

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

December 05, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 6-K

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

For November 30, 2006

(Commission File No. 1-31317)

Companhia de Saneamento Básico do Estado de São Paulo - SABESP
(Exact name of registrant as specified in its charter)

Basic Sanitation Company of the State of Sao Paulo - SABESP
(Translation of Registrant's name into English)

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

Indicate by check mark whether the registrant files or will file
annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K
in paper as permitted by Regulation S-T Rule 101(b)(1) .

Indicate by check mark if the registrant is submitting the Form 6-K
in paper as permitted by Regulation S-T Rule 101(b)(7) .

Indicate by check mark whether the registrant by furnishing the
information contained in this Form is also thereby furnishing the
information to the Commission pursuant to Rule 12g3-2(b) under
the Securities Exchange Act of 1934.

Yes No

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

PUBLIC FEDERAL SERVICE
CVM SECURITIES AND EXCHANGE COMMISSION
ITR QUARTERLY
INFORMATION Base Date - 09/30/2006
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

Corporate Legislation

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

01.01 - IDENTIFICATION

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

01.02 - HEAD-OFFICE

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

01.03 - INVESTOR RELATIONS OFFICER (Company's Mail Address)

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

01.04 - REFERENCE / INDEPENDENT AUDITOR

CURRENT FISCAL YEAR		CURRENT QUARTER			PRIOR QUARTER		
1 - BEGINNING	2 - END	3 - NUMBER	4 - BEGINNING	5 - END	6 - NUMBER	7 - BEGINNING	8 - END

01/01/2006	12/31/2006	2	07/01/2006	09/30/2006	2	04/01/2006	06/30/2006
9 NAME/CORPORATE NAME OF THE AUDITOR Deloitte Touche Tohmatsu Auditores Independentes						10 - CVM CODE 00385-9	
11 NAME OF RESPONSIBLE TECHNICIAN Marco Antonio Brandão Simurro						12 TAXPAYER ID OF RESP.TECH. 755.400.708-44	

01.05 - CAPITAL COMPOSITION

NUMBER OF SHARES (thousand)	1 - CURRENT QUARTER 09/30/2006	2 - PRIOR QUARTER 06/30/2006	3 - SAME QUARTER PRIOR YEAR 09/30/2005
Paid-up Capital			
1 - Common	28,479,577	28,479,577	28,479,577
2 - Preferred	0	0	0
3 Total	28,479,577	28,479,577	28,479,577
Treasury Stock			
4 - Common	0	0	0
5 - Preferred	0	0	0
6 Total	0	0	0

01.06 - CHARACTERISTICS OF THE COMPANY

1 - TYPE OF COMPANY Commercial, Industrial and Other Companies
2 - SITUATION Operating
3 - NATURE OF OWNERSHIP State-owned
4 - ACTIVITY CODE 1160 Sanitation, Water and Gas Services
5 - MAIN ACTIVITY Capture, Treatment, Water Distribution; Collection, Treatment of Sewage
6 - TYPE OF CONSOLIDATION Not Submitted
7 - TYPE OF REPORT OF THE INDEPENDENT ACCOUNTANT Unqualified

01.07 - COMPANIES EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENTS

1 ITEM	2 CNPJ	3 NAME
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01.08 - DIVIDENDS APPROVED AND/OR PAID DURING AND AFTER THE QUARTER

1 - ITEM	2 - EVENT	3 DATE APPROVED	4 AMOUNT	5 DATE OF PAYMENT	6 TYPE OF SHARE	7 - AMOUNT PER SHARE
01	RCA	04/28/2005	Interests on capital	06/27/2006	ON	0.0013413120
02	RCA	06/23/2005	Interests on capital	06/27/2006	ON	0.0023455404
03	RCA	10/20/2005	Interests on capital	06/27/2006	ON	0.0029900000

04	RCA	12/15/2005	Interests on capital	06/27/2006	ON	0.0055500000
05	RCA	01/20/2006	Interests on capital		ON	0.0045500000

01.09 - SUBSCRIBED CAPITAL AND CHANGES IN THE CURRENT YEAR

1 - ITEM	2 DATE OF CHANGE	3 - CAPITAL STOCK AMOUNT (In thousand reais)	4 - AMOUNT OF THE CHANGE (In thousand reais)	5 NATURE OF THE CHANGE	6 - NUMBER OF SHARES ISSUED (Thousand)	7 - SHARE PRICE ON ISSUE DATE (Reais)
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01.10 - INVESTOR RELATIONS OFFICER

1 - DATE	2 SIGNATURE
11/14/2006	

02.01 - BALANCE SHEET - ASSETS (In thousands of reais)

1 - Code	2 - Description	3 09/30/2006	4 - 06/30/2006
1	Total assets	17,957,436	17,716,234
1.01	Current assets	2,024,607	1,874,372
1.01.01	Cash	399,434	336,012
1.01.01.01	Cash, Banks and Fin. Invest.	399,396	335,997
1.01.01.02	Other cash items	38	15
1.01.02	Credits	1,149,815	1,114,999
1.01.02.01	Customers	1,149,815	1,114,999
1.01.03	Inventories	33,005	32,035
1.01.03.01	Storage Items for Operation	33,005	32,035
1.01.04	Others	442,353	391,326
1.01.04.01	Accounts receivable from shareholders	370,035	325,261
1.01.04.02	Taxes and contributions to be deducted	319	319
1.01.04.03	Deferred taxes and contributions	21,899	22,161
1.01.04.04	Advance of 13th Salary	18,941	13,962
1.01.04.05	Other accounts receivable	31,159	29,623
1.02	Long term assets	1,685,080	1,660,031
1.02.01	Sundry credits	1,685,080	1,660,031
1.02.01.01	Customers	296,473	297,250
1.02.01.02	Compensation for concession termination	148,794	148,794
1.02.01.03	Court deposits	31,329	30,723
1.02.01.04	Accounts receivable from shareholders	834,715	823,558
1.02.01.05	Deferred taxes and contributions	323,121	310,827
1.02.01.06	Other accounts receivable	50,648	48,879
1.02.02	Receivables from related parties	0	0
1.02.02.01	From associated companies	0	0
1.02.02.02	From controlled companies	0	0
1.02.02.03	From other related parties	0	0
1.02.03	Others	0	0
1.03	Permanent assets	14,247,749	14,181,831
1.03.01	Investments	720	740

1.03.01.01	Interest in associated companies	0	0
1.03.01.02	Interest in controlled companies	0	0
1.03.01.03	Other investments	720	740
1.03.01.03.01	Shares in other companies	698	718
1.03.01.03.02	Compulsory deposits - Eletrobrás	22	22
1.03.02	Property, plant & equipment	14,233,536	14,165,702
1.03.02.01	Property, plant & equipment	11,821,732	11,871,236
1.03.02.02	Work in progress	2,411,804	2,294,466
1.03.03	Deferred assets	13,493	15,389
1.03.03.01	Organizational and reorganization expenses	13,493	15,389

02.02 - BALANCE SHEET - LIABILITIES (In thousands of reais)

1 - Code	2 Description	3- 09/30/2006	4 - 06/30/2006
2	Total liabilities	17,957,436	17,716,234
2.01	Current liabilities	1,938,285	1,662,890
2.01.01	Loans and credit facilities	511,682	476,890
2.01.02	Debentures	349,376	165,571
2.01.02.01	4th issue debentures	24,998	49,998
2.01.02.02	5th issue debentures	45,339	44,955
2.01.02.03	6th issue debentures	231,813	0
2.01.02.04	Interest on debentures	47,226	70,618
2.01.03	Suppliers	103,845	88,032
2.01.04	Taxes, fees and contributions	138,279	145,150
2.01.04.01	Paes Program	41,354	40,760
2.01.04.02	Cofins and Pasep	36,366	34,499
2.01.04.03	Corporate Income Tax	27,049	33,856
2.01.04.04	Social Contribution	10,012	12,908
2.01.04.05	I.N.S.S. (Social Security)	17,522	18,591
2.01.04.06	Withholding Tax	517	498
2.01.04.07	Others	5,459	4,038
2.01.05	Dividends payable	0	0
2.01.06	Provisions	10,990	10,921
2.01.06.01	For contingencies with suppliers	1,056	1,028
2.01.06.02	For contingencies with customers	9,934	9,893
2.01.07	Debt with related companies	0	0
2.01.08	Others	824,113	776,326
2.01.08.01	Salaries and payroll charges	236,722	224,208
2.01.08.02	Services	116,347	85,436
2.01.08.03	Interest on own capital payable	380,543	381,158
2.01.08.04	Deferred taxes and contributions	75,939	72,348
2.01.08.05	Amounts refundable	12,576	11,595
2.01.08.06	Other liabilities	1,986	1,581
2.02	Long-term liabilities	6,941,445	7,174,956
2.02.01	Loans and credit facilities	4,118,052	4,155,231

2.02.02	Debentures	1,398,264	1,622,845
2.02.02.01	6 th issue debentures	391,140	619,618
2.02.02.02	7 th issue debentures	302,767	301,891
2.02.02.03	8 th issue debentures	704,357	701,336
2.02.03	Provisions	619,406	602,964
2.02.03.01	For labor claims	32,441	30,170
2.02.03.02	For civil and tax claims	95,717	93,624
2.02.03.03	For suppliers	187,859	186,113
2.02.03.04	For customers	258,331	269,800
2.02.03.05	For environmental matters	45,058	23,257

02.02 - BALANCE SHEET - LIABILITIES (Thousand Reais)

1 Code	2 Description	3 - 09/30/2006	4 - 06/30/2006
2.02.04	Debts with related companies	0	0
2.02.05	Others	805,723	793,916
2.02.05.01	Deferred taxes and contributions	145,655	139,454
2.02.05.02	Paes Program	237,794	244,567
2.02.05.03	Social security liabilities	310,387	299,118
2.02.05.04	Refundable amounts	73,829	73,829
2.02.05.05	Other accounts payable	38,058	36,948
2.03	Deferred income	0	0
2.05	Shareholders' equity	9,077,706	8,878,388
2.05.01	Paid-up capital	3,403,688	3,403,688
2.05.02	Capital reserves	104,624	100,760
2.05.02.01	Support for projects reserve	88,844	84,980
2.05.02.02	Incentive reserves	15,780	15,780
2.05.03	Revaluation Reserves	2,459,701	2,483,566
2.05.03.01	Own assets	2,459,701	2,483,566
2.05.03.02	Controlled/Associated companies	0	0
2.05.04	Profit reserves	2,470,269	2,470,269
2.05.04.01	Legal	215,273	215,273
2.05.04.02	Statutory	0	0
2.05.04.03	For contingencies	0	0
2.05.04.04	Unrealized profits	0	0
2.05.04.05	Retained earnings	0	0
2.05.04.06	Special for undistributed dividends	0	0
2.05.04.07	Other profit reserves	2,254,996	2,254,996
2.05.04.07.01	Reserve for investments	2,254,996	2,254,996
2.05.05	Retained earnings/accumulated losses	639,424	420,105

03.01 - INCOME STATEMENT (Thousand Reais)

1 - Code	2 Description				

		3 07/01/2006 to 09/30/2006	4 - 01/01/2006 to 09/30/2006	5 - 07/01/2005 to 09/30/2005	6 - 01/01/2005 to 09/30/2005
3.01	Gross sales and/or services revenue	1,505,829	4,384,650	1,323,016	3,905,260
3.01.01	Water supply - Retail	777,187	2,270,950	681,714	2,018,926
3.01.02	Water supply - Wholesale	66,379	194,718	60,435	176,598
3.01.03	Sewage collection and treatment	638,628	1,849,646	559,666	1,644,803
3.01.04	Other services rendered	23,635	69,336	21,201	64,933
3.02	Gross revenue deductions	(114,987)	(335,806)	(100,431)	(292,661)
3.02.01	Tax on Revenues (COFINS)	(94,476)	(275,905)	(82,516)	(240,241)
3.02.02	Tax on Revenues (PASEP)	(20,511)	(59,901)	(17,915)	(52,420)
3.03	Net sales and/or services revenue	1,390,842	4,048,844	1,222,585	3,612,599
3.04	Cost of sales and/or services sold	(644,405)	(1,910,555)	(600,934)	(1,753,032)
3.05	Gross profit	746,437	2,138,289	621,651	1,859,567
3.06	Operating expenses/revenue	(424,658)	(1,065,960)	(341,746)	(853,939)
3.06.01	Selling	(187,802)	(455,722)	(136,886)	(381,447)
3.06.02	General and administrative	(83,734)	(218,934)	(84,106)	(253,022)
3.06.03	Financial	(153,122)	(391,304)	(120,754)	(219,470)
3.06.03.01	Financial income	25,896	96,240	20,668	70,183
3.06.03.01.01	Financial income	25,896	96,240	20,668	70,183
3.06.03.01.02	Tax on Revenues (COFINS/PASEP)	0	0	0	0
3.06.03.02	Financial expenses	(179,018)	(487,544)	(141,422)	(289,653)
3.06.03.02.01	Financial expenses	(179,018)	(487,544)	(141,422)	(289,653)
3.06.04	Other operating revenue	0	0	0	0
3.06.05	Other operating expenses	0	0	0	0
3.06.06	Equity result	0	0	0	0
3.07	Operating income	321,779	1,072,329	279,905	1,005,628
3.08	Non-operating income	1,210	1,256	(10,745)	(9,835)
3.08.01	Revenues	5,476	7,910	1,623	5,264
3.08.01.01	Revenues	5,939	10,075	2,015	6,343
3.08.01.02	Tax on Revenues (COFINS/PASEP)	(463)	(2,165)	(392)	(1,079)
3.08.02	Expenses	(4,266)	(6,654)	(12,368)	(15,099)
3.08.02.01	Loss on disposal of fixed assets	(3,192)	(5,513)	(10,337)	(12,669)
3.08.02.02	Provision for Lost Tax Incentives	0	0	0	0
3.08.02.03	Tax Incentives	(1,000)	(1,000)	0	0
3.08.02.04	Others	(74)	(141)	(2,031)	(2,430)
3.09	Income before taxes/interests	322,989	1,073,585	269,160	995,793
3.10	Provision for Income Tax and Social Contribution	(122,815)	(353,778)	(76,124)	(309,857)

3.10.01	Provision for Income Tax	(89,857)	(268,723)	(60,315)	(246,100)
3.10.02	Provision for Social Contribution	(32,958)	(85,055)	(15,809)	(63,757)
3.11	Deferred income tax	4,060	5,470	6,893	18,665
3.11.01	Deferred income tax	2,985	13,365	10,050	34,925
3.11.02	Deferred social contribution	1,075	(7,895)	(3,157)	(16,260)
3.11.03	Reversal of deferred income tax	0	0	0	0
3.12	Statutory corporate interests/contributions	(8,780)	(26,341)	(8,780)	(26,341)
3.12.01	Corporate interests	0	0	0	0
3.12.02	Contributions	(8,780)	(26,341)	(8,780)	(26,341)
3.12.02.01	Extraordinary item	(8,780)	(26,341)	(8,780)	(26,341)
3.13	Reversal of interest on own capital	0	0	0	0
3.15	Profit/Loss for the Year	195,454	698,936	191,149	678,260
	Number of Shares, Ex-Treasury Shares (Thou)	28,479,577	28,479,577	28,479,577	28,479,577
	PROFIT PER SHARE	0.00686	0.02454	0.00671	0.02382
	LOSS PER SHARE				

04.01 - EXPLANATORY NOTES

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

1. OPERATIONS

Companhia de Saneamento Básico do Estado de São Paulo (SABESP or the Company) is engaged in the operation of public water and sewage systems in the State of São Paulo, providing water and sewage services to a broad range of residential, commercial, industrial and government customers. Besides providing water and sewage collection services, the Company also provides water on a wholesale basis to certain municipalities in the São Paulo Metropolitan Region that do not have water production systems.

As of the Law 12,292, enacted on March 2, 2006, the Company may provide water and sewage services outside the State of São Paulo, including in other countries, either directly or through national or international consortia, may have equity participation in other state or mixed-capital companies, as well as to establish subsidiaries, to relate itself or participate in a private company connected to the sanitation industry.

The Company provides water and sewage services in 367 municipalities in the State of São Paulo. Nearly all of which are through concessions granted by the municipalities and most of them with 30-year term. The 10 (ten) concession contracts that expired in 2005 have been extended or are under negotiation. Up to December 31, 2006, 130 contracts are going to expire and the rest between 2007 and 2034. Management expects that the referred concessions will be renewed or extended, thus there will not be a discontinuity of the water supply and sewage collection. Up to September 30, 2006, the net book value of property, plant and equipment items relating to the municipalities where the concessions are under negotiation or will expire in 2006 totals R\$ 1,57 billion, and the net revenue for the nine-month period then ended totals R\$ 585 million in relation to these concessions.

The Company does not hold a formal concession to provide water and sewage services in the City of São Paulo, which accounts for approximately 56% of the sales and services rendered. In Santos, a municipality located in the Santos Coastal Area, which also has a large population and represents 2.72% of the sales and services rendered, the Company operates under a public deed of authorization, like in some other municipalities in the Santos Coastal Area and in the Ribeira Valley, where the Company started operating after the merger of the companies that formed SABESP. Management believes that the Company has a vested right to provide water and sewage services to these municipalities based upon, among other things, its ownership of the related water and sewage systems serving the City of São Paulo and these other municipalities and certain succession rights resulting from the merger which formed the Company.

In general, the Company does not face any competition in the municipalities in which it provides water and sewage services, and management understands that in those municipalities the Company has an exclusive right to provide such services.

All information regarding concession areas, number of municipalities, volumes of water and sewage and other related data disclosed in this report that do not arise from the accounting and/or financial statements are unaudited.

2. PRESENTATION OF FINANCIAL STATEMENTS

The Company's financial statements, which are used as the basis for determining income taxes and mandatory minimum dividends calculations, have been prepared in accordance with accounting practices adopted in Brazil, which are based on the Brazilian Corporate Law (Law No. 6,404/76 and amendments), the rules and regulations of the Brazilian Securities Commission - CVM and the accounting standards issued by the Brazilian Institute of Independent Auditors - IBRACON.

3. SIGNIFICANT ACCOUNTING PRACTICES

(a) Determination of results of operations

(i) Revenues from sales and services

Revenues for water supply and sewage collection services are recognized as water is consumed or as services are provided. Revenues from water supply and sewage collection services rendered but not billed are recognized as unbilled customer accounts receivable based on monthly estimates, calculated from the last measurement date to month end based on prior month's billings, in order to match such revenues with costs incurred.

(ii) Financial income and expenses

Primarily comprised of interest and monetary and exchange variations on loans and financing and financial investments, calculated and reported on the accrual basis of accounting.

(iii) Income and social contribution taxes

Income and social contribution taxes are calculated based on taxable results. Income tax is calculated at the rate of 15%, plus a 10% surtax, and social contribution is calculated at the rate of 9%. These taxes are reported on an accrual basis.

Deferred taxes related to tax loss carryforwards and temporary differences are calculated and recorded based on future taxable or deductible amounts and are recognized to the extent that their realization is believed to be probable.

As permitted by the CVM, the Company opted not to recognize the deferred tax liability (non-cash) on the revaluation reserve of property, plant and equipment recorded up to 1991.

(iv) Other income and expenses

Other income and expenses are recorded on an accrual basis.

(b) Cash and Cash Equivalents

Cash and cash equivalents are comprised mainly of bank deposits and financial investments and are carried at cost, plus accrued interest, if applicable. Financial investments denominated in reais have a ready market and an original maturity after 30 days from the date of investment, and are comprised mainly of Bank Deposit Certificates - CDBs. Foreign currency deposits, if any, are translated at balance sheets date exchange rates.

(c) Customer accounts receivable and allowance for doubtful accounts

Customer accounts receivable generally do not accrue interest or indexation charges or penalties, except for refinanced agreements.

The Company records an allowance for doubtful accounts in an amount that is deemed by Management to be sufficient to cover probable losses in accounts receivable. Provision is recorded for bills in excess of R\$ 5 and overdue for more than 360 days, and in excess of R\$ 30 and overdue for more than 360 days which are under judicial collection proceedings. The amount calculated is adjusted, when presenting excess of insufficiency, based on the receivables aging analysis, taking into consideration the recovery expectation for the several customer categories.

The Company does not record an allowance for doubtful accounts for any amounts due from the State Government or entities controlled by the State Government, since it does not expect losses on such receivables.

(d) Inventories

Inventories of materials used in operations and in the maintenance of the Company's water and sewage systems are stated at the lower of average acquisition cost or realizable value and are classified in current assets.

Inventories for capital projects are classified under property, plant and equipment and are stated at the average acquisition cost.

(e) Other current assets and long-term receivables

Other current assets and long-term receivables are stated at the lower of acquisition cost or realization value, plus accrued interest, when applicable.

(f) Property, plant and equipment

Demonstrated at cost restated up to December 31, 1995, combined with the following aspects:

Depreciation of property, plant and equipment - calculated at the straight-line method, at the annual rates mentioned in note 6.a.

Revaluation of fixed asset items, carried out in two separate stages in 1990 and 1991, was based on an appraisal report issued by independent experts, recorded with a corresponding credit to the Revaluation Reserve account in the Shareholders' Equity, and is realized through depreciation, sale and disposal of the respective items, with a

corresponding entry to Retained Earnings account.

Contributions of property, plant and equipment by third parties and from government entities to allow the Company to supply water and sewage services are recorded as a capital reserve.

Construction-in-progress is recorded at cost and is primarily related to construction projects under contract with third parties.

Capitalization of Financial Charges

Interest charges on loans and financing for construction-in-progress are capitalized as part of the cost of assets, during the related works.

Capitalized interests and foreign exchange variations are depreciated together with the cost of the asset, once it becomes operational.

Repairs and Maintenance

Improvements to existing property are capitalized, while costs of general maintenance and repairs are expensed as incurred. Materials allocated to specific projects are added to construction-in-progress.

Impairment

The Company reviews long-lived assets, primarily buildings and water and sewage systems, including property, plant and equipment and concession assets, to be held and used in the business, for the purpose of determining and measuring impairment on a recurring basis or when events or changes in circumstances indicate that the carrying value of an asset or group of assets may not be recoverable. The Company assesses impairment on the basis of the projected recovery of depreciation charges through results of operations. The carrying value of assets or group of assets is written down to realizable amount if and when appropriate.

Intangible Assets

Beginning in 1999, negotiations and acquisitions of new concessions considers the financial economic value of the business, defined in an appraisal report, issued by independent experts.

The terms of these concessions are generally for a period of 30 years and generally include the corresponding right to operate the concession assets over which the Company does not have title. The purchase price for these concessions is generally the fair value of the concession, based on the appraisal reports which take into consideration the projected cash flows and the remaining concession period at the date of acquisition. The cost of the concession assets acquired is amortized over the concession period using the straight-line method.

(g) Deferred Assets

The deferred assets are comprised of deferred project costs and technical studies, which are being amortized using the straight-line method over 5 years from the date when benefits start to be generated.

(h) Loans and Financing

Loans and financing are adjusted by indexation charges and foreign exchange variations, and include accruals for related interest expense. Loans and financing denominated in foreign currencies are translated to reais at the balance sheet date. The resulting foreign currency exchange adjustments are recognized as incurred, in the financial income

(expense), net account.

(i) Salaries and payroll charges

Salaries and other payroll charges, including provision for vacation pay, 13th salary and complementary payments agreed upon through collective bargaining agreements, added by the corresponding payroll charges, are recorded on an accrual basis.

(j) Provision for contingencies

Provision for contingencies is recorded at the estimated amounts to cover potential losses related to labor, tax, civil, commercial, environmental and other claims and lawsuits, at administrative and court levels, when such losses are considered probable. Provision for contingencies balances are being disclosed net of the related escrow deposits.

(k) Environmental costs

Expenditures relating to ongoing environmental programs are expensed as incurred. Ongoing programs are designed and performed with a view to minimize the environmental impact of the operations and to manage the environmental risks inherent to the Company's activities.

(l) Pension and Postretirement Benefits

The Company sponsors a private defined benefit pension plan, which is operated and administered by Fundação Sabesp de Seguridade Social (SABESPREV). CVM resolution 371 of December 13, 2000 determines the recognition of the actuarial liabilities in excess to the plan assets. The Company has elected to recognize the transition obligation as of the date of adoption in earnings on a straight-line basis over five years beginning January 1, 2002.

(m) Other current and long-term liabilities

Other current and long-term liabilities are stated at their known or estimated amounts, including related charges and monetary and foreign exchange adjustments, when applicable.

(n) Interest on shareholder's equity

Recorded in accordance with Law 9,249/95, for tax deductibility purposes, limited to the daily pro-rata variation of the Long-Term Interest Rate (TJLP) and disclosed in accordance with CVM Deliberation 207/96.

(o) Earnings per share

Earning per share is calculated based on the number of shares outstanding at the balance sheet date.

(p) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the reported amounts of revenues and expenses for the reporting periods. Actual results could differ from those estimates.

4. CUSTOMERS ACCOUNTS RECEIVABLE

(a) Summary of customer accounts receivable

	09/30/2006	06/30/2006
Private-sector customers:		
General customers and special customers (i) (ii)	727,528	722,130
Agreements (iii)	170,973	165,267
	898,501	887,397
Government Entities:		
Municipal	431,554	418,327
Federal	22,567	21,885
Agreements (iii)	80,678	73,818
	534,799	514,030
Wholesale customers - municipal authorities: (iv)		
Guarulhos	327,980	316,116
Mauá	109,331	102,079
Mogi das Cruzes	4,286	4,127
Santo André	280,959	273,224
São Caetano do Sul	4,361	2,761
Diadema	82,158	77,854
	809,075	776,161
Unbilled amounts	273,465	226,539
Subtotal	2,515,840	2,404,127
Allowance for doubtful accounts	(1,069,553)	(991,878)
Total customers	1,446,287	1,412,249
Current portion	1,149,815	1,114,999
Long-term portion (v)	296,473	297,250

(i) General customers – residential and small and medium-sized businesses.

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

(iii) Agreements – renegotiation of past-due balances. The amounts under agreements are generally due in approximately 6 – 12 months, except for certain amounts due from municipalities that are receivable through 2011.

(iv) Wholesale customers – municipal authorities – Accounts receivable from wholesale customers relate to the wholesale of treated water to certain municipalities, which are responsible for distribution, billing and collection with the final customers, as follows:

Sept/06 June/06

Balance at beginning of period	776,161	751,155
Billings for services provided	66,379	64,204
Collections - current year services	(32,044)	(36,666)
Collections - prior year services	(1,421)	(2,532)
Balance at end of period	809,075	776,161
Current portion	15,496	14,421
Long term portion	793,579	761,740

Some Municipalities judicially question the tariffs practiced by SABESP.

(v) Long-term receivables The long-term portion of customer accounts receivable consists of the long-term portion of renegotiated past-due private sector customer accounts receivable and past-due balances of wholesale customers-municipal authorities. It is recorded net of an allowance for doubtful accounts of R\$ 593,757 at September 30, 2006 (June/2006 - R\$ 561,582).

(b) Customer accounts receivable aging summary

	Sept/06	June/06
Current (including unbilled amounts)	666,065	654,946
Past due:		
Up to 30 days	192,570	195,571
From 31 to 60 days	58,202	76,042
From 61 to 90 days	47,043	59,566
From 91 to 120 days	44,173	49,718
From 121 to 180 days	73,097	99,976
From 181 to 360 days	249,360	195,703
For more than 360 days	1,185,330	1,072,605
Total	2,515,840	2,404,127

(c) Allowance for doubtful accounts

(i) The amount of the supplement to the provision may be presented as follows:

	3 rd Qtr/06	2 nd Qtr/06
Balance at beginning of period	991,878	962,557
Private-sector customers/government entities	44,080	3,077
Wholesale customers	33,595	26,244
Bad-debt expense in the period (net of recoveries)	77,675	29,321
Balance	1,069,553	991,878

Current portion	475,796	430,296
Long-term portion	593,757	561,582

(ii) Income statement

The Company recorded bad-debt expenses for probable losses in the accounts receivable in the second quarter of 2006 in the amount of R\$ 114,169 (net of recoveries of R\$ 36,494 for amounts under R\$ 5 and R\$ 77,675 for amounts in excess of R\$ 5), directly to the period's income, as determined by Law n° 9,430/96, in the selling expenses account. In the second quarter of 2005 these losses amounted to R\$ 64,541.

	3 rd Qtr/06	3 rd Qtr/05
Provisions (over five thousand reais)	(82.591)	(56.069)
Recoveries (over five thousand reais)	4.916	17.170
Direct write-offs (less than five thousand reais)	(55.142)	(44.908)
Recoveries (less than five thousand reais)	18.648	19.266
Expenses (note 15)	(114.169)	(64.541)

Management believes that the allowance for doubtful accounts is sufficient to absorb probable losses in customer accounts receivable.

5. RELATED-PARTY TRANSACTIONS

The Company is a party to a number of transactions with its majority shareholder, the State Government, and its related agencies.

(a) Accounts receivable from the State Government

	set/06	jun/06
Current:		
Water and sewage services (i)	311,619	268,275
GESP Agreement (iii) and (iv)	58,416	56,986
Total current	370,035	325,261
Long-term:		
Water and sewage services - GESP Agreement (iii) and (iv)	91,838	104,601
Reimbursement for pension benefits paid (ii)	742,877	718,957
Total long-term	834,715	823,558
Total receivable from shareholder	1,204,750	1,148,819

Water and sewage services	461,873	429,862
Reimbursement for pension benefits	742,877	718,957
	1,204,750	1,148,819

(b) Interest on shareholders' equity 325,366 325,366

(c) Operating Revenues

Gross revenue from sales and services	3 rd Qtr/06	3 rd Qtr/05
Water sales	43,392	40,509
Sewage services	35,953	34,538
Collections	(36,919)	(51,957)

(i) Water and sewage services

The Company provides water and sewage services to the State Government and its related agencies under terms and conditions that management believes are equal to those with third parties, except for the settlement of amounts outstanding, as described further below in items (iii) and (iv).

(ii) Reimbursement for pension and benefits paid.

Reimbursement for pension and benefits paid represents supplementary paid by the Company on behalf of the State Government to former employees of State Government-owned companies which merged to form SABESP. The amounts should be reimbursed to the Company by the Government, as the primary obligor, in conformity with Law No. 200/74. On September 30, 2006 and June 30, 2006, 2,686 and 2,699 retirees, respectively, received supplementary pension payments, for which the Company paid R\$ 23,920 and R\$ 23,327 in the periods ended September 30, 2006 and June 30, 2006, respectively. There were 174 active employees at September 30, 2006, who will be entitled to these benefits once they retire, as compared to 182 at June 31, 2006.

(iii) GESP Agreement

On December 11, 2001, the Company entered into an agreement with the State of São Paulo Government, through the State Department of Finance and the State Department of Water and Energy - DAEE, having the State Department of Water Resources, Sanitation and Works as intervening party, under which the State Government, by force of Law No. 200/74, acknowledged to be responsible for the supplemental retirement and pension benefits and acknowledged the existence of debts in respect of water and sewage services. The total Agreement value was R\$ 678,830, of which R\$ 320,623 referred to supplemental retirement and pension benefits in the period from March 1986 until November 2001, and R\$ 358,207 referred to water supply and sewage collection services invoiced and due from 1985 until December 1, 2001.

Considering the strategic importance of Taiacupeba, Jundiá, Biritiba, Paraitinga and Ponte Nova reservoirs, for ensuring the volume of water of the Alto Tietê System to be maintained, the Department of Water and Energy - DAEE will transfer these properties to the Company as partial amortization, by means of credit assignment, of the amount owed by the State. The reservoirs evaluation works has been completed and approved by the Company's Board of Directors, indicating an amount of R\$ 300,880 (base date June, 2002), as shown in the related report.

Based on Official Notice No. 53/2005 of the State Capital Defense Council CODEC, dated March 21, 2005, negotiations were restarted between the Company and the State Government with a view to restatement of the debt under the terms defined in the GESP agreement, including amounts due after November, 2001. These negotiations shall be consolidated in a second amendment to the Agreement between the State Government and SABESP. The Company has retained Fundação Instituto de Pesquisas Contábeis, Atuariais e Financeiras, USP FIPECAFI to validate the actual values to be reimbursed by the State Government, taking into account the legal advice provided by the General Office of the State Attorney.

Once the amounts and the monetary adjustment criterion are defined, SABESP will be able to take applicable actions with DAEE in order to transfer the ownership rights to the Alto Tietê System reservoirs, since no legal restraint exists, once the State Government has timely filed an appeal against the decision that had granted the public civil action and managed to obtain the suspension of the effects thereof.

This second amendment shall also include the criteria for monthly recovery of the future amounts to be disbursed by SABESP.

It is not possible to determine the net effects on the balance sheet resulting from such negotiation. Management does not expect to incur significant losses relating to any differences between the amounts recorded as due from the State Government and the amounts actually paid by SABESP.

The balances for water and sewage services were included in the 1st amendment, as described below (iv).

(iv) First Amendment to GESP Agreement

On March 22, 2004, the Company and the State Government amended the terms of the original GESP Agreement, thereby (1) consolidating and acknowledging amounts due from the State Government for water and sewage services through February 2004, monetarily adjusted through February 2004; (2) formally providing for the offset of amounts due from the State Government against interest on shareholder's equity declared by the Company and any other debt owed to the State Government at December 31, 2003, which were monetarily adjusted through February 2004; and (3) defining the payment terms of the remaining obligations of the State Government for water and sewage services.

Under the terms of the Amendment, the State Government acknowledged amounts due to the Company for water and sewage services provided through February 2004, in the amount of R\$ 581,779, including monetary adjustments based on the Referential Rate (TR) at the end of each fiscal year through February 2004. The Company acknowledged amounts due to the State Government with respect to interest on shareholders' equity of R\$ 518,732, including (1) amounts declared and payable relating to years prior to 2003 (R\$ 126,967), (2) monetary adjustments on these amounts based on the annual change in the Consumer Prices Index (IPC/FIPE) through February 2004 (R\$ 31,098); and (3) amounts declared and payable relating to 2003 (R\$ 360,667).

The Company and the State Government agreed to the reciprocal offset of R\$ 404,889 (monetarily adjusted through February 2004). The remaining obligation of R\$ 176,890 at February 29, 2004 is being paid in monthly installments from May 2005 through April 2009, which is subject to monthly monetary adjustment at the Expanded Consumer Price Index (IPCA/IBGE), plus 0.5% .

The Amendment to the GESP Agreement does not provide for amounts owed by the State Government for supplementary retirement and pension plan benefits, paid by the Company on behalf of the State Government. Such amounts continue to be subject to the terms of the original GESP Agreement. Part of such amounts may be netted upon the transfer of the reservoirs that make up the Alto Tietê System. The Company and the State Government are negotiating the transfer and netting of the additional amounts owed.

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

(d) Cash and cash equivalents

The Company's balance of cash and financial investments accounts with financial institutions controlled by the State Government was R\$ 359,664 at September 30, 2006 (R\$ 303,758 at June 30, 2006). The financial income from such investments was R\$ 39,628 and R\$ 24,582 in the periods ended on September 30, 2006 and 2005, respectively. The Company is required by law to invest excess cash with financial institutions controlled by the State Government.

(c) Arrangements to use certain reservoirs

The Company uses the Guarapiranga and Billings reservoirs and a portion of some of the reservoirs of the Alto Tietê System, which are owned by other State of São Paulo-owned companies and it does not pay any fees for their usage. In case these reservoirs are not available for use by the Company, it may be needed to obtain water from more distant locations.

The Company has the right to use water and to explore the reservoirs of the Alto Tietê System during a 30-year period, beginning in 1997.

6. PROPERTY, PLANT & EQUIPMENT

		Sept/06		June/06
	Cost	Accumulated Depreciation/ Amortization	Net	Net
In use				
Water systems:				
Land	940,379	-	940,379	941,584
Buildings	2,682,047	(1,395,851)	1,286,196	1,310,569
Connections	813,239	(341,200)	472,039	474,641
Water meters	275,507	(140,568)	134,939	134,439
Networks	3,273,833	(997,207)	2,276,626	2,277,820
Equipment	251,842	(170,610)	81,232	86,990
Others	561,814	(236,196)	325,618	292,217
Sub total	8,798,661	(3,281,632)	5,517,029	5,518,260
Sewage system:				
Land	355,956	-	355,956	354,114
Buildings	1,487,131	(560,606)	926,525	939,626
Connections	864,274	(344,708)	519,566	522,000
Networks	4,697,143	(1,107,422)	3,589,721	3,597,446
Equipment	432,416	(348,204)	84,212	127,310
Others	93,616	(40,355)	53,261	25,091
Sub total	7,930,536	(2,401,295)	5,529,241	5,565,587
General use:				

Land	107,707	-	107,707	107,707
Buildings	122,666	(69,028)	53,638	54,737
Transportation equipment	134,255	(127,666)	6,589	7,978
Furniture, fixtures and equipment	276,059	(192,156)	83,903	91,211
Loan for use of land	20,556	-	20,556	20,556
Loan for use of assets	8,462	(2,536)	5,926	5,926
Sub total	669,705	(391,386)	278,319	288,115
Total in use	17,398,902	(6,074,313)	<u>11,324,589</u>	11,371,962
Construction in progress:				
Water systems	774,215	-	774,215	745,328
Sewage systems	1,617,246	-	1,617,246	1,529,090
Others	20,343	-	20,343	20,048
Total construction in progress	2,411,804	-	2,411,804	2,294,466
Intangible assets	592,573	(95,430)	497,143	499,274
Total	20,403,279	(6,169,743)	14,233,536	14,165,702

(a) Depreciation:

Depreciation is calculated at the following annual rates: buildings 4%; networks 2%; equipment 10%; water meters 10%; transportation equipment 20%; IT equipment 20%; building connections 5% furniture, fixtures and equipment 10%. When applicable, depreciation rates are adjusted to take into account the changes in the estimated remaining economic lives as assets are replaced.

Amortization of intangible assets is performed during the term of the concession agreements entered into with the municipalities

(b) Construction in progress

Disbursements from the fourth quarter of 2006 to 2011, related to construction works already contracted are estimated to be approximately R\$ 1,196,000 (unaudited).

(c) Disposals of property, plant and equipment

The Company wrote-off, in the third quarter of 2006, property, plant and equipment in the amount of R\$ 4,470 (2005 R\$ 10,337), resulting in a total loss in the amount of R\$ 3,192 (2005 R\$ 1,165) related to assets in use, due to obsolescence, theft and disposal. In 2005 R\$ 9,172 was written-off related to construction in progress, due to discontinued construction, non-productive wells and projects no longer economically feasible.

(d) Expropriations

As a result of the implementation of priority projects related to the water and sewage systems it was necessary to expropriate or establish rights of way through third-party properties, all in conformity with the relevant legislation. The owners of these properties will be compensated either through negotiated settlements or judicial arbitration. Disbursements to be effected as from the fourth quarter of 2006 are estimated to be approximately R\$ 281,000 (unaudited). The related assets acquired as a result of these negotiations are recorded as property, plant and equipment when the expropriation is complete. The total amount paid relating to expropriations of property, plant and equipment in the third quarter of 2006 was R\$ 663 (in the third quarter of 2