

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

August 31, 2015

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

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**FORM 6-K**

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

**For August 31, 2015**  
**(Commission File No. 1-31317)**

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**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)*

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

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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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ITR - Quarterly Information Form - 06/30/2015 - CIA SANEAMENTO BÁSICO ESTADO  
SÃO PAULO

Version: 1

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**Company Information / Capital Breakdown**

<b>Number of Shares (Units)</b>	<b>Current Quarter 6/30/2015</b>
<b>Paid-in Capital</b>	
<b>Common</b>	683,509,869
<b>Preferred</b>	0
<b>Total</b>	683,509,869
<b>Treasury Shares</b>	
<b>Common</b>	0
<b>Preferred</b>	0
<b>Total</b>	0

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**Company Information / Cash Proceeds**

<b>Event</b>	<b>Approval Proceeds</b>	<b>Date of Payment</b>	<b>Type of Share</b>	<b>Class of Share</b>	<b>Earnings per share (Reais / Share)</b>
Board of Directors' Meeting	Interest on Shareholders' Equity	3/26/2015		6/29/2015 Common	0.36913

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**Parent Company's Financial Statements/Statement of Financial Position - Assets (R\$ thousand)**

<b>Code</b>	<b>Description</b>	<b>Current Quarter</b>	<b>Previous Year</b>
		<b>6/30/2015</b>	<b>12/31/2014</b>
1	Total Assets	31,120,003	30,355,440
1.01	Current Assets	2,463,266	3,215,445
1.01.01	Cash and Cash Equivalents	803,031	1,722,991
1.01.03	Accounts Receivable	1,273,181	1,156,785
1.01.03.01	Trade Accounts Receivable	1,144,774	1,034,820
1.01.03.02	Other Accounts Receivable	128,407	121,965
1.01.03.02.01	Balances with Related Parties	128,407	121,965
1.01.04	Inventories	55,330	66,487
1.01.06	Recoverable Taxes	112,331	148,768
1.01.06.01	Current Recoverable Taxes	112,331	148,768
1.01.08	Other Current Assets	219,393	120,414
1.01.08.03	Other	219,393	120,414
1.01.08.03.01	Restricted Cash	20,171	19,750
1.01.08.03.02	Financial Asset Held for Trading	86,930	0
1.01.08.03.20	Other Accounts Receivable	112,292	100,664
1.02	Noncurrent Assets	28,656,737	27,139,995
1.02.01	Long-Term Assets	1,220,398	780,362
1.02.01.03	Accounts Receivable	165,243	189,458
1.02.01.03.01	Trade Accounts Receivable	165,243	189,458
1.02.01.06	Deferred Taxes	75,100	209,478
1.02.01.06.01	Deferred Income Tax and Social Contribution	75,100	209,478
1.02.01.08	Receivables from Related Parties	689,267	102,018
1.02.01.08.03	Receivables from Controlling Shareholders	689,267	102,018
1.02.01.09	Other Noncurrent Assets	290,788	279,408
1.02.01.09.04	Escrow Deposits	81,614	69,488
1.02.01.09.05	ANA – National Water Agency	127,855	122,634
1.02.01.09.20	Other Accounts Receivable	81,319	87,286
1.02.02	Investments	85,683	75,262
1.02.02.01	Shareholdings	24,134	21,223
1.02.02.01.04	Other Shareholdings	24,134	21,223
1.02.02.02	Investment Properties	61,549	54,039
1.02.03	Property, Plant and Equipment	307,434	304,845
1.02.04	Intangible Assets	27,043,222	25,979,526
1.02.04.01	Intangible Assets	27,043,222	25,979,526
1.02.04.01.01	Concession Contracts	8,653,155	8,650,531
1.02.04.01.02	Program Contracts	6,626,550	6,082,062
1.02.04.01.03	Service Contracts	11,471,117	10,986,386
1.02.04.01.04	Software License	292,400	260,547



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**Parent Company's Financial Statements/Statement of Financial Position – Liabilities (R\$ thousands)**

<b>Code</b>	<b>Description</b>	<b>Current Quarter</b>	<b>Previous Year</b>
		<b>6/30/2015</b>	<b>12/31/2014</b>
2	Total Liabilities	31,120,003	30,355,440
2.01	Current Liabilities	2,892,090	3,480,576
2.01.01	Labor and Social Security Liabilities	353,717	387,971
2.01.01.01	Social Security Liabilities	27,256	38,427
2.01.01.02	Labor Liabilities	326,461	349,544
2.01.02	Trade Accounts Payable	254,389	323,513
2.01.02.01	Domestic Suppliers	254,389	323,513
2.01.03	Tax Liabilities	70,590	74,138
2.01.03.01	Federal Tax Liabilities	62,739	64,209
2.01.03.01.02	PIS-PASEP and COFINS (taxes on revenue) Payable	17,345	0
2.01.03.01.03	INSS (social security contribution) Payable	35,376	33,324
2.01.03.01.20	Other Federal Taxes	10,018	30,885
2.01.03.02	State Taxes Liabilities	0	48
2.01.03.03	Municipal Taxes Liabilities	7,851	9,881
2.01.04	Loans and Financing	859,871	1,207,126
2.01.04.01	Loans and Financing	493,000	484,064
2.01.04.01.01	In Domestic Currency	215,319	245,384
2.01.04.01.02	In Foreign Currency	277,681	238,680
2.01.04.02	Debentures	357,164	714,065
2.01.04.03	Financing through finance lease	9,707	8,997
2.01.05	Other Liabilities	756,379	862,736
2.01.05.01	Payables to Related Parties	2,423	1,569
2.01.05.01.03	Payables to Controlling Shareholders	2,423	1,569
2.01.05.02	Other	753,956	861,167
2.01.05.02.01	Dividends and Interest on Equity Payable	126,887	214,523
2.01.05.02.04	Services Payable	302,680	318,973
2.01.05.02.05	Refundable Amounts	9,264	16,929
2.01.05.02.06	Program Contract Commitments	201,762	189,551
2.01.05.02.07	Private Public Partnership – PPP	38,977	38,047
2.01.05.02.09	Indemnities	9,875	10,516
2.01.05.02.20	Other Payables	64,511	72,628
2.01.06	Provisions	597,144	625,092
2.01.06.01	Tax, Social Security, Labor and Civil Provisions	122,573	120,003
2.01.06.01.01	Tax Provisions	10,157	8,681
2.01.06.01.02	Social Security and Labor Provisions	44,105	48,340
2.01.06.01.04	Civil Provisions	68,311	62,982
2.01.06.02	Other Provisions	474,571	505,089
2.01.06.02.03		12,724	62,250

	Provisions for Environmental Liabilities and Decommissioning		
2.01.06.02.04	Provisions for Customers	393,907	382,937
2.01.06.02.05	Provisions for Suppliers	67,940	59,902
2.02	Non-Current Liabilities	14,290,019	13,570,461
2.02.01	Loans and Financing	10,231,564	9,578,641
2.02.01.01	Loans and Financing	6,553,578	5,718,135
2.02.01.01.01	In Domestic Currency	1,709,266	1,610,523
2.02.01.01.02	In Foreign Currency	4,844,312	4,107,612
2.02.01.02	Debentures	3,183,949	3,386,913

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**Parent Company's Financial Statements/Statement of Financial Position – Liabilities (R\$ thousands)**

<b>Code</b>	<b>Description</b>	<b>Current Quarter</b>	<b>Previous Year</b>
		<b>6/30/2015</b>	<b>12/31/2014</b>
2.02.01.03	Financing through finance lease	494,037	473,593
2.02.02	Other Payables	3,679,621	3,396,565
2.02.02.02	Other	3,679,621	3,396,565
2.02.02.02.04	Pension Plan Liabilities	2,810,893	2,729,598
2.02.02.02.05	Program Contract Commitments	41,790	18,208
2.02.02.02.06	Private Public Partnership – PPP	504,378	330,236
2.02.02.02.07	Indemnities	12,184	8,925
2.02.02.02.08	Labor Liabilities	17,223	23,498
2.02.02.02.09	Deferred COFINS and PASEP	131,135	129,351
2.02.02.02.20	Other Payables	162,018	156,749
2.02.04	Provisions	378,834	595,255
2.02.04.01	Tax, Pension Plan, Labor and Civil Provisions	251,263	285,197
2.02.04.01.01	Tax Provisions	48,589	46,873
2.02.04.01.02	Pension Plan and Labor Provisions	159,442	184,893
2.02.04.01.04	Civil Provisions	43,232	53,431
2.02.04.02	Other Provisions	127,571	310,058
2.02.04.02.03	Provisions for Environmental Liabilities and Decommissioning	63,922	163,347
2.02.04.02.04	Provisions for Customers	62,099	141,237
2.02.04.02.05	Provisions for Suppliers	1,550	5,474
2.03	Equity	13,937,894	13,304,403
2.03.01	Paid-Up Capital	10,000,000	10,000,000
2.03.04	Profit Reserve	3,672,149	3,694,151
2.03.04.01	Legal Reserves	758,141	758,141
2.03.04.08	Additional Dividend Proposed	0	22,002
2.03.04.10	Reserve for Investments	2,914,008	2,914,008
2.03.05	Retained Earnings/Accumulated Losses	655,493	0
2.03.06	Equity Valuation Adjustments	-389,748	-389,748

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**Parent Company's Financial Statements/Statement of Income (R\$ thousands)**

Code	Description	YTD		Same Quarter	
		Current Quarter	Current Year	Previous Year	YTD Previous Year
		4/1/2015 to 6/30/2015	1/1/2015 to 6/30/2015	4/1/2014 to 6/30/2014	1/1/2014 to 6/30/2014
3.01	Revenue from Sales and/or Services	2,822,852	5,291,493	2,754,153	5,546,083
3.02	Cost of Sales and/or Services	-2,105,409	-3,864,086	-1,830,133	-3,508,850
3.02.01	Cost of Sales and/or Services	-1,220,186	-2,402,487	-1,165,916	-2,324,161
3.02.02	Construction Cost	-885,223	-1,461,599	-664,217	-1,184,689
3.03	Gross Profit	717,443	1,427,407	924,020	2,037,233
3.04	Operating Income/Expenses	-233,241	193,057	-479,678	-880,386
3.04.01	Selling Expenses	-146,971	-331,452	-215,232	-371,829
3.04.02	General and Administrative Expenses	-97,932	479,676	-269,704	-470,378
3.04.04	Other Operating Income	35,186	64,469	21,638	38,145
3.04.04.01	Other Operating Income	39,440	73,526	25,091	42,905
3.04.04.02	COFINS and PASEP	-4,254	-9,057	-3,453	-4,760
3.04.05	Other Operating Expenses	-23,409	-20,635	-16,429	-76,005
	Loss on Write-off of Property, Plant and	-7,539	762		
3.04.05.01	Equipment Items			-6,445	-52,092
3.04.05.03	Tax Incentives	-7,770	-7,770	-7,702	-8,567
3.04.05.04	Surplus Cost of Traded Electricity	-6,086	-11,618	0	0
	Provision for losses - Diadema and	0	0		
3.04.05.06	Saned			-1,967	-14,967
3.04.05.20	Other	-2,014	-2,009	-315	-379
	Equity in the Earnings (Losses) of	-115	999		
3.04.06	Investees			49	-319
	Income Before Financial Result and	484,202	1,620,464		
3.05	Taxes			444,342	1,156,847
3.06	Financial Result	155,392	-830,368	-21,577	5,942
3.06.01	Finance Income	125,390	229,778	84,607	181,115
3.06.01.01	Finance Income	125,342	229,171	84,875	181,727
3.06.01.02	Foreign Exchange Gains	48	607	-268	-612
3.06.02	Finance Expenses	30,002	-1,060,146	-106,184	-175,173
3.06.02.01	Finance Expenses	-178,911	-384,534	-190,409	-376,407
3.06.02.02	Foreign Exchange Losses	208,913	-675,612	84,225	201,234
3.07	Earnings Before Income Tax	639,594	790,096	422,765	1,162,789
3.08	Income Tax and Social Contribution	-302,279	-134,603	-120,343	-382,781
3.08.01	Current	-225	-225	-135,474	-412,191
3.08.02	Deferred	-302,054	-134,378	15,131	29,410
3.09	Net Result from Continued Operations	337,315	655,493	302,422	780,008
3.11	Profit/Loss for the Period	337,315	655,493	302,422	780,008

3.99	Earnings per Share - (Reais / Share)				
3.99.01	Basic Earnings per Share				
3.99.01.01	Common Share	0.49350	0.95901	0.44246	1.14118
3.99.02	Diluted Earnings per Share				
3.99.02.01	Common Share	0.49350	0.95901	0.44246	1.14118

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**Parent Company's Financial Statements / Statement of Comprehensive Income**

(R\$ thousands)

		<b>Current Quarter</b>	<b>YTD Current Year</b>	<b>Same Quarter Previous Year</b>	<b>YTD Previous Year</b>
		<b>4/1/2015 to 6/30/2015</b>	<b>1/1/2015 to 6/30/2015</b>	<b>4/1/2014 to 6/30/2014</b>	<b>1/1/2014 to 6/30/2014</b>
<b>Code</b>	<b>Description</b>				
4.01	Net Income for the Period	337,315	655,493	302,422	780,008
4.03	Comprehensive Income for the Period	337,315	655,493	302,422	780,008

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**Parent Company's Financial Statements/Statement of Cash Flows – Indirect Method (R\$ thousands)**

<b>Code</b>	<b>Description</b>	<b>YTD Current Year</b>	<b>YTD Previous Year</b>
		<b>1/1/2015 to 6/30/2015</b>	<b>1/1/2014 to 6/30/2014</b>
6.01	Net Cash from Operating Activities	935,161	1,277,913
6.01.01	Cash from Operations	1,475,712	1,991,784
6.01.01.01	Profit Before Income Tax and Social Contribution	790,096	1,162,789
6.01.01.02	Provision and Inflation Adjustments on Provisions	-171,045	95,467
6.01.01.03	GESP Agreement	-696,283	0
6.01.01.04	Financial Charges from Customers	-111,328	-99,846
6.01.01.05	Residual Value of Written-off Property, Plant and Equipment and Intangible Assets	3,491	1,801
6.01.01.06	Depreciation and Amortization	537,395	482,852
6.01.01.07	Interest on Loans and Financing Payable	232,201	216,351
6.01.01.08	Monetary and Foreign Exchange Change on Loans and Financing	773,054	-139,278
6.01.01.09	Interest and Monetary Change on Liabilities	12,123	10,850
6.01.01.10	Interest and Monetary Change in Assets	-28,367	-5,626
6.01.01.11	Allowance for Doubtful Accounts	47,520	76,328
6.01.01.12	Provision for Consent Decree (TAC)	-43,148	23,986
6.01.01.13	Equity in the Earnings (Losses) of Investees	-999	319
6.01.01.14	Provision for Sabesprev Mais	4,605	3,515
6.01.01.15	Other Provisions/Reversals	-2,298	60,967
6.01.01.16	Transfer of Funds to São Paulo Municipal Government	-3,808	-18,051
6.01.01.17	Gross Margin over Intangible Assets Resulting from Concession Contracts	-31,627	-25,287
6.01.01.18	Pension Plan Liabilities	164,130	144,647
6.01.02	Changes in Assets and Liabilities	-133,788	-18,549
6.01.02.01	Trade Accounts Receivable	-18,269	262,977
6.01.02.02	Balances and Related Party Transactions	13,019	30,566
6.01.02.03	Inventories	11,045	-256
6.01.02.04	Recoverable Taxes	36,437	0
6.01.02.05	Other Accounts Receivable	-12,408	-39,123
6.01.02.06	Escrow Deposits	14,978	10,345
6.01.02.08	Contractors and Suppliers	-15,114	-18,357
6.01.02.09	Payroll, Provisions and Social Contribution	8,894	7,843
6.01.02.10	Pension Plan Liabilities	-82,835	-78,824

6.01.02.11	Taxes and Contributions Payable	11,317	-87,530
6.01.02.12	Services Received	-12,485	28,966
6.01.02.13	Other Liabilities	-16,827	-13,121
6.01.02.14	Provisions	-73,324	-123,598
6.01.02.15	Deferred COFINS/PASEP	1,784	1,563
6.01.03	Other	-406,763	-695,322
6.01.03.01	Interest Paid	-389,020	-307,106
6.01.03.02	Income Tax and Social Contribution Paid	-17,743	-388,216
6.02	Net Cash from Investing Activities	-1,209,437	-1,192,404
6.02.01	Acquisition of Property, Plant and Equipment	-14,784	-52,135
6.02.02	Acquisition of Intangible Assets	-1,196,001	-1,130,122
6.02.03	Increase in Investments	243	-17
6.02.04	Restricted Cash	-421	-10,130
6.02.05	Dividends received	1,526	0

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**Parent Company's Financial Statements/Statement of Cash Flows – Indirect Method (R\$ thousands)**

<b>Code</b>	<b>Description</b>	<b>YTD Current Year</b>	<b>YTD Previous Year</b>
		<b>1/1/2015 to 6/30/2015</b>	<b>1/1/2014 to 6/30/2014</b>
6.03	Net Cash from Financing Activities	-645,684	-43,799
6.03.01	Funding – Loans	388,012	795,911
6.03.02	Amortization of Loans	-876,443	-326,390
6.03.03	Payment of Interest on Shareholders' Equity	-106,985	-467,439
6.03.04	Public-Private Partnership (PPP)	-11,333	-9,921
6.03.05	Program Contract Commitments	-38,935	-35,960
6.05	Increase (Decrease) in Cash and Cash Equivalents	-919,960	41,710
6.05.01	Opening Cash and Cash Equivalents	1,722,991	1,782,001
6.05.02	Closing Cash and Cash Equivalents	803,031	1,823,711

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**Parent Company's Financial Statements/Statement of Changes  
in Equity - 1/1/2015 to 6/30/2015 (R\$ thousands)**

<b>Code</b>	<b>Description</b>	<b>Paid-up Capital</b>	<b>Capital Reserves, Options Granted and Treasury Shares</b>	<b>Profit Reserves</b>	<b>Retained Earnings/ Accumulated Losses</b>	<b>Other Comprehensive Income</b>	<b>Total Equity</b>
5.01	Opening Balances	10,000,000	0	3,694,151	0	-389,748	13,304,403
5.03	Opening Balances	10,000,000	0	3,694,151	0	-389,748	13,304,403
5.04	Capital Transactions with Partners	0	0	-22,002	0	0	-22,002
5.04.08	Additional Dividends Approved	0	0	-22,002	0	0	-22,002
5.05	Total Comprehensive Income	0	0	0	655,493	0	655,493
5.05.01	Net Income for the Period	0	0	0	655,493	0	655,493
5.07	Closing Balances	10,000,000	0	3,672,149	655,493	-389,748	13,937,894

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**Parent Company's Financial Statements/Statement of Changes in Equity - 1/1/2014 to 6/30/2014 (R\$ thousands)**

<b>Code</b>	<b>Description</b>	<b>Paid-up Capital</b>	<b>Capital Reserves, Options Granted and Treasury Shares</b>	<b>Profit Reserves</b>	<b>Retained Earnings/ Losses</b>	<b>Other Comprehensive Income</b>	<b>Total Equity</b>
5.01	Opening Balances	6,203,688	124,255	6,736,389	0	-133,531	12,930,801
5.03	Opening Balances	6,203,688	124,255	6,736,389	0	-133,531	12,930,801
5.04	Capital Transactions with Partners	0	0	-42,862	0	0	-42,862
5.04.08	Additional Dividends Approved	0	0	-42,862	0	0	-42,862
5.05	Total Comprehensive Income	0	0	0	780,008	0	780,008
5.05.01	Net Income for the Period	0	0	0	780,008	0	780,008
5.06	Internal Changes in the Shareholders' Equity	3,796,312	-124,255	-3,672,057	0	0	0
5.06.04	Capitalization of Reserves	3,796,312	-124,255	-3,672,057	0	0	0
5.07	Closing Balances	10,000,000	0	3,021,470	780,008	-133,531	13,667,947

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## Parent Company's Financial Statements/Statement of Value Added (R\$ thousands)

PBRCode	Description	YTD Current Year	YTD Previous Year
		1/1/2015 to 6/30/2015	1/1/2014 to 6/30/2014
7.01	Revenue	5,570,966	5,845,001
7.01.01	Operating Revenue	4,051,734	4,668,448
7.01.02	Other Revenue	73,526	42,905
7.01.03	Revenue from Construction of Own Assets	1,493,226	1,209,976
7.01.04	Allowance for/Reversal of Doubtful Accounts	-47,520	-76,328
7.02	Inputs Acquired from Third Parties	-2,438,564	-2,566,871
7.02.01	Costs of Sales and Services	-2,292,127	-2,079,367
7.02.02	Materials, Energy, Outsourced Services and Other	-125,802	-411,499
7.02.04	Other	-20,635	-76,005
7.03	Gross Value Added	3,132,402	3,278,130
7.04	Retentions	-537,395	-482,852
7.04.01	Depreciation, Amortization and Depletion	-537,395	-482,852
7.05	Net Value Added Produced	2,595,007	2,795,278
7.06	Value Added Received through Transfer	927,060	180,796
7.06.01	Equity in the Earnings (Losses) of Investees	999	-319
7.06.02	Finance Income	229,778	181,115
7.06.03	Other	696,283	0
7.06.03.01	GESP Reimbursement – Benefits Paid	696,283	0
7.07	Total Value Added to Distribute	3,522,067	2,976,074
7.08	Value Added Distribution	3,522,067	2,976,074
7.08.01	Personnel	986,815	959,765
7.08.01.01	Direct Compensation	643,849	631,107
7.08.01.02	Benefits	276,472	254,575
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	66,494	74,083
7.08.02	Taxes and Contributions	630,092	948,275
7.08.02.01	Federal	581,662	897,965
7.08.02.02	State	33,262	35,867
7.08.02.03	Municipal	15,168	14,443
7.08.03	Value Distributed to Providers of Capital	1,249,667	288,026
7.08.03.01	Interest	1,208,167	249,891
7.08.03.02	Rental	41,500	38,135
7.08.04	Value Distributed to Shareholders	655,493	780,008
7.08.04.03		655,493	780,008

Retained Earnings/Accumulated Loss for  
the Period

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**Comments on the Company's Performance****1. Financial highlights**

	<b>R\$ million</b>							
(+) Gross operating revenue	2,047.2	2,224.0	(176.8)	(7.9)	4,051.7	4,668.4	(616.7)	(13.2)
(+) Construction revenue	904.8	678.7	226.1	33.3	1,493.2	1,210.0	283.2	23.4
(-) COFINS and PASEP taxes	129.1	148.6	(19.5)	(13.1)	253.4	332.3	(78.9)	(23.7)
(=) Net operating revenue	2,822.9	2,754.1	68.8	2.5	5,291.5	5,546.1	(254.6)	(4.6)
(-) Costs and expenses	1,465.1	1,650.8	(185.7)	(11.2)	2,254.3	3,166.4	(912.1)	(28.8)
(-) Construction costs	885.2	664.2	221.0	33.3	1,461.6	1,184.7	276.9	23.4
(+) Equity result	(0.1)	-	(0.1)	-	1.0	(0.3)	1.3	(433.3)
(+) Other operating revenue/expenses, net	11.7	5.2	6.5	125.0	43.8	(37.8)	81.6	(215.9)
(=) Earnings before financial result, income tax and social contribution	484.2	444.3	39.9	9.0	1,620.4	1,156.9	463.5	40.1
(+) Financial result	155.4	(21.6)	177.0	(819.4)	(830.3)	5.9	(836.2)	n.m.
(=) Earnings before income tax and social contribution	639.6	422.7	216.9	51.3	790.1	1,162.8	(372.7)	(32.1)
(-) Income tax and social contribution	302.3	120.3	182.0	151.3	134.6	382.8	(248.2)	(64.8)
Net Income	337.3	302.4	34.9	11.5	655.5	780.0	(124.5)	(16.0)
Earnings per share* (R\$)	0.49	0.44			0.96	1.14		

\* Total shares = 683,509,869

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

	<b>R\$ million</b>							
Net income	337.3	302.4	34.9	11.5	655.5	780.0	(124.5)	(16.0)
(-) Income tax and social contribution	302.3	120.3	182.0	151.3	134.6	382.8	(248.2)	(64.8)
(+) Financial result	(155.4)	21.6	(177.0)	(819.4)	830.3	(5.9)	836.2	n.m.
	(11.7)	(5.2)	(6.5)	125.0	(43.8)	37.8	(81.6)	(215.9)

(+) Other operating revenues/expenses, net									
(=) Adjusted EBIT*	472.5	439.1	33.4	7.6	1,576.6	1,194.7	381.9	32.0	
(+) Depreciation and amortization	284.1	222.6	61.5	27.6	537.4	482.9	54.5	11.3	
(=) Adjusted EBITDA **	756.6	661.7	94.9	14.3	2,114.0	1,677.6	436.4	26.0	
(%) Adjusted EBITDA margin	26.8	24.0			40.0	30.2			

(\* ) Adjusted EBIT is net income before: (i) other operating revenues/expenses; (ii) financial result; and (iii) income tax and social contribution.

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

In 2Q15, net operating revenue, including construction revenue, reached R\$ 2.8 billion; a 2.5% increase compared to 2Q14.

Costs and expenses, including construction costs, totaled R\$ 2.4 billion, up by 1.5% compared to R\$ 2.3 billion recorded in 2Q14.

Adjusted EBIT, in the amount of R\$ 472.5 million, grew 7.6% from R\$ 439.1 million recorded in the same quarter of the previous year.

Adjusted EBITDA, in the amount of R\$ 756.6 million, increased 14.3% from R\$ 661.7 million recorded in 2Q14 (R\$ 3,355.1 million in the last 12 months).

The adjusted EBITDA margin was 26.8% in 2Q15, versus 24.0% in 2Q14 (30.6% in the last 12 months). Excluding construction revenues and construction costs, the adjusted EBITDA margin was 38.4% in 2Q15 (31.2% in 2Q14 and 42.4% in the last 12 months).

Net income totaled R\$ 337.3 million, 11.5% higher than R\$ 302.4 million recorded in 2Q14.

## 2. Gross operating revenue

Gross operating revenue from water and sewage, not including construction revenue, totaled R\$ 2.0 billion, a drop of R\$ 176.8 million or 7.9%, when compared to the R\$ 2.2 billion recorded in 2Q14.

The main factors that led to this variation were:

- Bonus granted within the Water Consumption Reduction Incentive Program, with a R\$ 231.0 million impact in 2Q15, versus the R\$ 88.1 million granted in 2Q14, leading to a decrease of 6.4% in gross operating revenue;
- Decrease of 7.5% in the Company's total billed volume (8.3% in water and 6.3% in sewage); and
- Decrease in the average billed price, due to the migration of clients to lower volume of consumption ranges.



## Comments on the Company's Performance

The decline in gross operating revenue was mitigated by the application of contingency tariff, in the amount of R\$123.0 million, and by the application of the following adjustments:

- 6.5% repositioning tariff index since December 2014; and
- 15.2% tariff increase (7.8% ordinary tariff adjustment and 6.9% Extraordinary Tariff Revision) since June 2015, with a 1.5% impact in the quarter.

### 3. Construction revenue

Construction revenue increased R\$ 226.1 million or 33.3%, when compared to 2Q14. The variation was mainly due to higher investments in 2Q15.

### 4. Billed volume

The following tables show the water and sewage billed volume, quarter-on-quarter and semester-on-semester, per customer category and region.

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

Residential	358.0	382.0	(6.3)	301.3	319.2	(5.6)	659.3	701.2	(6.0)
Commercial	39.4	42.7	(7.7)	37.5	40.3	(6.9)	76.9	83.0	(7.3)
Industrial	8.0	9.9	(19.2)	9.7	10.9	(11.0)	17.7	20.8	(14.9)
Public	10.7	13.3	(19.5)	8.4	10.3	(18.4)	19.1	23.6	(19.1)
<b>Total retail</b>	<b>416.1</b>	<b>447.9</b>	<b>(7.1)</b>	<b>356.9</b>	<b>380.7</b>	<b>(6.3)</b>	<b>773.0</b>	<b>828.6</b>	<b>(6.7)</b>
Wholesale	52.4	63.1	(17.0)	5.9	6.6	(10.6)	58.3	69.7	(16.4)

<b>Total</b>	<b>468.5</b>	<b>511.0</b>	<b>(8.3)</b>	<b>362.8</b>	<b>387.3</b>	<b>(6.3)</b>	<b>831.3</b>	<b>898.3</b>	<b>(7.5)</b>
Residential	727.0	792.6	(8.3)	609.9	659.5	(7.5)	1,336.9	1,452.1	(7.9)
Commercial	79.9	87.7	(8.9)	75.6	82.3	(8.1)	155.5	170.0	(8.5)
Industrial	16.5	20.1	(17.9)	19.6	22.0	(10.9)	36.1	42.1	(14.3)
Public	21.2	27.1	(21.8)	16.5	20.9	(21.1)	37.7	48.0	(21.5)
<b>Total retail</b>	<b>844.6</b>	<b>927.5</b>	<b>(8.9)</b>	<b>721.6</b>	<b>784.7</b>	<b>(8.0)</b>	<b>1,566.2</b>	<b>1,712.2</b>	<b>(8.5)</b>
Wholesale	105.7	138.5	(23.7)	12.4	13.1	(5.3)	118.1	151.6	(22.1)
<b>Total</b>	<b>950.3</b>	<b>1,066.0</b>	<b>(10.9)</b>	<b>734.0</b>	<b>797.8</b>	<b>(8.0)</b>	<b>1,684.3</b>	<b>1,863.8</b>	<b>(9.6)</b>

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

Metropolitan	267.1	292.8	(8.8)	231.7	251.2	(7.8)	498.8	544.0	(8.3)
Regional <sup>(2)</sup>	149.0	155.1	(3.9)	125.2	129.5	(3.3)	274.2	284.6	(3.7)
<b>Total retail</b>	<b>416.1</b>	<b>447.9</b>	<b>(7.1)</b>	<b>356.9</b>	<b>380.7</b>	<b>(6.3)</b>	<b>773.0</b>	<b>828.6</b>	<b>(6.7)</b>
Wholesale	52.4	63.1	(17.0)	5.9	6.6	(10.6)	58.3	69.7	(16.4)
<b>Total</b>	<b>468.5</b>	<b>511.0</b>	<b>(8.3)</b>	<b>362.8</b>	<b>387.3</b>	<b>(6.3)</b>	<b>831.3</b>	<b>898.3</b>	<b>(7.5)</b>
Metropolitan	535.0	601.9	(11.1)	462.6	514.1	(10.0)	997.6	1,116.0	(10.6)
Regional <sup>(2)</sup>	309.6	325.6	(4.9)	259.0	270.6	(4.3)	568.6	596.2	(4.6)
<b>Total retail</b>	<b>844.6</b>	<b>927.5</b>	<b>(8.9)</b>	<b>721.6</b>	<b>784.7</b>	<b>(8.0)</b>	<b>1,566.2</b>	<b>1,712.2</b>	<b>(8.5)</b>
Wholesale	105.7	138.5	(23.7)	12.4	13.1	(5.3)	118.1	151.6	(22.1)
<b>Total</b>	<b>950.3</b>	<b>1,066.0</b>	<b>(10.9)</b>	<b>734.0</b>	<b>797.8</b>	<b>(8.0)</b>	<b>1,684.3</b>	<b>1,863.8</b>	<b>(9.6)</b>

(1) Unaudited

(2) Including coastal and interior region



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**Comments on the Company's Performance****5. Costs, administrative and selling expenses**

In 2Q15, costs, administrative and selling expenses, grew 1.5% (R\$ 35.3 million). Excluding construction costs, total costs and expenses dropped 11.2%. As a percentage of net revenue, cost and expenses were 84.1% in 2Q14 and 83.3% in 2Q15.

*R\$ million*

Payroll and benefits	528.8	551.4	(22.6)	(4.1)	1,063.4	1,048.1	15.3	1.5
Supplies	43.1	46.9	(3.8)	(8.1)	91.7	94.1	(2.4)	(2.6)
Treatment supplies	63.6	64.6	(1.0)	(1.5)	135.9	134.3	1.6	1.2
Services	270.0	351.6	(81.6)	(23.2)	566.0	666.2	(100.2)	(15.0)
Electric power	208.3	144.5	63.8	44.2	367.4	284.5	82.9	29.1
General expenses	48.7	190.0	(141.3)	(74.4)	103.1	342.7	(239.6)	(69.9)
Tax expenses	18.3	17.6	0.7	4.0	38.2	37.3	0.9	2.4
São Paulo state government reimbursement	-	-	-	-	(696.3)	-	(696.3)	-
<b>Sub-total</b>	<b>1,180.8</b>	<b>1,366.6</b>	<b>(185.8)</b>	<b>(13.6)</b>	<b>1,669.4</b>	<b>2,607.2</b>	<b>(937.8)</b>	<b>(36.0)</b>
Depreciation and amortization	284.1	222.6	61.5	27.6	537.4	482.9	54.5	11.3
Credit write-offs	0.2	61.6	(61.4)	(99.7)	47.5	76.3	(28.8)	(37.7)
<b>Sub-total</b>	<b>284.3</b>	<b>284.2</b>	<b>0.1</b>	<b>0.0</b>	<b>584.9</b>	<b>559.2</b>	<b>25.7</b>	<b>4.6</b>
<b>Costs and expenses</b>	<b>1,465.1</b>	<b>1,650.8</b>	<b>(185.7)</b>	<b>(11.2)</b>	<b>2,254.3</b>	<b>3,166.4</b>	<b>(912.1)</b>	<b>(28.8)</b>
Construction costs	885.2	664.2	221.0	33.3	1,461.6	1,184.7	276.9	23.4
<b>Costs, adm., selling and construction expenses</b>	<b>2,350.3</b>	<b>2,315.0</b>	<b>35.3</b>	<b>1.5</b>	<b>3,715.9</b>	<b>4,351.1</b>	<b>(635.2)</b>	<b>(14.6)</b>
% of net revenue	83.3	84.1			70.2	78.5		

**5.1. Payroll and benefits**

In 2Q15 payroll and benefits dropped R\$ 22.6 million or 4.1%, due to the following:

Adjusted EBITDA Reconciliation (Non-accounting measures)

25

- R\$ 15.9 million in provisions for severance payments (TAC); and
- R\$ 10.7 million in expenses related to the Profit Sharing Program, due to a higher reversion of provision in 2Q15, as a result of achievements lower than the targets estimated for the period.

The average wage increase of 6.8%, since May 2014 and of 9.7% since May 2015 were offset by the 4.4% drop in the number of employees, that reduced from 14,799 in 2Q14 to 14,147 this quarter.

## **5.2. Supplies**

In 2Q15, expenses with supplies decreased R\$ 3.8 million or 8.1%, from R\$ 46.9 million to R\$ 43.1 million, mostly due to lower use of materials in preventive and corrective maintenance in several water and sewage systems, thus, resulting in a reduction of R\$ 3.0 million.

## **5.3. Services**

Services expenses, in the amount of R\$ 270.0 million, dropped R\$ 81.6 million or 23.2%, in comparison to R\$351.6 million in 2Q14. The main factors were:

- Advertising campaigns, in the amount of R\$ 38.3 million, mainly due to the intensification in 2Q14, for the rational use of water;
- Estimate of service expenses, totaling R\$ 22.1 million, especially due to the lower expense related to advertising campaigns in 2Q15; and
- Expenses with risk contracts for credit recovery, in the amount of R\$ 7.8 million.

## **5.4. Electric power**

Electric power expenses totaled R\$ 208.3 million, an increase of R\$ 63.8 million or 44.2% in comparison to the R\$ 144.5 million in 2Q14, chiefly due to the following.

- Average increase of 82.0% in the regulated market tariffs (ACR), with a 10.3% decrease in consumption; and
- Average increase of 210.4% in the grid market tariffs (TUSD).

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## Comments on the Company's Performance

The regulated market (ACR) accounts for 69.2% of the total electric power consumed by the Company, while the grid market represents 11.5% of total consumption.

### 5.5. General expenses

General expenses dropped R\$ 141.3 million or 74.4%, totaling R\$ 48.7 million, versus the R\$ 190.0 million recorded in 2Q14 mainly due to:

- R\$ 117.8 million decrease in the provision for lawsuits; and
- Lower provision for the Municipal Fund for Environmental Sanitation and Infrastructure, in the amount of R\$ 13.3 million, as a result of the decrease in revenues with the municipality of São Paulo.

### 5.6. Depreciation and amortization

R\$ 61.5 million increase or 27.6%, reaching R\$ 284.1 million in comparison to the R\$ 222.6 million recorded in 2Q14, mostly related to the addition intangible assets in operation.

### 5.7. Credit write-offs

Credit write-offs decreased R\$ 61.4 million, especially due to higher allowance for losses occurred in 2Q14, in municipalities served with water on wholesale basis.

## 6. Other operating revenues and expenses, net

Other net operational revenues and expenses reported an upturn of R\$ 6.5 million, mainly due to the gain from selling surplus energy in 2Q15, in the amount of R\$ 9.7 million.

## 7. Financial result

	<i>R\$ million</i>			
Financial expenses, net of revenues	(64.5)	(74.4)	9.9	(13.3)
Net monetary and exchange variation	219.9	52.8	167.1	316.5
<b>Financial result</b>	<b>155.4</b>	<b>(21.6)</b>	<b>177.0</b>	<b>(819.4)</b>

### 7.1. Financial revenues and expenses

	<i>R\$ million</i>			
Financial expenses				
Interest and charges on international loans and financing	(25.1)	(23.1)	(2.0)	8.7
Interest and charges on domestic loans and financing	(81.0)	(79.9)	(1.1)	1.4
Other financial expenses	(48.9)	(45.3)	(3.6)	7.9
<b>Total financial expenses</b>	<b>(155.0)</b>	<b>(148.3)</b>	<b>(6.7)</b>	<b>4.5</b>
Financial revenues	90.5	73.9	16.6	22.5
<b>Financial expenses net of revenues</b>	<b>(64.5)</b>	<b>(74.4)</b>	<b>9.9</b>	<b>(13.3)</b>

#### 7.1.1. Financial expenses

Financial expenses grew R\$ 6.7 million. The main reasons were:

- R\$ 3.3 million upturn in other financial expenses, mainly due to the increased recognition of interest arising from the startup of a sewage treatment station, financed through leasing; and
- R\$ 2.0 million increase in interest and charges on international loans and financing, especially due to the total debt increase, resulting from new funding.

**Comments on the Company's Performance****7.1.2. Financial revenues**

Financial revenues increased R\$ 16.6 million, due to interest mainly over instalment agreement in 2Q15.

**7.2. Monetary and exchange rate variation on assets and liabilities**

	<i>R\$ million</i>			
Currency exchange variation on loans and financing	208.9	84.2	124.7	148.1
Monetary variation on loans and financing	(41.6)	(28.9)	(12.7)	43.9
Other monetary variations	17.8	(13.1)	30.9	(235.9)
<b>Monetary/exchange rate variation on liabilities</b>	<b>185.1</b>	<b>42.2</b>	<b>142.9</b>	<b>338.6</b>
Monetary/exchange rate variation on assets	34.8	10.6	24.2	228.3
<b>Monetary/exchange rate variation, net</b>	<b>219.9</b>	<b>52.8</b>	<b>167.1</b>	<b>316.5</b>

**7.2.1. Monetary/exchange rate variation on liabilities**

The effect on the monetary/currency exchange variation on liabilities in 2Q15 was R\$ 142.9 million, higher than in 2Q14, especially due to:

- An increase of R\$ 124.7 million in expenses with exchange rate change on loans and financing, due to a higher depreciation of the US dollar and the Yen versus the Brazilian Real in 2Q15 (3.3% and 5.0%, respectively), when compared to the depreciation recorded in 2Q14 (2.7% and 1.0%, respectively);

- R\$ 30.9 million decrease in other monetary variation expenses, chiefly due to the reversion of R\$ 25.6 million regarding provision for lawsuits in 2T15; and
- An upturn of R\$ 12.7 million in expenses with monetary variation on loans and financing, due to the increase in the IPCA in 2Q15 compared to 2Q14 (2.26% and 1.54%, respectively).

### **7.2.2. Monetary/Exchange rate variation on assets**

R\$ 24.2 million increase, mainly due to the monetary updates on judicial deposits.

### **8. Income tax and social contribution**

Recorded an R\$ 182.0 million upturn, due to the increase in taxable income in 2Q15 and to the impacts of deferred income tax and social contribution, versus 2Q14.

**Comments on the Company's Performance****9. Indicators****9.1. Operating**

As a result of the water crisis, there was a substantial reduction in the water production volume, down by 14.6% in the quarter and 18.1% in the semester.

There was also a substantial decline in the index that measures water losses per connection per day (IPDT) which came to 272 liters/connection x day versus 356 liters/connection x day on the same period last year.

This reduction was the result not only of loss control initiatives, but also of the water crisis and the consequent need to reduce the network pressure as a demand management mechanism.

Water connections (1)	8,310	8,100	2.6
Sewage connections (1)	6,753	6,542	3.2
Population directly served - water (2)	25.4	25.1	1.2
Population directly served - sewage (2)	22.6	22.1	2.3
Number of employees	14,147	14,799	(4.4)
Water volume produced - quarter (3)	606	710	(14.6)
Water volume produced - semester (3)	1,219	1,488	(18.1)
IPM - Measured water loss (%)	28.5	30.8	(7.5)
IPDt (liters/connection x day)	272	356	(23.6)



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

## 9.2. Financial

Amplified Consumer Price Index (IPCA) - %	2.26	1.54
Referential Rate (TR) - %	0.40	0.15
Interbank Deposit Certificate (CDI) - %	13.64	10.80
US DOLAR (R\$)	3.1026	2.2025
YEN (R\$)	0.02541	0.0218
(*) Unaudited		

## 10. Loans and financing

On June 24, 2015, the Company fully redeemed the 16th debenture issue, totaling R\$ 500 million. No premium was paid.

## 11. Capex

In the second quarter of 2015, R\$ 969.6 million were invested, totaling R\$ 1.5 billion investments in the first six months of 2015.

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## Notes to the Interim Financial Information

### 1 Operations

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

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

On June 30, 2015, the Company operated water and sewage services in 364 municipalities of the State of São Paulo. Most of these municipalities operations are based on 30-year concession, program and services contracts. The Company has two partial contracts with the municipality of Mogi das Cruzes, however, since most of municipality is serviced by wholesale, it was not included in the 364 municipalities. On June 30, 2015, the Company had 366 contracts.

SABESP is not temporarily operating in some municipalities due to judicial orders. The lawsuits in progress refer to Álvares Florence, Cajobi, Embaúba, Iperó and Macatuba, and the carrying amount of these municipalities' intangible assets was R\$11,328 on June 30, 2015 (R\$11,328 on December 31, 2014).

As of June 30, 2015, 53 concession agreements had expired and are being negotiated. From June 30, 2015 to 2030, 37 concession agreements will expire. Management believes that concession agreements expired and not yet renewed will result in new contracts, disregarding the risk of discontinuity in the provision of municipal water supply and sewage services. By June 30, 2015, 276 program and services contracts were signed (274 contracts on December 31, 2014).

As of June 30, 2015, the carrying amount of the underlying assets used in the 53 concessions of the municipalities under negotiation totaled R\$6,195,595, accounting for 22.91% of the total, and the related gross revenue for the six-month period then ended totaled R\$920,940, accounting for 16.61% of the total.

The Company's operations are concentrated in the municipality of São Paulo, which represents 49.15% of the gross revenues on June 30, 2015 (49.79% on June 30, 2014) and 42.42% of intangible assets (42.29% on December 31, 2014).

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

Also, on June 23, 2010, the State of São Paulo, the city of São Paulo and SABESP signed the “Public service provision agreement of water supply and sewage services”, a 30-year concession agreement which is extendable for another 30 years. This agreement involves the following activities:

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## Notes to the Interim Financial Information

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

In the municipality of Santos, in the Santos coast region, which has a significant population, the Company operates under an authorization by public deed, a situation similar to other municipalities in that region and in the Ribeira valley, where the Company started to operate after the merger of the companies that formed it. As of June 30, 2015, the carrying amount of the municipality of Santos' intangible assets was R\$362,367 (R\$205,261 on December 31, 2014) and gross revenue in the six-month period ended June 30, 2015 was R\$132,720 (R\$117,885 on June 30, 2014).

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

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

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

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

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

Water shortage – the Company's operations have been influenced by the lowest rainfall and inflow never seen in 85 years, especially at the reservoirs composing the Cantareira System which, under usual conditions, is in charge for direct supply of approximately 8.8 million people. During the rainy season, from October 2014 to January 2015, rainfall remained below average, despite above average from February to March 2015. The expectation was that the water volume stored at the Cantareira System would recover, however, as the levels were already low due to the lack of rainfall during Summer in 2013 and 2014, rainfall index in the region, during the rainy season from October 2014 to March 2015, was not sufficient to recover the reservoirs, whose levels are below than the one seen in the historical series. To face this situation and ensure that the water supply is not interrupted, the Company has been adopting several measures, such as:

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## Notes to the Interim Financial Information

- Using pumps to remove water below the catchment level of the Cantareira System, the so-called “technical reserve”, which had never been used before to supply the population;
- Offering discounts (bonus) to consumers, whose volume consumed is below the average stipulated;
- Using water from other producing systems to serve consumers previously supplied by the Cantareira System;
- Intensifying the advertising campaigns towards the rational use of water;
- Reducing pressure in the distribution network, in order to prevent water losses;
- Reducing the water volume sold to municipalities which operate their own distribution networks;
- Making investments earlier than the planned time to expand water safety; and
- Implementing the contingency tariff for consumers whose volume consumed is above the average stipulated.

The water reservation volume at the reservoirs relies on several factors, such as levels of rain, temperature and atmospheric humidity, as well as the type and humidity of soil in water sources regions.

This scenario of water shortage also had adverse financial effects for the Company. As a result, since 2014 up to date, the Company has taken decisions to minimize these effects, including:

- Rearrangement of investments,
- Expense budget reduction,
- Negotiation of overdue receivables (the Company sent a list of 22 municipalities with unpaid water bills to the State CADIN, including those municipalities served by wholesale);
- Contracting guarantee insurance for escrow deposits; and
- Application of the extraordinary tariff revision since June 2015.

The Company's Management expects that the operating cash generation estimated for 2015 and the lines of credit available for investments will be sufficient to meet its short-term liabilities and not compromise the actions required to overcome the water shortage, thus preserving its consumers' supply.

The interim financial information was approved by the Board of Directors on August 13, 2015.

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## Notes to the Interim Financial Information

### 2 Basis of preparation and presentation of the financial statements

#### (i) Presentation of the quarterly financial information

The quarterly financial information as of June 30, 2015, was prepared based on the provisions of CPC 21 (R1) – Interim Financial Information and the international standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), applicable to the preparation of Quarterly Information Form– ITR and they are fairly presented consistent with the rules issued by the Brazilian Securities and Exchange Commission (CVM). Therefore, this Interim Financial Information takes into consideration the official letter CVM/SNC/SEP 003 of April 28, 2011, which allows the entities to present selected notes to the financial statements, in cases of redundant information already disclosed in the Annual Financial Statements. The interim financial information for June 30, 2015, therefore, does not include all the notes and reporting required by the annual financial statements, and accordingly, shall be read jointly with the financial statements as of December 31, 2014, prepared pursuant to the International Financial Reporting Standards – IFRS, issued by the International Accounting Standards Board – IASB and pursuant to the accounting practices adopted in Brazil which observe the pronouncements issued by the Brazilian Accounting Pronouncements Committee- CPC.

### 3 Accounting policies

The accounting policies used in the preparation of the quarterly financial information for the quarter ended June 30, 2015 are consistent with those used to prepare the Annual Financial Statements for the year ended December 31, 2014. These policies are disclosed in Note 3 to the Annual Financial Statements.



## **4 Risk Management**

### **4.1 Financial Risk Management**

#### **Financial risk factors**

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

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

#### **(a) Market risk**

##### **Foreign currency risk**

SABESP's foreign exchange exposure implies market risks associated with currency fluctuations, since the Company has foreign currency-denominated liabilities, mainly US dollar and yen-denominated short and long-term loans.

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**Notes to the Interim Financial Information**

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

This risk arises from the possibility that the Company may incur in losses due to exchange rate fluctuations that would impact liability balances of foreign currency-denominated loans and financing raised in the market and related financial expenses. The Company does not maintain hedge or swap contracts or any derivative financial instrument to hedge against this risk, but conducts an active management of debt, taking advantage of opportunities to change expensive debts with "cheaper" debts, reducing the cost through early maturity.

A significant amount of the Company's financial debt is indexed to the U.S. dollar and Yen, in the total amount of R\$5,140,060 on June 30, 2015 (R\$4,363,898 on December 31, 2014). Below, the Company's exposure to foreign exchange risk:

	<b>June 30, 2015</b>		<b>December 31, 2014</b>	
	<b>Foreign currency</b>		<b>R\$ Foreign currency</b>	<b>R\$</b>
Loans and financing– US\$	1,222,531	3,793,025	1,231,188	3,270,282
Loans and financing – Yen	51,854,547	1,317,624	48,066,910	1,068,527
Interest and charges from loans and financing – US\$		20,246		17,703
Interest and charges from loans and financing– Yen		9,165		7,386
Total exposure		5,140,060		4,363,898
Financing cost		(18,067)		(17,606)
Total loans in foreign currency (Note 15)		5,121,993		4,346,292

The 18% increase in foreign currency-denominated debt from December 31, 2014 to June 30, 2015 was mainly due to the following:

- 1) Exchange rate changes, since the US dollar appreciated 16.8% from R\$2.6562 on December 31, 2014 to R\$3.1026 on June 30, 2015. The US dollar-denominated debt accounts for 74% of foreign currency-denominated debts; and

2) An 8% increase in Yen-denominated debt and 14% increase in the Yen.

On June 30, 2015, if the Brazilian real had depreciated or appreciated by 10% against the US dollar and Yen with all other variables held constant, effects on results before taxes on the six-month period ended June 30, 2015 would have been R\$514,006 (R\$436,390 on December 31, 2014), lower or higher, mainly as a result of foreign exchange losses or gains on the translation of foreign currency-denominated loans.

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

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**Notes to the Interim Financial Information**

	Scenario I (Probable) (*)	Scenario II (+25%)	Scenario III (+50%)
<b>Net currency exposure on June 30, 2015 (Liabilities) in US\$</b>	1,222,531	1,222,531	1,222,531
US\$ rate on June 30, 2015	3.1026	3.1026	3.1026
Exchange rate estimated according to the scenario	3.3700	4.2125	5.0550
Difference between the rates	(0.2674)	(1.1099)	(1.9524)
Effect on net financial result in R\$-- (loss)	(326,905)	(1,356,887)	(2,386,870)
<b>Net currency exposure on June 30, 2015 (Liabilities) in Yen</b>	51,854,547	51,854,547	51,854,547
Yen rate on June 30, 2015	0.02541	0.02541	0.02541
Exchange rate estimated according to the scenario	0.02691	0.03363	0.04036
Difference between the rates	(0.00150)	(0.00822)	(0.01495)
Effect on net financial result in R\$ - (loss)	(77,782)	(426,244)	(775,225)
Total effect on net financial result in R\$- (loss)	(404,687)	(1,783,131)	(3,162,095)

(\*)The probable scenario in foreign currency (US dollar and Yen) considered the average exchange rate for the 12-month period after June 30, 2015, according to BM&FBovespa.

**Interest rate risk**

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

The Company has not entered into any derivative contract to hedge against this risk; however continually monitors market interest rates, in order to evaluate the possible need to replace its debt.

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**Notes to the Interim Financial Information**

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

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
TR <sup>(i)</sup>	1,632,987	1,578,250
CDI <sup>(ii)</sup>	1,117,191	1,712,010
TJLP <sup>(iii)</sup>	1,064,772	1,059,074
IPCA <sup>(iv)</sup>	1,572,117	1,492,320
LIBOR <sup>(v)</sup>	2,259,826	1,953,989
Interest and charges	96,630	133,776
Total	7,743,523	7,929,419

(i) TR – Interest Benchmark Rate

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

(iii) TJLP - (Taxa de Juros a Longo Prazo), a long-term interest rate index

(iv) IPCA - (Índice Nacional de Preços ao Consumidor Amplo), a consumer price index

(v) LIBOR - London Interbank Offered Rate

As of June 30, 2015, if interest rates on loans and financing denominated in Brazilian reais had been 1% higher or lower with all other variables held constant, the effects on profit for the six-month period ended June 30, 2015, before taxes would have been R\$77,435 (R\$79,294 on December 31, 2014) lower or higher.

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

**(b) Credit risk**

Credit risk arises from cash and cash equivalents, deposits in banks and financial institutions, as well as credit exposures to wholesale basis and retail customers, including outstanding accounts receivable, restricted cash and accounts receivable from related parties. Credit risk exposure to customers is mitigated by sales to a dispersed base.

The maximum exposures to credit risk on June 30, 2015 are the carrying amounts of instruments classified as cash equivalents, deposits in banks and financial institutions, restricted cash, trade accounts receivable and accounts receivable from related parties. See additional information in Notes 6, 7, 8 and 9.

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**Notes to the Interim Financial Information**

Regarding the financial assets held with financial institutions, the credit quality that is not past due or subject to provision for impairment can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. The credit quality of counterparties which are banks, such as deposits and financial investments, the Company considers the lower rating of the counterparty published by three main international rating agencies (Fitch, Moody's and S&P), according to internal policy of market risk management:

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Cash at bank and short-term bank deposits		
AAA(bra)	802,414	1,722,347
Other (*)	617	644
	803,031	1,722,991

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

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

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