

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

June 03, 2016

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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 May 26, 2016**  
**(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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## Company Information / Capital Breakdown

### Number of Shares (Units)    Current Quarter

	03/31/2016
<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</b>	<b>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	3/24/2016	Interest on Capital			Common	0.21930

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## Parent Company's Financial Statements / Balance Sheet- Assets (R\$ thousand)

Code	Description	Current Quarter	Previous Year
		03/31/2016	12/31/2015
1	Total Assets	33,973,592	33,706,614
1.01	Current Assets	3,340,819	3,450,333
1.01.01	Cash and Cash Equivalents	1,431,876	1,639,214
1.01.03	Accounts Receivable	1,616,441	1,483,127
1.01.03.01	Trade Receivables	1,465,570	1,326,972
1.01.03.02	Other Receivables	150,871	156,155
1.01.03.02.01	Related Party Balances and Transactions	150,871	156,155
1.01.04	Inventories	56,714	64,066
1.01.06	Recoverable Taxes	15,931	77,828
1.01.06.01	Current Recoverable Taxes	15,931	77,828
1.01.08	Other Current Assets	219,857	186,098
1.01.08.03	Other	219,857	186,098
1.01.08.03.01	Restricted Cash	26,559	29,156
1.01.08.03.20	Other Receivables	193,298	156,942
1.02	Noncurrent Assets	30,632,773	30,256,281
1.02.01	Long-Term Assets	1,325,546	1,332,517
1.02.01.03	Accounts Receivable	163,842	182,616
1.02.01.03.01	Trade Receivables	163,842	182,616
1.02.01.06	Deferred Taxes	127,197	128,242
1.02.01.06.01	Deferred Income Tax and Social Contribution	127,197	128,242
1.02.01.08	Receivables from Related Parties	720,473	715,952
1.02.01.08.03	Receivables from Controlling Shareholders	720,473	715,952
1.02.01.09	Other Noncurrent Assets	314,034	305,707
1.02.01.09.04	Escrow Deposits	82,941	76,663
1.02.01.09.05	ANA – Water National Agency	89,913	88,368
1.02.01.09.20	Other Receivables	141,180	140,676
1.02.02	Investments	86,847	85,062
1.02.02.01	Investments	29,907	28,105
1.02.02.01.04	Equity Investments	29,907	28,105
1.02.02.02	Investment Properties	56,940	56,957
1.02.03	Property, Plant and Equipment	326,581	325,076
1.02.04	Intangible Assets	28,893,799	28,513,626
1.02.04.01	Intangible Assets	28,893,799	28,513,626
1.02.04.01.01	Concession Contracts	8,678,053	8,640,650

1.02.04.01.02 Program Contracts	7,149,285	7,139,105
1.02.04.01.03 Services Contracts	12,682,182	12,367,017
1.02.04.01.04 Software License	384,279	366,854

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Version:  
1**Parent Company's Financial Statements / Balance Sheet- Liabilities (R\$ thousands)**

Code	Description	Current Quarter	Previous Year
		03/31/2016	12/31/2015
2	Total Liabilities	33,973,592	33,706,614
2.01	Current Liabilities	3,959,221	3,740,316
2.01.01	Labor and Pension Plan Liabilities	368,587	347,976
2.01.01.01	Social Security Liabilities	23,136	39,650
2.01.01.02	Labor Liabilities	345,451	308,326
2.01.02	Trade Payables	198,089	248,158
2.01.02.01	Domestic Suppliers	198,089	248,158
2.01.03	Tax Liabilities	314,830	107,295
2.01.03.01	Federal Tax Liabilities	307,204	98,842
2.01.03.01.01	Income Tax and Social Contribution Payable	216,635	0
2.01.03.01.02	PIS-PASEP and COFINS (taxes on revenue) Payable	42,518	40,505
2.01.03.01.03	INSS (social security contribution) Payable	33,029	33,836
2.01.03.01.20	Other Federal Taxes	15,022	24,501
2.01.03.02	State Taxes Liabilities	162	0
2.01.03.03	Municipal Taxes Liabilities	7,464	8,453
2.01.04	Borrowings and Financing	1,474,032	1,526,262
2.01.04.01	Borrowings and Financing	1,091,339	1,152,589
2.01.04.01.01	In Domestic Currency	201,944	251,343
2.01.04.01.02	In Foreign Currency	889,395	901,246
2.01.04.02	Debentures	370,456	361,718
2.01.04.03	Financing through finance lease	12,237	11,955
2.01.05	Other Liabilities	945,184	878,735
2.01.05.01	Payables to Related Parties	1,698	2,210
2.01.05.01.03	Payables to Controlling Shareholders	1,698	2,210
2.01.05.02	Other	943,486	876,525
2.01.05.02.01	Dividends and Interest on Capital Payable	127,441	127,441
2.01.05.02.04	Services Payable	482,976	387,279
2.01.05.02.05	Refundable Amounts	9,516	8,820
2.01.05.02.06	Program Contract Commitments	209,875	228,659
2.01.05.02.07	Private Public Partnership – PPP	33,806	33,255
2.01.05.02.09	Indemnities	19,014	19,084
2.01.05.02.20	Other Payables	60,858	71,987
2.01.06	Provisions	658,499	631,890
2.01.06.01	Tax, Social Security, Labor and Civil Provisions	145,859	142,123
2.01.06.01.01	Tax Provisions	10,867	11,085
2.01.06.01.02	Social Security and Labor Provisions	50,586	55,120

Parent Company's Financial Statements / Balance Sheet- Assets (R\$ thousand)

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2.01.06.01.04 Civil Provisions	84,406	75,918
2.01.06.02 Other Provisions	512,640	489,767
2.01.06.02.03 Provisions for Environmental	10,293	9,955
2.01.06.02.04 Provisions for Customers	440,146	413,107
2.01.06.02.05 Provisions for Suppliers	62,201	66,705
2.02 Non-Current Liabilities	15,668,976	16,249,692
2.02.01 Borrowings and Financing	10,719,144	11,595,338
2.02.01.01 Borrowings and Financing	7,001,909	7,353,397
2.02.01.01.01 In Domestic Currency	1,630,318	1,636,819
2.02.01.01.02 In Foreign Currency	5,371,591	5,716,578

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Version:  
1**Parent Company's Financial Statements / Balance Sheet- Liabilities (R\$ thousands)**

Code	Description	Current Quarter	Previous Year
		03/31/2016	12/31/2015
2.02.01.02	Debentures	3,189,022	3,719,001
2.02.01.03	Financing through finance lease	528,213	522,940
2.02.02	Other Payables	4,456,103	4,204,030
2.02.02.02	Other	4,456,103	4,204,030
2.02.02.02.04	Pension Plan Liabilities	2,892,361	2,832,216
2.02.02.02.05	Program Contract Commitments	87,703	92,055
2.02.02.02.06	Private Public Partnership – PPP	1,197,122	1,001,778
2.02.02.02.07	Indemnities	12,689	12,704
2.02.02.02.08	Labor Liabilities	15,786	16,345
2.02.02.02.09	Deferred COFINS and PASEP	134,277	132,921
2.02.02.02.20	Other Payables	116,165	116,011
2.02.04	Provisions	493,729	450,324
2.02.04.01	Tax, Pension Plan, Labor and Civil Provisions	315,447	315,082
2.02.04.01.01	Tax Provisions	52,401	51,050
2.02.04.01.02	Social Security and Labor Provisions	227,280	225,798
2.02.04.01.04	Civil Provisions	35,766	38,234
2.02.04.02	Other Provisions	178,282	135,242
2.02.04.02.03	Provisions for Environmental	117,353	72,669
2.02.04.02.04	Provisions for Customers	52,349	50,243
2.02.04.02.05	Provisions for Suppliers	8,580	12,330
2.03	Equity	14,345,395	13,716,606
2.03.01	Paid-Up Capital	10,000,000	10,000,000
2.03.04	Profit Reserve	4,069,988	4,069,988
2.03.04.01	Legal Reserve	784,955	784,955
2.03.04.08	Additional Dividend Proposed	11,453	11,453
2.03.04.10	Reserve for Investments	3,273,580	3,273,580
2.03.05	Retained Earnings/Accumulated Losses	628,789	0
2.03.06	Other Comprehensive Income	-353,382	-353,382

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

Code	Description	YTD Current Year	YTD Previous Year
		01/01/2016 to 03/31/2016	01/01/2015 to 03/31/2015
3.01	Revenue from Sales and/or Services	3,027,842	2,468,641
3.02	Cost of Sales and/or Services	-1,941,276	-1,758,677
3.02.01	Cost of Sales and/or Services	-1,328,890	-1,182,301
3.02.02	Construction Cost	-612,386	-576,376
3.03	Gross Profit	1,086,566	709,964
3.04	Operating Income/Expenses	-457,903	426,298
3.04.01	Selling Expenses	-205,278	-184,481
3.04.02	General and Administrative Expenses	-260,194	577,608
3.04.04	Other Operating Income	7,629	29,283
3.04.04.01	Other Operating Income	10,144	34,086
3.04.04.02	COFINS and PASEP	-2,515	-4,803
3.04.05	Other Operating Expenses	-2,147	2,774
3.04.05.01	Loss on Write-off of Property, Plant and Equipment Items	931	8,301
3.04.05.04	Surplus Cost of Electricity Sold	-2,955	-5,532
3.04.05.20	Other	-123	5
3.04.06	Equity Results	2,087	1,114
3.05	Income Before Financial Result and Taxes	628,663	1,136,262
3.06	Financial Result	340,160	-985,760
3.06.01	Financial Income	140,236	104,388
3.06.01.01	Financial Income	146,752	103,829
3.06.01.02	Exchange Gains	39	559
3.06.01.03	COFINS and PASEP	-6,555	0
3.06.02	Financial Expenses	199,924	-1,090,148
3.06.02.01	Financial Expenses	-283,356	-205,623
3.06.02.02	Exchange Adjustments on Liabilities	483,280	-884,525
3.07	Earnings Before Income Tax	968,823	150,502
3.08	Income Tax and Social Contribution	-340,034	167,676
3.08.01	Current	-338,989	0
3.08.02	Deferred	-1,045	167,676
3.09	Net Result from Continued Operations	628,789	318,178
3.11	Profit/Loss for the Period	628,789	318,178
3.99	Earnings per Share - (Reais / Share)		
3.99.01	Basic Earnings per Share		
3.99.01.01	Common Share	0.91994	0.46551
3.99.02	Diluted Earnings per Share		

3.99.02.01 Common Share

0.91994

0.46551

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

(R\$ thousands)

Code	Description	YTD Current Year	YTD Previous Year
		01/01/2016 to 03/31/2016	01/01/2015 to 03/31/2011
4.01	Net Income for the Period	628,789	318,178
4.3	Comprehensive Income for the Period	628,789	318,178

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

Code	Description	YTD Current Year	YTD Previous Year
		01/01/2016 to 03/31/2016	01/01/2015 to 03/31/2015
6.01	Net Cash from Operating Activities	732,647	476,478
6.01.01	Cash from Operations	1,212,445	758,316
6.01.01.01	Profit (Loss) before Income Tax and Social Contribution	968,823	150,502
6.01.01.02	Provision and Inflation Adjustments on Provisions	122,301	-84,524
6.01.01.03	GESP Agreement	0	-696,283
6.01.01.04	Finance Charges from Customers	-67,055	-49,035
6.01.01.05	Residual Value of Property, Plant and Equipment and Intangible Assets Written-off	339	-8,301
6.01.01.06	Depreciation and Amortization	284,656	253,308
6.01.01.07	Interest on Borrowings and Financing Payable	136,821	121,043
6.01.01.08	Monetary and Exchange Change on Borrowings and Financing	-430,351	940,559
6.01.01.09	Interest and Monetary Change on Liabilities	9,967	6,045
6.01.01.10	Interest and Monetary Change on Assets	-50,977	-14,807
6.01.01.11	Allowance for Doubtful Accounts	56,078	47,343
6.01.01.12	Provision for Consent Decree (TAC)	1,073	-43,148
6.01.01.13	Equity Results	-2,087	-1,114
6.01.01.14	Provision for Sabesprev Mais	2,277	2,044
6.01.01.15	Other Provisions/Reversals	-6,900	-3,563
6.01.01.16	Transfer of Funds to São Paulo Municipal Government	97,402	68,423
6.01.01.17	Gross Margin over Intangible Assets Resulting from Concession Contracts	-12,894	-12,090
6.01.01.18	Pension Plan Liabilities	102,972	81,914
6.01.02	Changes in Assets and Liabilities	-205,275	-70,537
6.01.02.01	Trade Receivables	-90,341	2,367
6.01.02.02	Related Party Balances and Transactions	17,534	12,556
6.01.02.03	Inventories	7,242	6,638
6.01.02.04	Recoverable Taxes	61,897	-25,804
6.01.02.05	Other Receivables	-32,345	-19,428
6.01.02.06	Escrow Deposits	9,422	-648
6.01.02.08	Contractors and Suppliers	-5,380	-11,648
6.01.02.09	Payroll, Provisions and Social Contribution	19,538	25,774
6.01.02.10	Pension Plan Liabilities	-42,827	-39,927
6.01.02.11	Taxes and Contributions Payable	-85,300	4,643
6.01.02.12	Services Received	-1,705	15,434

6.01.02.13	Other Liabilities	-12,079	-8,182
6.01.02.14	Provisions	-52,287	-32,081
6.01.02.15	Deferred COFINS/PASEP	1,356	-231
6.01.03	Other	-274,523	-211,301
6.01.03.01	Interest Paid	-228,369	-193,558
6.01.03.02	Income Tax and Social Contribution Paid	-46,154	-17,743
6.02	Net Cash from Investing Activities	-411,287	-530,248
6.02.01	Acquisition of Intangible Assets	-400,978	-519,959
6.02.02	Acquisition of Property, Plant and Equipment	-12,906	-8,402
6.02.03	Increase in Investments	0	244

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

<b>Code</b>	<b>Description</b>	<b>YTD Current Year 01/01/2016 to 03/31/2016</b>	<b>YTD Previous Year 01/01/2015 to 03/31/2015</b>
6.02.04	Restricted Cash	2,597	-2,131
6.03	Net Cash from Financing Activities	-528,698	68,750
6.03.01	Funding	174,708	311,671
6.03.02	Amortization	-662,193	-203,905
6.03.04	Public-Private Partnership (PPP)	-8,111	-5,611
6.03.05	Program Contract Commitments	-33,102	-33,405
6.05	Increase (Decrease) in Cash and Cash Equivalents	-207,338	14,980
6.05.01	Opening Cash and Cash Equivalents	1,639,214	1,722,991
6.05.02	Closing Cash and Cash Equivalents	1,431,876	1,737,971

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## Parent Company's Financial Statements / Statement of Changes in Equity - 01/01/2016 to 03/31/2016 (R\$ thousands)

Code	Description	Paid-up Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Retained Earnings / Accumulated Losses	Other Comprehensive Income	Total Equity
5.01	Opening Balances	10,000,000	0	4,069,988	0	-353,382	13,716,606
5.03	Restated Opening Balances	10,000,000	0	4,069,988	0	-353,382	13,716,606
5.05	Total Comprehensive Income	0	0	0	628,789	0	628,789
5.05.01	Net Income for the Period	0	0	0	628,789	0	628,789
5.07	Closing Balances	10,000,000	0	4,069,988	628,789	-353,382	14,345,395

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**Parent Company's Financial Statements / Statement of Changes in Equity - 01/01/2015 to 03/31/2015 (R\$ thousands)**

Code	Description	Paid-up Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Retained Earnings / Accumulated Losses	Other Comprehensive Income	Total Equity
5.01	Opening Balances	10,000,000	0	3,694,151	0	-389,748	13,304,403
5.03	Restated Opening Balances	10,000,000	0	3,694,151	0	-389,748	13,304,403
5.05	Total Comprehensive Income	0	0	0	318,178	0	318,178
5.05.01	Net Income for the Period	0	0	0	318,178	0	318,178
5.07	Closing Balances	10,000,000	0	3,694,151	318,178	-389,748	13,622,581

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

Code	Description	YTD Current Year	YTD Previous Year
		01/01/2016 to 03/31/2016	01/01/2015 to 03/31/2015
7.01	Revenue	3,149,974	2,579,701
7.01.01	Operating Revenue	2,570,628	2,004,492
7.01.02	Other Revenue	10,144	34,086
7.01.03	Revenue from the Construction	625,280	588,466
7.01.04	Allowance for/Reversal of Doubtful Accounts	-56,078	-47,343
7.02	Inputs Acquired from Third Parties	-1,266,547	-1,051,814
7.02.01	Costs of Sales and Services	-1,059,023	-989,974
7.02.02	Materials, Energy, Outside Services and Other	-205,377	-64,614
7.02.04	Other	-2,147	2,774
7.03	Gross Value Added	1,883,427	1,527,887
7.04	Retentions	-284,656	-253,308
7.04.01	Depreciation, Amortization and Depletion	-284,656	-253,308
7.05	Net Value Added Produced	1,598,771	1,274,579
7.06	Wealth Received in Transfer	148,878	801,785
7.06.01	Equity Results	2,087	1,114
7.06.02	Finance Income	146,791	104,388
7.06.03	Other	0	696,283
7.06.03.01	GESP Reimbursement – Benefits Paid	0	696,283
7.07	Total Value Added to Distribute	1,747,649	2,076,364
7.08	Value Added Distribution	1,747,649	2,076,364
7.08.01	Personnel	534,056	498,634
7.08.01.01	Salaries and wages	335,347	322,756
7.08.01.02	Benefits	168,305	137,592
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	30,404	38,286
7.08.02	Taxes and Contributions	638,401	76,306
7.08.02.01	Federal	610,576	48,927
7.08.02.02	State	19,410	19,883
7.08.02.03	Municipal	8,415	7,496
7.08.03	Value Distributed to Providers of Capital	-53,597	1,183,246
7.08.03.01	Interest	-76,207	1,162,620
7.08.03.02	Rental	22,610	20,626
7.08.04	Value Distributed to Shareholders	628,789	318,178

7.08.04.03 Retained Earnings/Accumulated Loss for the Period	628,789	318,178
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ITR – Quarterly Information Form – 03/31/2016 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version:  
1**1. Financial Highlights**

	<b>R\$ million</b>			
Gross operating revenue	2,570.62	2,004.5	566.1	28.2
Construction revenue	625.3	588.4	36.9	6.3
COFINS and PASEP taxes	(168.1)	(124.3)	(43.8)	35.2
(=) Net operating revenue	3,027.82	2,468.6	559.2	22.7
Costs and expenses	(1,794.4)	(789.1)	(1,005.3)	127.4
Construction costs	(612.4)	(576.4)	(36.0)	6.2
Equity result	2.1	1.1	1.0	90.9
Other operating revenue (expenses), net	5.5	32.1	(26.6)	(82.9)
(=) Earnings before financial result, income tax and social contribution	628.61	1,136.3	(507.7)	(44.7)
Financial result	340.2	(985.8)	1,326.0	(134.5)
(=) Earnings before income tax and social contribution	968.8	150.5	818.3	543.7
Income tax and social contribution	(340.0)	167.7	(507.7)	(302.7)
(=) Net income	628.8	318.2	310.6	97.6
Earnings per share* (R\$)	0.92	0.47		
* Total shares = 683,509,869				

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

	<b>R\$ million</b>			
Net income	628.8	318.2	310.6	97.6
Income tax and social contribution	340.0	(167.7)	507.7	(302.7)
Financial result	(340.2)	985.8	(1,326.0)	(134.5)
Other operating revenues (expenses), net	(5.5)	(32.1)	26.6	(82.9)
(=) Adjusted EBIT*	623.1	1,104.2	(481.1)	(43.6)
Depreciation and amortization	284.7	253.3	31.4	12.4
(=) Adjusted EBITDA **	907.8	1,357.5	(449.7)	(33.1)
(%) Adjusted EBITDA margin	30.0	55.0		

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\* Adjusted EBIT is net income before: (i) other operating revenues/expenses, net; (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 1Q16, net operating revenue, including construction revenue, reached R\$ 3.0 billion; a 22.7% increase compared to the same period of 2015.

Costs and expenses, including construction costs, totaled R\$ 2.4 billion, 76.3% higher than the R\$ 1.4 billion recorded in 1Q15.

Adjusted EBIT, in the amount of R\$ 623.1 million, dropped 43.6% from R\$ 1,104.2 million recorded in 1Q15.

Adjusted EBITDA, in the amount of R\$ 907.8 million, reduced 33.1% from R\$ 1,357.5 million recorded in 1Q15 (R\$ 3,524.6 million in the last 12 months).

The adjusted EBITDA margin was 30.0% in 1Q16, versus 55.0% in 1Q15 (28.7% in the last 12 months). Excluding construction revenues and construction costs, the adjusted EBITDA margin was 37.2% in 1Q16 (71.6% in 1Q15 and 38.8% in the last 12 months).

In 1Q16 the Company recorded a net income of R\$ 628.8 million, in comparison to a net income of R\$ 318.2 million in 1Q15.

## **2. Gross operating revenue**

Gross operating revenue from water and sewage, not including construction revenue, totaled R\$ 2.6 billion, an increase of R\$ 566.1 million or 28.2%, when compared to the R\$ 2.0 billion recorded in 1Q15.

The main factors that led to this variation were:

- 15.2% tariff increase (7.8% ordinary tariff adjustment and 6.9% extraordinary tariff revision) since June 2015;
- Lower bonus granted within the Water Consumption Reduction Incentive Program, with a R\$ 153.8 million impact in 1Q16, versus the R\$ 211.2 million recorded in 1Q15;
- Application of contingency tariff, in the amount of R\$ 160.6 million in 1Q16 (R\$ 79.3 million in 1Q15); and
- Increase of 1.9% in the Company's total billed volume (1.0% in water and 3.0% in sewage).

### **3. Construction revenue**

Construction revenue increased R\$ 36.9 million or 6.3%, when compared to the previous year. The variation was mainly due to higher investments in the municipalities served by the Company.

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1**4. Billed volume**

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

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

Residential	380.4	369.1	3.1	320.3	308.7	3.8	700.7	677.8	3.4
Commercial	40.4	40.5	(0.2)	38.2	38.1	0.3	78.6	78.6	-
Industrial	7.7	8.5	(9.4)	9.5	9.9	(4.0)	17.2	18.4	(6.5)
Public	9.5	10.5	(9.5)	8.4	8.0	5.0	17.9	18.5	(3.2)
<b>Total retail</b>	<b>438.0</b>	<b>428.6</b>	<b>2.2</b>	<b>376.4</b>	<b>364.7</b>	<b>3.2</b>	<b>814.4</b>	<b>793.3</b>	<b>2.7</b>
Wholesale <sup>(3)</sup>	52.0	56.5	(8.0)	5.7	6.3	(9.5)	57.7	62.8	(8.1)
<b>Total</b>	<b>490.0</b>	<b>485.1</b>	<b>1.0</b>	<b>382.1</b>	<b>371.0</b>	<b>3.0</b>	<b>872.1</b>	<b>856.1</b>	<b>1.9</b>

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

Metropolitan	279.0	267.9	4.1	241.5	230.9	4.6	520.5	498.8	4.4
Regional <sup>(2)</sup>	159.0	160.7	(1.1)	134.9	133.8	0.8	293.9	294.5	(0.2)
<b>Total retail</b>	<b>438.0</b>	<b>428.6</b>	<b>2.2</b>	<b>376.4</b>	<b>364.7</b>	<b>3.2</b>	<b>814.4</b>	<b>793.3</b>	<b>2.7</b>
Wholesale <sup>(3)</sup>	52.0	56.5	(8.0)	5.7	6.3	(9.5)	57.7	62.8	(8.1)
<b>Total</b>	<b>490.0</b>	<b>485.1</b>	<b>1.0</b>	<b>382.1</b>	<b>371.0</b>	<b>3.0</b>	<b>872.1</b>	<b>856.1</b>	<b>1.9</b>

(1) Unaudited

(2) Including coastal and interior region

(3) Reused water volume and non-domestic sewage are included in

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

In 1Q16, costs, administrative, selling and construction expenses, grew 76.3% (R\$ 1,041.3 million). Excluding construction costs, total costs and expenses increased by 127.4%.

Excluding the effects of the non-recurring GESP Reimbursement transaction, costs and expenses increased by 16.7%.

As a percentage of net revenue, costs and expenses were 55.3% in 1Q15 and 79.5% in 1Q16. Excluding the effects of the GESP Reimbursement effects, costs and expenses as a percentage of net revenue came to 83.5% in 1Q15.

	<i>R\$ million</i>			
Payroll and benefits and pension plan obligations	574.3	534.5	39.8	7.4
Supplies	36.2	48.7	(12.5)	(25.7)
Treatment supplies	75.1	72.3	2.8	3.9
Services	282.4	295.9	(13.5)	(4.6)
Electric power	240.4	159.1	81.3	51.1
General expenses	224.6	54.4	170.2	312.9
Tax expenses	20.6	19.9	0.7	3.5
São Paulo state government reimbursement	-	(696.3)	696.3	-
<b>Sub-total</b>	<b>1,453.6</b>	<b>488.5</b>	<b>965.1</b>	<b>197.6</b>
Depreciation and amortization	284.7	253.3	31.4	12.4
Provision for doubtful credits	56.1	47.3	8.8	18.6
<b>Sub-total</b>	<b>340.8</b>	<b>300.6</b>	<b>40.2</b>	<b>13.4</b>
<b>Costs, administrative and selling expenses</b>	<b>1,794.4</b>	<b>789.1</b>	<b>1,005.3</b>	<b>127.4</b>
Construction costs	612.4	576.4	36.0	6.2
<b>Costs, adm., selling and construction expenses</b>	<b>2,406.8</b>	<b>1,365.5</b>	<b>1,041.3</b>	<b>76.3</b>
% of net revenue	79.5	55.3		

### 5.1. Payroll and benefits and pension plan obligations

In 1Q16 payroll and benefits increased R\$ 39.8 million or 7.4%, due to the following:

- R\$ 18.8 million in the provision for the pension plan, arising from changes in actuarial assumptions;
- R\$ 14.5 million, mainly due to the average wage increase of 9.7% in May 2015 and by the application of 1% related to the career and wage plan, since July 2015; and
- R\$ 5.9 million, due to the adjustment in healthcare expenses since July 2015.

## 5.2. Supplies

In 1Q16, expenses with supplies decreased R\$ 12.5 million or 25.7%, from R\$ 48.7 million to R\$ 36.2 million, mostly due to the following:

- Fuel, in the amount of R\$ 6.7 million, mostly due to the fact that the generators used to pump water from the Cantareira System technical reserve were turned off in December 2015; and
- Lower use of materials in preventive and corrective maintenance in water and sewage systems, in computerized systems and conservation of properties and installations, in the amount of R\$ 5.9 million.

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### 5.3. Services

Services expenses, in the amount of R\$ 282.4 million, dropped R\$ 13.5 million or 4.6%, in comparison to R\$295.9 million in 1Q15. The main factors that led to this decrease were:

- Water and sewage systems and connections maintenance, in the amount of R\$ 10.3 million; and
- Advertising campaigns, in the amount of R\$ 4.0 million, mainly due to the intensification in 1Q15, for the rational use of water.

### 5.4. Electric power

Electric power expenses totaled R\$ 240.4 million, an increase of R\$ 81.3 million or 51.1% in comparison to the R\$ 159.1 million in 1Q15. The main factors that contributed to this increase were:

- Average increase of 38.3% in the regulated market tariffs, with no significant variation in consumption;
- Average increase of 165.2% in the grid market tariffs (TUSD), with a 5.3% decrease in consumption; and
- Average increase of 10.5% in the free market tariff, with a 7.5% decrease in consumption.

In 1Q16 the regulated market accounted for 39.3% of the total electric power consumed by the Company, the free market accounted for 31.0% and the grid market accounted for 29.7% of total consumption.

## 5.5. General expenses

General expenses increased R\$ 170.2 million, totaling R\$ 224.6 million, versus the R\$ 54.4 million recorded in 1Q15, mainly due to:

- R\$ 138.7 million increase in the provision for lawsuits; and
- Higher provision for the Municipal Fund for Environmental Sanitation and Infrastructure, in the amount of R\$ 27.7 million, as a result of the increase in revenues with the municipality of São Paulo.

## 5.6. São Paulo state government reimbursement

In 1Q15, the Company entered into an agreement with the São Paulo state government to receive the undisputed amount, related to the state's debt with the Company, for the payment of the benefits to former employees (G0) dealt with by state Law #4,819, of August 26, 1958, that generated a credit in the result in the amount of R\$ 696.3 million.

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## 5.7. Depreciation and amortization

R\$ 31.4 million increase or 12.4%, reaching R\$ 284.7 million in comparison to the R\$ 253.3 million recorded in 1Q15, largely due to the beginning of operations of intangible assets, in the amount of R\$ 2.4 billion.

## 5.8. Provision for doubtful credits

Increased R\$ 8.8 million, mainly due to the lower recovery of amounts through settlements in 1Q16, in the amount of R\$ 12.8 million, partially offset by the reduction in provisions for revenue losses, in the amount of R\$ 4.0 million.

## 6. Other operating revenues (expenses), net

Other net operational revenues and expenses reported a negative variation of R\$ 26.6 million, mainly due to the R\$ 21.5 million drop from the sale of surplus electricity between the analyzed periods.

## 7. Financial result

	<i>R\$ million</i>			
Financial expenses, net of revenues	(99.8)	(63.8)	(36.0)	56.4

Net monetary and exchange variation	440.0	(922.0)	1,362.0	(147.7)
<b>Financial result</b>	<b>340.2</b>	<b>(985.8)</b>	<b>1,326.0</b>	<b>(134.5)</b>

## 7.1. Financial incomes and expenses

*R\$ million*

Financial expenses				
Interest and charges on international loans and financing	(37.6)	(30.4)	(7.2)	23.7
Interest and charges on domestic loans and financing	(95.2)	(86.7)	(8.5)	9.8
Other financial expenses	(52.5)	(20.2)	(32.3)	159.9
<b>Total financial expenses</b>	<b>(185.3)</b>	<b>(137.3)</b>	<b>(48.0)</b>	<b>35.0</b>
Financial revenues	85.5	73.5	12.0	16.3
<b>Financial expenses net of revenues</b>	<b>(99.8)</b>	<b>(63.8)</b>	<b>(36.0)</b>	<b>56.4</b>

### 7.1.1. Financial expenses

Financial expenses grew R\$ 48.0 million. The main reasons were:

- R\$ 7.2 million in interest and charges on international borrowings and financing, due to the increase in the debt balance, despite the depreciation of the US dollar and the Yen versus the Brazilian Real in 1Q16 (-8.9% and -2.4%, respectively);
- R\$ 8.5 million in interest and charges on domestic borrowings and financing, especially due to the funding of the 20<sup>th</sup> debenture issue, in December 2015; and
- R\$ 32.3 million in other financial expenses, largely due to the higher provision of interest on lawsuits in 1Q16.

### 7.1.2. Financial income

Financial income increased R\$ 12.0 million, largely due to the increased recognition of interest on installment agreements and financial investments in 1Q16.



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1**7.2. Monetary and exchange rate variation on assets and liabilities**

	<i>R\$ million</i>			
Monetary variation on loans and financing	(52.9)	(56.2)	3.3	(5.9)
Currency exchange variation on loans and financing	483.3	(884.5)	1,367.8	(154.6)
Other monetary variations	(45.1)	(12.2)	(32.9)	269.7
<b>Monetary/exchange rate variation on liabilities</b>	<b>385.3</b>	<b>(952.9)</b>	<b>1,338.2</b>	<b>(140.4)</b>
Monetary/exchange rate variation on assets	54.7	30.9	23.8	77.0
<b>Monetary/exchange rate variation, net</b>	<b>440.0</b>	<b>(922.0)</b>	<b>1,362.0</b>	<b>(147.7)</b>

The effect in 1Q16 was R\$ 1,362.0 million, lower than in 1Q15, especially due to the positive variation of R\$ 1,367.8 million in expenses with exchange rate variation on borrowings and financing, due to the depreciation of the US dollar and the Yen versus the Brazilian Real in 1Q16 (-8.9% and -2.4%, respectively), when compared to the appreciation recorded in 1Q15 (20.8% and 20.3%, respectively). This amount was partially offset by the increase of R\$ 32.9 million from higher provisions for the monetary restatement of lawsuits in 1Q16.

**8. Income tax and social contribution**

Grew R\$ 507.7 million, due to the increase in taxable income in 1Q16, when compared to the net loss recorded in 1Q15.

**9. Indicators**



**9.1. Operating**

In the first quarter of 2016, due to the greater availability of water, production volume increased by 8.8%.

Water losses moved up this quarter, although this was already expected given that the reduction observed until now was not only due to the loss control initiatives, but was also to the water crisis and the consequent need to lower network pressures as a means of managing demand.

Water connections <sup>(1)</sup>	8,477	8,258	2.7
Sewage connections <sup>(1)</sup>	6,917	6,705	3.2
Population directly served - water <sup>(2)</sup>	25.6	25.3	1.2
Population directly served - sewage <sup>(2)</sup>	22.9	22.5	1.8
Number of employees	13,816	14,167	(2.5)
Water volume produced <sup>(3)</sup>	667	613	8.8
IPM - Measured water loss (%)	29.9	29.0	3.1
IPDt (liters/connection x day)	275	290	(5.2)

(1) Total connections, active and inactive, in thousand units at the end of the period

(2) In million inhabitants, at the end of the period. Not including wholesale

(3) In million of cubic meters

(\*) Unaudited

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## 9.2. Financial

Accumulated Amplified Consumer Price Index (%)	2.62	3.83
Accumulated Referential Rate (%)	0.45	0.23
Interbank Deposit Certificate (%)	14.13	12.60
US DOLAR (R\$)	3.5589	3.2080
YEN (R\$)	0.03166	0.02675

\* Unaudited

## 10. Borrowings and financing

*R\$ million***Local market**

Caixa Econômica Federal	38.1	55.0	58.6	60.3	62.4	65.5	728.0	1,067.9
Debentures	89.6	592.8	876.2	978.9	406.1	193.1	422.8	3,559.5
BNDES	59.6	79.5	79.5	79.5	61.8	61.3	261.0	682.2
Commercial Leasing	8.3	22.0	23.3	24.7	26.3	27.9	408.0	540.5
Others	0.5	0.7	1.4	1.4	1.3	1.3	5.2	11.8
Interest and charges	58.2	12.0	0.0	0.0	0.0	0.0	0.0	70.2
<b>Local market total</b>	<b>254.3</b>	<b>762.0</b>	<b>1,039.0</b>	<b>1,144.8</b>	<b>557.9</b>	<b>349.1</b>	<b>1,825.0</b>	<b>5,932.1</b>

**International market**

IADB	117.5	202.7	113.3	113.3	113.3	113.3	1,209.2	1,982.6
IBRD	0.0	0.0	0.0	7.3	14.5	14.5	181.0	217.3
Eurobonds	498.2	0.0	0.0	0.0	1,241.7	0.0	0.0	1,739.9
JICA	34.6	70.6	72.0	116.2	116.2	116.2	1,274.5	1,800.3

BID 1983AB	85.2	85.2	84.3	63.0	60.9	27.4	52.3	458.3
Interest and charges	62.6	0.0	0.0	0.0	0.0	0.0	0.0	62.6
<b>International market total</b>	<b>798.1</b>	<b>358.5</b>	<b>269.6</b>	<b>299.8</b>	<b>1,546.6</b>	<b>271.4</b>	<b>2,717.0</b>	<b>6,261.0</b>
<b>Total</b>	<b>1,052.4</b>	<b>1,120.5</b>	<b>1,308.6</b>	<b>1,444.6</b>	<b>2,104.5</b>	<b>620.5</b>	<b>4,542.0</b>	<b>12,193.1</b>

## 11. Capex

In the first quarter of 2016, the Company invested R\$665.4 million.

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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.

As of March 31, 2016, the Company operated water and sewage services in 365 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 365 municipalities. As of March 31, 2016, the Company had 367 contracts.

SABESP is not temporarily operating in some municipalities due to judicial orders. The lawsuits in progress refer to Cajobi, Iperó and Macatuba, and the carrying amount of these municipalities' intangible assets was R\$9,573 as of March 31, 2016 (R\$9,574 as of December 31, 2015).

As of March 31, 2016, 53 concession agreements had expired and are being negotiated. From March 31, 2016 to 2030, 36 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 March 31, 2016, 278 program and services contracts were signed (278 contracts as of December 31, 2015).

As of March 31, 2016, the carrying amount of the underlying assets used in the 53 concessions of the municipalities under negotiation totaled R\$6,203,708, accounting for 21.47% of the total, and the related gross revenue for the three-month period then ended totaled R\$404,268, accounting for 12.65% of the total.

The Company's operations are concentrated in the municipality of São Paulo, which represents 52.83% of the gross revenues as of March 31, 2016 (46.75% as of March 31, 2015) and 43.89% of intangible assets (43.37% as of December 31, 2015).

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 Municipality of São Paulo and SABESP signed the "Public service provision agreement of water supply and sewage services", a 30-year concession agreement which is extendable for another 30 years. This agreement involves the following activities:

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

The Company operates under an authorization by public deed in some municipalities in the Santos coast region and in the Vale do Ribeira, where the Company started to operate after the merger of the companies that formed it. In September 2015, the Company entered into a water supply and sewage public utility services agreement with the municipality of Santos. Additional information is presented in Note 9(d) of the Annual Financial Statements of December 31, 2015.

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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, which amended Article 7-A of Law 11,578 of November 26, 2007, 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.

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.

In the first quarter of 2016, the Company's operations were still influenced by the 2014-2015 water shortage, which presented the lowest rainfall and inflow ever seen in 85 years, especially in the reservoirs composing the Cantareira System. During the rainy season, from October 2015 to March 2016, rainfall in the region returned to the normal levels expected for the period. Improved rainfall during the rainy season, which began in October 2015, the various measures adopted by the Company to mitigate water shortage impacts and continue serving the population, the

collaboration of the population in water saving and the emergency works undertaken in 2014 and 2015 resulted in the partial recovery of water levels in the reservoirs of the Cantareira System.

The Company has adopted several between February 2014 and the first months of 2016, such as:

- Using pumps to remove water below the catchment level of the Cantareira System, the so-called “technical reserve”;
- Offering of financial incentives to reduce consumption through bonus granted to consumers, whose volume consumed is below the average stipulated;
- Using treated 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;
- Adjusting the treated water volume sold to municipalities which operate their own distribution networks, due to lower availability;
- Anticipating investments to expand water safety in the Metropolitan Region of São Paulo - RMSP
- Performing short-term emergency works to increase water availability in the reservoirs, improving and optimizing supply systems in the RMSP, thereby lessening the impacts arising from the drought;
- Installing of ultrafiltration membranes which enabled rapid increase in the Guarapiranga and in the Rio Grande Systems’ water production; and
- Implementing of the contingency tariff for consumers whose volume consumed is above the average stipulated.

At the end of September 2015, the main work was concluded and delivered to contribute to the water supply in the Metropolitan Region of São Paulo. This interconnection will enable the transfer of up to 4m<sup>3</sup>/s of the Rio Grande Reservoir (Billings) to the Alto Tietê System, bringing more water safety so that this system expand to regions previously served only by the Cantareira System.

## Notes to the Interim Financial Information

Due to the normalization of rainfall in the rainy season, between October 2015 and January 2016, it was no longer necessary to pump water from the technical reserve of the PCJ Basin and the rules to obtain discounts (bonus) were changed in February 2016. As of March 24, 2016, in view of the increased rainfall and the predictability of water levels in the reservoirs, the Company requested ARSESP to cancel the Water Consumption Reduction Incentive Program and the Contingency Tariff. ARSESP complied with the Company's request as of March 31, 2016 and the cancellation of the Water Consumption Reduction Incentive Program and the Contingency Tariff will be applied to the hydrometer readings as of May 1, 2016. Additionally, since December 2015, the period in which the pumping of the water pressure is reduced in the pipelines is returning to normal, i.e., only at night, as it was before the water crisis.

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 resources regions.

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

- Rearrangement of investments;
- Expense budget reduction,
- Negotiation of overdue receivables (until March 31, 2016, the Company included in the State CADIN a total of 39 municipalities with unpaid water bills, 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 these measures and its impacts in generating of operating cash and the lines of credit available for investments, will be sufficient to meet its short-term liabilities and not compromise the actions necessary to overcome the water shortage, preserving consumers' supply.



See other disclosures about this matter in Note 24 – operating revenue.

The interim financial information was approved by the Board of Directors on May 12, 2016.

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

### Presentation of the quarterly financial information

The quarterly financial information as of March 31, 2016, 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 March 31, 2016, therefore, does not include all the notes and reporting required by the annual financial statements, and accordingly, shall be read jointly with the Annual Financial Statements as of December 31, 2015, 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 Summary of significant accounting policies**

The accounting policies used in the preparation of the quarterly financial information for the quarter ended March 31, 2016 are consistent with those used to prepare the Annual Financial Statements for the year ended December 31, 2015. These policies are disclosed in Note 3 to the Annual Financial Statements.

## Notes to the Interim Financial Information

### 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 borrowings.

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 borrowings 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.

A significant amount of the Company's financial debt is indexed to the U.S. dollar and Yen, in the total amount of R\$6,285,244 as of March 31, 2016 (R\$6,640,256 as of December 31, 2015). Below, the Company's exposure to exchange risk:

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Version:  
1**Notes to the Interim Financial Information**

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
	<b>Foreign currency</b>	<b>R\$ Foreign currency R\$</b>
Borrowings and financing – US\$	1,241,841 4,419,588	1,242,273 4,850,827
Borrowings and financing – Yen	56,951,867 1,803,096	53,906,927 1,748,202
Interest and charges from borrowings and financing – US\$	58,742	29,813
Interest and charges from borrowings and financing – Yen	3,818	11,414
Total exposure	6,285,244	6,640,256
Borrowing cost – US\$	(21,450)	(19,786)
Borrowing cost – Yen	(2,808)	(2,646)
Total foreign currency-denominated borrowings (Note 15)	6,260,986	6,617,824

The 5% decrease in foreign-currency denominated debt between March 31, 2016 and December 31, 2015, was mainly due to the following:

- 1) Exchange rate changes, due to the 8.9% decrease in the US dollar, from R\$3.9048 as of December 31, 2015 to R\$3.5589 as of March 31, 2016. The US dollar-denominated debt accounts for 71.2% of foreign currency-denominated debts;
- 2) A 3.1% increase in Yen-denominated debt, due to the funding of JICA 19 loan agreement, in the amount of R\$137,167. This increase was reduced due to the 2.4% drop in the Yen exchange rate, from R\$0.03243 as of December 31, 2015, to R\$0.03166 as of March 31, 2016.

As of March 31, 2016, if the Brazilian real had depreciated or appreciated by 10% against the US dollar and Yen, effects on results before taxes on the three-month period ended March 31, 2016, considering the other variables are as remaining constant, in addition to the impacts mentioned above, would have been R\$628,524 (R\$664,026 December 31, 2015), lower or higher, mainly as a result of exchange losses or gains on the translation of foreign currency-denominated borrowings.

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**

	<b>Scenario I (Probable) (*)</b>	<b>Scenario II (+25%)</b>	<b>Scenario III (+50%)</b>
<b>Net currency exposure as of March 31, 2016 (Liabilities) in US\$</b>	1,241,841	1,241,841	1,241,841
US\$ rate as of March 31, 2016	3.5589	3.5589	3.5589
Exchange rate estimated to according to the scenario	4.2000	5.2500	6.3000
Difference between the rates	(0.6411)	(1.6911)	(2.7411)
Effect on net financial result R\$ - (loss)	(796,144)	(2,100,077)	(3,404,010)
<b>Net currency exposure as of March 31, 2016 (Liabilities) in Yen</b>	56,951,867	56,951,867	56,951,867
Yen rate as of March 31, 2016	0.03166	0.03166	0.03166
Exchange rate estimated according to the scenario	0.03363	0.04204	0.05044
Differences between the rates	(0.00197)	(0.01038)	(0.01878)
Effect on net financial result in R\$ - (loss)	(112,195)	(591,160)	(1,069,556)
Total effect on net financial result in R\$ - (loss)	(908,339)	(2,691,237)	(4,473,566)

(\*) For the probable scenario in US dollar, the exchange rate estimated for March 31, 2017 was used, pursuant to the Focus Report – BACEN, while for the Yen, the average exchange rate was considered for the 12-month period after March 31, 2016, according to BM&FBovespa Reference Rate report.

**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 borrowings and financing.

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

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

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
TR <sup>(i)</sup>	1,490,213	1,498,085
CDI <sup>(ii)</sup>	1,082,228	1,617,191
TJLP <sup>(iii)</sup>	1,102,506	1,114,977
IPCA <sup>(iv)</sup>	1,658,432	1,623,201
LIBOR <sup>(v)</sup>	2,665,839	2,926,628
Interest and charges	83,687	144,546
Total	8,082,905	8,924,628

(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

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**Notes to the Interim Financial Information**

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 borrowings, financing and interest rates affecting the Company's indebtedness.

As of March 31, 2016, if interest rates on borrowings and financing had been 1% higher or lower with all other variables held constant, the effects on profit before taxes for the three-month period ended March 31, 2016 would have been R\$80,829 (R\$89,246 in December 31, 2015), lower or higher, mainly as a result of lower or higher interest expense on floating rate borrowings and financing.

**(b) Credit risk**

Credit risk arises from cash and cash equivalents, deposits in banks and financial institutions, as well as credit exposures to wholesale basis and retail customers, including outstanding accounts receivable, restricted cash 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 as of March 31, 2016 are the carrying amounts of instruments classified as cash equivalents, deposits in banks and financial institutions, restricted cash, trade receivables and accounts receivable from related parties in the balance sheet date. See additional information in Notes 6, 7, 8 and 9.

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:

**March 31, 2016    December 31, 2015**

Cash at bank and short-term bank deposits

**(b) Credit risk**



AAA(bra)	1,430,973	1,638,589
Other (*)	903	625
	1,431,876	1,639,214

(\*)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 deposit transactions and financial investments in domestic currency (R\$ - domestic rating) 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)	Aa2.br	-
Banco Santander Brasil S/A	AAA(bra)	Aa1.br	brAA-
Brazilian Federal Savings Bank	AAA(bra)	Aa2.br	brAA-
Banco Bradesco S/A	AAA(bra)	Aa2.br	brAA-
Itaú Unibanco Holding S/A	AAA(bra)	Aa2.br	brAA-

### (c) Liquidity risk

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

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**Notes to the Interim Financial Information**

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

The table below shows the financial liabilities of the Company and São Lourenço PPP's commitments, into relevant maturities, including the installment of principal and future interest to be paid according to the agreement.

	<b>April to December 2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021 onwards</b>	<b>Total</b>
<b>As of March 31, 2016</b>							
<b>Liabilities</b>							
Borrowings and financing	1,439,910	1,638,641	1,778,733	1,864,268	2,474,349	6,880,463	16,076,364
Accounts payable to suppliers and contractors	198,089	-	-	-	-	-	198,089
Services payable	482,976	-	-	-	-	-	482,976
Public-Private Partnership – PPP (*)	34,528	46,038	342,289	342,289	342,289	5,556,197	6,663,630
Program contract commitments	208,958	38,818	28,358	28,569	851	17,198	322,752

(\*)The Company also considered future commitments (construction not yet performed) not yet recognized in the financial statements related to São Lourenço PPP, due to the relevance of future cash flows, the impacts on its operations and the fact the Company already has formalized this commitment through an agreement signed by the parties.

Future interest

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

#### Cross default

The Company has borrowings and financing agreements including cross default clauses, i.e., the early maturity of any debt, may imply the early maturity of these agreements. The indicators are continuously monitored in order to avoid the execution of this clause.

#### **(d) Other price risks**

The Company is exposed to the price risk of investment in equity instruments of Companhia de Transmissão de Energia Elétrica Paulista – CTEEP, solely held for trading purposes in the short term. These shares were received in March 2015 as payment for the 24 initial installments of the GESP Agreement (further information about the GESP Agreement can be found in Note 10 (a) (vii) to the Annual Financial Statements of December 31, 2015). The balance totaled R\$107,275 as of March 31, 2016 and is recorded under “other receivables” in current assets. As disclosed in Note 30, these shares were sold on April 20, 2016 for R\$111.1 million.

#### Sensitivity analysis of equity instruments price

The sensitivity analysis was determined based on the exposure to the equity instruments price at the end of the reporting period.

As of March 31, 2016, if the equity instrument had appreciated or depreciated by 10%, compared to its market value, with all other variables held constant, the effect on results before taxes on the period would R\$10,727, higher or lower.

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**Notes to the Interim Financial Information****(e) Sensitivity analysis on interest rate risk**

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

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

Indicators	March 31, 2016			
	Exposure	Scenario I (Probable) (i)	Scenario II 25%	Scenario III 50%
<b>Assets</b>				
CDI	1,371,249	12,7900%(*)	9,5925%	6,3950%
Financial income		175,383	131,537	87,691
<b>Liabilities</b>				
CDI	(1,082,228)	12,7900%(*)	9,5925%	6,3950%
Interest to be incurred		(138,417)	(103,813)	(69,208)
CDI net exposure	289,021	36,966	27,724	18,483
<b>Liabilities</b>				
TR	(1,490,213)	0,0138%(***)	0,0173%	0,0207%
Expenses to be incurred		(206)	(258)	(308)
IPCA	(1,658,432)	6,0000%(*)	7,5000%	9,0000%
Expenses to be incurred		(99,506)	(124,382)	(149,259)
TJLP	(1,102,506)	7,5000%(*)	9,3750%	11,2500%

Interest to be incurred		(82,688)	(103,360)	(124,032)
LIBOR	(2,665,839)	0,7363%(**)	0,9203%	1,1044%
Interest to be incurred		(19,629)	(24,534)	(29,442)
Total net expenses to be incurred		(165,063)	(224,810)	(284,558)

(\*) Source: CDI and IPCA (Focus Report – BACEN, March 31, 2016) and TJLP of March 31, 2016 (BACEN).

(\*\*) Source: Bloomberg

(\*\*\*)Source: BM&FBovespa

(i) Refers to the scenario of interest to be incurred for the 12 months as of March 31, 2016 or until the maturity of the agreements, whichever is shorter.

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**Notes to the Interim Financial Information****4.2 Capital management**

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

The Company monitors capital based on the leverage ratio. This ratio corresponds to net debt divided by total capital. Net debt corresponds to total borrowings and financing less cash and cash equivalents. Total capital is calculated as total equity as shown in the balance sheet plus net debt.

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Total borrowings and financing (Note 15)	12,193,176	13,121,600
(-) Cash and cash equivalents (Note 6)	(1,431,876)	(1,639,214)
Net debt	10,761,300	11,482,386
Total equity	14,345,395	13,716,606
Total capital	25,106,695	25,198,992
Leverage ratio	43%	46%

The leverage ratio decreased from 46% as of December 31, 2015 to 43% as of March 31, 2016, due to the decreased balance of foreign-currency denominated borrowings and financing as a result of 8.9% and 2.4% depreciations of the US dollar and the Yen, respectively, on March 31, 2016.

### **4.3 Fair value estimates**

It is assumed that balances from trade receivables (current) and accounts payable to suppliers by carrying amount, less impairment, approximate their fair values, considering the short maturity. Long-term trade receivables also approximate their fair values, as they will be adjusted by inflation and/or will bear contractual interest rates over time.

### **4.4 Financial instruments**

The Company has CTEEP's shares, which are classified as financial asset held for trading and are recognized at fair value through profit or loss. This is the only financial instrument item of this category at March 31, 2016 and December 31, 2015. The Company's financial instruments included in the borrowings and receivables category comprise cash and cash equivalents, trade receivables, related party balances, other receivables, balances receivable from the Water National Agency – ANA, and the financial instruments under other liabilities category comprised accounts payable to contractors and suppliers, borrowings and financing, balances payable deriving from the Public Private Partnership-PPP and program contract commitments, which are non-derivative financial assets and liabilities with fixed or determinable payments, not quoted in an active market.

As of March 31, 2016, the Company did not have financial liabilities classified as fair value through profit or loss.

The estimated fair values of financial instruments are as follows:

Financial assets

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1**Notes to the Interim Financial Information**

	<b>March 31, 2016</b>		<b>December 31, 2015</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Cash and cash equivalents	1,431,876	1,431,876	1,639,214	1,639,214
Restricted cash	26,559	26,559	29,156	29,156
Trade receivables	1,629,412	1,629,412	1,509,588	1,509,588
Water National Agency – ANA	89,913	89,913	88,368	88,368
Financial asset held for trading (*)	107,275	107,275	101,500	101,500
Other receivables	227,203	227,203	196,118	196,118

(\*)Amount recorded under “other receivables” in current assets.

Additionally, SABESP has financial instrument assets receivables from related parties, in the amount of R\$871,344 as of March 31, 2016 (R\$872,107 as of December 31, 2015), which were calculated in accordance with the conditions negotiated between related parties. The conditions and additional information referring to these financial instruments are disclosed in Note 9 to this interim financial information and Note 10 to the Annual Financial Statements of December 31, 2015. Part of this balance, totaling R\$777,063 (R\$786,501 as of December 31, 2015), refers to reimbursement of additional retirement and pension plan - G0 and is indexed by IPCA plus simple interest of 0.5% p.m. This interest rate approximates that one practiced by federal government bonds (NTN-b) with terms similar to those of related-party transactions.

For financial assets held for trading, the balance of which is measured at fair value at the end of each reporting period and recorded in the financial statements, SABESP measured such fair value at level 1 inputs, as required by the international financial reporting standards and the accounting practices adopted in Brazil, considering share price through quotation at the São Paulo Stock Exchange (Bovespa) as of March 31, 2016.

**Financial liabilities**

	<b>March 31, 2016</b>		<b>December 31, 2015</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Borrowings and financing	12,193,176	11,966,707	13,121,600	12,625,454
Trade payables and contractors	198,089	198,089	248,158	248,158
Services payable	482,976	482,976	387,279	387,279
Program contract commitments	297,578	297,578	320,714	320,714

**4.4 Financial instruments**



Public-Private Partnership - PPP	1,230,928	1,230,928	1,035,033	1,035,033
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The criteria adopted to obtain the fair values of borrowings and financing, in preparing the interim financial information as of March 31, 2016, are consistent with those adopted in the Annual Financial Statements for the fiscal year ended December 31, 2015. In the Annual Financial Statements, these criteria are disclosed in Note 5.4.

Considering the nature of other financial instruments, assets and liabilities of the Company, the balances recognized in the balance sheet approximate the fair values, taking into account the maturities close to the end of the reporting period, comparison of contractual interest rates with market rates in similar operations at the end of the reporting period, their nature and maturity terms.

## **5 Key accounting estimates and judgments**

Estimates and judgments are continually evaluated and are based on historical experience and on other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key accounting estimates and judgments are disclosed in Note 6 to the Annual Financial Statements as of

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1**Notes to the Interim Financial Information**

December 31, 2015.

**6 Cash and cash equivalents**

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Cash and banks	60,627	77,233
Cash equivalents	1,371,249	1,561,981
	1,431,876	1,639,214

Cash and cash equivalents include cash, bank deposits and high-liquidity short-term financial investments, mainly represented by repurchase agreements (accruing CDI interest rates), deposited at Banco do Brasil, whose original maturities are lower than three months, which are convertible into a cash amount and subject to an insignificant risk of change in value.

As of March 31, 2016, the average yield of financial investments corresponds to 99.17% of CDI (99.24% for financial assets held for trading as of December 31, 2015).

**7 Restricted cash**

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Current		
Agreement with the São Paulo municipal government (i)	13,362	13,005
Funds raised with the BNDES (ii)	7,304	7,109
Brazilian Federal Savings – escrow deposit (iii)	1,926	1,433
Others	3,967	7,609

7 Restricted cash

58

26,559

29,156

- (i) Agreement with the municipal government of São Paulo where the Company transfers 7.5% of the Municipal revenue to the Municipal Fund;
- (ii) Refers to funds raised with the Brazilian Development Bank– BNDES, awaiting the authorization for use;
- (iii) Refers to savings account for receiving escrow deposits regarding lawsuits with final and unappealable decisions in favor of the Company, which are blocked as per contractual clause.

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1**Notes to the Interim Financial Information****8 Trade receivables****(a) Financial position balances**

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Private sector:		
General and special customers (i) (ii)	1,102,725	1,044,692
Agreements (iii)	335,362	317,871
	1,438,087	1,362,563
Government entities:		
Municipal	500,362	503,309
Federal	5,940	5,738
Agreements (iii)	236,220	207,066
	742,522	716,113
Wholesale customers – Municipal governments: (iv)		
Guarulhos	835,762	810,285
Mauá	427,537	416,749
Mogi das Cruzes	2,168	2,158
Santo André	875,259	857,424
São Caetano do Sul	2,080	2,057
Diadema	222,671	222,671
Wholesale customers – Municipal governments	2,365,477	2,311,344
Unbilled supply	473,077	427,361
Subtotal	5,019,163	4,817,381
Allowance for doubtful accounts	(3,389,751)	(3,307,793)
Total	1,629,412	1,509,588

Current	1,465,570	1,326,972
Noncurrent	163,842	182,616
	1,629,412	1,509,588

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**Notes to the Interim Financial Information**

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

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

(iii) Agreements - installment payments of past-due receivables, plus monetary restatement and interest, when provided for in the agreements.

(iv) Wholesale basis customers - municipal governments - This balance refers to the sale of treated water to municipalities, which are responsible for distributing to, billing and charging final customers. Some of these municipalities are questioning in court the tariffs charged by SABESP, which have full allowance for doubtful accounts. Additionally, the overdue amounts are included in the allowance for doubtful accounts.

Changes in accounts receivables on a wholesale basis are as follows:

	<b>Three-month period ended March 31, 2016</b>	<b>Three-month period ended March 31, 2015</b>
Balance at beginning of the period	2,311,344	2,158,798
Services provided	145,244	81,066
Receivables	(91,111)	(24,218)
Balance at the end of the period	2,365,477	2,215,646

**(b) The aging of trade receivables is as follows**

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Current	1,237,321	1,195,098
Past-due:		
Up to 30 days	209,125	182,025
From 31 to 60 days	165,821	123,765
From 61 to 90 days	62,487	78,089
From 91 to 120 days	65,165	84,654
From 121 to 180 days	165,833	80,447
From 181 to 360 days	177,463	158,182
Over 360 days	2,935,948	2,915,121
Total past-due	3,781,842	3,622,283
Total	5,019,163	4,817,381

The increase in the balance overdue is mainly due to accounts receivable at wholesale where municipalities served are challenging in court the tariffs charged by SABESP. These amounts are fully covered by the allowance for doubtful accounts.

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**Notes to the Interim Financial Information****(c) Allowance for doubtful accounts**

	<b>January to March 2016</b>	<b>January to March 2015</b>
Balance at the beginning of the period	3,307,793	3,164,288
Private sector /government entities	39,693	57,963
Recoveries	(22,856)	(14,229)
Wholesale customers	68,747	62,714
Net additions for the period	85,584	106,448
Write-offs in the period referring to accounts receivable	(3,626)	644
Balance at the end of the period	3,389,751	3,271,380
	<b>January to March 2016</b>	<b>January to March 2015</b>
<b>Reconciliation of provision for losses of income</b>		
Losses (write-off)	41,537	3,660
Provision for state entities (related parties)	246	2,399
Provision for private sector /government entities	39,693	57,963
Provision for wholesale customers	(2,542)	(2,450)
Recoveries	(22,856)	(14,229)
Amount recorded as selling expenses	56,078	47,343

Wholesale sales losses, amounting to R\$71,289 from January to March 2016 and R\$65,164 from January to March 2015, were also recorded as revenue reduction.

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



## **9 Related-Party Balances and Transactions**

The Company is a party to transactions with its controlling shareholder, the State Government, and companies related to it.

Additional information is presented in Note 10 to the Annual Financial Statements of December 31, 2015.

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ITR – Quarterly Information Form – 03/31/2016 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version:  
1**Notes to the Interim Financial Information****(a) Accounts receivable, interest on capital payable, revenue and expenses with the São Paulo State Government**

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Accounts receivable		
Current:		
Water and sewage services	124,554	115,633
Allowance for losses	(49,578)	(49,332)
Reimbursement for retirement and pension benefits paid:		
- Monthly flow (payments)	6,605	20,564
- GESP Agreement	49,985	49,985
“Se Liga na Rede” program (l)	19,305	19,305
Total current	150,871	156,155
Noncurrent:		
Reimbursement for retirement and pension benefits paid (G0):		
- GESP Agreement – 2008	54,150	66,646
- GESP Agreement – 2015	666,323	649,306
Total noncurrent	720,473	715,952
Total receivables from shareholders	871,344	872,107
Assets:		
Water and sewage services	74,976	66,301
Reimbursement for pension benefits (G0)	777,063	786,501
“Se Liga na Rede” program (l)	19,305	19,305
Total	871,344	872,107
Liabilities:		
Interest on capital payable to related parties	64,013	64,013
Other (g)	1,698	2,210

	<b>January to March 2016</b>	<b>January to March 2015</b>
Revenue from water and sewage services		
Water supply	53,250	42,229
Sewage services	44,276	38,566
Payments received from related parties	(87,651)	(77,786)
Receipt of GESP reimbursement referring to Law 4,819/58	(46,666)	(33,201)

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ITR – Quarterly Information Form – 03/31/2016 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version:  
1**Notes to the Interim Financial Information****(b) Contingent assets - GESP (not recorded)**

As mentioned above, as of March 31, 2016 and December 31, 2015, SABESP had contingent assets with GESP, not recorded in assets referring to the additional retirement and pension paid (Law 4,819/58), as follows:

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Disputed amounts receivable	870,842	855,054
Total	870,842	855,054

**(c) Use of reservoirs – EMAE**

Empresa Metropolitana de Águas e Energia S.A. - EMAE plans to receive for the credit and to obtain financial compensation for the use of water from the Guarapiranga and Billings reservoirs, which SABESP uses in its operations, as well as the reimbursement of damages related to the failure to pay appropriately.

The Company understands that no amounts are due for the use of these reservoirs given the grants already made. Should these reservoirs not be available for use to the Company, there could be the need to collect water in more distant places. There is a risk of not properly rendering services in the region, besides increasing water supply cost.

Several lawsuits were filed by EMAE. Currently, an arbitration proceeding is in progress related to the Guarapiranga reservoir and a lawsuit related to the Billings reservoir, both pleading for financial compensation due to SABESP's water collect for public supply, alleging that this conduct has been causing permanent and growing loss in the capacity of generating electricity of Henry Borden hydroelectric power plant with financial losses.

On April 10, 2014, the Company issued a Notice to the Market including the information we have been discussing with EMAE about an eventual future agreement. However, no adjustment was confirmed and no agreement was executed by either party up to date.

On April 11, 2016, SABESP was named in legal proceedings commenced by minority shareholders of EMAE, claimed that SABESP should abstain from using the water resources of the Henry Borden hydroelectric power plant, without appropriate definition of financial compensation due to EMAE, and determining the resumption of water pumping to the reservoirs used by the Henry Borden hydroelectric power plant, in detriment of the flow of these reservoirs and the generation of electric power by EMAE. The plaintiffs in these proceedings allege that the São Paulo State, in its capacity as controlling shareholder of EMAE, has acted unduly to EMAE's detriment and in favor of SABESP's interests by allowing and consenting water intake from the Billings and Guarapiranga reservoirs, both of them belonging to EMAE, without the necessary financial compensation, making impracticable the satisfactory use of the Henry Borden hydroelectric power plant.

SABESP understands that the expectation for all cases is of possible losses, and for the time being, it is not feasible to estimate the amounts involved, since they were not determined.

**(d) Agreements with reduced tariffs with State and Municipal Government Entities that joined the Rational Water Use Program (PURA)**

The Company has signed agreements with government entities related to the State Government and municipalities where it operates that benefit from a reduction of 25% in the tariff of water supply and sewage services when they are not in default. These agreements provide for the implementation of the rational water use program, which takes into consideration the reduction in water consumption.

**(e) Guarantees**

The State Government provides guarantees for some borrowings and financing of the Company and does not charge any fee with respect to such guarantees.

## **Notes to the Interim Financial Information**

### **(f) Personnel assignment agreement among entities related to the State Government**

The Company has personnel assignment agreements with entities related to the State Government, whose expenses are fully passed on and monetarily reimbursed. From January to March 2016 and 2015, the expenses related to personnel assigned by SABESP to other state government entities amounted to R\$2,247 and R\$2,962, respectively.

From January to March 2016 and 2015, expenses related to personnel assigned by other entities to SABESP totaled R\$4 and R\$52, respectively.

### **(g) Services obtained from state government entities**

As of March 31, 2016 and December 31, 2015, SABESP had an outstanding amounts payable of R\$1,698 and R\$2,210, respectively, for services rendered by São Paulo State Government entities.

### **(h) Non-operating assets**

As of March 31, 2016 and December 31, 2015, the Company had an amount of R\$969 related to a free land lent to DAEE (Department of Water and Electricity).

### **(i) Sabesprev**

The Company sponsors a private defined benefit pension plan, which is operated and administered by Sabesprev. The net actuarial liability recognized as of March 31, 2016 amounted to R\$690,890 (R\$665,274 as of December 31, 2015), according to Note 19 (b).

**(j) Compensation of Management Key Personnel**

Expenses related to the compensation to the members of its Board of Directors, Fiscal Council and Board of Executive Officers amounted to R\$983 and R\$977 from January to March 2016 and 2015, respectively. An additional amount of R\$124 and R\$141, related to the Officers' bonus program, was recorded from January to March 2016 and 2015, respectively.

**(k) Loan agreement through credit facility**

The Company holds interest in certain Special Purpose Entities (SPEs), not holding the majority interest but with cast vote and power of veto in some issues, with no ability to use such power of veto in a way to affect returns over investments. Therefore, these SPEs are considered for accounting purposes as jointly-owned subsidiaries.

The Company has loan agreement through credit facility with the SPEs Aquapolo Ambiental S/A and Attend Ambiental S/A, respectively, to finance the operations of these companies, until the borrowings and financing requested with financial institutions is cleared. These agreements have the following characteristics:

<b>SPE</b>	<b>Principal disbursed amount</b>	<b>Interest balance</b>	<b>Total</b>	<b>Interest rate</b>	<b>Maturity</b>
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