

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 May 16, 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 1Q11 results**

São Paulo, May 12, 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 first quarter 2011 (1Q11)**.

The Company's operating and financial information, except when indicated otherwise is presented in Brazilian Reais, in accordance with the Brazilian Corporate Law. All comparisons in this release, unless otherwise stated, refer to the year 2010.

SBSP3: R\$  
47.05/ share  
SBS: US\$  
58.76  
(ADR=2  
shares)  
Total shares:  
227,836,623  
Market  
Value: R\$  
10.7 billion  
Closing price:  
03/12/2011

## 1. Financial Highlights

	1Q10	1Q11	Chg.(R\$)	%
(+) Gross operating revenue	1,844.5	1,989.8	145.3	7.9
(+) Construction revenue	452.2	450.2	(2.0)	(0.4)
(-) COFINS and PASEP taxes	133.6	145.4	11.8	8.8
(=) Net operating revenue	2,163.1	2,294.6	131.5	6.1
(-) Costs and expenses	1,026.6	1,428.0	401.4	39.1
(-) Construction costs	441.6	439.4	(2.2)	(0.5)
(+) Equity Results	(0.1)	(1.0)	(0.9)	-
(=) Earnings before financial expenses (EBIT*)	694.8	426.2	(268.6)	(38.7)
(+) Depreciation and amortization	143.0	228.1	85.1	59.5
(=) EBITDA**	837.8	654.3	(183.5)	(21.9)
(%) EBITDA margin	38.7	28.5	-	-
Earnings per share (R\$)	1.31	0.80	(116.2)	(38.9)
(*) Earnings before interest and taxes				
(**) Earnings before interest, taxes, depreciation and amortization				

In 1Q11, net operating revenue reached R\$ 2.3 billion, a 6.1% growth compared to 1Q10. Costs and expenses, including construction costs, in the amount of R\$ 1.9 billion grew 27.2% versus 1Q10. EBITDA was R\$ 837.8 million in 1Q10 and R\$ 654.3 million in 1Q11, a decrease of 21.9%. EBITDA margin in 1Q11 was 28.5% and 38.7% in the same period of 2010.

EBIT dropped 38.7%, from R\$ 694.8 million in 1Q10 to R\$ 426.2 million in 1Q11.

1Q11 results were particularly affected by the accounting record of R\$ 230.9 million, related to the following factors:

- Complementation of the actuarial liability related to the retirement and pension plan supplementary benefits granted by State Law nº 4819/58 (GO Plan) totaling R\$157.5 million with effect in January 1, 2011; and

- Amortization term adjustment of the intangible asset, between the asset's useful life and the contract effectiveness, whichever is the shortest one, totaling R\$ 73.4 million.

Excluding the effect of complementation of the actuarial liability, the EBITDA would increase from R\$ 654.3 million to R\$ 811.8 million and margin would rise from 28.5% to 35.4%.

Excluding both effects mentioned above, the net income would increase from R\$ 182.8 million to R\$ 388.8 million.

## **2. Gross operating revenue**

Gross operating revenue, including construction revenue, reached R\$ 2.4 billion, a 6.2% increase in comparison to the 1Q10.

Gross operating revenue from water supply and sewage collection grew from R\$ 1.8 billion in 1Q10 to R\$ 2.0 billion in 1Q11, an increase of R\$ 145.3 million or 7.9%. The main factors that led to this variation were: the increase of 2.6% in water billed volume and of 3.1% in sewage billed volume and the tariff adjustment of 4.05% as of September 2010.

The increase in the number of connections, the water supply at the wholesale level for the municipality of Sumaré, the prison unit that became operational in the municipality of Hortolândia, as well as the growth upturn after the 2009 global financial crisis, in the industry category, were the factors that contributed to higher billed volume.

## **3. Construction revenue**

Construction revenue dropped R\$ 2.0 million, or 0.4% when comparing to 1Q10, moving from R\$ 452.2 million to R\$ 450.2 million, due to lower investments in the period.

## 4. Billed volume

The following tables show the billed water and sewage volume per customer category and region in 1Q10 and 1Q11.

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

Category	Water			Sewage			Water + Sewage			
	1Q10	1Q11	%	1Q10	1Q11	%	1Q10	1Q11	%	
Residential	364.6	373.4		2.4	294.1	303.6	3.2	658.7	677.0	2.8
Commercial	40.3	41.3		2.5	37.0	38.3	3.5	77.3	79.6	3.0
Industrial	9.0	9.4		4.4	9.3	9.9	6.5	18.3	19.3	5.5
Public	11.2	12.2		8.9	9.1	9.5	4.4	20.3	21.7	6.9
<b>Total retail</b>	<b>425.1</b>	<b>436.3</b>		<b>2.6</b>	<b>349.5</b>	<b>361.3</b>	<b>3.4</b>	<b>774.6</b>	<b>797.6</b>	<b>3.0</b>
Wholesale	72.5	74.1		2.2	8.1	7.5	(7.4)	80.6	81.6	1.2
Reused water	0.1	0.1		-	-	-	-	0.1	0.1	-
<b>Total</b>	<b>497.7</b>	<b>510.5</b>		<b>2.6</b>	<b>357.6</b>	<b>368.8</b>	<b>3.1</b>	<b>855.3</b>	<b>879.3</b>	<b>2.8</b>

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

Region	Water			Sewage			Water + Sewage			
	1Q10	1Q11	%	1Q10	1Q11	%	1Q10	1Q11	%	
Metropolitan	277.2	285.3		2.9	233.7	241.3	3.3	510.9	526.6	3.1
Regional <sup>(2)</sup>	147.9	151.0		2.1	115.8	120.0	3.6	263.7	271.0	2.8
<b>Total retail</b>	<b>425.1</b>	<b>436.3</b>		<b>2.6</b>	<b>349.5</b>	<b>361.3</b>	<b>3.4</b>	<b>774.6</b>	<b>797.6</b>	<b>3.0</b>
Wholesale	72.5	74.1		2.2	8.1	7.5	(7.4)	80.6	81.6	1.2
Reused water	0.1	0.1		-	-	-	-	0.1	0.1	-
<b>Total</b>	<b>497.7</b>	<b>510.5</b>		<b>2.6</b>	<b>357.6</b>	<b>368.8</b>	<b>3.1</b>	<b>855.3</b>	<b>879.3</b>	<b>2.8</b>

(1) Unaudited

(2) Including coastal and countryside

## 5. Costs, administrative and selling expenses

In 1Q11, costs of products and services, administrative and selling expenses grew 27.2% (R\$ 399.2 million). As a percentage of net revenue, costs and expenses moved from 67.9% in 1Q10 to 81.4% in 1Q11.

	1Q10	1Q11	Chg.	%	R\$ million
Payroll and benefits		357.3	556.5	199.2	55.8
Supplies		34.4	37.2	2.8	8.1
Treatment supplies		36.1	45.6	9.5	26.3
Services		215.4	231.4	16.0	7.4
		130.2	141.3	11.1	8.5

Electric power				
General expenses	72.7	127.4	54.7	75.2
Tax expenses	27.1	27.4	0.3	1.1
<b>Sub-total</b>	<b>873.2</b>	<b>1,166.8</b>	<b>293.6</b>	<b>33.6</b>
Depreciation and amortization	143.0	228.1	85.1	59.5
Credit write-offs	10.4	33.1	22.7	218.3
<b>Sub-total</b>	<b>1,026.6</b>	<b>1,428.0</b>	<b>401.4</b>	<b>39.1</b>
Construction costs	441.6	439.4	(2.2)	(0.5)
Costs, administrative and selling expenses	1,468.2	1,867.4	399.2	27.2
% over net revenue	67.9	81.4	-	-

### 5.1. Payroll and benefits

In 1Q11 payroll and benefits increased by R\$ 199.2 million or 55.8%, from R\$ 357.3 million to R\$ 556.5 million, due to the following:

- 5.05% increase in wages since May 2010;

- Complementation of the actuarial liability totaling R\$157.5 million, referring to the actuarial calculation made on December 31, 2010 related to G0 Plan; non-recurring for the next quarters; and

- Adjustment in the provision for Profit Sharing in the amount of R\$ 7.2 million due to the reversal of the amounts provisioned in 1Q10.

### 5.2. Supplies

In 1Q11, expenses with Supplies increased by R\$ 2.8 million or 8.1%, when compared to the same quarter of 2010, from R\$ 34.4 million to R\$ 37.2 million. The main factors for this variation were higher 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\$ 2.5 million.

### 5.3. Treatment supplies

Between 1Q11 and 1Q10, expenses with treatment supplies increased by R\$ 9.5 million or 26.3%, from R\$ 36.1 million to R\$ 45.6 million, due to the following:

- Addition of R\$ 5.4 million in the consumption of ferric sulphate and aluminum polyvinyl in replacement of aluminum sulphate caused by worsen water quality at the Water Treatment Stations of Alto da Boa Vista, Rio Claro and Botucatu; and

- Increase of R\$ 3.6 million, due to the higher consumption of copper sulphate and activated carbon, which is extremely seasonal varying in accordance with climatic conditions, caused by the proliferation of algae, taste and odor in dams that serve the Alto Tietê production system.

The consumption verified in 1Q10, came below usual level, due to the quality of water at that time, i.e., the trend of treatment material expenses has been broken. Therefore, the comparison with 1Q11 results in an evolvment apparently significant. Excluding this rupture, the evolvment would have been 7.8%. Considering an average inflation of 6.1%, the actual increase would be 1.6%.

### 5.4. Services

In 1Q11 this item increased R\$ 16.0 million or 7.4%, from R\$ 215.4 million to R\$ 231.4 million. The main factors were:

- Agreement with the municipality of São Paulo

- Increase of R\$ 12.8 million in the provision made in 1Q11 relating to the actions established in the agreement;

- Water loss control actions totaling R\$ 5.9 million mainly due to maintenance of networks, water and sewage connections and reinforced measures to prevent fraud; and

- Addition of R\$ 0.6 million, due to transportation of sediments of lakes Parque do Ibirapuera and Parque da Aclimação;

✦ Expenses with risk contracts for the recovery of credits, in the amount of R\$ 2.2 million, due to collection operations;

✦ Postage and telegraphs in the amount of R\$ 2.0 million related to the delivery of water bills at some Business Units by post, due to judicial request;

✦ Hydrometer reading and bill delivery expenses in the amount of R\$ 2.0 million as a result of the usage of new technologies that allow greater security and agility in the bill issue and reading system at municipalities belonging to the Regional Systems, in addition to the higher number of connections and the intensification of loss control actions at the São Paulo Metropolitan Region; and



✦Freight and truckage were contracted for R\$ 1.0 million for the outsourced transportation of chemical products.

There was a decrease in the following services:

✦Advertising campaigns with a R\$ 8.9 million decrease due to the completion of certain advertising campaign contracts, such as: *Onda Limpa*, *SPTV 2ª Edição*, *Córrego Limpo Fase 2*, among others; and

✦Hiring of consultancy, advisory and specialized services with R\$ 4.5 million decrease due to the completion of certain contracts comprising: organizational restructuring, implementation of value-added management.

## 5.5. Electric power

In 1Q11 this item increased R\$ 11.1 million or 8.5%, from R\$ 130.2 million to R\$ 141.3 million.

This result is associated with the average weighted tariff increase of approximately 4.5% in the free and captive markets and the 5.7% increase in consumption, which was influenced by the startup of new operating units.

## 5.6. General expenses

In 1Q11 general expenses increased R\$ 54.7 million or 75.2%, from R\$ 72.7 million to R\$ 127.4 million, mainly due to the R\$ 76.1 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 Pasep contributions, 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 1Q10, amounting to R\$ 32.8 million.

## 5.7. Depreciation and amortization

This item increased R\$ 85.1 million or 59.5%, from R\$ 143.0 million to R\$ 228.1 million, due to the amortization term adjustment between the asset's useful life and the contract effectiveness, whichever is the shortest one.

## 5.8. Credit write-offs

Credit write-offs increased by R\$ 22.7 million, from R\$ 10.4 million to R\$ 33.1 million, mainly due to the need of complementing the provision for Public Entities Sales, not materialized in 1Q10, as well as in view of the lower credit recovery through the receivable of private customers debts in relation to the same period in 2010.

## 6. Financial expenses and revenues

	1Q10	1Q11	Var.	%	<i>R\$ million</i>
Financial expenses					
Interest and charges on domestic loans and financing		81.5	120.1	28.6	47.4
Interest and charges on international loans and financing		15.7	19.3	3.6	22.9

Interest rate over lawsuit	106.3	28.7	(77.6)	(73.0)
Other financial expenses	17.5	8.4	(9.1)	(52.0)
<b>Total financial expenses</b>	<b>221.0</b>	<b>176.5</b>	<b>(44.5)</b>	<b>(20.1)</b>
Financial revenues	40.0	78.8	38.8	97.0
<b>Financial expenses net of revenues</b>	<b>181.0</b>	<b>97.7</b>	<b>(83.3)</b>	<b>(46.0)</b>

**6.1. Financial expenses**

In 1Q11 financial expenses dropped R\$ 44.5 million, or 20.1%. The main factors that influenced this result were:

- Decrease in the amount relating to lawsuit in the amount of R\$ 77.6 million, due to the lower need for provision;
- and

• Increase in interest by R\$ 38.6 million, on domestic loans and financing due to some new funding in the period, such as: (i) the 12<sup>th</sup> issue of debentures in June 2010, (ii) the 13<sup>th</sup> issue of debentures in January 2011, and (iii) the payments for financing agreements already signed.

## 6.2. Financial revenues

Financial revenues increased by R\$ 38.8 million, as a result of higher volume for financial investments due to the increase in cash position.

## 7. Monetary variation on assets and liabilities

	<i>R\$ milhões</i>			
Monetary variation on loans and financing	26,0	19,8	(6,2)	(23,8)
Currency exchange variation on loans and financing	24,2	(69,1)	(93,3)	(385,5)
Other monetary/exchange rate variations	11,6	14,5	2,9	25,0
<b>Variation on liabilities</b>	<b>61,8</b>	<b>(34,8)</b>	<b>(96,6)</b>	<b>(156,3)</b>
Variation on assets	23,4	12,2	(11,2)	(47,9)
<b>Net Variation</b>	<b>38,4</b>	<b>(47,0)</b>	<b>(85,4)</b>	<b>(222,4)</b>

### 7.1. Monetary variations on liabilities

The effect on the monetary variations on liabilities in 1Q11 was R\$ 96.6 million lower, compared to 1Q10, due to:

• Exchange variation on foreign loans and financing generating a negative impact of R\$ 93.3 million, due to the 2.3% depreciation of the U.S. Dollar in 1Q11 compared to the 2.3% appreciation in 1Q10;

• Monetary variations on domestic loans and financing decreased by R\$ 6.2 million, mainly due to the R\$ 8.3 million decrease due to the positive variation of the IGPM in 1Q11 of 2.43%, compared to a 2.77% variation in 1Q10; and the R\$ 2.1 million increase due to the higher variation of the TR interest rate in 1Q11 of 0.25% compared to 0.08% in 1Q10; and

• Other monetary variations totaling increases of R\$ 2.9 million related to lawsuit.

### 7.2. Monetary variations on assets

Monetary variations on assets decreased R\$ 11.2 million, mainly due to installment agreements updates and monetary updates of deposits related to lawsuits in 1Q10.

## 8. Operating indicators

In the last 12 months, 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. On the second half of 2010 the works resumed their normal courses, which will turn the ratio back to the planned path. However, as this ratio is an average between the last 12 months, it did not show these impacts.

Operating indicators*	1Q10	1Q11	%
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Water connections <sup>(1)</sup>	7,161	7,332	2.4
Sewage connections <sup>(1)</sup>	5,563	5,758	3.5
Population directly served - water <sup>(2)</sup>	23.4	23.7	1.3
Population directly served - sewage <sup>(2)</sup>	19.7	20.1	2.0
Number of employees	15,165	15,153	(0.1)
Water volume produced <sup>(3)</sup>	732	755	3.2
Water losses (%)	25.7	26.2	1.9

(1) In thousand units

(2) In millions inhabitants. Not including wholesale

(3) In millions of cubic meters

\* Unaudited

## 9. Loans and financing

The final maturity of the Receivables Securitization Fund –FIDC occurred in March 2011. This fund, created in 2006, totaling R\$ 250 million, was amortized in 54 monthly equal installments.

On April 15, BNDES and BNDESPAR, fully subscribed the 14<sup>th</sup> issue of debentures in the total amount of R\$ 275.3 million. This was the second issue conducted within the 3 issue program with the BNDES, in the amount of approximately R\$ 830 million. The proceeds obtained from this issue will be used in programs such as water supply systems, sewage collection and treatment and loss reduction.

The final maturity of the 8<sup>th</sup> issue of debentures will take place in June 2011, with the amortization of the 2<sup>nd</sup> series, totaling R\$ 465 million, with funds already secured by the Company through the issue, on December 2010, of the 2020 Eurobonds in the amount of US\$ 350 million, as announced to the market.

INSTITUTION								<i>R\$ million</i>
	2011	2012	2013	2014	2015	2016	2017 and onwards	Total
<b>Local market</b>								
Banco do Brasil	240.5	345.4	375.9	99.0	-	-	-	1,060.8
Caixa Econômica Federal	69.5	102.5	103.9	65.2	43.0	41.6	429.1	854.8
Debentures	510.1	833.8	547.2	313.1	313.1	-	45.4	2,562.7
Debentures BNDES	-	2.0	35.2	35.2	35.2	35.2	138.8	281.6
Debentures FI FGTS	-	-	-	22.7	45.4	45.4	340.7	454.2
BNDES	33.8	71.3	43.4	39.2	39.2	39.2	230.7	496.8
Others	2.1	0.8	0.5	0.5	0.6	0.6	1.2	6.3
Interest and charges	130.2	-	-	-	-	-	-	130.2
<b>Local market total</b>	<b>986.2</b>	<b>1,355.8</b>	<b>1,106.1</b>	<b>574.9</b>	<b>476.5</b>	<b>162.0</b>	<b>1,185.9</b>	<b>5,847.4</b>
<b>International market</b>	-	-	-	-	-	-	-	-
BID	61.9	61.9	61.9	61.9	61.9	61.9	185.1	556.5
Eurobonds	-	-	-	-	-	227.4	562.9	790.3
	11.3	22.6	22.6	22.6	22.6	22.6	293.8	418.1

JBIC

JICA	10.2	20.3	20.3	20.3	20.3	20.3	263.9	375.6
BID 1983AB	39.0	38.7	38.7	38.7	38.7	38.7	171.8	404.3
Interest and charges	31.1	-	-	-	-	-	-	31.1
<b>International market total</b>	<b>153.5</b>	<b>143.5</b>	<b>143.5</b>	<b>143.5</b>	<b>143.5</b>	<b>370.9</b>	<b>1,477.4</b>	<b>2,575.8</b>
<b>Total</b>	<b>1,139.7</b>	<b>1,499.3</b>	<b>1,249.6</b>	<b>718.4</b>	<b>620.0</b>	<b>532.9</b>	<b>2,663.3</b>	<b>8,423.2</b>

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## 10. Conference Calls

### In Portuguese

**May 13, 2011**

2:00pm (Brasília) / 1:00pm (US EST)

Dial in access: (55 11) 3127-4971

Conference ID: Sabesp

Replay available until 05/20/2011

Dial in access: (55 11) 3127-4999

Replay ID: 93119233

### Teleconferência em Inglês

**May 13, 2011**

4:00pm (Brasília) / 3:00pm (US EST)

Dial in access: 1(412) 317-6776

Conference ID: Sabesp

Replay available until 05/24/2011

Dial in access: 1(412) 317-0088

Replay ID: 450798#

[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:**

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*Statements contained in this press release may contain information that is forward-looking and reflects management's current view and estimates of future economic circumstances, industry conditions, SABESP performance, and financial results. Any statements, expectations, capabilities, plans and assumptions contained in this press release that do not describe historical facts, such as statements regarding the declaration or payment of dividends, the direction of future operations, the implementation of principal operating and financing strategies and capital expenditure plans, the factors or trends affecting financial condition, liquidity or results of operations are forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and involve a number of risks and uncertainties. There is no guarantee that these 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.*

## Income Statement

### Corporate law method (Law No. 6,404/76)

<b>Gross revenue from sales and services</b>	<b>2,440,003</b>	<b>2,296,740</b>	<b>2,441,062</b>
Water supply - retail	1,038,906	966,276	1,039,502
Water supply - wholesale	42,164	45,699	42,164
Sewage collection and treatment	863,029	795,909	863,461
Sewage collection and treatment - wholesale	6,237	5,933	6,237
Construction revenue - water	207,206	226,116	207,213
Construction revenue - sewage	242,968	226,116	242,975
Other services	39,493	30,691	39,510
Taxes on sales and services - COFINS and PASEP	(145,380)	(133,605)	(145,372)
<b>Net revenue from sales and services</b>	<b>2,294,623</b>	<b>2,163,135</b>	<b>2,295,690</b>
Costs of sales and services	(1,367,777)	(1,154,896)	(1,368,424)
<b>Gross profit</b>	<b>926,846</b>	<b>1,008,239</b>	<b>927,266</b>
<b>Operating expenses</b>			
Selling	(178,222)	(116,510)	(178,249)
Administrative	(321,482)	(196,771)	(322,851)
Other operating revenue (expenses), net	3,185	3,445	3,213
<b>Operating income before shareholdings</b>	<b>430,327</b>	<b>698,403</b>	<b>429,379</b>
Equity result	(966)	(117)	-
<b>Earnings before financial results, net</b>	<b>429,361</b>	<b>698,286</b>	<b>429,379</b>
Financial income and expenses, net	(114,813)	(195,166)	(114,869)
Foreign exchange gain (loss), net	64,179	(24,230)	64,179
<b>Earnings before income tax and social contribution</b>	<b>378,727</b>	<b>478,890</b>	<b>378,689</b>
<b>Income tax and social contribution</b>			
Current	(209,314)	(236,931)	(209,314)
Deferred	13,380	57,086	13,418
<b>Net income (loss) for the period</b>	<b>182,793</b>	<b>299,045</b>	<b>182,793</b>
<b>Registered common shares ('000)</b>	<b>227,836</b>	<b>227,836</b>	<b>227,836</b>



<b>Earnings per shares - R\$ (per share)</b>	<b>0,80</b>	<b>1,31</b>	<b>0,80</b>
<b>Depreciation and amortization</b>	<b>(228,093)</b>	<b>(143,028)</b>	<b>(228,100)</b>
<b>EBITDA</b>	<b>654,269</b>	<b>837,869</b>	<b>654,266</b>
% over net revenue	28,5%	38,7%	28,5%

## Balance Sheet

### Brazilian corporate law

#### Current

Cash and cash equivalents	2,397,072	1,988,004	2,399,844
Accounts receivable from clients	969,335	971,047	969,812
Related party balance	140,303	137,772	140,303
Inventory	34,878	36,090	34,888
Restricted cash	292,369	302,570	292,369
Recoverable taxes	57,544	108,675	57,652
Other receivables	241,223	30,716	254,748
<b>Total current assets</b>	<b>4,132,724</b>	<b>3,574,874</b>	<b>4,149,616</b>

#### Non-current

##### Long term assets:

Accounts receivable from clients	361,343	352,839	361,343
Related party balance	218,634	231,076	218,634
Indemnities receivable	146,213	146,213	146,213
Judicial deposits	39,391	43,543	39,391
Deferred income tax and social contribution	91,340	77,913	91,953
National Water Agency - ANA	64,010	62,540	64,010
Other receivables	25,893	47,884	27,348
	<b>946,824</b>	<b>962,008</b>	<b>948,892</b>

Investments	17,900	8,262	-
Intangible assets	18,751,827	18,541,522	18,759,209
Permanent assets	205,178	206,384	259,620
	18,974,905	18,756,168	19,018,829
<b>Total non-current assets</b>	<b>19,921,729</b>	<b>19,718,176</b>	<b>19,967,721</b>

<b>Total assets</b>	<b>24,054,453</b>	<b>23,293,050</b>	<b>24,117,337</b>
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#### Current

Contractors and suppliers	156,295	142,634	158,161
Current portion of long term loans	1,276,350	1,239,716	1,276,352
Salaries and payroll charges	250,555	246,325	250,898
Income tax and social contribution payable	81,457	-	81,457
Other taxes and contributions payable	119,483	157,768	119,670
Interest on own capital payable	354,254	354,254	354,272
Provisions	780,801	766,603	780,801
Other accounts payable	438,083	378,256	438,083

Other payables	215,823	216,230	215,823
<b>Total current liabilities</b>	<b>3,673,101</b>	<b>3,501,786</b>	<b>3,675,517</b>
<b>Non-current</b>			
Loans and financing	7,146,874	6,969,576	7,207,142
Other taxes and contributions payable	44,627	53,045	44,627
Deferred income tax and social contribution	-	-	-
Deferred Cofins/Pasep taxes	113,613	112,962	113,613
Provisions	699,828	693,227	699,828
Pension plan obligations	1,999,253	1,804,038	1,999,253
Other payables	512,564	476,616	512,764
<b>Total non current liabilities</b>	<b>10,516,759</b>	<b>10,109,464</b>	<b>10,577,227</b>
<b>Shareholders' equity</b>			
Capital stock	6,203,688	6,203,688	6,203,688
Capital reserve	124,255	124,255	124,255
Income reserve and accrued earnings	3,536,650	3,353,857	3,536,650
<b>Total shareholders' equity</b>	<b>9,864,593</b>	<b>9,681,800</b>	<b>9,864,593</b>
<b>Total liabilities and shareholders' equity</b>	<b>24,054,453</b>	<b>23,293,050</b>	<b>24,117,337</b>

## Cash Flow

### Brazilian corporate law

R\$

#### Cash flow from operating activities

Earnings before income tax and social contribution	378,727	478,890	378,689	478,890
Depreciation and amortization	228,093	143,028	228,100	143,028
Losses from the sale of fixed and intangible assets	642	1,324	642	1,324
Provisions for bad debt	83,283	51,536	83,283	51,536
Provisions for contingencies	44,750	176,411	44,750	176,411
Provisions for the Term of Adjustment of Conduct - TAC	11,220	(16,516)	11,220	(16,516)
Liabilities related to pension plans	198,749	40,817	198,749	40,817
Interest calculated on loans and financing payable	141,298	97,942	141,223	97,942
Monetary and exchange variation on loans and financing	(35,206)	50,246	(35,206)	50,246
Variation on liabilities and interest	817	1,155	824	1,155
Variation on assets and interest	(4,675)	(10,239)	(4,697)	(10,239)
Fair value margin on intangible assets from concession agreements	(10,759)	(10,615)	(10,759)	(10,615)
Equity result	966	117	-	117
São Paulo municipal government transfers	74,111	-	74,111	-
Other write-offs	4,758	(211)	4,758	(211)
<b>Adjusted net income (generated by operating activities)</b>	<b>1,116,774</b>	<b>1,003,885</b>	<b>1,115,687</b>	<b>1,003,885</b>
<b>Variation on assets and liabilities</b>	<b>(339,747)</b>	<b>(130,737)</b>	<b>(339,394)</b>	<b>(130,737)</b>
<b>(Increase) decrease in assets:</b>				
Accounts receivable from clients	(88,974)	(38,220)	(89,180)	(38,220)
Balances and transactions with related parties	12,455	11,390	12,455	11,390
Inventories	1,329	5,388	1,325	5,388
Recoverable taxes	(95,878)	(2,201)	(96,034)	(2,201)
Indemnities receivable	-	-	-	-
Judicial deposits	13,379	(513)	13,379	(513)
Other accounts receivable	(193,598)	(12,901)	(193,753)	(12,901)
<b>Increase (decrease) in liabilities:</b>				
Contractors and suppliers	11,225	(43,015)	11,682	(43,015)
Other suppliers	59,827	(1,717)	59,827	(1,717)
Salaries and payroll charges	(6,990)	12,365	(6,789)	12,365
Other taxes and contributions payable	33,937	(23,586)	33,842	(23,586)
Taxes on revenues	651	(5,445)	651	(5,445)
Liabilities related to pension plans	(3,534)	(4,183)	(3,534)	(4,183)
Other accounts payable	(50,118)	31,763	(49,807)	31,763
Contingencies	(33,458)	(59,862)	(33,458)	(59,862)
<b>Others</b>	<b>(263,017)</b>	<b>(298,376)</b>	<b>(263,017)</b>	<b>(298,376)</b>
Interest paid	(200,712)	(92,700)	(200,712)	(92,700)
Income tax and contributions paid	(62,305)	(205,676)	(62,305)	(205,676)

<b>Net cash generated from operating activities</b>	<b>514,010</b>	<b>574,772</b>	<b>513,276</b>	<b>574,772</b>
<b>Cash flow from investing activities:</b>				
Restricted cash	10,201	(24,062)	10,201	(24,062)
Increase in investment	(10,604)	-	-	-
Acquisition of property, plant and equipment	(3,671)	-	(14,898)	-
Acquisition of intangible assets	(344,449)	(374,628)	(346,517)	(375,000)
Income from the sale of fixed assets	-	-	-	-
<b>Net cash used in investing activities</b>	<b>(348,523)</b>	<b>(398,690)</b>	<b>(351,214)</b>	<b>(399,000)</b>
<b>Cash flow from financing activities</b>				
Funding	976,132	153,260	983,579	153,260
Amortizations	(732,551)	(247,211)	(734,976)	(247,211)
Payment of interest on own capital	-	-	-	-
<b>Net cash generated (invested) in financing activities</b>	<b>243,581</b>	<b>(93,951)</b>	<b>248,603</b>	<b>(93,951)</b>
<b>Increase (decrease) in cash and equivalents</b>	<b>409,068</b>	<b>82,131</b>	<b>410,665</b>	<b>81,819</b>
Cash and cash equivalents at the beginning of the period	1,988,004	769,433	1,989,179	771,352
Cash and cash equivalents at the end of the period	2,397,072	851,564	2,399,844	853,171
<b>Changes in cash and cash equivalents</b>	<b>409,068</b>	<b>82,131</b>	<b>410,665</b>	<b>81,819</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: May 16, 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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