

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

November 23, 2004

**SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 6-K

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

For November 23, 2004

(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):

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FEDERAL GOVERNMENT SERVICE
 CVM BRAZILIAN SECURITIES AND EXCHANGE COMMISSION
 ITR QUARTERLY INFORMATION
 COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

Corporate Legislation
 Base Date 09/30/2004

REGISTRATION WITH THE CVM DOES NOT IMPLY ANY ANALYSIS OF THE COMPANY. COMPANY MANAGEMENT IS RESPONSIBLE FOR THE ACCURACY OF THE INFORMATION PROVIDED.

01.01 IDENTIFICATION

| | | |
|-----------------------|----------------------------------------------------------|------------------------------|
| 1 CVM CODE 01444-3 | 2 COMPANY NAME CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO | 3 CNPJ 43.776.517/0001-80 |
| 4 NIRE 35300016831 | | |

01.02 HEAD OFFICE

| | | | | |
|-------------------------------------------|--------------------------|--------------------------|------------------------------------|------------|
| 1 FULL ADDRESS Rua Costa Carvalho, 300 | | | 2 BOROUGH OR DISTRICT Pinheiros | |
| 3 ZIP CODE 05429-900 | 4 CITY São Paulo | | | 5 UF SP |
| 6 AREA CODE 011 | 7 TELEPHONE 3388-8000 | 8 TELEPHONE 3388-8200 | 9 TELEPHONE 3388-8201 | 10 TELEX |
| 11 AREA CODE 011 | 12 FAX 3813-0254 | 13 FAX - | 14 FAX - | |
| 15 E-MAIL sabesp@sabesp.com.br | | | | |

01.03 INVESTOR RELATIONS OFFICER (Company's Mail Address)

| | | | | |
|-------------------------------------------|--------------------------|------------------|------------------------------------|------------|
| 1 NAME Rui de Britto Álvares Affonso | | | | |
| 2 FULL ADDRESS Rua Costa Carvalho, 300 | | | 3 BOROUGH OR DISTRICT Pinheiros | |
| 4 ZIP CODE 05429-900 | 5 CITY São Paulo | | | 6 UF SP |
| 7 AREA CODE 011 | 8 TELEPHONE 3388-8247 | 9 TELEPHONE - | 10 TELEPHONE - | 11 TELEX |
| 12 AREA CODE 011 | 13 FAX 3815-4465 | 14 FAX - | 15 FAX - | |
| 16 E-MAIL raffonso@sabesp.com.br | | | | |

01.04 GENERAL INFORMATION/INDEPENDENT ACCOUNTANT

| CURRENT YEAR | | CURRENT QUARTER | | | PRIOR QUARTER | | |
|------------------------------------------------------------------------------|------------|-----------------|-------------|------------|------------------------------------------------------------------------------------------------|-------------|------------|
| 1 BEGINNING | 2 END | 3 NUMBER | 4 BEGINNING | 5 END | 6 NUMBER | 7 BEGINNING | 8 END |
| 01/01/2004 | 12/31/2004 | 3 | 07/01/2004 | 09/30/2004 | 2 | 04/01/2004 | 06/30/2004 |
| 9 INDEPENDENT ACCOUNTANT Deloitte Touche Tohmatsu Auditores Independentes | | | | | 10 CVM CODE 00385-9 | | |
| 11 PARTNER RESPONSIBLE Marco Antonio Brandão Simurro | | | | | 12 INDIVIDUAL TAXPAYERS REGISTRATION NUMBER OF THE PARTNER RESPONSIBLE 755.400.708-44 | | |

01.05 CAPITAL COMPOSITION

| NUMBER OF SHARES (thousand) | 1 CURRENT QUARTER 09/30/2004 | 2 PRIOR QUARTER 06/30/2004 | 3 SAME QUARTER IN PRIOR YEAR 09/30/2003 |
|--------------------------------|---------------------------------|-------------------------------|-----------------------------------------------|
| Paid-up Capital | | | |
| 1 Common | 28,479,577 | 28,479,577 | 28,479,577 |
| 2 Preferred | 0 | 0 | 0 |
| 3 Total | 28,479,577 | 28,479,577 | 28,479,577 |
| Treasury Shares | | | |
| 4 Common | 0 | 0 | 0 |
| 5 Preferred | 0 | 0 | 0 |
| 6 Total | 0 | 0 | 0 |

01.06 CHARACTERISTICS OF THE COMPANY

| |
|-------------------------------------------------------------------------------------------------|
| 1 TYPE OF COMPANY Commercial, Industrial and Other Companies |
| 2 SITUATION Operating |
| 3 NATURE OF OWNERSHIP State-owned |
| 4 ACTIVITY CODE 116 Sanitation, Water and Gas Services |
| 5 MAIN ACTIVITY Water catchment, treatment and distribution; Sewage collection and treatment |
| 6 TYPE OF CONSOLIDATION Not submitted |
| 7 TYPE OF REPORT OF INDEPENDENT ACCOUNTANT Unqualified |

01.07 COMPANIES EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENTS

| 1 ITEM | 2 CNPJ | 3 NAME |
|--------|--------|--------|
|--------|--------|--------|

01.08 DIVIDENDS APPROVED AND/OR PAID DURING AND AFTER THE QUARTER

| 1 - ITEM | 2 - EVENT | 3 DATE APPROVED | 4 - AMOUNT | 5 PAYMENT BEGINNING | 6 TYPE OF SHARE | 7 - AMOUNT PER SHARE |
|----------|-----------|-----------------|------------------------|---------------------|-----------------|----------------------|
| 01 | RCA | 02/26/20004 | Interest on net equity | | ON | 0.0013800000 |
| 02 | RCA | 04/24/2003 | Interest on net equity | 06/29/2004 | ON | 0.0014100000 |
| 03 | RCA | 05/29/2003 | Interest on net equity | 06/29/2004 | ON | 0.0041500000 |
| 04 | RCA | 11/20/2003 | Interest on net equity | 06/29/2004 | ON | 0.0054400000 |
| 05 | RCA | 01/08/2004 | Interest on net equity | 06/29/2004 | ON | 0.0067000000 |

01.09 SUBSCRIBED CAPITAL AND ALTERATIONS IN THE CURRENT YEAR

| 1 ITEM | 2 DATE OF CHANGE | 3 CAPITAL STOCK AMOUNT (In thousands of reais) | 4 AMOUNT OF THE CHANGE (In thousands of reais) | 5 NATURE OF THE CHANGE | 7 NUMBER OF SHARES ISSUED (Thousands) | 7 SHARE PRICE ON ISSUE DATE (Reais) |
|--------|------------------|---------------------------------------------------|---------------------------------------------------|------------------------|------------------------------------------|----------------------------------------|
|--------|------------------|---------------------------------------------------|---------------------------------------------------|------------------------|------------------------------------------|----------------------------------------|

01.10 INVESTORS RELATIONS OFFICER

| | |
|----------------------|-------------|
| 1 DATE 11/12/2004 | 2 SIGNATURE |
|----------------------|-------------|

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02.01 BALANCE SHEET - ASSETS (In Thousand Reais)

| 1 Code | 2 Description | 3 09/30/2004 | 4 06/30/2004 |
|---------------|----------------------------------------------|--------------|--------------|
| 1 | Total assets | 16,699,251 | 16,441,524 |
| 1.01 | Current assets | 1,247,662 | 987,443 |
| 1.01.01 | Cash | 298,458 | 102,905 |
| 1.01.01.01 | Cash and cash equivalents | 297,133 | 101,796 |
| 1.01.01.02 | Other cash equivalents | 1,325 | 1,109 |
| 1.01.02 | Credits | 858,279 | 773,407 |
| 1.01.02.01 | Customers | 858,279 | 773,407 |
| 1.01.03 | Inventories | 19,186 | 20,347 |
| 1.01.03.01 | Operating storeroom | 19,186 | 20,347 |
| 1.01.04 | Other | 71,739 | 90,784 |
| 1.01.04.01 | Recoverable taxes and contributions | 1,884 | 32,515 |
| 1.01.04.02 | Deferred taxes and contributions | 28,635 | 30,361 |
| 1.01.04.03 | Other accounts receivable | 41,220 | 27,908 |
| 1.02 | Long term assets | 1,405,487 | 1,379,525 |
| 1.02.01 | Sundry credits | 1,405,487 | 1,379,525 |
| 1.02.01.01 | Customers | 253,597 | 235,460 |
| 1.02.01.02 | Compensation for concession termination | 148,794 | 148,794 |
| 1.02.01.03 | Judicial deposits | 17,161 | 16,805 |
| 1.02.01.04 | GESP Agreement | 479,086 | 497,513 |
| 1.02.01.05 | Accounts receivable from shareholders | 228,192 | 206,997 |
| 1.02.01.06 | Deferred taxes and contributions | 250,069 | 246,090 |
| 1.02.01.07 | Other accounts receivable | 28,588 | 27,866 |
| 1.02.02 | Receivables from related companies | 0 | 0 |
| 1.02.02.01 | From associated companies | 0 | 0 |
| 1.02.02.02 | From controlled companies | 0 | 0 |
| 1.02.02.03 | From other related companies | 0 | 0 |
| 1.02.03 | Other | 0 | 0 |
| 1.03 | Permanent assets | 14,046,102 | 14,074,556 |
| 1.03.01 | Investments | 1,917 | 1,917 |
| 1.03.01.01 | Interest in associated companies | 0 | 0 |
| 1.03.01.02 | Interest in controlled companies | 0 | 0 |
| 1.03.01.03 | Other investments | 1,917 | 1,917 |
| 1.03.01.03.01 | Shares in other companies | 669 | 669 |
| 1.03.01.03.02 | Shares in other companies with tax incentive | 1,226 | 1,226 |
| 1.03.01.03.03 | Compulsory deposits - Eletrobrás | 22 | 22 |
| 1.03.02 | Fixed assets | 14,003,252 | 14,029,873 |
| 1.03.02.01 | Property, plant and equipment | 12,110,676 | 12,110,153 |
| 1.03.02.02 | Work in progress | 1,892,576 | 1,919,720 |
| 1.03.03 | Deferred assets | 40,933 | 42,766 |
| 1.03.03.01 | Organization and reorganization expenses | 40,933 | 42,766 |

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02.02 BALANCE SHEET - LIABILITIES (In Thousand Reais)

| 1 Code | 2 Description | 3 09/30/2004 | 4 06/30/2004 |
|------------|----------------------------------|--------------|--------------|
| 2 | Total liabilities | 16,699,251 | 16,441,524 |
| 2.01 | Current liabilities | 2,069,733 | 1,621,482 |
| 2.01.01 | Loans and financing | 1,265,521 | 484,348 |
| 2.01.02 | Debentures | 276,778 | 632,055 |
| 2.01.02.01 | 3rd issue debentures | 0 | 366,597 |
| 2.01.02.02 | 4th issue debentures | 100,001 | 100,001 |
| 2.01.02.03 | 5th issue debentures | 147,536 | 146,173 |
| 2.01.02.04 | Interest on debentures | 29,241 | 19,284 |
| 2.01.03 | Suppliers | 36,319 | 24,264 |
| 2.01.04 | Taxes, fees and contributions | 126,072 | 68,827 |
| 2.01.04.01 | Paes Program | 35,538 | 34,766 |
| 2.01.04.02 | Cofins and Pasep | 28,382 | 14,126 |
| 2.01.04.03 | I.N.S.S. (Social Security) | 14,631 | 17,966 |
| 2.01.04.04 | Social contribution | 9,372 | 0 |
| 2.01.04.05 | Income tax | 35,885 | 0 |
| 2.01.04.06 | Other | 2,264 | 1,969 |
| 2.01.05 | Dividends payable | 0 | 0 |
| 2.01.06 | Provisions | 26,765 | 21,258 |
| 2.01.06.01 | Finsocial | 7,872 | 7,872 |
| 2.01.06.02 | For Customers contingencies | 8,309 | 12,184 |
| 2.01.06.03 | For Suppliers contingencies | 10,584 | 1,202 |
| 2.01.07 | Debt with related companies | 0 | 0 |
| 2.01.08 | Other | 338,278 | 390,730 |
| 2.01.08.01 | Salaries and payroll charges | 168,174 | 157,301 |
| 2.01.08.02 | Services | 53,349 | 50,952 |
| 2.01.08.03 | Interest on net equity payable | 37,961 | 93,029 |
| 2.01.08.04 | Deferred taxes and contributions | 68,661 | 62,971 |
| 2.01.08.05 | Agreements Local Governments | 6,377 | 22,505 |
| 2.01.08.06 | Other liabilities | 3,756 | 3,972 |
| 2.02 | Long-term liabilities | 6,812,160 | 7,239,132 |
| 2.02.01 | Loans and financing | 4,722,328 | 5,759,703 |
| 2.02.02 | Debentures | 1,025,588 | 442,345 |
| 2.02.02.01 | 4th issue debentures | 124,999 | 149,999 |
| 2.02.02.02 | 5th issue debentures | 295,072 | 292,346 |
| 2.02.02.03 | 6th issue debentures | 605,517 | 0 |
| 2.02.03 | Provisions | 432,973 | 420,850 |
| 2.02.03.01 | Provision for labor indemnities | 24,480 | 23,818 |
| 2.02.03.02 | Civil | 16,009 | 16,445 |
| 2.02.03.03 | Social security charges | 7,266 | 7,001 |

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02.02 BALANCE SHEET - LIABILITIES (In Thousand Reais)

| 1 Code | 2 Description | 3 09/30/2004 | 4 06/30/2004 |
|---------------|---------------------------------------|--------------|--------------|
| 2.02.03.04 | Suppliers | 174,181 | 178,496 |
| 2.02.03.05 | Customers | 194,697 | 179,420 |
| 2.02.03.06 | Other | 16,340 | 15,670 |
| 2.02.04 | Debts with related companies | 0 | 0 |
| 2.02.05 | Others | 631,271 | 616,234 |
| 2.02.05.01 | Deferred taxes and contributions | 125,269 | 127,799 |
| 2.02.05.02 | Paes Program | 275,428 | 278,132 |
| 2.02.05.03 | Social security liabilities | 203,245 | 183,905 |
| 2.02.05.04 | Other accounts payable | 27,329 | 26,398 |
| 2.03 | Deferred income | 0 | 0 |
| 2.05 | Shareholders equity | 7,817,358 | 7,580,910 |
| 2.05.01 | Paid-in capital | 3,403,688 | 3,403,688 |
| 2.05.02 | Capital reserves | 52,770 | 51,857 |
| 2.05.02.01 | Support for projects reserve | 36,990 | 36,077 |
| 2.05.02.02 | Incentive reserves | 15,780 | 15,780 |
| 2.05.03 | Revaluation reserves | 2,643,782 | 2,666,336 |
| 2.05.03.01 | Own assets | 2,643,782 | 2,666,336 |
| 2.05.03.02 | Controlled/associated companies | 0 | 0 |
| 2.05.04 | Profit reserves | 1,398,796 | 1,398,796 |
| 2.05.04.01 | Legal | 146,340 | 146,340 |
| 2.05.04.02 | Statutory | 0 | 0 |
| 2.05.04.03 | For contingencies | 0 | 0 |
| 2.05.04.04 | Unrealized profits | 0 | 0 |
| 2.05.04.05 | Retained earnings | 0 | 0 |
| 2.05.04.06 | Special for undistributed dividends | 0 | 0 |
| 2.05.04.07 | Other profit reserves | 1,252,456 | 1,252,456 |
| 2.05.04.07.01 | Reserve for investments | 1,252,456 | 1,252,456 |
| 2.05.05 | Retained earnings/accumulated deficit | 318,322 | 60,233 |

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03.01 INCOME STATEMENT (In Thousand Reais)

| 1 Code | 2 - Description | 07/01/2004 to 09/30/2004 | 01/01/2004 to 09/30/2004 | 07/01/2003 to 09/30/2003 | 01/01/2003 to 09/30/2003 |
|---------------|--------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| 3.01 | Gross sales and/or services revenues | 1,148,349 | 3,365,812 | 1,081,814 | 3,135,556 |
| 3.01.01 | Water supply retail | 594,114 | 1,734,575 | 554,670 | 1,599,074 |
| 3.01.02 | Water supply wholesale | 54,266 | 160,291 | 66,026 | 188,974 |
| 3.01.03 | Sewage collection and treatment | 478,922 | 1,403,605 | 437,455 | 1,268,380 |
| 3.01.04 | Other services rendered | 21,047 | 67,341 | 23,663 | 79,128 |
| 3.02 | Gross revenue deductions | (61,514) | (152,651) | (45,420) | (133,221) |
| 3.02.01 | Cofins | (50,549) | (123,876) | (32,454) | (95,422) |
| 3.02.02 | Pasep | (10,965) | (28,775) | (12,966) | (37,799) |
| 3.03 | Net sales and/or services revenues | 1,086,835 | 3,213,161 | 1,036,394 | 3,002,335 |
| 3.04 | Cost of sales and/or services | (554,247) | (1,637,196) | (496,790) | (1,477,562) |
| 3.05 | Gross profit | 532,588 | 1,575,965 | 539,604 | 1,524,773 |
| 3.06 | Operating expenses/income | (158,505) | (1,097,164) | (470,723) | (677,919) |
| 3.06.01 | Selling | (111,295) | (342,546) | (97,632) | (283,844) |
| 3.06.02 | General and administrative | (69,754) | (208,578) | (56,138) | (163,627) |
| 3.06.03 | Financial | 22,544 | (546,040) | (316,953) | (230,448) |
| 3.06.03.01 | Financial income | 27,059 | 79,934 | 64,083 | 141,241 |
| 3.06.03.01.01 | Financial income | 27,462 | 83,035 | 64,181 | 138,895 |
| 3.06.03.01.02 | Cofins/Pasep | (403) | (3,101) | (98) | 2,346 |
| 3.06.03.02 | Financial expenses | (4,515) | (625,974) | (381,036) | (371,689) |
| 3.06.03.02.01 | Financial expenses | (4,515) | (625,974) | (381,036) | (371,689) |
| 3.06.04 | Other operating income | 0 | 0 | 0 | 0 |
| 3.06.05 | Other operating expenses | 0 | 0 | 0 | 0 |
| 3.06.06 | Equity in the earnings | 0 | 0 | 0 | 0 |
| 3.07 | Operating income | 374,083 | 478,801 | 68,881 | 846,854 |
| 3.08 | Non-operating income (expense) | 517 | (10,967) | (599) | (32,638) |
| 3.08.01 | Revenues | 2,838 | 7,583 | 3,199 | 6,296 |
| 3.08.01.01 | Revenues | 3,113 | 8,363 | 3,342 | 6,548 |
| 3.08.01.02 | Cofins / Pasep | (275) | (780) | (143) | (252) |
| 3.08.02 | Expenses | (2,321) | (18,550) | (3,798) | (38,934) |
| 3.08.02.01 | Loss on disposal of fixed assets | (1,305) | (17,581) | (3,889) | (39,176) |
| 3.08.02.02 | Other | (1,016) | (969) | 91 | 242 |
| 3.09 | Income before taxes/profit share | 374,600 | 467,834 | 68,282 | 814,216 |
| 3.10 | Provision for income tax and social contribution | (132,754) | (170,864) | (42,482) | (197,361) |
| 3.10.01 | Provision for income tax | (105,316) | (135,622) | (33,700) | (152,399) |
| 3.10.02 | Provision for social contribution | (27,438) | (35,242) | (8,782) | (44,962) |
| 3.11 | Deferred income tax | 2,469 | 7,057 | 11,877 | (57,111) |
| 3.11.01 | Deferred income tax | 9,394 | 15,006 | 11,582 | (33,588) |
| 3.11.02 | Deferred social contribution | (6,925) | (7,949) | 295 | (23,523) |
| 3.11.03 | Reversal of deferred income tax | 0 | 0 | 0 | 0 |
| 3.12 | Statutory profit share/contribution | (8,780) | (26,341) | (8,781) | (26,344) |
| 3.12.01 | Profit share | 0 | 0 | 0 | 0 |
| 3.12.02 | Contribution | (8,780) | (26,341) | (8,781) | (26,344) |
| 3.12.02.01 | Extraordinary item | (8,780) | (26,341) | (8,781) | (26,344) |
| 3.13 | Reversal of interest on net equity | 0 | 0 | 0 | 0 |
| 3.15 | Profit/loss for the period | 235,535 | 277,686 | 28,896 | 533,400 |
| | NUMBER OF SHARES, EX-TREASURY SHARES (Thou) | 28,479,577 | 28,479,577 | 28,479,577 | 28,479,577 |
| | PROFIT PER SHARE | 0.00827 | 0.00975 | 0.00101 | 0.01873 |
| | LOSS PER SHARE | | | | |

FEDERAL GOVERNMENT SERVICE
CVM BRAZILIAN SECURITIES AND EXCHANGE COMMISSION
ITR QUARTERLY INFORMATION
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

Corporate Legislation
Base Date 09/30/2004

01444-3 CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO 43.776.517/0001-80

04.01 EXPLANATORY NOTES

Amounts in thousand reais

1. OPERATIONS

Companhia de Saneamento Básico do Estado de São Paulo (SABESP or Company) operates public water and sewage systems in the State of São Paulo, Brazil, providing water and sewage services to a broad range of residential, commercial, industrial and government customers. The Company also supplies water on a bulk basis to certain municipalities in the São Paulo Metropolitan Region which do not operate water systems.

SABESP provides water and sewage services in 368 municipalities of the State of São Paulo, in almost of them through concessions granted by the municipalities. Most of these concessions have 30-year terms, expiring between 2005 and 2034. Each of these concessions may be automatically renewed for a period equal to its initial term, unless the municipality or SABESP exercises the right to terminate the concession, upon notice to either party, at least six months prior to its expiration date.

The Company does not have a formal concession to provide water and sewage services in the City of São Paulo, which accounts for a substantial majority of the sales and services rendered. In Santos, a municipality located in the Baixada Santista region, which has a significant population, SABESP operates under public deed of authorization, the same occurring with some other municipalities in the Baixada Santista and in Vale do Ribeira regions, where the Company started operating after the merger of companies which resulted in the organization of SABESP.

2. PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with accounting practices adopted in Brazil and with the Brazilian Securities Commission (CVM) regulations.

3. SIGNIFICANT ACCOUNTING PRACTICES

(a) Determination of results of operations

(i) Gross revenue from sales and services

Revenues are recorded as the services are rendered. Water supply and sewage services rendered but not billed by the balance sheet date are measured and recorded as a contra entry to accounts receivable from customers so that costs can be matched against revenues for each period. Said revenues are recorded net from the bonus referring to the Water Consumption Reduction Incentive Program (note 18).

(ii) Financial income and expenses

These are substantially represented by interests, monetary and foreign exchange variations on loans and financings, and financial investments, calculated and recorded on the accrual basis of accounting.

(iii) Income tax and social contribution

Income tax and social contribution are recorded on the accrual basis of accounting. The provisions for income tax and deferred income tax on tax losses and on temporary differences are recorded at the base-rate of 15% plus an additional of 10%. The provisions for social contribution on net income and deferred social contribution on tax losses and on temporary differences are recorded at the rate of 9%.

(iv) Other income and expenses

Other income and expenses are recognized on the accrual basis of accounting.

(b) Financial investments

These are represented mainly by Financial Investment Fund (FIF) and are stated at the amounts invested plus accrued income (on a pro-rata basis) up to the end of the period.

(c) Allowance for doubtful accounts

The allowance is recorded at an amount considered sufficient to cover any probable losses on realization of accounts receivable from customers, and is charged to income for the period in "Selling Expenses".

(d) Inventories

Inventories of materials used in operations and in the maintenance of the water and sewage systems are stated at average purchase cost and recorded in current assets.

Inventories for investment are recorded in property, plant and equipment and are stated at average cost of purchase.

(e) Other current assets and long-term receivables

These are stated at cost plus accrued income or realizable value, when applicable.

(f) Permanent assets

These are stated at cost up to December 31, 1995, and take the following into consideration:

Depreciation of property, plant and equipment is calculated on the straight-line basis at the annual rates mentioned in Note 6.a.

The revaluation of property, plant and equipment items, carried out in two separate stages in 1990 and 1991, was based on an appraisal report issued by independent experts and is realized through depreciation, sale, and disposal of the respective assets, with a corresponding entry to retained earnings .

Interest charges on financings raised with third parties for construction in progress are capitalized as part of the cost of assets.

Deferred charges are amortized on the straight-line basis over five years as from the date when benefits start to be generated.

(g) Loans and financings

There are restated based on the related monetary and foreign exchange variations, plus other charges incurred up to the end of the period.

(h) Provision for vacation pay

The provision for vacation pay and respective payroll charges is accrued as earned.

(i) Provision for contingencies

Provisions for contingencies are recorded to cover eventual losses related to labor, tax, civil, commercial and other lawsuits, at administrative and court levels, which are considered by legal counsel to be probable and able to be estimated at September 30, 2004.

(j) Environmental expenditures

Expenditures relating to ongoing environmental programs are recorded as incurred. Ongoing programs are designed and performed with a view to minimize the environmental impact of the operations and to manage the environmental risks inherent to the activities. Provisions with respect to such costs are recorded at the time they are considered to be probable and able to be reasonably estimated.

(k) Actuarial liability

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The Company sponsors a private defined benefit pension plan. CVM Deliberation 371 of December 13, 2000 determines the recognition of actuarial liabilities exceeding the fair value of the assets of the pension plans. Liabilities ascertained at December 31, 2001 have been recognized over a period of 5 years, as from fiscal year 2002.

(l) Other current liabilities and long-term liabilities

These are stated at their known or estimated amounts, including accrued charges and monetary and foreign exchange variations, when applicable.

(m) Interest on net equity

This interest has been recorded in accordance with Law 9249/95, for tax deductibility purposes, being limited to the daily pro-rata variation of the Long-term Interest Rate (TJLP) and recorded in conformity with CVM Deliberation 207/96.

(n) Profit per thousand shares

Profit per thousand shares is calculated based on the number of shares issued up to the closing of the period.

(o) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts or revenues and expenses for the periods presented. Actual results in the future could differ from those estimates.

4. CUSTOMERS

Receivables from customers (except agreements) do not include fines, interests or any charges on overdue bills and are summarized as follows:

(a) Balance sheet balances

| | Sep/04 | Jun/04 |
|------------------------------|---------|---------|
| In current assets | | |
| Private customers | | |
| - General consumers (i) | 453,504 | 448,333 |
| - Special consumers (ii) | 127,268 | 123,201 |
| - Agreements (iii) | 58,905 | 52,165 |
| | 639,677 | 623,699 |
| Government entities | | |
| - Local government São Paulo | 241,307 | 227,263 |
| - Local government others | 61,376 | 60,850 |
| - GESP | 58,429 | 38,409 |
| - GESP Agreement | 18,426 | - |
| - Agreements (iii) | 19,905 | 19,090 |
| - Federal | 12,642 | 12,225 |
| | 412,085 | 357,837 |
| Authorized Entities | | |
| - Guarulhos | 4,328 | 2,242 |
| - Mauá | 1,084 | 1,187 |
| - Mogi das Cruzes | 2,387 | 2,340 |

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| | | |
|-----------------------------------------------------------|-----------|-----------|
| - Santo André | 1,582 | 1,435 |
| - São Caetano do Sul | 2,334 | 2,215 |
| - Diadema | 973 | 909 |
| | <hr/> | <hr/> |
| | 12,688 | 10,328 |
| | <hr/> | <hr/> |
| Amounts to be billed | 194,436 | 175,813 |
| | <hr/> | <hr/> |
| Subtotal | 1,258,886 | 1,167,677 |
| Allowance for doubtful accounts Private and government | (400,607) | (394,270) |
| | <hr/> | <hr/> |
| Total from current assets | 858,279 | 773,407 |
| | <hr/> | <hr/> |
| In long term assets | | |
| Agreements (iii) | 47,437 | 38,940 |
| | <hr/> | <hr/> |
| Authorized entities | | |
| - Guarulhos | 237,182 | 226,696 |
| - Mauá | 67,832 | 63,167 |
| - Mogi das Cruzes | 1,193 | 1,193 |
| - Santo André | 208,413 | 197,675 |
| - Diadema | 58,125 | 54,908 |
| | <hr/> | <hr/> |
| | 572,745 | 543,639 |
| | <hr/> | <hr/> |
| Subtotal | 620,182 | 582,579 |
| Provision for doubtful accounts Authorized entities | (366,585) | (347,119) |
| | <hr/> | <hr/> |
| Total from long term assets | 253,597 | 235,460 |
| | <hr/> | <hr/> |
| Total customers | 1,111,876 | 1,008,867 |
| | <hr/> | <hr/> |

Receivables from private customers refer to:

- (i) general consumers households and small and medium-sized businesses.
- (ii) special consumers large consumers, companies, plants, condominiums and special billing consumers (industrial waste, wells, etc.)
- (iii) agreements refinancing of overdue receivables into installments.

(b) Aging analysis

| | Sep/04 | Jun/04 |
|--------------------------------|---------|---------|
| | <hr/> | <hr/> |
| Amounts currently due | 541,436 | 504,066 |
| Overdue up to 30 days | 143,023 | 135,440 |
| Overdue from 31 to 60 days | 70,737 | 66,700 |
| Overdue from 61 to 90 days | 51,717 | 48,834 |
| Overdue from 91 to 120 days | 53,266 | 43,142 |
| Overdue from 121 to 180 days | 79,456 | 70,561 |
| Overdue from 181 to 360 days | 140,730 | 106,020 |
| Overdue for more than 360 days | 798,703 | 775,493 |

| | | |
|-------------------------------------|-----------|-----------|
| Subtotal | 1,879,068 | 1,750,256 |
| Provision for doubtful accounts | (767,192) | (741,389) |
| Total | 1,111,876 | 1,008,867 |
| | Sep/04 | Jun/04 |
| Current | 858,279 | 773,407 |
| Long term | 253,597 | 235,460 |
| (c) Provision for doubtful accounts | | |

(i) The additional allowances charged during the period are as follows:

| | | |
|---------------------------------------|---------|---------|
| | 3Q/04 | 2Q/04 |
| Prior balance | 741,389 | 697,015 |
| Private customers/government entities | 7,155 | 25,821 |
| Authorized entities | 18,648 | 18,553 |
| Additions in the period, net | 25,803 | 44,374 |
| Current balance | 767,192 | 741,389 |
| Current | 400,607 | 394,270 |
| Long term | 366,585 | 347,119 |
| (ii) In the income | | |

The Company recorded direct charges for probable losses in accounts receivable incurred in the 3rd quarter of 2004, in the amount of R\$ 46,209 (net of recoveries, of R\$ 20,406 up to R\$ 5 and R\$ 25,803 over R\$ 5), directly to the income for the period, in conformity with the guidelines of Law 9430/96, recorded in Selling Expenses. These losses amounted to R\$ 29,606 in the 3rd quarter of 2003.

| | | |
|------------------------------------------|----------|----------|
| | 3Q/04 | 3Q/03 |
| Provisions (over R\$5) | (27,371) | (33,615) |
| Recoveries (over R\$5) | 1,568 | 12,057 |
| Written-off (less than or equal to R\$5) | (34,364) | (20,993) |
| Recoveries (less than or equal to R\$5) | 13,958 | 12,945 |
| Expenses | (46,209) | (29,606) |

The Company's accounting policy for establishing the allowance for doubtful accounts is summarized below. The amounts thus ascertained are considered by the Management to be enough to cover eventual losses:

- accounts receivable balances (excluding accounts receivable from the State Government) over R\$ 5 and less than R\$ 30, overdue for more than 360 days;
- accounts receivable balances (excluding accounts receivable from the State Government) over R\$ 30, overdue for more than 360 days, for which collection action has been brought;
- accounts receivable balances (excluding accounts receivable from the State Government) less than or equal to R\$ 5, overdue for more than 180 days, are written-off through a direct charge to selling expenses .

(d) Bulk sales Local Governments

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The amounts receivable on bulk sales refer to the sale of treated water to certain local governments which distribute, bill and charge for this water to end consumers.

Sales in the period

| | 3Q/04 | 2Q/04 |
|------------------------------------------|----------|----------|
| Prior balance | 553,967 | 526,943 |
| Sales | 54,273 | 52,648 |
| Amount received for the period | (22,800) | (25,624) |
| Amount received for prior periods | (7) | - |
| Current balance | 585,433 | 553,967 |
| Current | 12,688 | 10,328 |
| Long term | 572,745 | 543,639 |
| (e) State of São Paulo Government (GESP) | | |

Sales in the period

| | 3Q/04 | 2Q/04 |
|----------------------------------------------|----------|----------|
| Prior balance | 38,409 | 42,074 |
| Sales | 60,309 | 68,985 |
| Amount received | (1,571) | (4,048) |
| Settlement of accounts addendum compensation | (38,718) | (68,602) |
| Current balance | 58,429 | 38,409 |

5. TRANSACTIONS WITH RELATED COMPANIES

The Company has entered into a series of transactions with its controlling shareholder, the State Government, as well as companies related thereto.

(a) Receivables from the State Government

Outstanding balances for Receivables from the State Government are as follows on September 30:

| | Sep/04 | Jun/04 |
|----------------------------------------------------------------|-----------|-----------|
| Current receivables: | | |
| Water and sewage services (i) | 58,429 | 38,409 |
| Gesp Agreement (iii) and (iv) | 18,426 | - |
| Total current receivables | 76,855 | 38,409 |
| Long term receivables: | | |
| Gesp Agreement (iii) and (iv) | 331,989 | 523,938 |
| Reimbursement of supplementary pension paid (ii) | 548,814 | 527,620 |
| Gross long-term receivable from the shareholder | 880,804 | 1,051,558 |
| Less amounts payable to the shareholder interest on net equity | (173,525) | (347,048) |

| | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|
| Total long term receivables, net | 707,278 | 704,510 |
| Water and sewage services rendered | 158,464 | 176,890 |
| Reimbursement of supplementary pension and retirement In accordance with Federal Law no. 9430/96, SABESP may not write-off or record a provision for doubtful accounts against any amounts owed thereto by the State Government or state-owned entities. | 548,814 | 527,620 |

(i) Water and sewage services

The Company renders services of water supply and sewage collection to the State Government and other companies related thereto, under conditions deemed by the Management to be usual market conditions, except as for the settlement of credits, which may be effected in the below mentioned terms.

(ii) Reimbursement of supplementary pensions paid

The amounts relate to supplementary pensions and paid leave benefits paid by the Company, on the State Government's behalf, to former employees of the state-owned companies which merged to form SABESP. The relevant amounts are to be reimbursed by the State Government, which is the primary obligor thereof, and do not bear interests. The budget proposal of the State of São Paulo Government, as approved by the State House of Representatives, includes funds referring to such obligation.

(iii) GESP Agreement

On December 11, 2001, the Company entered into an agreement with the State Government (GESP Agreement), under which the State Government acknowledged a debt, among others, for services rendered by the Company of water supply and sewage collection to agencies, independent entities and foundations owned by the State Government, totaling R\$358,207 on that date, representing services rendered until December 01, 2001, having further agreed to pay the amounts due. Additionally, the State Government acknowledged and agreed to pay amounts owed to the Company in connection with supplementary pensions and paid leave benefits paid by the Company, on its behalf, in the amount of R\$ 320,623 on that date. The Management believes that the amounts owed by the State Government shall be received and does not estimate losses to be incurred out of such receivables

The GESP Agreement sets forth that the Water and Electric Power Department DAEE will transfer, as partial payment to the Company, the title to the Taiaçupeba, Jundiá, Biritiba, Paraitinga and Ponte Nova reservoirs, which make up the Alto Tietê System, and the amount of such assets will reduce the amounts owed to the Company. The asset value of these reservoirs was ascertained based on the arithmetic average of independent evaluations carried out by CPOS Companhia de Obras e Serviços (a state-owned building company selected by the State Government) and by ENGEVAL Engenharia de Avaliação (an independent appraisal company selected by the Company). The payment of the amounts owed in excess to the fair market value of the reservoirs, as agreed upon between the parties, shall be effected by the State of São Paulo Government in 114 monthly successive installments, monthly adjusted by the IGP-M index, added by interests of 6% per annum, beginning from the maturity date of the first installment. Under the terms of the Agreement, the first original payment should have been effected in July 2002, however it was postponed because the parties did not reach an agreement as for the fair value of the reservoirs and the audit and specific analysis of the amounts due ascertained by the experts appointed by the State Government were not concluded. The arithmetic average of the market value of the reservoirs at June 30, 2002 was R\$300,880, based on the discounted cash flow, reflecting the Company's investments in such reservoirs.

Additionally, pursuant to the memorandum of understanding and the GESP Agreement, the State Government may, in certain circumstances, authorize the Company to use dividends, including interests on net equity stated by the Company and any other obligation payable to the State Government, for offsetting against accounts receivable for services of water supply and sewage collection rendered to the State Government or to its controlled companies.

(iv) First Amendment to the GESP Agreement

On March 22, 2004, the Company and the State Government entered into an amendment to the original GESP Agreement, (1) restating and acknowledging amounts owed by the State Government for the services of water supply and sewage collection services rendered until the end of February 2004, which were adjusted for inflation until February 2004; (2) formally authorizing the offsetting of amounts payable by the State Government against interest on net equity stated by SABESP and any other debt owed to the State Government at December 31, 2003, which were adjusted for inflation until February 2004 (as set forth in the original GESP Agreement); and (3) establishing the payment conditions related to the remaining obligations for the State Government for water supply and sewage collection services rendered to it.

Among the terms set forth in the Amendment, the State Government acknowledged amounts payable to the Company for services of water supply and sewage collection rendered until February 2004, totaling R\$581,779, and the Company acknowledged amounts payable to the State

Government relating to interests on net equity in the amount of R\$518,732.

The Company and the State Government agreed upon the netting of R\$404,889 (adjusted for inflation until February 2004), of which R\$231,365 of the corresponding amounts receivable and payable by the end of 2004 were settled up to September 30, 2004. The remaining obligations, of R\$176,890, at September 30, 2004, of which R\$158,464 are recorded in long term assets and R\$18,426 are recorded in current liabilities, shall be paid in monthly installments until May 2009.

The remainder of the settlement of accounts referring to interests on net equity payable to the State Government, in the amount of R\$ 113,843, has been adjusted to inflation and, pursuant to article five of the 1st amendment, amortized the balance of overdue and unpaid invoices referring to services of water supply and sewage collection provided by SABESP to the State Government.

The Management believes that the amounts owed by the State Government shall be received and it is not estimated that losses will be incurred with such accounts receivable.

(b) Cash

The Company's balance of bank accounts and financial investments with financial entities controlled by the State Government was R\$ 262,982 at September 30, 2004 (R\$70,641 at June 30, 2004). The financial income generated by such investments was R\$ 17,830 and R\$ 52,607, respectively in the periods ended on September 30, 2004 and 2003.

(c) Agreement for use of reservoirs

The Company uses the Guarapiranga and Billings reservoirs and part of some reservoirs of the Alto Tietê System, which are owned by another company controlled by the State of São Paulo Government. The Company does not pay any fee whatsoever for the use of such reservoirs, however is responsible for their operating and maintenance costs.

The Company has been granted the right to use water and exploit the reservoirs for a period of 30 years, counted as from 1997.

6. PROPERTY, PLANT AND EQUIPMENT

| | | | Sep/04 | Jun/04 |
|---------------|-----------|-----------------------------|-----------|-----------|
| | Cost | Accumulated Depreciation | Net | Net |
| In use | | | | |
| Water system | | | | |
| Land | 931,554 | - | 931,554 | 931,518 |
| Buildings | 2,610,692 | (1,179,403) | 1,431,289 | 1,452,214 |
| Ducts | 761,488 | (282,522) | 478,966 | 481,010 |
| Water meters | 253,886 | (122,363) | 131,523 | 133,778 |
| Networks | 3,089,520 | (841,975) | 2,247,545 | 2,250,213 |
| Equipment | 237,856 | (133,009) | 104,847 | 106,593 |
| Others | 465,233 | (170,833) | 294,400 | 296,053 |
| Subtotal | 8,350,229 | (2,730,105) | 5,620,124 | 5,651,379 |
| Sewage system | | | | |
| Land | 348,311 | - | 348,311 | 348,223 |
| Buildings | 1,389,148 | (441,078) | 948,070 | 937,673 |
| Ducts | 790,609 | (280,111) | 510,498 | 512,212 |
| Networks | 4,404,413 | (912,939) | 3,491,474 | 3,457,930 |
| Equipment | 468,264 | (292,033) | 176,231 | 183,596 |
| Others | 11,731 | (333) | 11,398 | 15,353 |

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| | | | | |
|-----------------------------------|------------|-------------|------------|------------|
| Subtotal | 7,412,476 | (1,926,494) | 5,485,982 | 5,454,987 |
| General use | | | | |
| Land | 102,868 | - | 102,868 | 102,867 |
| Buildings | 119,233 | (58,864) | 60,369 | 59,917 |
| Transportation equipment | 130,492 | (113,424) | 17,068 | 18,959 |
| Furniture, fixtures and equipment | 258,538 | (152,827) | 105,711 | 99,587 |
| Free lease land | 25,312 | - | 25,312 | 25,312 |
| Free lease assets | 9,618 | (3,027) | 6,591 | 6,591 |
| Subtotal | 646,061 | (328,142) | 317,919 | 313,233 |
| Subtotal in use | 16,408,766 | (4,984,741) | 11,424,025 | 11,419,599 |
| Construction in progress | | | | |
| Water system | 525,378 | - | 525,378 | 524,768 |
| Sewage system | 1,347,072 | - | 1,347,072 | 1,374,183 |
| Others | 20,126 | - | 20,126 | 20,769 |
| Subtotal construction in progress | 1,892,576 | - | 1,892,576 | 1,919,720 |
| Intangible assets | 747,876 | (61,225) | 686,651 | 690,554 |
| Total | 19,049,218 | (5,045,966) | 14,003,252 | 14,029,873 |

a) Depreciation:

Depreciation is calculated at the following annual rates: buildings - 4%; networks 2%; equipment 10%; water meters 10%; transportation equipment 20%; computer equipment 20%; building connections 5%, and furniture, fixtures and equipment 10%.

Amortization of intangible assets is effected during the term of the concession agreements entered into with the municipalities served by the Company.

b) Construction in progress

The estimated disbursement as from October 2004, up to 2009, relating to the works already contracted, is approximately R\$ 684,700 (not reviewed by the independent auditors).

c) Retirement of property, plant and equipment

The Company wrote-off items of property, plant and equipment in the third quarter of 2004 in the amount of R\$ 1,305 (R\$ 3,889 in 2003), relating to the group of properties in use, due to obsolescence, theft or disposal.

d) Expropriations

As a result of the implementation of priority projects related to the water and sewage systems, the Company was forced to expropriate or establish rights of way over third-party properties, in conformity with the relevant legislation. The owners of these properties will be compensated either through amicable or court means. The estimate by SABESP's legal department of the compensation to be paid as from the fourth quarter of 2004, without a date set for the actual disbursement, amounts to approximately R\$ 279,500 (not reviewed by the independent auditors), which will be paid with Company funds. The assets to be received as a result of these negotiations will be recorded as property, plant,

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and equipment after the transaction is completed. The amount referring to expropriations in the third quarter of 2004 was R\$ 1,054 (R\$ 2,081 in 2003).

e) Tax effects on assets revaluation

As permitted by CVM Instruction 197/93, the Company did not post a provision for the tax effects (deferred taxes) on the revaluation surplus of property, plant and equipment carried out in 1990 and 1991. Had this effect been accounted for, the unrealized amount at September 30, 2004 would be R\$ 499,832 (Sep/2003 R\$ 537,245). In the period from January to September 2004, the realized revaluation reserve was R\$ 79,938 (January to September 2003 R\$ 103,914).

f) Intangible assets

As from 1998, negotiations relating to new concessions were carried out based on the economic-financial results of the relevant business, as established on appraisal reports issued by independent experts.

The amount provided for in the respective contract, after the transaction is closed with the municipal government and carried out either through subscription of shares in the Company or in cash, is posted to the intangible assets account and amortized over the related concession period.

7. LOANS AND FINANCING

(i) Outstanding loans and financing

| | Sep/04 | | | Jun/04 | | | Final Maturity | Annual Interest Rate | Monet. Adjust. | Guarantees |
|-----------------------------------|----------------|------------------|------------------|----------------|------------------|------------------|----------------|----------------------|---------------------------------------|------------------|
| | Short Term | Long Term | Total | Short Term | Long Term | Total | | | | |
| Domestic | | | | | | | | | | |
| Fed. Government / Banco do Brasil | 169,113 | 2,195,961 | 2,365,074 | 164,630 | 2,226,908 | 2,391,538 | 2014 | 8.50% | UPR | State Government |
| Debentures 3rd issue | - | - | - | 366,597 | - | 366,597 | 2004 | CDI + 2.85% | - | - |
| Debentures 4th issue | 100,001 | 124,999 | 225,000 | 100,001 | 149,999 | 250,000 | 2006 | CDI + 1.2% | - | - |
| Debentures 5th issue | 147,536 | 295,072 | 442,608 | 146,173 | 292,346 | 438,519 | 2007 | CDI+2.00% and 12.70% | IGP-M | - |
| Debentures 6th issue | - | 605,517 | 605,517 | - | - | - | 2007 a 2010 | CDI+1.75% and 11.00% | IGP-M | - |
| CEF | 39,111 | 465,552 | 504,663 | 38,163 | 471,553 | 509,716 | 2007 a 2018 | 5 % to 9.5% | UPR | Own funds |
| BNDES | - | 152,259 | 152,259 | - | 145,317 | 145,317 | 2013 | 3% + TJLP | - | Own funds |
| Others | 2,331 | 25,084 | 27,415 | 2,315 | 25,244 | 27,559 | 2009 e 2011 | 12% / CDI | UPR | - |
| Interests and charges | 51,601 | - | 51,601 | 41,427 | - | 41,427 | | | | |
| Domestic Total | 509,693 | 3,864,444 | 4,374,137 | 859,306 | 3,311,367 | 4,170,673 | | | | |
| Foreign | | | | | | | | | | |
| IRDB US\$ 13,327 thou | 12,613 | 25,226 | 37,839 | 13,791 | 27,581 | 41,372 | 2007 | 4.85% | Currency basket var. + US\$ | Fed. Gov. |
| Soc.Générale EUR 2,351 thou | 3,068 | 5,296 | 8,364 | 3,273 | 5,650 | 8,923 | 2006 | 4.99% | EUR Currency basket var. + US\$ | Fed. Gov. |

| | | | | | | | | | Currency basket var. + | |
|-----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------|-------------|---------------------------|-----------|
| BID | | | | | | | | | | |
| US\$450,989 thou | 108,018 | 1,181,179 | 1,289,197 | 117,111 | 1,272,625 | 1,389,736 | 2007 a 2025 | 3 % to 7.7% | US\$ | Fed. Gov. |
| Euro Bônus | | | | | | | | | | |
| US\$500.000 thou | 786,115 | 643,185 | 1,429,300 | - | 1,553,750 | 1,553,750 | 2005 e 2008 | 10% and 12% | US\$ | - |
| Deutsche Bank Luxembourg | | | | | | | | | | |
| US\$ 30,000 thou | 57,172 | 28,586 | 85,758 | 62,150 | 31,075 | 93,225 | 2005 | 11.125 | US\$ | - |
| Interests and charges | 65,620 | - | 65,620 | 60,772 | - | 60,772 | | | | |
| Foreign Total | 1,032,606 | 1,883,472 | 2,916,078 | 257,097 | 2,890,681 | 3,147,778 | | | | |
| Total | 1,542,299 | 5,747,916 | 7,290,215 | 1,116,403 | 6,202,048 | 7,318,451 | | | | |

At September 30, 2004 the Company did not record any balances for short term loans and financing.

Exchange rate on September 30, 2004: US\$ 2.8586; EUR 3.55730

UPR: Standard Reference Unit

CURRENCY BASKET VARIATION:: Amount referring to IDB and IRDB account unit

CDI: Interbank Deposit Certificate

(ii) Promissory Notes

TJLP : Long Term Interest Rate

EUR: Euro

IGP-M: General Market Prices Index

On June 17, 2004, the Board of Directors of the Company authorized the issuance of 40 promissory notes, in the total amount of R\$200,000, in the face value of R\$5,000 each, with maturity date within 180 days from the subscription date. The promissory notes bear interests on their face value, as from the issue date, on the basis of 105% of the CDI rate, calculated pro rata temporis until the payment date of the promissory notes. The issue was registered with the CVM on July 15, 2004 under no. CVM/SRE/RNP/2004/003. Twenty-six promissory notes were issued on July 16, 2004, in the total amount of R\$130,000, which were paid on September 22, 2004, out of funds obtained from the placement of the 6th issue of debentures.

(iii) 6th Issue of Debentures

On September 17, 2004, the Company registered a securities program with the CVM by which it shall be able to offer government bonds, including non-convertible debentures and commercial papers, up to a total amount of R\$1,500,000 throughout the next two years. As part of such program, on September 01, 2004 the Company issued 600,000 debentures in the face value of R\$1 each, totaling R\$600,000. The date of the financial settlement of the transaction was September 21, 2004, for the 1st series, and September 22, 2004, for the 2nd and 3rd series.

The debentures were placed on the market as follows:

| | Amount | Adjustment | Interests | Interest Payment | Amortization | Maturity Date |
|------------|---------|------------|-----------------|------------------|----------------|---------------|
| 1st series | 231,813 | - | CDI + 1.75%p.a. | Semiannual | Bullet payment | Sep/2007 |
| 2nd series | 188,267 | IGP-M | 11 | Annual | Bullet payment | Sep/2009 |
| 3rd series | 179,920 | IGP-M | 11 | Annual | Bullet Payment | Sep/2010 |

The raised amount was used for final settlement of the 3rd issue of debentures and of the promissory notes

Financial Covenants:

- Adjusted current ratio over 1.0; current assets divided by current liabilities, excluding from the current liabilities the short term portion of the long term debts undertaken by the Company.
- EBITDA/Financial Expenses equal to or less than 1.5.

- Non-compliance with these obligations will not be evidenced unless of recorded in quarterly financial statements, for at least two consecutive quarters, or for two non-consecutive quarters within a period of twelve months.

(iv) 3rd Issue of Debentures

On September 24, 2004, the Company settled the 3rd issue of debentures in the total amount of R\$ 366,597 referring to the repurchase of all the outstanding debentures, and R\$ 16,892 referring to interests incurred in the period.

(v) Repayment of loans and financing

The total amount of debts payable up to the end of the year is R\$227,636, of which the North-American Dollar- and Euro-indexed amount of R\$116,158 and the amount of R\$111,478, refer to outstanding interests and principal of loans in Brazilian reais.

| INSTITUTION | Oct-Dec 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | As from 2010 | TOTAL |
|----------------------------------|-----------------|------------------|----------------|----------------|------------------|----------------|------------------|------------------|
| DOMESTIC | | | | | | | | |
| Federal Gov./Banco do Brasil | 40,944 | 172,734 | 188,010 | 204,636 | 222,733 | 242,430 | 1,293,587 | 2,365,074 |
| Caixa Econômica Federal - CEF | 9,002 | 37,853 | 40,993 | 44,396 | 47,822 | 50,720 | 273,877 | 504,663 |
| Debentures | 25,000 | 247,537 | 247,535 | 379,349 | - | 191,088 | 182,616 | 1,273,125 |
| BNDES | - | 5,492 | 20,872 | 21,751 | 21,751 | 21,751 | 60,642 | 152,259 |
| Others | 549 | 2,703 | 4,230 | 4,230 | 4,230 | 4,051 | 7,422 | 27,415 |
| Interests and Charges | 35,983 | 15,618 | - | - | - | - | - | 51,601 |
| Domestic Total | 111,478 | 481,937 | 501,640 | 654,362 | 296,536 | 510,040 | 1,818,144 | 4,374,137 |
| FOREIGN | | | | | | | | |
| IRDB | 6,306 | 12,613 | 12,613 | 6,307 | - | - | - | 37,839 |
| Société Générale | 1,490 | 3,247 | 3,627 | - | - | - | - | 8,364 |
| BID | 35,087 | 108,019 | 119,831 | 119,831 | 81,987 | 81,987 | 742,455 | 1,289,197 |
| Euro Bonus | - | 786,115 | - | - | 643,185 | - | - | 1,429,300 |
| Deutsche Bank Luxembourg | 28,586 | 57,172 | - | - | - | - | - | 85,758 |
| Interests and Charges | 44,689 | 20,931 | - | - | - | - | - | 65,620 |
| Foreign Total | 116,158 | 988,097 | 136,071 | 126,138 | 725,172 | 81,987 | 742,455 | 2,916,078 |
| Total | 227,636 | 1,470,034 | 637,711 | 780,500 | 1,021,708 | 592,027 | 2,560,599 | 7,290,215 |

8. TAXES AND CONTRIBUTIONS

(a) Balance sheet accounts

| | Sep/04 | Jun/04 |
|------------------------------------|--------------|---------------|
| In current assets (i) | | |
| Income tax to be deducted | 1,884 | 26,632 |
| Social contribution to be deducted | - | 5,883 |
| | 1,884 | 32,515 |
| Deferred income tax | 2,077 | 3,346 |
| Deferred social contribution | 26,558 | 27,015 |

| | | |
|--------------------------------|---------|---------|
| | 28,635 | 30,361 |
| In long term assets (ii) | | |
| Deferred income tax | 163,219 | 152,714 |
| Deferred social contribution | 86,850 | 93,376 |
| | 250,069 | 246,090 |
| In current liabilities | | |
| COFINS | 23,303 | 11,601 |
| PASEP | 5,079 | 2,525 |
| Income tax | 35,885 | - |
| Social Contribution | 9,372 | - |
| Deferred PASEP | 21,639 | 20,624 |
| Deferred COFINS | 47,022 | 42,347 |
| | 142,300 | 77,097 |
| In long term liabilities (iii) | | |
| Deferred income tax | 67,861 | 71,345 |
| Deferred social contribution | 19,920 | 21,175 |
| Deferred PASEP | 12,139 | 11,745 |
| Deferred COFINS | 25,349 | 23,534 |
| | 125,269 | 127,799 |

(b) Deferred taxes

(i) Current assets

Mainly calculated on temporary differences in the amount of R\$ 8,309 (Jun/2004 R\$ 13,386). The negative tax basis of the accrued social contribution at September 30, 2004 is R\$286,776 (Jun/2004 R\$286,776).

(ii) Long-term receivables

Mainly calculated on temporary differences in the amount of R\$ 652,875 (Jun/2004 R\$ 610,858) for income tax and R\$ 667,778 (Jun/2004 R\$ 626,121) for social contribution.

The negative tax basis for the accrued social contribution at September 30, 2004 is R\$297,227 (Jun/2004 R\$411,389).

In conformity with CVM Deliberation 273/98 and CVM Instruction 371/02, the realization of credits arising out of tax losses, negative tax basis for social contribution and temporary differences is based on budget projections.

(iii) Long-term liabilities

Mainly calculated on temporary differences in the amount of R\$271,442 (Jun/2004 R\$ 285,382) for income tax and R\$ 221,336 (Jun/2004 R\$ 235,276) for social contribution.

(c) Reconciliation of the effective tax rate

The amount recorded as income tax and social contribution expense in the financial statements is reconciled from the nominal rates as shown below:

| | 3Q/04 | 3Q/03 |
|-----------------------------------------------------------------------|-----------|----------|
| Profit before income tax | 374,600 | 68,282 |
| Cost at nominal rate of 34% | (127,364) | (23,216) |
| Conciliation: | | |
| Additions | | |
| - Non-deductible realization of the revaluation reserve | (7,668) | (8,427) |
| Exclusions | | |
| - Other differences | 4,747 | 1,038 |
| Income tax and social contribution expense in the income statement | (130,285) | (30,605) |

The actual income tax and social contribution rate in the quarter was impacted by contingent provisions (customers and suppliers), actuarial liabilities and realization of the revaluation reserve.

9. PAES Special Payment into Installments

The Company filed a Request for Special Payment into Installments PAES, on July 15, 2003, as provided for by Law no. 10.684, of May 30, 2003, which request includes COFINS and PASEP debts involved in a lawsuit brought against the enforcement of Law no. 9718/98 as well as the outstanding balance of the Tax Recovery Program REFIS, in the amount of R\$316,953. The debt shall be paid in 120 months, added by interests at the TJLP rate, the amount thereof being subject to homologation by the Federal Revenue Service.

The amount paid since the request for the PAES program was filed, from July 2003 up to September 2004, was R\$42,104, with provisions for payment of charges having been booked in the amount of R\$36,117.

The assets listed under the REFIS program, in the amount of R\$249,034, remain in the PAES program.

10. PROVISIONS AND CONTINGENCIES

(a) In current liabilities

The Company has booked the amount of R\$26,765 (Jun/2004 R\$21,258) in the current liabilities, under the item Provisions, referring to lawsuits in progress, for which a judgment has been rendered and is currently executed.

(i) Customers these refer to claims filed by customers seeking tariff parity.

(ii) Finsocial On July 1991 an Ordinary Annulment and Declaratory Action was filed by SABESP, through proceedings no. 91.0663460-5, requesting Finsocial debts to be declared null and void and SABESP's obligation to contribute to Finsocial to be declared extinguished.

Deposits were effected in court, with application of a 2% rate, for the period from April 1991 up to April 1992. On August 30, 1994, authorization was granted for releasing 75% of such deposits, and the remaining 25% thereof, to which a 0.5% rate was applied, remained as court deposit and a provision was booked for such purpose.

Upon the acknowledgement, by the STF Federal Supreme Court, of the constitutionality of assessment of Finsocial on the gross revenue of exclusively service providers, which judgment, in the understanding of the legal counsels has its effects over the discussion on the merits by SABESP, the Company, on July 26, 2002, discharged the amount of R\$57,016, corresponding to 1.5% of the total amount due, and requested the conversion into income of the 0.5% kept as court deposit on the Federal Revenue Service's behalf, thus dismissing the lawsuit referring to proceedings no. 91.0663460-5.

(b) Long-term liabilities

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The Company, based on an analysis with its legal advisors, recorded a provision for contingencies in the amount of R\$432,973 (Jun/2004 R\$420,850), considered sufficient to meet probable losses on legal actions.

(i) Labor claims the Company is defending several labor claims, most of the amounts involved being under provisional or definite execution, thus being classified as of probable loss and, consequently, duly provisioned. The provision amount refers mainly to overtime and health hazard premium claims, which are currently processed in various courts.

(ii) Contractors these refer to actions filed by contractors arising from construction contracts which have already been judged by lower courts and await the decision on the appeals filed by SABESP.

(iii) Customers these refer to actions filed by our customers claiming tariff parity, currently processed in the lower and/or appellate courts, where decisions to date have been both favorable and unfavorable to the Company.

(c) Lawsuits

The Company is a defendant in lawsuits and administrative proceedings relating to environmental, tax, civil and labor issues, which are deemed by our legal advisors to be possible wins/losses and are not provisioned in the Company's accounts. The aggregate amount referring to such proceedings is R\$935,768 at September 30, 2004 (Jun/2004 R\$736,500)

11. PENSION AND ASSISTANCE PLANS

The Company is the sponsor of Fundação SABESP de Seguridade Social SABESPREV, an entity organized in August 1990 with the main purpose of managing SABESP's employees complementary pension and health benefit plans.

The monthly contributions to the defined benefit pension plan amount to 2.10% by the Company and 2.10% by participants.

The contributions made by participants, as mentioned above, represent an average amount, once the deduction from the payroll depends on salary levels, between 1% and 8.5%.

The health benefit program, made up by optional health plans of free choice, is also funded by contributions by the Company and participating employee, which in the year were as follows:

- . Company: 6.21% on average of the payroll;
- . Participating employees: 3.21% of base salary and bonus, corresponding to 2.25% of the gross payroll, on average.

12. BENEFITS TO EMPLOYEES

In order to meet the provisions in CVM Deliberation no. 371 of December 13, 2000, the amounts of the pension and retirement benefits granted or to be granted, to which employees are entitled after retirement, are presented below.

At December 31, 2003, based on an independent actuary report, SABESP had a net actuarial liability of R\$305,184, representing the difference between the present value of the Company's liability to the participating employees, retired employees, and pensioners, and the fair value of the plan assets.

The Company chose to recognize the liability over a five-year period as from 2002. The Actuarial Liabilities at September 30, 2004, in the amount of R\$203,245 (Jun/2004 R\$183,905), is recorded in Long-Term Liabilities.

In 2004 the estimated expense is R\$86,934. Expenses were recorded from January to September 2004, as shown below:

| | 3Q/04 | Jan to Sep/04 | 3Q/03 | Jan to Set/03 |
|------------------------------|--------|---------------|--------|---------------|
| Repassed to Sabesprev | 3,008 | 9,457 | 3,153 | 8,996 |
| Actuarial liability recorded | 19,340 | 57,705 | 19,050 | 57,612 |
| Total recorded | 22,348 | 67,162 | 22,203 | 66,608 |

The amount referring to past service cost is recorded as extraordinary item, net of the related taxes.

13. PROFIT SHARING

In August 2004, the Company paid the amount of R\$ 22,114, referring to the 2nd installment of profit sharing referring to the period from July 2003 up to June 2004, as set forth in the collective labor agreement.

The Company has booked a provision for the amount corresponding up to one payroll referring to the profit sharing program related to the period from July 2004 up to June 2005. A provision in the amount of R\$10,606 was booked for the quarter period, which is recorded in current liabilities.

14. FINANCIAL INSTRUMENTS

(a) Market value of financial instruments

The calculation to determine the market value of these financial instruments is made annually by the Company's Management.

(b) Concentration of credit risk

A significant portion of sales is made to a broad customer base. Credit risk is mitigated due to the large portfolio and the control procedures, which monitor this risk.

The allowance for possible loan losses is sufficient to cover realization losses.

(c) Foreign currency

Transactions in foreign currency consist of borrowings for specific works of improvement and expansion of the Company's water supply and sewage collection and treatment services.

15. OPERATING COSTS AND EXPENSES

| | 3Q/04 | Jan to Sep/04 | 3Q/03 | Jan to Sep/03 |
|----------------------------------------|---------|---------------|---------|---------------|
| 1. Cost of sales and services | | | | |
| Salaries and payroll charges | 203,017 | 601,476 | 193,825 | 564,677 |
| General supplies | 20,234 | 56,952 | 19,611 | 54,599 |
| Treatment supplies | 19,720 | 69,673 | 21,483 | 69,111 |
| Outsourced services | 63,484 | 177,373 | 50,285 | 146,053 |
| Electric power | 93,604 | 280,308 | 82,036 | 234,312 |
| General expenses | 6,986 | 22,413 | 7,405 | 24,798 |
| Depreciation and amortization | 147,202 | 429,001 | 122,145 | 384,012 |
| | 554,247 | 1,637,196 | 496,790 | 1,477,562 |
| 2. Selling Expenses | | | | |
| Salaries and payroll charges | 35,490 | 104,091 | 33,266 | 92,609 |
| General supplies | 1,230 | 4,043 | 1,293 | 3,705 |
| Outsourced services | 15,417 | 45,238 | 21,963 | 63,415 |
| Electric power | 198 | 595 | 184 | 571 |
| General expenses | 11,767 | 33,808 | 10,718 | 26,563 |
| Depreciation and amortization | 984 | 2,245 | 602 | 1,827 |
| Write-off of receivables | 46,209 | 152,526 | 29,606 | 95,154 |
| | 111,295 | 342,546 | 97,632 | 283,844 |
| 3. General and Administrative Expenses | | | | |
| Salaries and payroll charges | 27,301 | 83,472 | 27,054 | 76,331 |
| General supplies | 958 | 2,517 | 811 | 2,583 |
| Outsourced services | 23,864 | 67,741 | 8,882 | 29,043 |

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| | | | | |
|----------------------------------------------------------------------------|-----------|-----------|---------|-----------|
| Electric power | 232 | 638 | 205 | 587 |
| General expenses | 7,198 | 22,330 | 9,180 | 24,256 |
| Depreciation and amortization | 4,081 | 13,766 | 4,269 | 10,583 |
| Tax expenses | 6,120 | 18,114 | 5,737 | 20,244 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 69,754 | 208,578 | 56,138 | 163,627 |
| 4. Costs, selling, gen. & administrative expenses (1+2+3) | | | | |
| Salaries and payroll charges | 265,808 | 789,039 | 254,145 | 733,617 |
| General supplies | 22,422 | 63,512 | 21,715 | 60,887 |
| Treatment supplies | 19,720 | 69,673 | 21,483 | 69,111 |
| Outsourced services | 102,765 | 290,352 | 81,130 | 238,511 |
| Electric power | 94,034 | 281,541 | 82,425 | 235,470 |
| General expenses | 25,951 | 78,551 | 27,303 | 75,617 |
| Depreciation and amortization | 152,267 | 445,012 | 127,016 | 396,422 |
| Tax expenses | 6,120 | 18,114 | 5,737 | 20,244 |
| Write-off of receivables | 46,209 | 152,526 | 29,606 | 95,154 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 735,296 | 2,188,320 | 650,560 | 1,925,033 |
| 5. Financial Expenses | | | | |
| Interests, fines and delinquent charges on Domestic Loans and Financing | 118,031 | 337,300 | 134,182 | 402,398 |
| Interests, fines and delinquent charges on Foreign Loans and Financing | 54,447 | 172,382 | 66,856 | 190,839 |
| Interests on net equity | - | 39,302 | - | 158,346 |
| Interests on net equity (reversal) | - | (39,302) | - | (158,346) |
| Other financing expenses | 82 | 246 | 75 | 5,723 |
| Income tax on foreign remittances | 5,852 | 18,733 | 10,608 | 25,836 |
| Other financial expenses | 11,249 | 31,430 | 6,256 | 49,517 |
| Monetary variations on loans and financing | 25,902 | 56,206 | 39,428 | 122,567 |
| Foreign exchange variations on loans and financing | (227,519) | (35,166) | 84,894 | (542,105) |
| Other monetary/foreign exchange variations | 3,968 | 6,986 | (6,526) | 1,681 |
| Provisions | 12,503 | 37,857 | 45,263 | 115,233 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 4,515 | 625,974 | 381,036 | 371,689 |
| 6. Financial Income | | | | |
| Monetary variations | 7,890 | 39,009 | 34,449 | 53,980 |
| Financial investment income | 6,142 | 17,830 | 21,134 | 59,307 |
| Interests | 13,430 | 26,195 | 8,598 | 25,608 |
| Others | - | 1 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total financial income | 27,462 | 83,035 | 64,181 | 138,895 |
| COFINS/PASEP | (534) | (5,259) | (2,984) | (6,431) |
| COFINS/PASEP Credit | 131 | 2,158 | 2,886 | 8,777 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | (403) | (3,101) | (98) | 2,346 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Net Financial Income | 27,059 | 79,934 | 64,083 | 141,241 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

| | | | | |
|---------------------------------|----------|---------|---------|---------|
| Net Financial Expenses (Income) | (22,544) | 546,040 | 316,953 | 230,448 |
|---------------------------------|----------|---------|---------|---------|

16. COMPENSATION FOR CONCESSION TERMINATION

The Municipalities of Diadema and Mauá terminated the concessions of water supply and sewage collection at the beginning of 1995.

In December 1996, the Company filed claims to seek compensation for investments made during the terms of the concession agreements.

Even though the Company has not yet been compensated for these investments, water is still supplied on a bulk basis to these municipalities, which currently operate own water distribution and sewage collection systems.

The residual net book value of property, plant and equipment relating to the Municipality of Diadema, written-off in December 1996 amounted to R\$ 75,231, and the claim balance and other receivables from the municipality amounting to R\$ 62,876 are recorded under long-term receivables in Compensation for concession termination .

The residual value of property, plant and equipment relating to the Municipality of Mauá, written off in fiscal year 1999, amounted to R\$103,763, and the claim balance, in the amount of R\$85,918, is recorded in long term assets, under Compensation for concession termination.

Both claims are pending court decision but the legal advisor conducting the litigation expects a favorable outcome.

In relation to the Municipality of Mauá, a legal expert report has been presented, as well as explanations have been prepared by the technical staff of both parties. After conclusion of the discovery phase of the proceeding, having in consideration that the parties did not request new production of evidence, the term started for presentation of the parties' allegations. Therefore, SABESP presented its closing arguments and the case records were remitted to the judge on May 13, 2004, and are awaiting judgment.

In relation to the Municipality of Diadema, the court determined the attachment to and judgment of the declaratory action for non-demandability of trade acceptances together with the public civil action. The court has further ordered an accounting expert examination to be carried out and the parties submitted their questions to the court expert.

SABESP filed an appeal against the court decision for joint judgment of the actions, however no judgment has been rendered up to this time. Therefore, the attachment of the declaratory action and the preparation of the expert report are awaited.

17. SHAREHOLDERS EQUITY

(a) Authorized capital

The Company is authorized to increase its capital up to a maximum of R\$ 4,100,000, corresponding to 40,000,000,000 book-entry common shares with no par value.

(b) Subscribed and paid-up capital

The subscribed and paid-up capital comprises 28,479,577,827 common nominative shares, with no par value, distributed as follows:

| Shareholders | Sep/04 | | Jun/04 | |
|----------------------------------------|----------------|--------|----------------|--------|
| | Number | % | Number | % |
| State Department of Finance | 20,376,674,059 | 71.55 | 20,376,674,058 | 71.55 |
| Shares in Custody with Stock Exchanges | 8,075,489,717 | 28.35 | 8,073,289,501 | 28.33 |
| Others | 27,414,051 | 0.10 | 29,614,268 | 0.12 |
| | 28,479,577,827 | 100.00 | 28,479,577,827 | 100.00 |

(c) Remuneration of shareholders

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Shareholders are entitled to a minimum mandatory dividend of 25% of the adjusted net profit calculated in conformity with Brazilian Corporate Law.

The interest recorded in 2004 will be paid in up to 60 days after the approval of the balance sheet at the Annual Shareholders Meeting.

(d) Capital reserve

This comprises tax incentives and donations from government agencies.

(e) Revaluation reserve

As permitted by CVM Instruction 197/93, the Company chose not to record the income tax and social contribution on the revaluation reserve of property, plant and equipment recorded up to 1991.

The revaluation reserve is charged against Retained earnings in proportion to the depreciation and writing-off of the respective assets.

(f) Changes in retained earnings

| | 3Q/04 | 2Q/04 |
|------------------------------------|---------|----------|
| Prior balance | 60,233 | 99,190 |
| Realization of revaluation reserve | 22,554 | 34,378 |
| Net income for the period | 235,535 | (73,335) |
| Current balance | 318,322 | 60,233 |

18. WATER CONSUMPTION REDUCTION INCENTIVE PROGRAM

SABESP has implanted the Water Consumption Reduction Incentive Program with the purpose of stimulating São Paulo's metropolitan region population to reduce consumption, thus cooperating to mitigate the supply crisis caused by rain shortage and low water level in the reservoirs that supply the region.

The program was extended to municipalities of the metropolitan region of São Paulo that are supplied by the metropolitan water supply system and was effective for 6 months as from March 15, 2004, having consisted of prizes, by way of a 20% discount on the water and sewage bills, granted to users that reduced their water consumption by 20% or more, in relation to the same period in the previous year.

As for the results achieved in the period from March 15 to September 15, 2004, they represent:

- R\$71,250 reduction, about 4.7% of the amount invoiced for water supply and sewage collection, in the metropolitan region of São Paulo;
- In September, about 1,228,131 users managed achieved consumption reductions, which represents 38.3% of the customers served in the metropolitan region of São Paulo.

19. CASH FLOW

In order to provide improved information to the market, and abiding by the New Market regulation, the Company is also presenting statements of cash flow, prepared in accordance with NPC-20 Standard.

| Description | 3Q/04 | Jan-Sep/04 | 3Q/03 | Jan-Sep/03 |
|--------------------------------------|---------|------------|----------|------------|
| Cash flow from operating activities | | | | |
| Net income for the period | 235,535 | 277,686 | 28,896 | 533,400 |
| Adjustments to reconcile net income: | | | | |
| Deferred taxes and contributions | 907 | 1,095 | (16,402) | (32,727) |

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| | | | | |
|----------------------------------------------------------------------|------------------|------------------|------------------|------------------|
| Provisions for contingencies | 18,762 | 60,317 | 51,570 | (37,559) |
| Social security contributions | 22,348 | 67,162 | 19,050 | 57,612 |
| Property, plant & equipment received as donation (Private Sector) | (2,012) | (4,599) | (1,542) | (1,885) |
| Loss on disposal of property, plant and equipment | 1,305 | 17,581 | 3,893 | 39,176 |
| Gain on disposal of property, plant and equipment | - | - | (4) | (4) |
| Depreciation | 143,991 | 418,058 | 120,260 | 376,521 |
| Amortization | 8,276 | 26,954 | 6,756 | 19,901 |
| Interests on loans and financing payable | 184,834 | 534,963 | 208,920 | 609,880 |
| Foreign exchange and indexation charges on loans and financing | (201,617) | 21,040 | 124,322 | (419,538) |
| Monetary variation on interest on net equity | 3,018 | 9,511 | - | - |
| Allowance for doubtful accounts | 46,209 | 152,526 | 29,606 | 95,154 |
| | <u>461,556</u> | <u>1,582,294</u> | <u>575,325</u> | <u>1,239,931</u> |
| (Increase) decrease in assets: | | | | |
| Accounts receivable from customers | (165,371) | (251,734) | (200,001) | (279,500) |
| Accounts receivable from shareholders | - | - | (20,946) | (59,810) |
| Inventories | 1,161 | 3,122 | (1,725) | 782 |
| Recoverable taxes and contributions | 30,631 | (744) | (10,391) | (10,391) |
| Other accounts receivable | (13,312) | (29,345) | (6,351) | 45,938 |
| Accounts receivable from customers long term | (73,612) | (123,982) | (27,107) | (29,064) |
| Accounts receivable GESP | (33,907) | (70,541) | - | - |
| Court deposits | (356) | 415 | (87) | 99 |
| Other long-term accounts receivable | (722) | 819 | (1,584) | (3,544) |
| | <u>(255,488)</u> | <u>(471,990)</u> | <u>(268,192)</u> | <u>(335,490)</u> |
| Increase (decrease) in liabilities: | | | | |
| Accounts payable to suppliers | 12,055 | (15,615) | 11,357 | (971) |
| Salaries and payroll charges payable | 10,873 | 32,880 | 10,212 | 73,376 |
| Taxes and contributions payable | 57,245 | 41,584 | (17,439) | 63,854 |
| Other accounts payable | 8,631 | 5,316 | 5,772 | 2,784 |
| Contingencies payable | (1,132) | (4,416) | - | - |
| Long-term taxes and contributions payable | (2,704) | (6,786) | 55,101 | 209,162 |
| Other long-term accounts payable | (8,526) | (6,826) | 6 | 6 |
| | <u>76,442</u> | <u>46,137</u> | <u>65,009</u> | <u>348,211</u> |
| Net cash provided by operating activities | <u>282,510</u> | <u>1,156,441</u> | <u>372,142</u> | <u>1,252,652</u> |
| Cash flow from investment activities: | | | | |
| Purchases of property, plant and equipment | (149,790) | (467,481) | (158,191) | (380,499) |
| Sales of property, plant and equipment | - | 175 | - | 8 |
| Increase in deferred assets | (174) | (298) | (3,209) | (7,257) |
| Net cash used in investment activities | <u>(149,964)</u> | <u>(467,604)</u> | <u>(161,400)</u> | <u>(387,748)</u> |

Cash from financing activities:

Loans and financing short term:

| | | | | |
|------------|-----------|-----------|---|---|
| Issuances | 130,000 | 130,000 | - | - |
| Repayments | (133,787) | (133,787) | - | - |

Loans and financing long term:

| | | | | |
|------------|-----------|-------------|-----------|-------------|
| Issuances | 637,237 | 740,439 | 81,670 | 800,794 |
| Repayments | (633,261) | (1,281,199) | (906,278) | (1,557,918) |

Interests on net equity:

| | | | | |
|------------------------------|--------|-----------|---------|-----------|
| Interests on net equity paid | 62,818 | (126,845) | 9,247 | (105,740) |
| Settlement of accounts | - | - | (9,247) | (9,247) |

| | | | | |
|---------------------------------------|--------|-----------|-----------|-----------|
| Net cash used in financing activities | 63,007 | (671,392) | (824,608) | (872,111) |
|---------------------------------------|--------|-----------|-----------|-----------|

| | | | | |
|---------------------------------------------------|---------|--------|-----------|---------|
| Increase (reduction) in cash and cash equivalents | 195,553 | 17,445 | (613,866) | (7,207) |
|---------------------------------------------------|---------|--------|-----------|---------|

| | | | | |
|----------------------------------------------------------|---------|---------|-----------|---------|
| Cash and cash equivalents in the beginning of the period | 102,905 | 281,013 | 1,021,330 | 414,671 |
|----------------------------------------------------------|---------|---------|-----------|---------|

| | | | | |
|----------------------------------------------------|---------|---------|---------|---------|
| Cash and cash equivalents in the end of the period | 298,458 | 298,458 | 407,464 | 407,464 |
|----------------------------------------------------|---------|---------|---------|---------|

Supplementary information:

| | | | | |
|------------------------------------------------------------------------|----------|---------|---------|---------|
| Interests and charges paid on loans and financing | 176,215 | 543,904 | 225,425 | 651,119 |
| Capitalization of interests and financial charges | (11,642) | 14,496 | 6,615 | (3,913) |
| Income tax and social contribution paid | 24,408 | 92,118 | - | 128,646 |
| Property, plant & equipment received as donation and/or paid in shares | 914 | 2,031 | 2,145 | 3,088 |
| Cofins and Pasep paid | 41,326 | 130,308 | 53,888 | 113,581 |

Non-cash transactions

Acquisition related to São Bernardo do Campo

| | | | | |
|--------------------------------------------------|-----------|-----------|---|---|
| Purchase price | 415,471 | 415,471 | - | - |
| Offsetting of accounts receivable from customers | (265,432) | (265,432) | - | - |
| Amounts payable | 6,377 | 6,377 | - | - |
| Amount paid | 16,129 | 94,149 | - | - |

| | | | | |
|-------------------------------|-----------|-----------|---|---|
| Settlement of accounts - GESP | (120,904) | (126,532) | - | - |
|-------------------------------|-----------|-----------|---|---|

20. SUBSEQUENT EVENTS

- Transfer of common shares

On October 8 and 11, 2004, the State Finance Department transferred 5,802,967,065 common shares to Companhia Paulista de Parcerias (CPP), a company controlled by the State Treasury Department.

- Global Offer of Shares Issued by SABESP.

A Notice of Initial Public Offering was published on October 29, 2004, for public distribution both in the Brazilian market and in the international market, of 5,272,314,946 book-entry common shares, with no face value, issued by SABESP and owned by the State of São Paulo Government and by Companhia Paulista de Parcerias - CPP. The Notice of Closing of Global Offering showing the final distribution prices will be timely published.

- Court Decision - GESP Agreement

In October 2004, a lower court judge rendered a decision favorable to the State of São Paulo Public Prosecutor's Office, declaring the transfer to the Company of the ownership of the reservoirs making up the Alto Tietê System from the State Water and Electric Power Department, as provided for in the GESP Agreement and discussed in Note 5, to be unlawful, which judgment the Company believes to refer solely to the unlawfulness of the transfer of the reservoirs. The Company and the State Government filed an appeal against the decision requesting the effects of the lower court judgment to be stayed until a final decision is rendered by the State of São Paulo Court of Appeals. On October 19, 2004 the request was granted and the judgment was stayed. The Company and the State Government are not able to estimate whether they will be successful in the referred appeal; however, it is the opinion of the State of São Paulo Government that all the obligations undertaken by the State Government to SABESP in the new 2004 agreement remain valid and enforceable, as mentioned in note 5, regardless of the outcome of the referred appeal.

05.01 - COMMENTS ON COMPANY'S PERFORMANCE IN THE QUARTER PERIOD

1. SABESP reports growth of 4.9% in the net operating revenue, with slight change in the EBITDA

(R\$ million)

| Financial Highlights | 3Q03 | 3Q04 | Change |
|--------------------------------------------|---------|---------|--------|
| Net Operating Revenue | 1,036.4 | 1,086.8 | 4.9% |
| EBIT (Earnings Before Interests and Taxes) | 385.9 | 351.5 | (8.9%) |
| EBITDA (*) | 512.9 | 503.8 | (1.8%) |
| EBITDA Margin | 49.5% | 46.4% | |
| Net Income (Loss) | 28.9 | 235.5 | 714.9 |

(*) Earnings before interests, taxes, depreciation and amortization

SABESP recorded net operating revenue of R\$ 1,086.8 million, with EBITDA of R\$ 503.8 million in the 3Q04. The final result for the period, a profit of R\$ 235.5 million, reflected the positive effect of the 8.0% appreciation of Brazilian real in relation to North-American dollar, as well as the 6.78% tariff adjustment on August 29, 2004.

2. Gross operating revenue 6.2% growth

The 6.2% growth in the gross operating revenue is due to an ongoing recovery of the retail segment. The effect of the 6.78% tariff adjustment as from August 29, 2004 caused a 1.95% impact in September, generating a slight growth in the operating revenues. The full adjustment shall be entirely incorporated into the revenue by November.

The revenue was also influenced by the reduction in water consumption, with migration of part of the consumers to a lower tariff, and by the bonus granted in the quarter in the amount of R\$36.3 million, which represented 3.2% of the gross operating revenue.

Water and sewage values billed to the retail market recorded a 3.1% growth. The charts below show volumes of water and sewage services billed to the retail market broken down by user category and region in the third quarters of 2003 and 2004 (unaudited):

| VOLUME OF WATER AND SEWAGE SERVICES BILLED TO RETAIL MARKET - million m3 | | | | | | | | | |
|--------------------------------------------------------------------------|-------|-------|-------------|--------|-------|-------------|----------------|-------|-------------|
| Category | Water | | Change % | Sewage | | Change % | Water + Sewage | | Change % |
| | 3Q03 | 3Q04 | | 3Q03 | 3Q04 | | 3Q03 | 3Q04 | |
| Residential | 296.2 | 305.2 | 3.0 | 228.0 | 237.6 | 4.2 | 524.2 | 542.8 | 3.5 |
| Commercial | 35.3 | 35.6 | 0.8 | 31.5 | 32.0 | 1.6 | 66.8 | 67.6 | 1.2 |
| Industrial | 7.7 | 8.1 | 5.2 | 7.3 | 7.8 | 6.8 | 15.0 | 15.9 | 6.0 |
| Public | 11.7 | 11.1 | (5.1) | 9.0 | 8.8 | (0.2) | 20.7 | 19.9 | (3.8) |
| Total | 350.9 | 360.0 | 2.6 | 275.8 | 286.2 | 3.8 | 626.5 | 646.2 | 3.1 |

| VOLUME OF WATER AND SEWAGE SERVICES BILLED TO RETAIL MARKET - million m3 | | | | | | | | | |
|--------------------------------------------------------------------------|-------|-------|-------------|--------|-------|-------------|----------------|-------|-------------|
| Region | Water | | Change % | Sewage | | Change % | Water + Sewage | | Change % |
| | 3Q03 | 3Q04 | | 3Q03 | 3Q04 | | 3Q03 | 3Q04 | |
| Metropolitan | 231.5 | 239.6 | 3.5 | 184.8 | 194.1 | 5.0 | 416.3 | 433.7 | 4.2 |
| Regional Systems* | 119.2 | 120.4 | 1.0 | 91.0 | 92.1 | 1.2 | 210.2 | 212.5 | 1.1 |
| Total | 350.7 | 360.0 | 2.6 | 275.8 | 286.2 | 3.8 | 626.5 | 646.2 | 3.1 |

(*) Comprising Coastal and Interior regions.

3. Costs, Administrative and Selling Expenses

Costs of products sold and services rendered, administrative and selling expenses increased by R\$84.8 million or 13.0%.

Following are the main changes:

(R\$ million)

| | 3Q03 | 3Q04 | Difference | % |
|--------------------------------------------|-------|-------|------------|-------|
| Salaries and Payroll Charges | 254.2 | 265.8 | 11.6 | 4.6 |
| General Supplies | 21.7 | 22.4 | 0.7 | 3.2 |
| Treatment Supplies | 21.5 | 19.7 | (1.8) | (8.4) |
| Outsourced Services | 81.1 | 102.8 | 21.7 | 26.8 |
| Electric Power | 82.4 | 94.0 | 11.6 | 14.1 |
| General Expenses | 27.3 | 26.0 | (1.3) | (4.8) |
| Depreciation and Amortization | 127.0 | 152.3 | 25.3 | 19.9 |
| Credits Write-off | 29.6 | 46.2 | 16.6 | 56.1 |
| Tax Expenses | 5.7 | 6.1 | 0.4 | 7.0 |
| Costs, Administrative and Selling Expenses | 650.5 | 735.3 | 84.8 | 13.0 |

3.1. Salaries and Payroll Charges

These reported a 4.6% increase of R\$ 11.6 million. Such increase is mainly due to the 4.2% salary increase, as from May 2004, as a result of the collective labor agreement.

3.2. General Supplies

These reported a R\$0.7 million or 3.2% increase, mainly due to supplies used for maintenance of residential water connections.

3.3. Treatment Supplies

These posted a R\$ 1.8 million or 8.4% decrease, mainly in activated carbon, due to the lower temperatures recorded in this year, with non-proliferation of seaweeds, and consequent reduction in the application of such product, which is used to fight the smell and taste in the water, and in iron chloride, due to lesser application of this product, which is used as coagulant in water treatment.

3.4. Services

These recorded a R\$21.7 million or 26.8% increase in technical professional services, mainly caused by the agreement entered into with a financial institution for the 6th issue of debentures and technical services of data conversion for creation of digital base for the SABESP's geographic information system in the metropolitan region of São Paulo. Other expenses that answered for the increase were those related to Publicity and Advertising, by way of publicity campaigns in the media, and Paving and Replacement of Pavements.

3.5. Electric Power

This recorded a R\$11.6 million or 14.1% increase, caused by the average growth of 13.6% in electric power tariffs and of 0.5% on account of the ECE (Emergency Capacity Charge) adjustment. As far as electric power consumption is concerned, there was a 0.2% drop in the third quarter of 2004 (510,442 MWh) in relation to the same period of 2003 (511,407 MWh) as a result of the water consumption reduction plan enforced by the Company as from May 2004.

3.6. General Expenses

These decreased by R\$ 1.3 million or 4.8%, a result, mainly, of the provision for contingencies. The amount of the provision in 3Q04 was lower than in 3Q03.

3.7. Depreciation and Amortization

These recorded a R\$25.3 million or 19.9% increase, resulting from transfers of works from property, plant and equipment in progress to operating property, plant and equipment.

3.8. Credit Write-off

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This recorded a R\$ 16.6 million or 56.1% increase, of which R\$ 7.1 million was due to the tariff increase occurred in August 2003 and R\$ 9.5 million was due to lower recovery in this quarter. In the 3rd quarter of 2003 R\$8.3 million were received from São Bernardo do Campo municipality by way of writ of payment.

3.9. Tax Expenses

These recorded a R\$0.4 million or 7.0% increase, due to the assessment of the CPMF fee.

4. Financial Expenses and Inflation and Exchange Losses on Monetary Items

4.1 Financial Expenses

These recorded a R\$61.0 million or 23.2% decrease, as a result of:

- Provisions, decrease of R\$32.8 million, due to increase in provisions posted for lawsuits against suppliers and other civil proceedings in 3Q03;
- Interest on domestic loans and financing, a decrease of R\$16.2 million, due to reduction in the variation of the annual CDI interest rates on the outstanding balance of debentures issued by SABESP;
- Interest on foreign loans and financing, a decrease of R\$12.4 million, due to the appreciation of Brazilian Real in relation to North-American Dollar occurred in 3Q04, affecting interests provisioned with respect to their respective balances.

4.2 Inflation and Exchange Losses on Monetary Items

Inflation and exchange losses on monetary items decreased by R\$ 315.4 million, due to the appreciation of Brazilian Real in relation to North-American Dollar by 8.0% in 3Q04 as compared to the devaluation of 1.8% occurred in 3Q03, substantially affecting foreign currency loans.

5. Financial Revenues and Inflation and Exchange Gains on Monetary Items

5.1 Financial revenues

These recorded a decrease resulting from a reduction in financial investments.

5.2 Inflation and Exchange Gains on Monetary Items

There recorded a decrease as a result of monetary adjustments to writs of payment from the municipality of São Bernardo do Campo occurred in 3Q03.

6. Operating Highlights

As shown in the chart below, the Company has continued to expand its services (unaudited data).

| Operating Highlights | 3Q03 | 3Q04 | % |
|-------------------------------------------------------|--------|--------|--------|
| Water connections (1) | 6,012 | 6,323 | 5.2 |
| Sewage connections (1) | 4,426 | 4,708 | 6.4 |
| Population served with water supply (2) | 21.2 | 22.3 | 5.2 |
| Population connected to sewage collection networks(2) | 17.0 | 18.1 | 6.5 |
| Water volumes billed to the wholesale market (3) | 87.0 | 62.5 | (28.2) |
| Water volumes billed to the retail market (3) | 350.7 | 360.0 | 2.7 |
| Sewage service billings (3) | 275.8 | 286.2 | 3.8 |
| Number of employees | 18,349 | 17,775 | (3.1) |
| Operational productivity (4) | 569 | 620 | 9.0 |

- (1) In 1,000 units at the end of the period
- (2) Millions of inhabitants at the end of the period
- (3) In million m3
- (4) Number of water and sewage connections per employee

01.01 IDENTIFICATION

| | | |
|-----------------------|------------------------------------------------------------|------------------------------|
| 1 CVM CODE 01444-3 | 2 COMPANY S NAME CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO | 3 CNPJ 43.776.517/0001-80 |
|-----------------------|------------------------------------------------------------|------------------------------|

10.01 CHARACTERISTICS OF PUBLIC OR PRIVATE DEBENTURE ISSUES

| | |
|--------------------------------------|----------------------|
| 1 - ITEM | 01 |
| 2 ORDER NUMBER | 4 |
| 3 - CVM REGISTRATION NUMBER | CVM/SER/DEB/2001-022 |
| 4 DATE OF REGISTRATION WITH CVM | 06/04/2001 |
| 5 - ISSUED SERIES | UN |
| 6 - TYPE OF ISSUE | SIMPLE |
| 7 - NATURE OF ISSUE | PUBLIC |
| 8 - ISSUE DATE | 04/01/2001 |
| 9 - DUE DATE | 12/15/2006 |
| 10 TYPE OF DEBENTURE | WITHOUT PREFERENCE |
| 11 REMUNERATION CONDITIONS | DI + 1.20% PER ANNUM |
| 12 - PREMIUM/DISCOUNT | NONE |
| 13 - NOMINAL VALUE (reais) | 7,553.02 |
| 14 AMOUNT ISSUED (Thousand of reais) | 226,590 |
| 15 - DEBENTURES ISSUED (Units) | 30,000 |
| 16 - OUTSTANDING SECURITIES (Units) | 30,000 |
| 17 - TREASURY DEBENTURES (Units) | 0 |
| 18 - SURRENDERED DEBENTURES (Units) | 0 |
| 19 - CONVERTED DEBENTURES (Number) | 0 |
| 20 DEBENTURES TO PLACE (Number) | 0 |
| 21 DATE OF LAST NEGOTIATION | |
| 22 DATE OF NEXT EVENT | 12/15/2004 |

| | |
|----------------------------------------|-----------------------|
| 1 - ITEM | 02 |
| 2 - ORDER NUMBER | 5 |
| 3 - CVM REGISTRATION NUMBER | CVM/SER/DEB/2002-013 |
| 4 - DATE OF REGISTRATION WITH CVM | 05/14/2002 |
| 5 - ISSUED SERIES | 1 |
| 6 - TYPE OF ISSUE | SIMPLE |
| 7 - NATURE OF ISSUE | PUBLIC |
| 8 - ISSUE DATE | 04/01/2002 |
| 9 - DUE DATE | 03/01/2007 |
| 10 - TYPE OF DEBENTURE | WITHOUT PREFERENCE |
| 11 - REMUNERATION CONDITIONS | CDI + 2.00% PER ANNUM |
| 12 - PREMIUM/DISCOUNT | NONE |
| 13 - NOMINAL VALUE (reais) | 10,432.22 |
| 14 - AMOUNT ISSUED (Thousand of reais) | 327,279 |
| 15 - DEBENTURES ISSUED (Units) | 31,372 |
| 16 - OUTSTANDING SECURITIES (Units) | 31,372 |
| 17 - TREASURY DEBENTURES (Units) | 0 |
| 18 - SURRENDERED DEBENTURES (Units) | 0 |
| 19 - CONVERTED DEBENTURES (Number) | 0 |
| 20 - DEBENTURES TO PLACE (Number) | 0 |
| 21 - DATE OF LAST NEGOTIATION | 10/01/2003 |
| 22 - DATE OF NEXT EVENT | 10/01/2004 |

| | |
|----------------------------------------|--------------------------|
| 1 - ITEM | 03 |
| 2 - ORDER NUMBER | 5 |
| 3 - CVM REGISTRATION NUMBER | CVM/SER/DEB/2002-014 |
| 4 - DATE OF REGISTRATION WITH CVM | 05/14/2002 |
| 5 - ISSUED SERIES | 2 |
| 6 - TYPE OF ISSUE | SIMPLE |
| 7 - NATURE OF ISSUE | PUBLIC |
| 8 - ISSUE DATE | 04/01/2002 |
| 9 - DUE DATE | 03/01/2007 |
| 10 - TYPE OF DEBENTURE | WITHOUT PREFERENCE |
| 11 - REMUNERATION CONDITIONS | IGP-M + 12.70% PER ANNUM |
| 12 - PREMIUM/DISCOUNT | NONE |
| 13 - NOMINAL VALUE (reais) | 15,858.66 |
| 14 - AMOUNT ISSUED (Thousand of reais) | 136,828 |
| 15 - DEBENTURES ISSUED (Units) | 8,628 |
| 16 - OUTSTANDING SECURITIES (Units) | 8,628 |
| 17 - TREASURY DEBENTURES (Units) | 0 |
| 18 - SURRENDERED DEBENTURES (Units) | 0 |
| 19 - CONVERTED DEBENTURES (Number) | 0 |
| 20 - DEBENTURES TO PLACE (Number) | 0 |
| 21 - DATE OF LAST NEGOTIATION | 10/01/2003 |
| 22 - DATE OF NEXT EVENT | 04/01/2005 |

| | |
|----------------------------------------|----------------------|
| 1 - ITEM | 04 |
| 2 - ORDER NUMBER | 6 |
| 3 - CVM REGISTRATION NUMBER | CVM/SRE/DEB/2004-031 |
| 4 - DATE OF REGISTRATION WITH CVM | 09/17/2004 |
| 5 - ISSUED SERIES | 1 |
| 6 - TYPE OF ISSUE | SIMPLE |
| 7 - NATURE OF ISSUE | PUBLIC |
| 8 - ISSUE DATE | 09/01/2004 |
| 9 - DUE DATE | 09/01/2007 |
| 10 - TYPE OF DEBENTURE | WITHOUT PREFERENCE |
| 11 - REMUNERATION CONDITIONS | DI + 1.75% PER ANNUM |
| 12 - PREMIUM/DISCOUNT | NONE |
| 13 - NOMINAL VALUE (reais) | 1,013.23 |
| 14 - AMOUNT ISSUED (Thousand of reais) | 234,879 |
| 15 - DEBENTURES ISSUED (Units) | 231,813 |
| 16 - OUTSTANDING SECURITIES (Units) | 231,813 |
| 17 - TREASURY DEBENTURES (Units) | 0 |
| 18 - SURRENDERED DEBENTURES (Units) | 0 |
| 19 - CONVERTED DEBENTURES (Number) | 0 |
| 20 - DEBENTURES TO PLACE (Number) | 0 |
| 21 - DATE OF LAST NEGOTIATION | |
| 22 - DATE OF NEXT EVENT | 03/01/2005 |

| | |
|----------------------------------------|--------------------------|
| 1 - ITEM | 05 |
| 2 - ORDER NUMBER | 6 |
| 3 - CVM REGISTRATION NUMBER | CVM/SRE/DEB/2004-032 |
| 4 - DATE OF REGISTRATION WITH CVM | 09/17/2004 |
| 5 - ISSUED SERIES | 2 |
| 6 - TYPE OF ISSUE | SIMPLE |
| 7 - NATURE OF ISSUE | PUBLIC |
| 8 - ISSUE DATE | 09/01/2004 |
| 9 - DUE DATE | 09/01/2009 |
| 10 - TYPE OF DEBENTURE | WITHOUT PREFERENCE |
| 11 - REMUNERATION CONDITIONS | IGP-M + 11.00% PER ANNUM |
| 12 - PREMIUM/DISCOUNT | NONE |
| 13 - NOMINAL VALUE (reais) | 1,014.98 |
| 14 - AMOUNT ISSUED (Thousand of reais) | 191,087 |
| 15 - DEBENTURES ISSUED (Units) | 188,267 |
| 16 - OUTSTANDING SECURITIES (Units) | 188,267 |
| 17 - TREASURY DEBENTURES (Units) | 0 |
| 18 - SURRENDERED DEBENTURES (Units) | 0 |
| 19 - CONVERTED DEBENTURES (Number) | 0 |
| 20 - DEBENTURES TO PLACE (Number) | 0 |
| 21 - DATE OF LAST NEGOTIATION | |
| 22 - DATE OF NEXT EVENT | 09/01/2005 |

| | |
|----------------------------------------|--------------------------|
| 1 - ITEM | 06 |
| 2 - ORDER NUMBER | 6 |
| 3 - CVM REGISTRATION NUMBER | CVM/SER/DEB/2004/033 |
| 4 - DATE OF REGISTRATION WITH CVM | 09/17/2004 |
| 5 - ISSUED SERIES | 3 |
| 6 - TYPE OF ISSUE | SIMPLE |
| 7 - NATURE OF ISSUE | PUBLIC |
| 8 - ISSUE DATE | 09/01/2004 |
| 9 - DUE DATE | 09/01/2010 |
| 10 - TYPE OF DEBENTURE | WITHOUT PREFERENCE |
| 11 - REMUNERATION CONDITIONS | IGP-M + 11.00% PER ANNUM |
| 12 - PREMIUM/DISCOUNT | NONE |
| 13 - NOMINAL VALUE (reais) | 1,014.98 |
| 14 - AMOUNT ISSUED (Thousand of reais) | 182,615 |
| 15 - DEBENTURES ISSUED (Units) | 179,920 |
| 16 - OUTSTANDING SECURITIES (Units) | 179,920 |
| 17 - TREASURY DEBENTURES (Units) | 0 |
| 18 - SURRENDERED DEBENTURES (Units) | 0 |
| 19 - CONVERTED DEBENTURES (Number) | 0 |
| 20 - DEBENTURES TO PLACE (Number) | 0 |
| 21 - DATE OF LAST NEGOTIATION | |
| 22 - DATE OF NEXT EVENT | 09/01/2005 |

16.01 OTHER INFORMATION DEEMED BY THE COMPANY TO BE RELEVANT

Supplementary Information

In order to improve the information provided to the market, the Company is presenting, as supplementary information, the financial statements in a constant purchasing power currency.

1. SUPPLEMENTARY INFORMATION IN CONSTANT PURCHASING POWER CURRENCY

(a) Monetary indexation

The monetary indexation of the operations relating to the permanent assets, shareholders' equity, income statement accounts and ascertainment of profits and losses in monetary items was measured based on the variation of the Accounting Monetary Unit (UMC), taking for basis the variation of the General Market Prices Index (IGP-M) in the 3rd quarter, of 3.26%, and year-to-date, of 10.26%.

(b) Balance sheet accounts

Amounts related to monetary assets and liabilities presented in constant purchasing power currency are identical to those presented in accordance with the corporate legislation, except for accounts receivable from customers, accounts payable to suppliers and contractors, deferred income tax and social contribution in long-term liabilities, which are adjusted to reflect the purchasing power or currency realization at September 30, 2004, taking for basis the rate determined by the National Association of Investment Banks (ANBID).

Permanent assets and shareholders' equity were adjusted based on the monthly variation of the UMC, updated by the IGP-M up to September 30, 2004.

(c) Income statement accounts

All the income statement accounts were indexed for inflation based on the variation of the UMC, as from the month when they were booked, adjusted in accordance with inflation gains and losses ascertained on the balances at the beginning and end of every month for monetary assets and liabilities, and which generated financial or nominal inflationary expenses and income, which were considered to reduce the respective income statement accounts to which they were attached.

(d) Deferred taxes and contributions

Deferred income tax and social contribution were calculated based on the rates of 15% plus additional 10% and 9%, respectively, on the surplus value of the properties and rights in the permanent assets generated by the result of their monetary adjustment, in conformity with the instructions of the CVM, as provided for in Communication no. 99/006 issued by the IBRACON (Brazilian Institute of Independent Accountants).

The amounts below are shown in constant purchasing power currency at September 30, 2004.

In thousand R\$

| Balance Sheet | Nominal currency | Constant purchasing power currency |
|-------------------------------|---------------------|---------------------------------------|
| Total assets | 16,699,251 | 34,060,209 |
| Current assets | 1,247,662 | 1,245,142 |
| Long-term assets | 1,405,487 | 1,405,487 |
| Permanent assets | 14,046,102 | 31,409,580 |
| Investments | 1,917 | 3,001 |
| Property, plant and equipment | 14,003,252 | 31,329,287 |
| Deferred assets | 40,933 | 77,292 |
| Total liabilities | 16,699,251 | 34,060,209 |
| Current liabilities | 2,069,733 | 2,069,431 |
| Long-term liabilities | 6,812,160 | 11,952,566 |
| Shareholders' equity | 7,817,358 | 20,038,212 |
| Paid-up capital stock | 3,403,688 | 8,843,043 |
| Capital reserves | 52,770 | 103,883 |
| Revaluation reserves | 2,643,782 | 6,928,962 |
| Profit reserves | 1,398,796 | 3,892,512 |
| Retained earnings | 318,322 | 269,812 |

In thousand R\$

January to September 2004

| Income statement | Nominal Currency | Constant purchasing power currency |
|----------------------------------------------|---------------------|---------------------------------------|
| Net revenue from sales and services rendered | 3,213,161 | 3,359,077 |
| Cost of products sold and services rendered | (1,637,196) | (2,267,790) |
| Gross income | 1,575,965 | 1,091,287 |
| Selling expenses | (342,546) | (361,920) |
| Administrative expenses | (208,578) | (231,286) |
| Income before net financial expenses | 1,024,841 | 498,081 |
| Net financial expenses | (546,040) | 68,283 |
| Operating income | 478,801 | 566,364 |
| Non-operating income | (10,967) | (39,206) |

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| | | |
|--------------------------------------------------------------|-----------|-----------|
| Income before taxes and profit sharing | 467,834 | 527,158 |
| Provision for income tax and social contribution | (170,864) | (175,505) |
| Deferred income tax and social contribution | 7,057 | 13,017 |
| Extraordinary item net of income tax and social contribution | (26,341) | (27,787) |
| Income for the period | 277,686 | 336,883 |
| Profit per share | 0.00975 | 0.01183 |

Conciliation of the income for the period and shareholders equity

| Description | In thousand R\$ | |
|---------------------------------------|-----------------------|---------------------|
| | Income for the period | Shareholders equity |
| Corporate legislation | 277,686 | 7,817,358 |
| Monetary indexation | | |
| Of permanent assets | 2,364,835 | 17,363,478 |
| Of shareholders equity | (2,312,484) | |
| Adjustment to present value - net | 872 | (2,218) |
| Reversal (provision) for taxes | | |
| Income tax | 4,393 | (3,779,710) |
| Social contribution | 1,581 | (1,360,696) |
| In constant purchasing power currency | 336,883 | 20,038,212 |

2. EVOLUTION OF SHAREHOLDING BY THE CONTROLLING SHAREHOLDER, DIRECTORS AND EXECUTIVE OFFICERS FROM 09/30/2003 to 10/31/2004

| Shareholders | Position as of 09/30/2003 | | | New members | Changes in Common Shares | Left the Company | | Position as of 10/31/2004 | |
|--------------------------------|---------------------------|---------------------------------|-------|-------------|--------------------------|------------------|--------------|---------------------------|-------|
| | Number of Shares | Number of Investment Fund Units | % | | | ON Shares | Units | Number of Shares | % |
| Controlling shareholder | 20,376,674,058 | | 71.5 | | (5,802,967,065) | | | 14,573,706,994**** | 51.2 |
| Cia. Paulista de Parcerias CPP | | | | | 5,802,967,065 | | | 5,802,967,065 | 20.4 |
| Directors | 90,017 | | | 1 | | (2) | | 90,016** | |
| Executive Officers | 110,000 | 2,493,526* | | | (110,000)*** | | (2,493,526*) | | |
| Members of the Audit Committee | 110,000 | | | | (110,000)*** | | | | |
| Other shareholders | 8,102,593,752 | | | | | | | 8,102,813,752 | 28.4 |
| Outstanding shares | 8,102,903,752 | | 28.5 | | | | | 13,905,870,817 | 48.8 |
| Total shares | 28,479,577,827 | 2,493,526* | 100.0 | 1 | (220,000) | (2) | (2,493,526*) | 28,479,577,827 | 100.0 |

* Units in Funds for Investment in Sabesp shares (units equivalent to 20,000 shares)

** The shares currently held by the directors were assigned by the State of São Paulo Treasury Department and shall be returned by them upon leaving the Board of Directors of Sabesp

*** These shares have been sold

**** Difference arising out of transfer of shares to Cia. Paulista de Parcerias and return of one share that was held by a director of Sabesp.

3. SHAREHOLDING POSITION AS OF 10/31/2004

| Shareholders holding more 5% of the shares | Common Shares | % |
|--------------------------------------------|----------------|------|
| State of São Paulo Treasury Department | 14,573,706,994 | 51.2 |
| Cia. Paulista de Parcerias CPP | 5,802,967,065 | 20.4 |

| Shareholders | Common Shares | % |
|--------------------------------|----------------|-------|
| CONTROLLING SHAREHOLDER | 14,573,706,994 | 51.2 |
| CIA. PAULISTA DE PARCERIAS CPP | 5,802,967,065 | 20.4 |
| MANAGEMENT | | |
| Board of Directors | 90,016 | |
| Board of Executive Officers | - | |
| Statutory Audit Committee | - | |
| TREASURY SHARES | - | |
| OTHER SHAREHOLDERS | 8,102,813,752 | 28.4 |
| TOTAL | 28,479,577,827 | 100.0 |
| OUTSTANDING SHARES | 13,905,870,817 | 48.8 |

17.01 SPECIAL REVIEW REPORT WITHOUT RESTRICTIONS

INDEPENDENT AUDITORS OPINION ON THE SPECIAL REVIEW

To the Board of Directors and Shareholders
Companhia de Saneamento Básico do Estado de São Paulo SABESP
São Paulo SP

1. We have made a limited review of the accounting information supplied in the Quarterly Report ITR, issued by Companhia de Saneamento Básico do Estado de São Paulo - SABESP, for the quarter and nine-month periods ended on September 30, 2004, prepared in accordance with the accounting practices adopted in Brazil and under the responsibility of the Company's Management, including the balance sheet, income statement and company's performance report.

2. Our review was conducted in accordance with the specific standards established by the Brazilian Institute of Independent Auditors IBRACON, in conjunction with the Federal Accountancy Board and consisted particularly of: (a) inquiries and discussions with the management staff responsible for the accounting, financial and operating areas of the Company with regard to the major procedures adopted in the preparation of the Quarterly Report (ITR); and (b) review of the relevant information and subsequent events which have or may have significant effects on the financial position and operations of the Company.

3. Based on our special review, we are not aware of any relevant change that should be made in the above referred Quarterly Report for the same to abide by the accounting practices adopted in Brazil, applied in compliance with the rules issued by the Brazilian Securities and Exchange Commission, as specifically applicable to the preparation of mandatory Quarterly Reports.

4. Supplementary information for the quarter and nine-month periods ended on September 30, 2004 referring to the financial statements in constant purchasing power currency, as well as the cash flow statement, are presented for the purpose of allowing additional review and are not required as part of the basic financial statements. Such information was reviewed by us in accordance with the specific standards mentioned in paragraph 2 above and, based on our review, we are not aware of any relevant change that should be made for such information to be fairly presented, in all their material aspects, in relation to the financial statements as a whole.

5. We had previously reviewed the balance sheet prepared on June 30, 2004, presented for comparison purposes, about which we issued a special review report, without comments, dated August 06, 2004. The income statement for the quarter and nine-month periods ended on September 30, 2003, the supplementary information in constant purchasing power currency, and the statement of cash flow for the referred period, presented for comparison purposes, were reviewed by other independent auditors, as per the special review report, without comments, dated November 12, 2003.

São Paulo, November 09, 2004.

DELOITTE TOUCHE TOHMATSU

Independent Auditors

CRC no. 2 SP 011609/O-8

The Quarterly Report (ITR) reviewed by us are initialed solely for identification purposes.

Marco Antonio Brandão Simurro

Accountant

CRC no. 1 RJ 052000/O-0 S SP

01.01 IDENTIFICATION

| | | |
|-----------------------|------------------------------------------------------------|------------------------------|
| 1 CVM CODE 01444-3 | 2 COMPANY S NAME CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO | 3 CNPJ 43.776.517/0001-80 |
| 4 NIRE 35300016831 | | |

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