fee will be charged are concluded.

On April 4, 2013, the Company filed request for reconsideration at ARSESP relating to Resolution 406, so as to preserve the Company's interest in the Tariff Review proceeding in progress.

ARSESP approved the Resolution 413, which provides for the suspension of the effectiveness of Resolution 407, postponing until the time SABESP discloses the definitive outcome of the Tariff Review the authorization to pass on to bills the amounts relating to municipal charges, legally established and which, in light of the Program Contracts and Water Supply and Sewage Service Agreements, should be considered in the Tariff Review.

- Program Contracts

The Company renewed the Water Supply and Sewage Service Program Contract with the municipality Ibirá on April 23, 2013 and entered into a contract with the municipality of Glicério on April 10, 2013. These contracts have a 30 years term.

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1****Notes to the Financial Statements****1. CHANGES IN INTEREST HELD BY CONTROLLING SHAREHOLDERS, BOARD MEMBERS AND EXECUTIVE OFFICERS****CONSOLIDATED SHAREHOLDING OF CONTROLLING SHAREHOLDERS, MANAGEMENT**

| Shareholder | AND OUTSTANDING SHARES Position as at March 31, 2013 | | Total Number of | |
|--------------------------------|---|--------------|--------------------|--------------|
| | Number of Common Shares (units) | % | Shares (units) | % |
| Controlling shareholder | | | | |
| State Finance Department | 114,508,086 | 50.3% | 114,508,086 | 50.3% |
| Management | | | | |
| Board of Directors | 506 | 0 | 506 | 0 |
| Executive Officers | | | | |
| Fiscal Council | - | - | - | - |
| Treasury Shares | - | - | - | - |
| Other Shareholders | | | | |
| Total | 114,508,592 | 50.3% | 114,508,592 | 50.3% |
| Outstanding Shares | 113,328,031 | 49.7% | 113,328,031 | 49.7% |

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1**Other Information Deemed as Relevant by the Company****CONSOLIDATED SHAREHOLDING OF CONTROLLING SHAREHOLDERS, MANAGEMENT AND OUTSTANDING SHARES**

Position as at March 31, 2012

| Shareholder | Number of Common Shares (units) | % | Total Number of Shares (units) | % |
|--------------------------------|---------------------------------------|--------------|--------------------------------------|--------------|
| Controlling shareholder | | | | |
| State Finance Department | 114,508,086 | 50.3% | 114,508,086 | 50.3% |
| Management | | | | |
| Board of Directors | 2,009 | 0 | 2,009 | 0 |
| Executive Officers | 603 | 0 | 603 | 0 |
| Fiscal Council | - | - | - | - |
| Treasury shares | - | - | - | - |
| Other shareholders | | | | |
| Total | 114,510,698 | 50.3% | 114,510,698 | 50.3% |
| Outstanding shares | 113,325,925 | 49.7% | 113,325,925 | 49.7% |

2. SHAREHOLDING POSITION**SHAREHOLDING POSITION OF HOLDERS OF MORE THAN 5% OF EACH TYPE AND CLASS OF COMPANY SHARES, UP TO THE LEVEL OF INDIVIDUALS**

Company:

| Shareholder | CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO Common shares | | Position as at March 31, 2013 (shares) Total | |
|--------------------------|---|----------|---|----------|
| | Number of shares | % | Number of shares | % |
| State Finance Department | 114,508,086 | 50.3 | 114,508,086 | 50.3 |

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

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Other Information Deemed as Relevant by the Company

(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 three-month period ended March 31, 2013, which comprises the balance sheet as of March 31, 2013 and the related statements of income, other comprehensive income, changes in equity and of cash flows for the three-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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Reports and Statements / Unqualified Report on Special Review

Emphasis of matter

Restatement of corresponding amounts

As mentioned in Note 2, as a result of the change in the accounting policy relating to employee benefits, in compliance with CPC 33 (R1) and IAS 19(R) – Employee Benefits, and the change in the accounting policy relating to the recording of jointly-owned businesses, in accordance with CPC 19 (R2) and IFRS 11 - Joint Arrangements, the corresponding amounts recorded in the statement of financial position for the year ended December 31, 2012 and the corresponding interim accounting information recorded in the statements of income, comprehensive income, changes in equity, cash flows and value added (supplemental information) for the three-month period ended March 31, 2012, presented for comparison purposes, were adjusted and are being restated as set forth in CPC 23 and IAS 8 - Accounting Policies, Changes in Estimates and Correction of Error and CPC 26 (R1) and IAS 1 - Presentation of Financial Statements. Our opinion is not modified with respect to this matter.

Other matters

Statements of value added

We have also reviewed the statements of value added (DVA) for the three-month period ended March 31, 2013, 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 individual and consolidated interim financial information taken as a whole.

Review of interim financial information for the three-month period ended March 31, 2012

The information and amounts for the three-month period ended March 31, 2012, presented for comparison purposes, were reviewed by other independent auditors, whose report, without qualification, was issued and dated on May 9, 2013.

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

São Paulo, May 9, 2013

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Délio Rocha Leite
Engagement Partner

