

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

June 09, 2011

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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 March 30, 2011**  
**(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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**CIA. DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO - SABESP**

Rui de Britto Álvares Affonso

Chief Financial Officer and Investor Relations Officer

Mario Azevedo de Arruda Sampaio

Head of Capital Markets and Investor Relations

**SABESP announces 4Q10 and 2010 results**

São Paulo, March 29, 2011 - **Companhia de Saneamento Básico do Estado de São Paulo - SABESP** (BM&FBovespa: SBSP3; NYSE: SBS), one of the largest water and sewage services providers in the world based in the number of customers, announces today its **results for the fourth quarter 2010 (4Q10) and full year 2010**. The Company's operating and financial information, except when indicated otherwise is presented in Brazilian Reals, in accordance with the Brazilian Corporate Law. All comparisons in this release, unless otherwise stated, refer to the year 2009.

SBSP3: R\$ 45.40/ share  
SBS: US\$ 55.70 (ADR=2  
shares)  
Total shares: 227,836,623  
Market Value: R\$ 10.3  
billion  
Closing price: 03/29/2011

## 1. Financial Highlights

|  | <i>R\$ million</i> |         |               |        |         |         |               |       |
|--|--------------------|---------|---------------|--------|---------|---------|---------------|-------|
|  | 4Q09               | 4Q10    | Chg.<br>(R\$) | %      | 2009    | 2010    | Chg.<br>(R\$) | %     |
| (+) Gross operating revenue                    | 1,914.3            | 2,016.8 | 102.5         | 5.4    | 7,045.4 | 7,655.2 | 609.8         | 8.7   |
| (+) Construction revenue                       | 667.1              | 571.0   | (96.1)        | (14.4) | 2,039.8 | 2,130.7 | 90.9          | 4.5   |
| (-) COFINS and PASEP taxes                     | 139.6              | 146.3   | 6.7           | 4.8    | 505.7   | 555.5   | 49.8          | 9.8   |
| (=) Net operating revenue                      | 2,441.8            | 2,441.5 | (0.3)         | (0.0)  | 8,579.5 | 9,230.4 | 650.9         | 7.6   |
| (-) Costs and expenses                         | 996.6              | 1,146.7 | 150.1         | 15.1   | 4,404.6 | 4,477.3 | 72.7          | 1.7   |
| (-) Construction costs                         | 657.2              | 557.2   | (100.0)       | (15.2) | 2,009.7 | 2,081.1 | 71.4          | 3.6   |
| (+) Equity Results                             | -                  | (1.4)   | (1.4)         | -      | (0.1)   | (1.7)   | (1.6)         | -     |
| (=) Earnings before financial expenses (EBIT*) | 788.0              | 736.2   | (51.8)        | (6.6)  | 2,165.1 | 2,670.3 | 505.2         | 23.3  |
| (+) Depreciation and amortization              | 77.3               | 119.3   | 42.0          | 54.3   | 562.2   | 552.2   | (10.0)        | (1.8) |
| (=) EBITDA**                                   | 865.3              | 855.5   | (9.8)         | (1.1)  | 2,727.3 | 3,222.5 | 495.2         | 18.2  |
| (%) EBITDA margin                              | 35.4               | 35.0    | -             | -      | 31.8    | 34.9    | -             | -     |
| Net income                                     | 510.3              | 574.9   | 64.6          | 12.7   | 1,507.7 | 1,630.4 | 122.7         | 8.1   |
| Earnings per share (R\$)                       | 2.24               | 2.52    | -             | -      | 6.62    | 7.16    | -             | -     |

(\* Earnings before interest and taxes)

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

The Company has prepared the Financial Statements according to the new accounting practices adopted in Brazil in compliance with the pronouncements, interpretations and guidelines of the Accounting Pronouncements Committee (GPC), effective from January 1, 2010, with retrospective effect from 2009, for comparison purposes. These Statements are also in accordance with the international financial reporting standards (IFRS), which are in consonance with the accounting practices adopted in Brazil.

In 2010, net operating revenue reached R\$ 9.2 billion, a 7.6% growth compared to 2009. Costs and expenses in the amount of R\$ 6.6 billion grew 2.2% versus 2009. EBITDA was R\$ 2.7 billion in 2009 and R\$ 3.2 billion in 2010, an increase of 18.2%. EBITDA margin in 2010 was 34.9% and 31.8% in 2009.

EBIT grew 23.3%, from R\$ 2.2 billion in 2009 to R\$ 2.7 billion in 2010.

Disconsidering the application of the new CPCs and IFRS and in accordance with the accounting practices in effect in 2009, net income in 2010 would have been R\$ 1,468.6 million, 6.9% up on 2009, which would have totaled R\$ 1,373.9 million. EBITDA would have come to R\$ 3,115.2 million R\$2,741.7 million in 2010 and 2009, respectively. The EBITDA margin would have stood at 42.9% in 2010 and 40.7% in 2009.

## 2. Reconciliation of net income

|  | <i>R\$ million</i> |            |
|--|--------------------|------------|
|  | Jan-Dec/09         | Jan-Dec/10 |
| Net income according to the accounting practices adopted in Brazil until December 31, 2009 | 1,373.9            | 1,468.6    |
| EBITDA   | 2,741.7            | 3,115.2    |
| (%) EBITDA Margin  | 40.7               | 42.9       |
| Revenue recognition - margin according to ICPC01*  | 28.8               | 33.4       |
| Post-employment benefits - Law 4,819/58  | (44.6)             | (19.7)     |
| Pension plan liabilities - G1 Plan   | -                  | 77.4       |
| Donations  | (5.9)              | (5.4)      |

|   |         |         |
|---|---------|---------|
| Borrowing costs capitalization                        | 195.6   | 105.4   |
| Other GAAP differences                                | (1.5)   | 29.2    |
| Deferred tax effects over differences mentioned above | (38.6)  | (58.5)  |
| Net income for the year according to CPC/IFRS         | 1,507.7 | 1,630.4 |
| EBITDA  | 2,727.3 | 3,222.5 |
| (%) EBITDA Margin                                     | 31.8    | 34.9    |

\*ICPC Interpretation of the Brazilian Accounting Pronouncements Committee

### 3. Gross operating revenue

Gross operating revenue, including construction revenue, reached R\$ 9.8 billion, a 7.7% increase in comparison to 2009.

Gross operating revenue from water and sewage grew from R\$ 7.0 billion in 2009 to R\$ 7.7 billion in 2010, an increase of R\$ 609.8 million or 8.7%. The main factors that led to this variation were the tariff adjustments as of September 2009 (4.43%) and as of September 2010 (4.05%), and the increase of 3.8% in water billed volume and of 4.5% in sewage billed volume. Considering the 5.04% inflation, measured by the average IPCA of 2010 in comparison to the average IPCA of 2009, operating revenue actually grew 3.5%.

#### 4. Construction revenue

Construction revenue grew R\$ 90.9 million, or 4.5% when comparing to the previous year, moving from R\$ 2,039.8 million to R\$ 2,130.7 million, mostly due to the adoption of a new index for the calculation of construction margin. In 2009, 1.5% was used, and in 2010 the ratio was 2.6%.

#### 5. Billed volume

The following tables show the billed water and sewage volume per customer category and region in 4Q09, 4Q10, 2009 and 2010.

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

| Category            | Water          |                |            | Sewage         |                |            | Water + Sewage |                |            |
|---------------------|----------------|----------------|------------|----------------|----------------|------------|----------------|----------------|------------|
|                     | 4Q09           | 4Q10           | %          | 4Q09           | 4Q10           | %          | 4Q09           | 4Q10           | %          |
| Residential         | 358.0          | 370.0          | 3.4        | 289.7          | 301.2          | 4.0        | 647.7          | 671.2          | 3.6        |
| Commercial          | 40.2           | 41.4           | 3.0        | 37.1           | 38.5           | 3.8        | 77.3           | 79.9           | 3.4        |
| Industrial          | 9.1            | 9.5            | 4.4        | 9.3            | 9.9            | 6.5        | 18.4           | 19.4           | 5.4        |
| Public              | 12.4           | 13.0           | 4.8        | 10.3           | 10.2           | (1.0)      | 22.7           | 23.2           | 2.2        |
| <b>Total retail</b> | <b>419.7</b>   | <b>433.9</b>   | <b>3.4</b> | <b>346.4</b>   | <b>359.8</b>   | <b>3.9</b> | <b>766.1</b>   | <b>793.7</b>   | <b>3.6</b> |
| Wholesale           | 72.9           | 74.0           | 1.5        | 8.7            | 6.5            | (25.3)     | 81.6           | 80.5           | (1.3)      |
| Reused water        | 0.2            | 0.1            | -          | -              | -              | -          | 0.2            | 0.1            | -          |
| <b>Total</b>        | <b>492.8</b>   | <b>508.0</b>   | <b>3.1</b> | <b>355.1</b>   | <b>366.3</b>   | <b>3.2</b> | <b>847.9</b>   | <b>874.3</b>   | <b>3.1</b> |
|                     | 2009           | 2010           | %          | 2009           | 2010           | %          | 2009           | 2010           | %          |
| Residential         | 1,393.1        | 1,449.0        | 4.0        | 1,124.3        | 1,177.2        | 4.7        | 2,517.4        | 2,626.2        | 4.3        |
| Commercial          | 155.5          | 162.3          | 4.4        | 143.8          | 150.8          | 4.9        | 299.3          | 313.1          | 4.6        |
| Industrial          | 34.4           | 37.2           | 8.1        | 34.8           | 37.8           | 8.6        | 69.2           | 75.0           | 8.4        |
| Public              | 47.0           | 50.2           | 6.8        | 38.6           | 40.1           | 3.9        | 85.6           | 90.3           | 5.5        |
| <b>Total retail</b> | <b>1,630.0</b> | <b>1,698.7</b> | <b>4.2</b> | <b>1,341.5</b> | <b>1,405.9</b> | <b>4.8</b> | <b>2,971.5</b> | <b>3,104.6</b> | <b>4.5</b> |
| Wholesale           | 288.0          | 293.3          | 1.8        | 31.1           | 28.4           | (8.7)      | 319.1          | 321.7          | 0.8        |
| Reused water        | 0.8            | 0.3            | -          | -              | -              | -          | 0.8            | 0.3            | -          |
| <b>Total</b>        | <b>1,918.8</b> | <b>1,992.3</b> | <b>3.8</b> | <b>1,372.6</b> | <b>1,434.3</b> | <b>4.5</b> | <b>3,291.4</b> | <b>3,426.6</b> | <b>4.1</b> |

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

|                     | Water        |              |            | Sewage       |              |            | Water + Sewage |              |            |
|---------------------|--------------|--------------|------------|--------------|--------------|------------|----------------|--------------|------------|
|                     | 4Q09         | 4Q10         | %          | 4Q09         | 4Q10         | %          | 4Q09           | 4Q10         | %          |
| Metropolitan        | 278.7        | 284.5        | 2.1        | 234.9        | 241.2        | 2.7        | 513.6          | 525.7        | 2.4        |
| Regional (2)        | 141.0        | 149.4        | 6.0        | 111.5        | 118.6        | 6.4        | 252.5          | 268.0        | 6.1        |
| <b>Total retail</b> | <b>419.7</b> | <b>433.9</b> | <b>3.4</b> | <b>346.4</b> | <b>359.8</b> | <b>3.9</b> | <b>766.1</b>   | <b>793.7</b> | <b>3.6</b> |
| Wholesale           | 72.9         | 74.0         | 1.5        | 8.7          | 6.5          | (25.3)     | 81.6           | 80.5         | (1.3)      |
| Reused water        | 0.2          | 0.1          | -          | -            | -            | -          | 0.2            | 0.1          | -          |

| <b>Total</b>        | <b>492.8</b>   | <b>508.0</b>   | <b>3.1</b> | <b>355.1</b>   | <b>366.3</b>   | <b>3.2</b> | <b>847.9</b>   | <b>874.3</b>   | <b>3.1</b> |
|---------------------|----------------|----------------|------------|----------------|----------------|------------|----------------|----------------|------------|
|                     | <b>2009</b>    | <b>2010</b>    | <b>%</b>   | <b>2009</b>    | <b>2010</b>    | <b>%</b>   | <b>2009</b>    | <b>2010</b>    | <b>%</b>   |
| Metropolitan        | 1,083.9        | 1,119.2        | 3.3        | 911.1          | 947.2          | 4.0        | 1,995.0        | 2,066.4        | 3.6        |
| Regional (2)        | 546.1          | 579.5          | 6.1        | 430.4          | 458.7          | 6.6        | 976.5          | 1,038.2        | 6.3        |
| <b>Total retail</b> | <b>1,630.0</b> | <b>1,698.7</b> | <b>4.2</b> | <b>1,341.5</b> | <b>1,405.9</b> | <b>4.8</b> | <b>2,971.5</b> | <b>3,104.6</b> | <b>4.5</b> |
| Wholesale           | 288.0          | 293.3          | 1.8        | 31.1           | 28.4           | (8.7)      | 319.1          | 321.7          | 0.8        |
| Reused water        | 0.8            | 0.3            | -          | -              | -              | -          | 0.8            | 0.3            | -          |
| <b>Total</b>        | <b>1,918.8</b> | <b>1,992.3</b> | <b>3.8</b> | <b>1,372.6</b> | <b>1,434.3</b> | <b>4.5</b> | <b>3,291.4</b> | <b>3,426.6</b> | <b>4.1</b> |

(1) Unaudited

(2) Including coastal and countryside

## 6. Costs, administrative and selling expenses

In 2010, costs of products and services, administrative and selling expenses grew 2.2% (R\$ 144.1 million). As a percentage of net revenue, costs and expenses declined from 74.8% in 2009 to 71.1% in 2010. Considering the inflation of 5.04% in the period, there was an actual decline of 2.8% in costs and selling and administrative expenses.

|   | <i>R\$ million</i> |                |              |             |                |                |               |              |
|---|--------------------|----------------|--------------|-------------|----------------|----------------|---------------|--------------|
|   | 4Q09               | 4Q10           | Chg.         | %           | 2009           | 2010           | Chg.          | %            |
| Payroll and benefits                              | 334.1              | 263.6          | (70.5)       | (21.1)      | 1,603.2        | 1,401.0        | (202.2)       | (12.6)       |
| Supplies  | 44.8               | 43.7           | (1.1)        | (2.5)       | 156.0          | 146.7          | (9.3)         | (6.0)        |
| Treatment supplies                                | 31.5               | 37.8           | 6.3          | 20.0        | 136.7          | 136.5          | (0.2)         | (0.1)        |
| Services  | 216.9              | 258.3          | 41.4         | 19.1        | 911.1          | 969.5          | 58.4          | 6.4          |
| Electric power                                    | 125.3              | 139.1          | 13.8         | 11.0        | 485.5          | 531.3          | 45.8          | 9.4          |
| General expenses                                  | 131.4              | 169.3          | 37.9         | 28.8        | 377.5          | 444.2          | 66.7          | 17.7         |
| Tax expenses                                      | 11.6               | 12.8           | 1.2          | 10.3        | 55.0           | 63.4           | 8.4           | 15.3         |
| <b>Sub-total</b>                                  | <b>895.6</b>       | <b>924.6</b>   | <b>29.0</b>  | <b>3.2</b>  | <b>3,725.0</b> | <b>3,692.6</b> | <b>(32.4)</b> | <b>(0.9)</b> |
| Depreciation and amortization                     | 77.3               | 119.3          | 42.0         | 54.3        | 562.2          | 552.2          | (10.0)        | (1.8)        |
| Credit write-offs                                 | 23.7               | 102.8          | 79.1         | 333.8       | 117.4          | 232.5          | 115.1         | 98.0         |
| <b>Sub-total</b>                                  | <b>996.6</b>       | <b>1,146.7</b> | <b>150.1</b> | <b>15.1</b> | <b>4,404.6</b> | <b>4,477.3</b> | <b>72.7</b>   | <b>1.7</b>   |
| Construction costs                                | 657.2              | 557.2          | (100.0)      | (15.2)      | 2,009.7        | 2,081.1        | 71.4          | 3.6          |
| <b>Costs, administrative and selling expenses</b> | <b>1,653.8</b>     | <b>1,703.9</b> | <b>50.1</b>  | <b>3.0</b>  | <b>6,414.3</b> | <b>6,558.4</b> | <b>144.1</b>  | <b>2.2</b>   |
| % over net revenue                                | 67.7               | 69.8           | -            | -           | 74.8           | 71.1           | -             | -            |

### 6.1. Payroll and benefits

In 2010 payroll and benefits decreased by R\$ 202.2 million or 12.6%, from R\$ 1,603.2 million to R\$ 1,401.0 million, due to the following:

- Decline of R\$140.4 million resulting from the 2009 provision for the payment of severance to employees who requested retirement in order to comply with the Term of Adjustment of Conduct - TAC;
- Adjustment of actuarial calculation relating to the migration of approximately four thousand employees from the Defined Benefits Plan to Sabesprev Mais in December 2010, amounting to R\$ 104.9 million;
- Adjustment in the provision for Profit Sharing in the amount of R\$ 18.3 million due to the reversal of the amounts provisioned in 2009; and
- Reduction of R\$ 13.9 million in payroll and benefits as a result of the layoffs under the TAC + 2% of the staff, despite the 5.05% salary raise in May 2010.

This decrease was partly offset by the following factors:

- Complementary contribution of R\$ 31.7 million to the actuarial liability relating to the complementary pension (G0 Plan) due to the change in the parameter with the reduction in the discount rate from 6.6% to 6.0%; and
- Company's contribution of R\$ 33.0 million relating to the deficit caused by employees that migrated to Sabesprev-Mais.

In 4Q10 payroll and benefits decreased by R\$ 70.5 million or 21.1%

### 6.2. Supplies

In 2010, expenses with Supplies decreased by R\$ 9.3 million or 6.0%, when compared to 2009, from R\$ 156.0 million to R\$ 146.7 million. The main factors for this variation were lower expenses with materials for the maintenance of the equipment, maintenance

in the production and of the aqueduct systems, water and sewage treatment station, and the pumping stations in the São Paulo Metropolitan Region (SPMR) in the amount of R\$ 10.0 million.

In 4Q10 expenses with supplies decreased by R\$ 1.1 million or 2.5%



### 6.3. Treatment supplies

In 2010 this item did not change significantly when comparing to 2009. However, between 4Q09 and 4Q10, these expenses increased by R\$ 6.3 million or 20.0%, from R\$ 31.5 million to R\$ 37.8 million, due to the following:

- Increase of R\$ 3.8 million, due to the higher consumption of activated carbon, which is extremely seasonal varying in accordance with climatic conditions, caused by the proliferation of algae in dams that serve the Alto Tieté production system; and
- Increase of R\$ 2.2 million in the consumption of a few products, such as: i) aluminum sulphate due to the price adjustment; and ii) hydrogen peroxide, due to a new contract specifically to serve the sewage system in São Vicente and Praia Grande.

### 6.4. Services

In 2010 this item increased R\$ 58.4 million or 6.4%, from R\$ 911.1 million to R\$ 969.5 million. The main factors were:

- Residential connection and sewage network maintenance in the amount of R\$ 18.4 million, due to the:
  - ü Increase in demand and the contractual amounts based on Global Sourcing in the municipalities of the Regional Systems, actions to optimize the sewage systems and the increase in maintenance works in the Baixada Santista region; and
  - ü Intensification of actions to meet the demands of the Córrego Limpo Program with the increase in sewage connections, cleaning and maintenance of stretches of the stream with the Municipal Government of São Paulo and increase in the execution of the maintenance services in the SPMR.
- Paving services and replacement of sidewalks in the amount of R\$ 14.2 million, on account of the offsetting of accounts with the Municipal Government of Santana do Parnaíba, in the Metropolitan Region of São Paulo (SPMR), and with the municipal governments of the cities served by the Regional Systems;
- Hiring of consultancy, advisory and specialized services for diverse purposes in the amount of R\$ 10.4 million including: organizational restructuring, implementation of value added management, hiring of auditing services, real time forecast information, study of flora and fauna to obtain the environmental license for the Rio Taiaçupeba basin, Contact Center R - teleservice in the municipalities belonging to the Regional Systems, among others;
- Hydrometer reading and bill delivery expenses in the amount of R\$ 9.4 million as a result of the usage of new technologies that allow greater security and agility in the bill issue and reading system at the SPMR and several municipalities belonging to the Regional Systems, in addition to the higher number of connections and the intensification of loss control actions;
- Provision of services by the Companhia de Engenharia de Transito (CET) relating to works on public roads and agreement with Municipal Government of São Paulo for the storm drain cleanup operation, amounting to R\$ 6.0 million;
- Postage and telegraphs in the amount of R\$ 4.6 million related to the delivery of water bills at a few Business Units by post;
- Combat frauds of R\$ 4.5 million on account of intensified loss control actions through inclusion of the activity in the Global Sourcing; and
- Expenses with risk contracts for the recovery of credits, in the amount of R\$ 4.1 million, due to the intensification of collection operations, which led to a R\$ 311.6 million increase in revenues in 2010.

There was a decrease in the following services:

- Agreement with the municipality of São Paulo:
  - ü Decrease of R\$ 13.8 million due to a non-recurring decrease in the implementation of the Program for the Rational Use of Water (PURA) in municipal schools; and
  - ü Increase of R\$ 4.9 million in the provision made in 2010 relating to the actions established in the agreement.

- Decrease of R\$ 7.9 million in the purchase of treated water due to the termination of the contract with Águas de Cajamar S/A in March 2010, and remuneration paid for the water supplied by Geoplan S/A to São Bernardo do Campo, appropriated in 2009; and
- Decrease of R\$ 5.0 million in the expense in 2010, as expected for the second year of the Public Private Partnership Alto Tietê.

In 4Q10 services increased R\$ 41.4 million, or 19.1%, mainly due to revision of provisions related to the agreement between Sabesp and the São Paulo Municipal Government in 4Q09.

#### **6.5. Electric power**

In 2010 this item increased R\$ 45.8 million or 9.4%, from R\$ 485.5 million to R\$ 531.3 million.

This result is associated with the tariff increase in the free and captive markets and the modest 1.9% increase in consumption, below average growth in the country and consumption class (utilities), especially considering the startup of new production units.

#### **6.6. General expenses**

In 2010 general expenses increased R\$ 66.7 million or 17.7%, from R\$ 377.5 million to R\$ 444.2 million, mainly due to the R\$ 161.1 million provision envisaged in the agreement with the Municipal Government of São Paulo, which is equivalent to 7.5% of the municipality's gross revenue after deducting the Cofins and Pasesp, calculated from the date of signing of the agreement, that is June 23, 2010.

This increase was partially offset by the lower need for provision for legal contingencies in relation to 2009, amounting to R\$ 102.5 million.

In 4Q10 general expenses increased R\$ 37.9 million, mainly due to the factors described above with the São Paulo Municipal Government in the amount of R\$ 80.6 million, partially offset by the decrease in provision for legal contingencies in comparison to the 4Q09, in the amount of R\$ 49.6 million.

#### **6.7. Depreciation and amortization**

This item decreased R\$ 10.0 million or 1.8%, from R\$ 562.2 million to R\$ 552.2 million.

#### **6.8. Credit write-offs**

Credit write-offs increased by R\$ 115.1 million, from R\$ 117.4 million to R\$ 232.5 million, mainly due to the need for complementing the provision on the billing of private clients and municipal public entities.

#### **6.9. Tax expenses**

In 2010 this expense grew R\$ 8.4 million or 15.3%, due to the payment of the Municipal Real Estate Tax IPTU, especially in the municipality of São Paulo in the amount of R\$ 9.4 million.

### **7. Other operating revenues and expenses**

Other operating expenses (net of revenues) decreased by R\$ 44.7 million or 100.2%, mainly due to the following factors: (i) the adjustment of provision related to the actuarial commitment with the beneficiaries according to the Law nº 4819/58 in the amount of R\$ 30.9 million in 2009, whereas in 2010, this amount was reclassified to the payroll and related taxes account; and (ii) decline of R\$ 4.1 million arising from the write-off of works in progress in 2009.



## 8. Financial expenses and revenues

|   | <i>R\$ million</i> |              |                |               |
|---|--------------------|--------------|----------------|---------------|
|   | 2009               | 2010         | Var.           | %             |
| Financial expenses  |                    |              |                |               |
| Interest and charges on domestic loans and financing      | 390.8              | 481.8        | 91.0           | 23.3          |
| Interest and charges on international loans and financing | 61.8               | 50.8         | (11.0)         | (17.8)        |
| Interest rate over lawsuit                                | 314.5              | 155.8        | (158.7)        | (50.5)        |
| Other financial expenses                                  | (25.8)             | (34.0)       | (8.2)          | 31.8          |
| <b>Total financial expenses</b>                           | <b>741.3</b>       | <b>654.4</b> | <b>(86.9)</b>  | <b>(11.7)</b> |
| Financial revenues  | 163.5              | 223.0        | 59.5           | 36.4          |
| <b>Financial expenses net of revenues</b>                 | <b>577.8</b>       | <b>431.4</b> | <b>(146.4)</b> | <b>(25.3)</b> |

### 8.1. Financial expenses

In 2010 financial expenses dropped R\$ 86.9 million, or 11.7%. The main factors that influenced this result were:

- Decrease in the interest over lawsuit in the amount of R\$ 158.7 million, due to the lower interest variation of 6.1% according to the judicial debt update table; and
- Increase in interest by R\$ 91.0 million, on domestic loans and financing due to some new funding in the period, such as: (i) the 10<sup>th</sup> issue of debentures in November 2009, (ii) the 11<sup>th</sup> issue of debentures in March 2010, (iii) the 12<sup>th</sup> issue of debentures in June 2010, (iv) the 5<sup>th</sup> issue of promissory notes in August 2010, and (v) the payments for financing agreements already signed.

### 8.2. Financial revenues

Financial revenues increased by R\$ 59.5 million, mainly due to the higher volume of financial investment.

## 9. Monetary variation on assets and liabilities

|  | <i>R\$ million</i> |               |              |                |
|--|--------------------|---------------|--------------|----------------|
|  | 4Q09               | 4Q10          | Var.         | %              |
| Monetary variation on loans and financing            | 1.4                | 87.3          | 85.9         | 6,135.7        |
| Currency exchange variation over loans and financing | (536.8)            | (66.2)        | 470.6        | (87.7)         |
| Other monetary/exchange rate variations              | 23.5               | 47.2          | 23.7         | 100.9          |
| <b>Variation on liabilities</b>                      | <b>(511.9)</b>     | <b>68.3</b>   | <b>580.2</b> | <b>(113.3)</b> |
| Variation on assets                                  | 55.6               | 120.9         | 65.3         | 117.4          |
| <b>Net Variation</b>                                 | <b>(567.5)</b>     | <b>(52.6)</b> | <b>514.9</b> | <b>(90.7)</b>  |

### 9.1. Monetary Variation on Liabilities

The effect on the monetary variations on liabilities in 2010 was R\$ 580.2 million higher, compared to 2009, due to:

- Exchange variation on foreign loans and financing generated a negative impact of R\$ 470.6 million, due to the 4.3% depreciation of the U.S. Dollar in 2010 compared to the 25.5% depreciation in 2009;
- Monetary variations on domestic loans and financing increased by R\$ 85.9 million, mainly due to the R\$ 89.2 million increase due to the positive variation of the IGPM in 2010 of 11.3%, compared to a negative impact of 1.7% in 2009; and

the R\$ 3.3 million decrease due to the lower variation of the TR interest rate in 2010 of 0.69% compared to 0.71% in 2009;  
and

- Other monetary variations increased R\$ 23.7 million related to lawsuit.

## 9.2. Monetary variations on assets

Monetary variations on assets increased R\$ 65.3 million, mainly due to the following factors:

- Installment agreements updates, mainly with the municipalities of Taubaté and Ferraz de Vasconcelos;
- Monetary updates of deposits related to lawsuits; and
- Monetary update of the funds raised through the 11<sup>th</sup> debenture issue, caused by the change in the Unit Price between the issue date and settlement date.

## 10. Operating indicators

In 2010 the water loss ratio remained stable in 26%, due to interruption in the water network maintenance services provided by third parties and contractual transition problems. The new companies hired presented a poor performance in meeting the loss ratio goal of 25%. Important to note that the works resumed their normal courses to align losses with our planned trajectory.

| Operating indicators*                   | 4Q09   | 4Q10   | %   |
|---|--------|--------|-----|
| Water connections (1)                   | 7,118  | 7,295  | 2.5 |
| Sewage connections (1)                  | 5,520  | 5,718  | 3.6 |
| Population directly served - water (2)  | 23,4   | 23,6   | 1.1 |
| Population directly served - sewage (2) | 19,600 | 20,024 | 2.2 |
| Number of employees                     | 15,103 | 15,330 | 1.5 |
| Water volume produced (3)               | 2,845  | 2,952  | 3.8 |
| Water losses (%)                        | 26     | 26     | -   |

(1) In thousand units

(2) In millions inhabitants. Not including wholesale

(3) In millions of cubic meters

\* Unaudited

## 11. Loans and financing

In 2010, Sabesp contracted new debt in the amount of R\$ 3.4 billion and amortized a total of R\$ 1.8 billion. Net debt closed 2010 at R\$ 6.2 billion, a 7.4% upturn on 2009. At the end of 2010, debt backed by foreign currency corresponded to 27% of the total, the same level as in 2009, 54% of which from multilateral agencies. Even considering the new funds the Company has been raising to comply with the investment program and the need to refinance debt, in 2010, net debt/EBITDA closed the year at 1.9x, versus 2.1x in 2009.

In December, Sabesp issued Eurobonds in the amount of US\$350 million, maturing in 2020, with a 6.25% rate per year and interest paid on a half-yearly basis. These funds will be used to settle financial obligations of the company in 2011.

In February 2011, the company signed an agreement with the Japan International Cooperation Agency - JICA for an additional financing of the Onda Limpa Program, in the amount of approximately US\$ 190.0 million. The funds will be used in construction works and provision of services in the Baixada Santista Metropolitan Region. The financing matures in 18 years, with interest rate ranging between 1.8% and 2.5% per year.

Sabesp is still negotiating financing facilities with JICA for the Program for the Reduction of Water Loss. The program includes an estimated US\$ 572.0 million for investments, of which US\$366.0 million from financing and US\$ 206.0 million as counterpart. Given the current phase of the negotiation, it is not possible to estimate when the financing will be contracted.

|                                   | <i>R\$ million</i> |                |                |              |              |              |                  |                |
|-----------------------------------|--------------------|----------------|----------------|--------------|--------------|--------------|------------------|----------------|
| INSTITUTION                       | 2011               | 2012           | 2013           | 2014         | 2015         | 2016         | 2017 and onwards | Total          |
| <b>Local market</b>               |                    |                |                |              |              |              |                  |                |
| Banco do Brasil                   | 316.5              | 344.5          | 375.0          | 98.8         | -            | -            | -                | 1,134.8        |
| Caixa Econômica Federal           | 91.0               | 102.2          | 103.6          | 65.0         | 42.9         | 41.4         | 428.4            | 874.5          |
| Debentures                        | 498.4              | 233.9          | 545.8          | 312.0        | 312.0        | -            | -                | 1,902.1        |
| Debentures BNDES                  | -                  | 2.0            | 34.9           | 34.9         | 34.9         | 34.9         | 137.8            | 279.4          |
| Debentures FI FGTS                | -                  | -              | -              | 22.7         | 45.5         | 45.5         | 386.1            | 499.8          |
| Promissory Notes                  | -                  | 599.8          | -              | -            | -            | -            | -                | 599.8          |
| FIDC - SABESP I                   | 13.9               | -              | -              | -            | -            | -            | -                | 13.9           |
| BNDES                             | 45.1               | 70.8           | 43.3           | 39.2         | 39.2         | 39.2         | 230.7            | 507.5          |
| Others                            | 2.8                | 0.5            | 0.5            | 0.5          | 0.5          | 0.6          | 1.2              | 6.6            |
| Interest and charges              | 142.0              | -              | -              | -            | -            | -            | -                | 142.0          |
| <b>Local market total</b>         | <b>1,109.7</b>     | <b>1,353.7</b> | <b>1,103.1</b> | <b>573.1</b> | <b>475.0</b> | <b>161.6</b> | <b>1,184.2</b>   | <b>5,960.4</b> |
| <b>International market</b>       |                    |                |                |              |              |              |                  |                |
| IDB                               | 63.2               | 63.2           | 63.2           | 63.2         | 63.2         | 63.2         | 195.5            | 574.7          |
| Eurobonds                         | -                  | -              | -              | -            | -            | 232.6        | 576.1            | 808.7          |
| JBIC                              | 11.8               | 23.6           | 23.6           | 23.6         | 23.6         | 23.6         | 307.1            | 436.9          |
| IDB 1983AB                        | 39.9               | 39.6           | 39.6           | 39.6         | 39.6         | 39.5         | 175.7            | 413.5          |
| Interest and charges              | 15.1               | -              | -              | -            | -            | -            | -                | 15.1           |
| <b>International market total</b> | <b>130.0</b>       | <b>126.4</b>   | <b>126.4</b>   | <b>126.4</b> | <b>126.4</b> | <b>358.9</b> | <b>1,254.4</b>   | <b>2,248.9</b> |
| <b>Total</b>                      | <b>1,239.7</b>     | <b>1,480.1</b> | <b>1,229.5</b> | <b>699.5</b> | <b>601.4</b> | <b>520.5</b> | <b>2,438.6</b>   | <b>8,209.3</b> |

## 12. Upcoming Events

### Conference Call in Portuguese

March 30, 2011

2:00 pm (Brasília) / 1:00 pm (US EST)

Dial in access: (55 11) 3127-4971

Conference ID: Sabesp

Replay available until 04/06/2011

Dial in access: (55 11) 3127-4999

Replay ID: 97484595

### Conference Call in English

March 30, 2011

4:00 pm (Brasília) / 3:00 pm (US EST)

Dial in access: 1(412) 317-6776

Conference ID: Sabesp

Replay available until 04/07/2011

Dial in access: 1(412) 317-0088

Replay ID: 448638#

Click here for live webcast or access through the internet at: [www.sabesp.com.br](http://www.sabesp.com.br)

### For more information, please contact:

*Mario Arruda Sampaio*

*Phone: (55 11) 3388-8664*

*E-mail: [maasampaio@sabesp.com.br](mailto:maasampaio@sabesp.com.br)*

*Angela Beatriz Airoidi*

*Phone: (55 11) 3388-8793*

*E-mail: [abairoidi@sabesp.com.br](mailto:abairoidi@sabesp.com.br)*

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## Income Statement

| Corporate Law Method (Law No. 6,404/76)                   |                  | R\$ '000         |                  |                  |  |
|---|------------------|------------------|------------------|------------------|--|
|   | PARENT COMPANY   |                  | CONSOLIDATED     |                  |  |
|   | 2010             | 2009             | 2010             | 2009             |  |
| <b>Gross Revenue from Sales and Services</b>              | <b>9,785,901</b> | <b>9,085,190</b> | <b>9,786,575</b> | <b>9,085,190</b> |  |
| Water Supply - Retail                                     | 3,985,025        | 3,690,722        | 3,985,433        | 3,690,722        |  |
| Water Supply - Wholesale                                  | 184,779          | 142,138          | 184,779          | 142,138          |  |
| Sewage Collection and Treatment                           | 3,331,979        | 3,069,871        | 3,332,236        | 3,069,871        |  |
| Sewage Collection and Treatment - Wholesale               | 21,810           | 21,851           | 21,810           | 21,851           |  |
| Construction Revenue - Water                              | 1,052,836        | 772,118          | 1,052,840        | 772,118          |  |
| Construction Revenue - Sewage                             | 1,077,839        | 1,267,691        | 1,077,844        | 1,267,691        |  |
| Other Services  | 131,633          | 120,799          | 131,633          | 120,799          |  |
| Taxes on Sales and Services - COFINS and PASEP            | (555,531)        | (505,671)        | (555,548)        | (505,671)        |  |
| <b>Net Revenue from Sales and Services</b>                | <b>9,230,370</b> | <b>8,579,519</b> | <b>9,231,027</b> | <b>8,579,519</b> |  |
| Costs of Sales and Services                               | (5,194,154)      | (5,087,254)      | (5,194,548)      | (5,087,254)      |  |
| <b>Gross Profit</b>                                       | <b>4,036,216</b> | <b>3,492,265</b> | <b>4,036,479</b> | <b>3,492,265</b> |  |
| <b>Operating Expenses</b>                                 |                  |                  |                  |                  |  |
| Selling   | (712,941)        | (610,422)        | (712,946)        | (610,422)        |  |
| Administrative  | (651,271)        | (716,594)        | (653,200)        | (717,100)        |  |
| Other operating revenue (expenses), net                   | 1,809            | (44,425)         | 1,830            | (44,425)         |  |
| <b>Operating Income Before Shareholdings</b>              | <b>2,673,813</b> | <b>2,120,824</b> | <b>2,672,163</b> | <b>2,120,318</b> |  |
| Equity Result   | (1,694)          | (218)            | -                | -                |  |
| <b>Earnings Before Financial Results, net</b>             | <b>2,672,119</b> | <b>2,120,606</b> | <b>2,672,163</b> | <b>2,120,318</b> |  |
| Financial, net  | (445,025)        | (538,703)        | (445,553)        | (538,415)        |  |
| Exchange gain (loss), net                                 | 66,151           | 528,449          | 66,146           | 528,449          |  |
| <b>Earnings before Income Tax and Social Contribution</b> | <b>2,293,245</b> | <b>2,110,352</b> | <b>2,292,756</b> | <b>2,110,352</b> |  |
| <b>Income Tax and Social Contribution</b>                 |                  |                  |                  |                  |  |
| Current   | (697,077)        | (748,708)        | (697,115)        | (748,708)        |  |
| Deferred  | 34,279           | 146,103          | 34,806           | 146,103          |  |
| <b>Net Income (loss) for the period</b>                   | <b>1,630,447</b> | <b>1,507,747</b> | <b>1,630,447</b> | <b>1,507,747</b> |  |
| <b>Registered common shares ('000)</b>                    | <b>227,836</b>   | <b>227,836</b>   | <b>227,836</b>   | <b>227,836</b>   |  |
| <b>Earnings per shares - R\$ (per share)</b>              | <b>7.16</b>      | <b>6.62</b>      | <b>7.16</b>      | <b>6.62</b>      |  |
| <b>Depreciation and Amortization</b>                      | <b>(552,175)</b> | <b>(562,234)</b> | <b>(552,183)</b> | <b>(562,237)</b> |  |
| <b>EBITDA</b>   | <b>3,222,485</b> | <b>2,727,265</b> | <b>3,222,516</b> | <b>2,726,980</b> |  |

|                    |       |       |       |       |
|--------------------|-------|-------|-------|-------|
| % over net revenue | 34.9% | 31.8% | 34.9% | 31.8% |
|--------------------|-------|-------|-------|-------|

## Balance Sheet

| Brazilian Corporate Law                     |                   |                   |                   | R\$ '000          |
|---|-------------------|-------------------|-------------------|-------------------|
| ASSETS                                      | PARENT COMPANY    |                   | CONSOLIDATED      |                   |
|   | 12/31/2010        | 12/31/2009        | 12/31/2010        | 12/31/2009        |
| <b>Current</b>                              |                   |                   |                   |                   |
| Cash and Cash Equivalents                   | 1,988,004         | 769,433           | 1,989,179         | 771,008           |
| Accounts Receivable from Clients            | 971,047           | 1,179,730         | 971,318           | 1,179,730         |
| Related Party Balance                       | 137,772           | 135,987           | 137,772           | 135,987           |
| Inventory                                   | 36,090            | 39,877            | 36,096            | 39,877            |
| Restricted cash                             | 302,570           | 112,750           | 302,570           | 112,750           |
| Recoverable Taxes                           | 108,675           | 3,017             | 108,675           | 3,017             |
| Other Receivables                           | 30,716            | 28,663            | 44,511            | 28,754            |
| <b>Total Current Assets</b>                 | <b>3,574,874</b>  | <b>2,269,457</b>  | <b>3,590,121</b>  | <b>2,271,123</b>  |
| <b>Non-Current</b>                          |                   |                   |                   |                   |
| Long Term Assets:                           |                   |                   |                   |                   |
| Accounts Receivable from Clients            | 352,839           | 266,543           | 352,839           | 266,543           |
| Related Party Balance                       | 231,076           | 260,365           | 231,076           | 260,365           |
| Indemnities Receivable                      | 146,213           | 146,213           | 146,213           | 146,213           |
| Judicial Deposits                           | 43,543            | 46,365            | 43,543            | 46,365            |
| Deferred income tax and social contribution | 77,913            | 43,636            | 78,440            | 43,636            |
| National Water Agencie - ANA                | 62,540            | 60,839            | 62,540            | 60,839            |
| Other Receivables                           | 47,884            | 39,473            | 49,370            | 40,193            |
|   | <b>962,008</b>    | <b>863,434</b>    | <b>964,021</b>    | <b>864,154</b>    |
| Investments                                 | 8,262             | 4,334             | -                 | -                 |
| Intangible Assets                           | 18,541,522        | 16,915,262        | 18,546,836        | 16,917,417        |
| Permanent Assets                            | 206,384           | 190,430           | 249,606           | 190,430           |
|   | 18,756,168        | 17,110,026        | 18,796,442        | 17,107,847        |
| <b>Total Non-Current Assets</b>             | <b>19,718,176</b> | <b>17,973,460</b> | <b>19,760,463</b> | <b>17,972,001</b> |
| <b>Total Assets</b>                         | <b>23,293,050</b> | <b>20,242,917</b> | <b>23,350,584</b> | <b>20,243,124</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                   |                   |                   |                   |
|   | 12/31/2010        | 12/31/2009        | 12/31/2010        | 12/31/2009        |
| <b>Current</b>                              |                   |                   |                   |                   |
| Contractors and Suppliers                   | 142,634           | 195,606           | 144,043           | 195,765           |
| Current portion of                          |                   |                   |                   |                   |
| long term loans                             | 1,239,716         | 1,009,947         | 1,242,143         | 1,009,947         |
| Salaries and Payroll Charges                | 246,325           | 239,109           | 246,467           | 239,152           |
| Income tax and social contribution payable  | -                 | 88,632            | -                 | 88,637            |
| Other taxes and contributions payable       | 157,768           | 130,230           | 158,050           | 130,230           |
| Interest on Own Capital Payable             | 354,254           | 365,442           | 354,254           | 365,442           |
| Provisions                                  | 766,603           | 643,863           | 766,603           | 643,863           |
| Other accounts payable                      | 378,256           | 239,494           | 378,256           | 239,494           |
| Other payables                              | 216,230           | 168,600           | 216,298           | 168,600           |
| <b>Total Current Liabilities</b>            | <b>3,501,786</b>  | <b>3,080,923</b>  | <b>3,506,114</b>  | <b>3,081,130</b>  |

**Non-Current**

|   |                   |                  |                   |                  |
|---|-------------------|------------------|-------------------|------------------|
| Loans and Financing                         | 6,969,576         | 5,548,023        | 7,022,472         | 5,548,023        |
| Other taxes and contributions payable       | 53,045            | 85,029           | 53,045            | 85,029           |
| Deferred income tax and social contribution | -                 | -                | -                 | -                |
| Deferred Cofins/Pasep taxes                 | 112,962           | 120,417          | 112,962           | 120,417          |
| Provisions                                  | 693,227           | 824,957          | 693,227           | 824,957          |
| Pension Plan Obligations                    | 1,804,038         | 1,831,753        | 1,804,038         | 1,831,753        |
| Other Payables                              | 476,616           | 313,231          | 476,926           | 313,231          |
| <b>Total Non Current Liabilities</b>        | <b>10,109,464</b> | <b>8,723,410</b> | <b>10,162,670</b> | <b>8,723,410</b> |

**Shareholders' Equity**

|                                     |                  |                  |                  |                  |
|-------------------------------------|------------------|------------------|------------------|------------------|
| Capital Stock                       | 6,203,688        | 6,203,688        | 6,203,688        | 6,203,688        |
| Capital Reserves                    | 124,255          | 124,255          | 124,255          | 124,255          |
| Income reserve and accrued earnings | 3,353,857        | 2,110,641        | 3,353,857        | 2,110,641        |
| <b>Total Shareholders' Equity</b>   | <b>9,681,800</b> | <b>8,438,584</b> | <b>9,681,800</b> | <b>8,438,584</b> |

|   |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|
| <b>Total Liabilities and Shareholders' Equity</b> | <b>23,293,050</b> | <b>20,242,917</b> | <b>23,350,584</b> | <b>20,243,124</b> |
|---|-------------------|-------------------|-------------------|-------------------|

## Cash Flow

### Brazilian Corporate Law

R\$ '000

| Description   | PARENT COMPANY     |                    | CONSOLIDATED       |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | Jan-Dec/10         | Jan-Dec/09         | Jan-Dec/10         | Jan-Dec/09         |
| <b>Cash flow from operating activities</b>                        |                    |                    |                    |                    |
| Earnings before income tax and social contribution                | 2,293,246          | 2,110,352          | 2,292,756          | 2,110,352          |
| Depreciation and Amortization                                     | 552,176            | 562,233            | 552,184            | 562,236            |
| Losses from the sale of fixed and intangible assets               | 16,385             | 23,372             | 16,385             | 23,372             |
| Provisions for bad debt   | 402,694            | 308,188            | 402,694            | 308,188            |
| Provisions  | 352,614            | 596,543            | 352,614            | 596,543            |
| Interest calculated over loans and financing payable              | 449,682            | 395,897            | 450,297            | 395,897            |
| Monetary and exchange variation over loans and financing          | 21,139             | (535,409)          | 21,139             | (535,409)          |
| Variation on liabilities and interest                             | 4,112              | -                  | 4,112              | -                  |
| Variation on assets and interest                                  | (59,916)           | (14,252)           | (59,916)           | (14,252)           |
| Fair value margin on intangible assets from concession agreements | (49,603)           | (30,145)           | (49,603)           | (30,145)           |
| Equity Result   | 1,694              | 218                | -                  | -                  |
| São Paulo municipal government transfers                          | 80,368             | -                  | 80,368             | -                  |
| Provision for Sabesprev Mais                                      | 32,587             | -                  | 32,587             | -                  |
| Other write-offs  | 19,331             | 8,197              | 19,331             | 8,197              |
| <b>Adjusted net income (generated by operating activities)</b>    | <b>4,116,509</b>   | <b>3,425,194</b>   | <b>4,114,948</b>   | <b>3,424,979</b>   |
| <b>Variation on Assets and Liabilities</b>                        | <b>(667,069)</b>   | <b>(153,257)</b>   | <b>(679,847)</b>   | <b>(153,166)</b>   |
| <b>(Increase) decrease in assets:</b>                             |                    |                    |                    |                    |
| Accounts receivable from clients                                  | (245,412)          | (285,853)          | (245,683)          | (285,854)          |
| Balances and transactions with related parties                    | 36,708             | 91,547             | 36,708             | 91,547             |
| Inventories   | 3,490              | 6,758              | 3,484              | 6,758              |
| Recoverable Taxes   | (157,916)          | (24,491)           | (157,916)          | (24,491)           |
| Indemnities receivable  | -                  | 2,581              | -                  | 2,581              |
| Judicial deposits   | (14,864)           | (34,009)           | (14,864)           | (34,009)           |
| Other accounts receivable   | (16,038)           | 3,535              | (30,508)           | 3,444              |
| <b>Increase (decrease) in liabilities:</b>                        |                    |                    |                    |                    |
| Contractors and suppliers   | (67,337)           | (15,404)           | (66,087)           | (15,249)           |
| Other suppliers   | 138,762            | 48,533             | 138,762            | 48,533             |
| Salaries and payroll charges                                      | (17,624)           | 43,050             | (17,525)           | 43,077             |
| Other taxes and contributions payable                             | (8,558)            | (19,506)           | (8,316)            | (19,505)           |
| Taxes on revenues   | (7,455)            | (8,792)            | (7,455)            | (8,792)            |
| Provisions  | (330,256)          | (240,032)          | (330,256)          | (240,032)          |
| Pension Plan Obligations  | (15,881)           | 88,549             | (15,881)           | 88,549             |
| Other accounts payable  | 35,312             | 190,277            | 35,690             | 190,277            |
| <b>Others</b>   | <b>(1,352,052)</b> | <b>(1,199,361)</b> | <b>(1,352,052)</b> | <b>(1,199,361)</b> |
| Interest paid   | (618,600)          | (555,573)          | (618,600)          | (555,573)          |
| Income tax and contribution paid                                  | (733,452)          | (643,788)          | (733,452)          | (643,788)          |
| <b>Net cash generated from operating activities</b>               | <b>2,097,388</b>   | <b>2,072,576</b>   | <b>2,083,049</b>   | <b>2,072,452</b>   |
| <b>Cash flow from investing activities:</b>                       |                    |                    |                    |                    |
| Restricted cash   | (189,820)          | (10,748)           | (189,820)          | (10,748)           |
| Increase in investment  | (5,620)            | -                  | -                  | -                  |
| Acquisition of property, plant and equipment                      | (44,161)           | (7,373)            | (87,383)           | (9,347)            |
| Acquisition of intangible assets                                  | (1,810,999)        | (1,973,096)        | (1,814,166)        | (1,973,096)        |
| Income from the sale of fixed assets                              | -                  | 29,161             | -                  | 29,161             |
| <b>Net cash used in investing activities</b>                      | <b>(2,050,600)</b> | <b>(1,962,056)</b> | <b>(2,091,369)</b> | <b>(1,964,030)</b> |
| <b>Cash flow from financing activities</b>                        |                    |                    |                    |                    |
| Funding   | 3,370,709          | 2,237,056          | 3,425,417          | 2,237,056          |
| Amortizations   | (1,800,507)        | (1,896,480)        | (1,800,507)        | (1,896,480)        |
| Payment of interest on own capital                                | (398,419)          | (303,722)          | (398,419)          | (303,722)          |

|  |                  |                |                  |                |
|--|------------------|----------------|------------------|----------------|
| <b>Net cash generated (invested) at financing activities</b> | <b>1,171,783</b> | <b>36,854</b>  | <b>1,226,491</b> | <b>36,854</b>  |
| <b>Increase (decrease) in cash and equivalents</b>           | <b>1,218,571</b> | <b>147,374</b> | <b>1,218,171</b> | <b>145,276</b> |
| Cash and cash equivalents at the beginning of the period     | 769,433          | 622,059        | 771,008          | 625,732        |
| Cash and cash equivalents at the end of the period           | 1,988,004        | 769,433        | 1,989,179        | 771,008        |
| <b>Changes in Cash and Cash Equivalents</b>                  | <b>1,218,571</b> | <b>147,374</b> | <b>1,218,171</b> | <b>145,276</b> |

**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: March 30, 2011

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

By:                           /s/ Rui de Britto Álvares Affonso

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Name: Rui de Britto Álvares Affonso  
Title: Chief 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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