

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

May 18, 2005

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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 18, 2005**

**(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):



**CIA. DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO - SABESP**

Rui de Britto Álvares Affonso  
Economic - Financial Officer and Investor Relations Officer  
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SBSP3: R\$136.00/thousand shares  
SBS: US\$13.65 (ADR=250 shares)  
Total shares:28,480 million  
Market value: R\$3,873.3 million  
Closing price: 05/16/2005

**SABESP announces first quarter 2005 results**

São Paulo , May 16, 2005 - SABESP Cia. de Saneamento Básico do Estado de São Paulo (NYSE: SBS; Bovespa: SBSP3), the largest water and sewage utility company in the Americas and the third largest in the world, according to its number of customers, announces today its results for the first quarter 2005 (1Q05). The Company's operating and financial information, except when indicated otherwise, is shown in *Brazilian Reais* , in accordance with the Brazilian corporate law. All comparisons in this release, unless otherwise stated, refer to the first quarter 2004 .

**Highlights**

- EBITDA margin recovery, reaching 48.3% in 1Q05.
- Recovery of billed volumes for water and sewage in the retail market, recording a 4.1% increase, in comparison to 1Q04.
- Net revenue in the quarter posted a 6.6% growth.

**First Quarter 2005 Financial Results**

May 16, 2005

**1. SABESP posted a 6.6% net revenue growth and a 6.5% EBITDA growth***(R\$ million)*

| <b>Highlights</b>     | <b>1Q04</b> | <b>1Q05</b> | <b>Change %</b> |
|-----------------------|-------------|-------------|-----------------|
| Net operating revenue | 1,087.4     | 1,158.7     | 6.6             |
| EBIT (*)              | 381.8       | 413.8       | 8.4             |
| EBITDA (**)           | 525.3       | 559.3       | 6.5             |
| EBITDA margin (%)     | 48.3        | 48.3        | -               |
| Net income            | 115.5       | 151.4       | 31.1            |

(\*) Earnings before interest and taxes

(\*\*) Earnings before interest, taxes, depreciation and amortization

SABESP recorded net revenue of R\$1.2 billion and EBITDA of R\$559.3 million in 1Q05. The final result in the period, a R\$151.4 million net income, is mainly due to the 9.9% increase in gross operating revenue.

**2. Net operating revenue 6.6% growth**

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Net operating revenue recorded a R\$71.3 million or 6.6% increase. Such upside is a result of the 6.8% tariff readjustments as of August 29, 2004. However, this increase was minimized by changes occurred in the COFINS/PASEP legislation.

Volume of water and sewage billed to the retail market grew by 4.1%, which had also contributed to operating revenue increase, as the migration of customers for a higher tariff consumption level took place.

The following tables show the water and sewage billed to the retail and to the wholesale markets by customer category and region, in the first quarter of 2004 and 2005:

| <b>VOLUME OF WATER AND SEWAGE BILLED*** BY CUSTOMER CATEGORY - million m<sup>3</sup></b> |              |              |            |              |              |            |                |              |            |
|--|--------------|--------------|------------|--------------|--------------|------------|----------------|--------------|------------|
|  | Water        |              | Chg.       | Sewage       |              | Chg.       | Water + Sewage |              | Chg.       |
|  | 1Q04**       | 1Q05         | %          | 1Q04**       | 1Q05         | %          | 1Q04**         | 1Q05         | %          |
| Residential  | 305.8        | 318.1        | 4.0        | 234.4        | 247.2        | 5.5        | 540.2          | 565.3        | 4.6        |
| Commercial   | 35.4         | 35.5         | 0.3        | 31.1         | 32.0         | 2.9        | 66.5           | 67.5         | 1.5        |
| Industrial   | 7.5          | 8.0          | 6.7        | 7.6          | 7.7          | 1.3        | 15.1           | 15.7         | 4.0        |
| Public   | 10.8         | 10.6         | (1.9)      | 8.5          | 8.3          | (2.4)      | 19.3           | 18.9         | (2.1)      |
| <b>Total Retail</b>  | <b>359.5</b> | <b>372.2</b> | <b>3.5</b> | <b>281.6</b> | <b>295.2</b> | <b>4.8</b> | <b>641.1</b>   | <b>667.4</b> | <b>4.1</b> |
| Wholesale  | 63.1         | 63.6         | 0.8        |              |              |            | 63.1           | 63.6         | 0.8        |
| <b>Total</b>   | <b>422.6</b> | <b>435.8</b> | <b>3.1</b> | <b>281.6</b> | <b>295.2</b> | <b>4.8</b> | <b>704.2</b>   | <b>731.0</b> | <b>3.8</b> |

| <b>VOLUME OF WATER AND SEWAGE BILLED*** BY REGION million m3</b> |              |              |            |              |              |            |                |              |            |
|--|--------------|--------------|------------|--------------|--------------|------------|----------------|--------------|------------|
|  | Water        |              | Chg        | Sewage       |              | Chg        | Water + Sewage |              | Chg        |
|  | 1Q04**       | 1Q05         | %          | 1Q04**       | 1Q05         | %          | 1Q04**         | 1Q05         | %          |
| Metropolitan   | 235.6        | 243.6        | 3.4        | 188.4        | 197.2        | 4.7        | 424,0          | 440,8        | 4,0        |
| Regional Systems *   | 123.9        | 128.6        | 3.8        | 93.2         | 98.0         | 5.2        | 217,1          | 226,6        | 4,4        |
| <b>Total Retail</b>  | <b>359.5</b> | <b>372.2</b> | <b>3.5</b> | <b>281.6</b> | <b>295.2</b> | <b>4.8</b> | <b>641,1</b>   | <b>667,4</b> | <b>4,1</b> |
| Wholesale  | 63.1         | 63.6         | 0.8        |              |              |            | 63,1           | 63,6         | 0,8        |
| <b>Total</b>   | <b>422.6</b> | <b>435.8</b> | <b>3.1</b> | <b>281.6</b> | <b>295.2</b> | <b>4.8</b> | <b>704,2</b>   | <b>731,0</b> | <b>3,8</b> |

(\*) Composed of the Costal and Interior

(\*\*) 1Q04 amounts differ from those expressed in previous releases due to adjustments made by customer category

(\*\*\*) Non audited information

### 3. Costs, administrative and selling expenses

Costs, administrative and selling expenses went up by R\$39.3 million or 5.6% .

Bellow we present the main variations:

|  | <i>(R\$ million)</i> |       |           |        |
|--|----------------------|-------|-----------|--------|
|  | 1Q04                 | 1Q05  | Variation | Chg. % |
| Salaries and payroll                       | 253.3                | 254.1 | 0.8       | 0.3    |
| General supplies                           | 20.2                 | 24.2  | 4.0       | 19.8   |
| Treatment supplies                         | 27.4                 | 31.0  | 3.6       | 13.1   |
| Third party services                       | 88.9                 | 101.6 | 12.7      | 14.3   |
| Electric power                             | 96.8                 | 98.0  | 1.2       | 1.2    |
| General expenses                           | 29.2                 | 38.2  | 9.0       | 30.8   |
| Depreciation and amortization              | 143.5                | 145.5 | 2.0       | 1.4    |
| Credit write-offs                          | 39.5                 | 45.9  | 6.4       | 16.2   |
| Tax expenses                               | 6.8                  | 6.4   | (0.4)     | (5.9)  |
| Costs, administrative and selling expenses | 705.6                | 744.9 | 39.3      | 5.6    |

### 3.1. Salaries and payroll

Salaries and payroll presented a R\$0.8 million or 0.3% increase. Such increase was mainly due to the 4.2% increase in wages, benefits and charges from the labor agreement as from May 2004, partially offset by the Programa de Demissão Incentivada - PDI (Encouraged Dismissal Program).

### 3.2. General supplies

This line recorded a R\$4.0 million or 19.8% growth, mainly directed towards materials utilized in the maintenance of residential connections, which amounted to R\$1.2 million, system maintenance on the amount of R\$1.0 million and gas and lubricant for the company's vehicles on the amount of R\$0.5 million.

### 3.3. Treatment supplies

Recorded a R\$3.6 million or 13.1% increase, as a result of the following material's variation: active carbon in the amount of R\$1.0 million, chlorine in the amount of R\$0.9 million, cooper sulfate in the amount of R\$0.6 million and liquid aluminum sulfate in the amount of R\$1.3 million. Such increases are related to water quality worsening, and to price increases in chlorine's case.

### 3.4. Third party services

Went up by R\$12.7 million or 14.3%, mainly motivated by technical professional services in the amount of R\$10.1 million and hydrometer reading and bills delivering in the amount of R\$1.9 million. The maintenance program for the water distribution in the metropolitan region (Global Sourcing) had contributed with R\$8.0 million with paving, sidewalk replacement and residential connections maintenance.

Such increase was partially offset by the drop in advertising and media campaigns expenses in the amount of R\$8.2 million (R\$2.4 million in 2005 and R\$10.7 million in 2004), due to the change in the Company's communication strategy for media campaigns of the rational use of water.

### 3.5. Electric power

Electric power presented an increase of R\$1.2 million or 1.2%, resulting from the average increase of 17.5% in electric power tariffs. Regarding electric power consumption, there was a 0.6% drop in the first quarter of 2005 (510,615 MWh) in comparison to the same period of 2004 (513,970 MWh).

Some factors had influenced in the proportion of the financial percentage of 1.2% over the average increase of 17.5% in tariffs: (i) entrance of SABESP as a free electric power consumer, resulting on significant savings (30.0% in some installations), (ii) the result of the electric power saving due to the Programa de Eficiência Energética (electric efficiency program) and (iii) intensification of high voltage electric power

contracts management.

### 3.6. General expenses

Presented a R\$ 9.0 million or 30.8% raise, mainly due to provision for civil contingencies, in the amount of R\$6.7 million (increase in the number of lawsuits) and loss provision in the amount of R\$3.9 million.

### 3.7. Depreciation and amortization

Presented an R\$2.0 million or 1.4% increase, due to recognition of sites under construction as permanent assets, during the 2004 fiscal year, on the amount of R\$828.8 million.

### 3.8. Credit write-offs

An increase of R\$6.4 million, or 16.2%, relating to approximately R\$15.2 million in credit write-offs and R\$8.8 million in recoveries.

## 4. Financial expenses and passive monetary variations

### 4.1. Financial expenses

Financial expenses posted a R\$0.2 million increase, due to:

- Interest on domestic loans and financing, up by R\$4.8 million, due to higher Certificate of Interbank Deposits (CDI), as to the entrance of the 7<sup>th</sup> debenture issuance;
- Interest on external loans and financing, with a R\$8.2 million drop, explained by the outstanding balance due to the US dollar variation versus the real in the analyzed quarters;
- Other financing expenses, corresponding to a R\$1.7 million increase, due to expenses regarding the 5<sup>th</sup> debenture issuance repricing;
- Income tax over external remittance, a R\$3.2 million drop, due to the payment of Eurobonus interest during the first quarter of 2004;
- Provision for financial contingencies, with a R\$3.9 million increase, due to new lawsuits estimates, regarding interest and fine.

### 4.2. Passive monetary variation

Passive monetary variation presented a drop of R\$20.9 million, due to the following:

- Exchange rate variation over loans and financing, from an expense of R\$17.6 million in 2004, to a revenue of R\$11.3 million in 2005. Despite of the US dollar appreciation versus the real in 2004 was of 0.7% and in 2005 of 0.4%, IDB's currency basket recorded an exchange loss in 2004;
- Monetary variation over loans and financing, with a R\$8.9 million increase, due to Referential Rate - TR and General Market Price Index - IGP-M updates over domestic loans and financing, combined with the entrance of the 7<sup>th</sup> debentures issuance.

## 5. Operating indicators

The table below shows the continued improvement on the company's services.

| Operational Indicators                 | 1Q04  | 1Q05  | Chg. % |
|--|-------|-------|--------|
| Water connections (1)                  | 6,231 | 6,394 | 2.6    |
| Sewage connections (1)                 | 4,621 | 4,780 | 3.5    |
| Population directly served - water (2) | 22.0  | 22.4  | 1.8    |

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|  |        |        |       |
|--|--------|--------|-------|
| Population directly served sewage collection (2) | 17.9   | 18.2   | 1.7   |
| Bulk water sales billed (3)                      | 63.1   | 63.6   | 0.8   |
| Retail water sales billed (3)                    | 359.5  | 372.2  | 3.5   |
| Sewage services sales billed (3)                 | 281.6  | 295.2  | 4.8   |
| Number of employees                              | 18,091 | 17,669 | (2.3) |
| Operating productivity (4)                       | 600    | 632    | 5.3   |

Notes:

- (1) In 1,000 units at the end of the period  
(2) Million of inhabitants at the end of the period (does not include bulk services)  
(3) In million m<sup>3</sup>  
(4) Number of water and sewage connection per employee

## 6. Loan settlements and financing

From the total loan and financing amount maturing by the end of 2005, we highlight Eurobonus in the amount of R\$733.2 million due on July, R\$75.0 million from the 4<sup>th</sup> debenture issuance, to be paid in 3 installments of R\$25.0 million in the following quarters and the amortization of one third of the 5<sup>th</sup> debentures issuance par value in the amount of approximately R\$150.0 million on April 1<sup>st</sup>, 2005. Part of this resources were funded by the 7<sup>th</sup> debenture issuance, in the amount of R\$300.0 million, settled on March 14, 2005. On April 1, 2005 took place the repricing of two thirds of the 5<sup>th</sup> debenture issuance, in the amount of approximately R\$298.1 million.

(R\$ million)

| INSTITUTION                | Apr-Dec<br>2005 | 2006         | 2007         | 2008         | 2009         | 2010         | 2011 and<br>onwards | TOTAL          |
|----------------------------|-----------------|--------------|--------------|--------------|--------------|--------------|---------------------|----------------|
| <b>DOMESTIC</b>            |                 |              |              |              |              |              |                     |                |
| Banco do Brasil            | 132.2           | 189.8        | 206.6        | 224.8        | 244.7        | 266.4        | 1,039.5             | 2,304.0        |
| Caixa Econômica Federal    | 29.0            | 41.4         | 44.8         | 48.3         | 51.2         | 55.0         | 221.7               | 491.4          |
| Debentures                 | 224.0           | 249.0        | 380.9        | -            | 396.2        | 288.3        | -                   | 1,538.4        |
| BNDES                      | 5.4             | 24.0         | 25.7         | 25.7         | 25.7         | 25.7         | 47.2                | 179.4          |
| Other                      | 1.6             | 4.0          | 4.5          | 4.6          | 4.4          | 4.2          | 3.8                 | 27.1           |
| Interest and charges       | 86.4            | -            | -            | -            | -            | -            | -                   | 86.4           |
| <b>Domestic Total</b>      | <b>478.6</b>    | <b>508.2</b> | <b>662.5</b> | <b>303.4</b> | <b>722.2</b> | <b>639.6</b> | <b>1,312.2</b>      | <b>4,626.7</b> |
| <b>INTERNATIONAL</b>       |                 |              |              |              |              |              |                     |                |
| World Bank                 | 12.1            | 12.1         | 6.1          | -            | -            | -            | -                   | 30.3           |
| Société Générale           | 3.2             | 3.5          | -            | -            | -            | -            | -                   | 6.7            |
| IDB                        | 84.4            | 116.5        | 116.5        | 80.6         | 80.6         | 80.6         | 670.1               | 1,229.4        |
| Eurobonus                  | 733.2           | -            | -            | 599.9        | -            | -            | -                   | 1,333.1        |
| Deutsche Bank Luxembourg   | 53.3            | -            | -            | -            | -            | -            | -                   | 53.3           |
| Interest and charges       | 54.0            | -            | -            | -            | -            | -            | -                   | 54.0           |
| <b>International Total</b> | <b>940.2</b>    | <b>132.2</b> | <b>122.6</b> | <b>680.5</b> | <b>80.6</b>  | <b>80.6</b>  | <b>670.1</b>        | <b>2,706.8</b> |
| <b>Total</b>               | <b>1,418.8</b>  | <b>640.4</b> | <b>785.1</b> | <b>983.9</b> | <b>802.8</b> | <b>720.2</b> | <b>1,982.3</b>      | <b>7,333.5</b> |

## 7. Conference calls and webcast details

**Portuguese:** Tuesday, May 31, 2005  
10 am US EST  
Phone: (55 11) 2101-1490  
Conference ID code: SABESP

**English:** Tuesday, May 31, 2005  
12 pm US EST  
Phone: +1 (973) 935-2401  
Conference ID code: 6075364 or SABESP

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## Income Statement

Brazilian Corporate Law

R\$ thousand

|   | 1Q05              | 1Q04              | %           |
|---|-------------------|-------------------|-------------|
| <b>Sales/Services Gross Revenues</b>                  | <b>1,252,008</b>  | <b>1,138,816</b>  | <b>9.9</b>  |
| Water Supply - Retail                                 | 652,077           | 588,826           | 10.7        |
| Water Supply - Wholesale                              | 57,730            | 53,377            | 8.2         |
| Sewage Collection and Treatment                       | 521,632           | 475,138           | 9.8         |
| Other Services  | 20,569            | 21,475            | (4.2)       |
| Gross Revenue Deductions (Cofins/Pasep)               | (93,339)          | (51,425)          | 81.5        |
| <b>Net Sales/Services</b>                             | <b>1,158,669</b>  | <b>1,087,391</b>  | <b>6.6</b>  |
| Cost of Goods and/or Services Sold                    | (557,305)         | (536,408)         | 3.9         |
| <b>Gross Profit</b>                                   | <b>601,364</b>    | <b>550,983</b>    | <b>9.1</b>  |
| Selling Expenses                                      | (113,011)         | (99,006)          | 14.1        |
| General & Administrative Expenses                     | (74,564)          | (70,187)          | 6.2         |
| Net Interest Income (Expense)                         | (182,979)         | (202,816)         | (9.8)       |
| <b>Operating Result</b>                               | <b>230,810</b>    | <b>178,974</b>    | <b>29.0</b> |
| Non Operating Expenses (Income)                       | (518)             | (483)             | 7.2         |
| <b>Income Before Taxes</b>                            | <b>230,292</b>    | <b>178,491</b>    | <b>29.0</b> |
| Provision for Income Tax/Social Contribution          | (78,589)          | (55,953)          | 40.5        |
| Provision for Deferred Income Tax/Social Contribution | 8,447             | 1,729             | 388.5       |
| Extraordinary Item Net of IT and SC                   | (8,780)           | (8,781) -         |             |
| <b>Net Income</b>                                     | <b>151,370</b>    | <b>115,486</b>    | <b>31.1</b> |
| Shares Outstanding (1000 shares)                      | <b>28,479,577</b> | <b>28,479,577</b> |             |
| <b>EPS (R\$/1000 shares)</b>                          | <b>5.32</b>       | <b>4.06</b>       |             |
| <b>Depreciation and Amortization</b>                  | <b>145,460</b>    | <b>143,503</b>    |             |
| <b>EBITDA</b>   | <b>559,249</b>    | <b>525,293</b>    |             |
| % of net sales  | 48.3%             | 48.3%             |             |

## Balance Sheet

| <b>Brazilian Corporate Law</b>        | <b>R\$thousand</b> |                   |
|---------------------------------------|--------------------|-------------------|
| <b>ASSETS</b>                         | <b>03/31/05</b>    | <b>03/31/04</b>   |
| Cash and Cash Equivalents             | 452,222            | 231,507           |
| Accounts Receivable, net              | 1,041,174          | 874,393           |
| Accounts Receivable from Shareholders | 115,722            | 42,074            |
| Inventory                             | 24,540             | 21,152            |
| Taxes and contributions               | 30,321             | 29,714            |
| Other Receivables                     | 47,163             | 29,452            |
| <b>Total Current Assets</b>           | <b>1,711,142</b>   | <b>1,228,292</b>  |
| Accounts Receivable, net              | 287,717            | 195,796           |
| Accounts Receivable from Shareholders | 754,403            | 683,485           |
| Indemnities Receivable                | 148,794            | 148,794           |
| Judicial Deposits                     | 16,168             | 17,501            |
| Taxes and contributions               | 267,512            | 231,282           |
| Other Receivables                     | 28,870             | 31,384            |
| <b>Total Long-Term Assets</b>         | <b>1,503,464</b>   | <b>1,308,242</b>  |
| Investments                           | 5,100              | 740               |
| Permanent Assets                      | 14,008,471         | 14,049,832        |
| Deferred Assets                       | 37,164             | 46,837            |
| <b>Total Permanent Assets</b>         | <b>14,050,735</b>  | <b>14,097,409</b> |
| <b>Total Assets</b>                   | <b>17,265,341</b>  | <b>16,633,943</b> |
| <b>LIABILITIES</b>                    | <b>03/31/05</b>    | <b>03/31/04</b>   |
| Suppliers and Constructors            | 35,899             | 26,436            |
| Loans and Financing                   | 1,532,353          | 973,931           |
| Salaries and Payroll Charges          | 132,158            | 141,384           |
| Provision for Judicial Pendencies     | 30,684             | 19,353            |
| Interest on Own Capital Payable       | 179,751            | 262,274           |
| Taxes and contributions payable       | 111,961            | 64,140            |
| Taxes and contributions               | 70,745             | 58,622            |
| Other Payables                        | 82,948             | 122,161           |
| <b>Total Current Liabilities</b>      | <b>2,176,499</b>   | <b>1,668,301</b>  |
| Loans and Financing                   | 5,801,212          | 6,254,980         |
| Taxes and contributions payable       | 268,861            | 117,099           |

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|   |                   |                   |
|---|-------------------|-------------------|
| Taxes and Contributions                           | 130,971           | 280,450           |
| Provision for Contingencies                       | 491,256           | 409,850           |
| Pension Fund Obligations                          | 235,963           | 164,649           |
| Other Payables                                    | 93,815            | 85,171            |
|   | <hr/>             | <hr/>             |
| <b>Total Long-Term Liabilities</b>                | <b>7,022,078</b>  | <b>7,312,199</b>  |
| Capital Stock                                     | 3,403,688         | 3,403,688         |
| Capital Reserves                                  | 67,297            | 51,055            |
| Revaluation Reserves                              | 2,596,914         | 2,700,714         |
| Profit Reserves                                   | 1,863,389         | 1,398,796         |
| Retained Earnings                                 | 135,476           | 99,190            |
|   | <hr/>             | <hr/>             |
| <b>Shareholder's Equity</b>                       | <b>8,066,764</b>  | <b>7,653,443</b>  |
|   | <hr/>             | <hr/>             |
| <b>Total Liabilities and Shareholder's Equity</b> | <b>17,265,341</b> | <b>16,633,943</b> |
|   | <hr/>             | <hr/>             |

## Statements of Cash Flow

Brazilian Corporate Law

R\$ thousand

| Description  | Jan-Mar/05       | Jan-Mar/04       |
|--|------------------|------------------|
| <b>Cash flow from operating activities</b>                           |                  |                  |
| Net income for the period  | 151,370          | 115,486          |
| <b>Adjustments for reconciliation of net income:</b>                 |                  |                  |
| Deferred income tax and social contribution                          | (10,588)         | 594              |
| Provisions for contingencies   | 31,336           | 25,366           |
| Liabilities related to pension plans                                 | 17,125           | 22,400           |
| Property, plant and equipment received as donations (Private Sector) | -                | (301)            |
| Loss in the write-off of property, plant and equipment               | 884              | 2,966            |
| Depreciation   | 138,614          | 135,202          |
| Amortization   | 6,846            | 8,301            |
| Interest calculated on loans and financing payable                   | 167,152          | 173,955          |
| Foreign exchange loss on loans and financing                         | 11,100           | 31,100           |
| Monetary exchange loss on interest on own capital                    | 715              | 1,104            |
| Passive monetary exchange variation and interest                     | 6,503            | 7,460            |
| Active monetary exchange variation and interest                      | (6,397)          | -                |
| Provisions for bad debt  | 45,862           | 39,530           |
|  | <b>560,522</b>   | <b>563,163</b>   |
| <b>(Increase) decrease in assets:</b>                                |                  |                  |
| Clients  | (113,041)        | (46,396)         |
| Accounts receivable from shareholders                                | 12,813           | (61,342)         |
| Inventories  | 5,064            | 1,156            |
| Other accounts receivable  | (13,874)         | (16,436)         |
| Clients - long term  | (33,857)         | (10,706)         |
| Accounts receivable - State of São Paulo Government                  | (55,314)         | (28,322)         |
| Judicial deposits  | 21               | 75               |
| Other long term receivables  | (895)            | (801)            |
|  | <b>(199,083)</b> | <b>(162,772)</b> |
| <b>Increase (decrease) in liabilities:</b>                           |                  |                  |
| Accounts payable to suppliers  | (15,679)         | (25,498)         |
| Salaries and payroll charges   | 24,930           | 6,090            |
| Taxes and contributions  | (13,138)         | (29,573)         |
| Other accounts payable   | (852)            | 14,929           |
| Pension plan   | (3,338)          | (3,291)          |
| Other accounts payable - long term                                   | 1,127            | 4,708            |
|  | <b>(6,950)</b>   | <b>(32,635)</b>  |
| <b>Net cash from operating activities</b>                            | <b>354,489</b>   | <b>367,756</b>   |
| <b>Cash flow from investing activities:</b>                          |                  |                  |

|  |                  |                  |
|--|------------------|------------------|
| Acquisition of property, plant and equipment                           | (101,131)        | (169,386)        |
| Sale of property, plant and equipment                                  | -                | 176              |
| Increase in Deferred Assets  | (25)             | (68)             |
|  | <hr/>            |                  |
| <b>Net cash used in investing activities</b>                           | <b>(101,156)</b> | <b>(169,278)</b> |
|  | <hr/>            |                  |
| <b>Cash flow from financing activities:</b>                            |                  |                  |
| <b>Loans and Financing - long term:</b>                                |                  |                  |
| Funding  | 347,571          | 51,893           |
| Payments   | (251,712)        | (298,488)        |
| <b>Interest on own Capital:</b>  |                  |                  |
| Interest on own capital payment  | (2,527)          | (1,389)          |
| <b>Net cash used in financing activities</b>                           | <b>93,332</b>    | <b>(247,984)</b> |
|  | <hr/>            |                  |
| <b>Net increase (decrease) in cash equivalents</b>                     | <b>346,665</b>   | <b>(49,506)</b>  |
|  | <hr/>            |                  |
| Cash and cash equivalents at the beginning of the period               | 105,557          | 281,013          |
| Cash and cash equivalents at the end of the period                     | 452,222          | 231,507          |
| <b>Additional information on cash flow:</b>                            |                  |                  |
| Interest and payable taxes for loans and financing                     | 157,047          | 165,853          |
| Capitalization of interest and financial charges                       | 8,799            | 6,188            |
| Payable income tax and social contribution                             | 52,631           | 67,710           |
| Property, plant and equip. received as donations and/or paid in stocks | 2,006            | 316              |
| COFINS and PASEP taxes payable   | 83,901           | 52,744           |
| Balancing accounts   | (715)            | -                |
|  | <hr/>            |                  |

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the city São Paulo, Brazil.

Date: May 18, 2005

**Companhia de Saneamento Básico do Estado de São Paulo - SABESP**

By:           /s/ Rui de Britto Álvares Affonso

Name: Rui de Britto Álvares  
Affonso  
Title: Economic-Financial Officer  
and Investor Relations Officer

**FORWARD-LOOKING STATEMENTS**

This press release may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.

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