

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

November 24, 2006

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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 November 14, 2006**

**(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**

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**SABESP announces 3Q06 results**

São Paulo, November 14, 2006 - Companhia de Saneamento Básico do Estado de São Paulo SABESP (Bovespa: SBSP3; NYSE: SBS), one of the largest water and sewage service providers in the world based on the number of customers, announces today its results for the third quarter 2006 (3Q06). 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 third quarter 2005.

SBSP3:R\$262.50/ thousand shares  
SBS US\$ 30.40 (ADR=250 shares)  
Total shares: 28,480 million  
Market value: R\$ 7.5 billion  
Closing price:11/14/2006

**Third quarter 2006 Results**

November 14, 2006

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**1. Net operating revenue grows 13.8% in the 3Q06 and 12.3% in the 9M06***R\$ million*

|  | QUARTER |         |       |      | YEAR    |         |       |      |
|--|---------|---------|-------|------|---------|---------|-------|------|
|  | 3Q05    | 3Q06    | Chg.  | %    | 9M05    | 9M06    | Chg.  | %    |
| (+) Gross operating revenue                    | 1,323.0 | 1,505.9 | 182.9 | 13.8 | 3,905.3 | 4,384.6 | 479.3 | 12.3 |
| (-) COFINS and PASEP                           | 100.4   | 115.0   | 14.6  | 14.5 | 292.7   | 335.8   | 43.1  | 14.7 |
| (+) Net operating revenue                      | 1,222.6 | 1,390.9 | 168.3 | 13.8 | 3,612.6 | 4,048.8 | 436.2 | 12.1 |
| (-) Costs and expenses                         | 821.9   | 916.0   | 94.1  | 11.4 | 2,387.5 | 2,585.2 | 197.7 | 8.3  |
| (=) Earnings before financial expenses (EBIT*) | 400.7   | 474.9   | 74.2  | 18.5 | 1,225.1 | 1,463.6 | 238.5 | 19.5 |
| (+) Depreciation and amortization              | 147.3   | 151.5   | 4.2   | 2.9  | 442.3   | 449.3   | 7.0   | 1.6  |
| (=) EBITDA**                                   | 548.0   | 626.4   | 78.4  | 14.3 | 1,667.4 | 1,912.9 | 245.5 | 14.7 |
| (%) EBITDA margin                              | 44.8    | 45.0    |       |      | 46.2    | 47.2    |       |      |
| Net income                                     | 191.2   | 195.5   | 4.3   | 2.2  | 678.3   | 699.0   | 20.7  | 3.1  |
| Earnings per 1,000 shares (R\$)                | 6.71    | 6.86    |       |      | 23.82   | 24.54   |       |      |

(\*) Earnings before interest and taxes

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

In the first nine months of 2006, Sabesp's gross operating revenue totaled R\$ 4,384.6 million, a 12.3% increase in comparison to the same period of the previous year. Costs and expenses, in the amount of R\$ 2,585.2 million, R\$ 197.7 million higher than the same period of the previous year, but as a percentage of net revenues, reached 63.9% in the 9M06 versus the 66.1% recorded in the 9M05. The earnings before financial expenses recorded a 19.5% growth, from R\$ 1,225.1 million to R\$ 1,463.6 million. EBITDA reached R\$ 1,912.9 million, 14.7% higher than the figure recorded in the 9M05.

In the 3Q06 Sabesp's gross operating revenue reached R\$ 1,505.9 million and EBITDA totaled R\$ 626.4 million. The 13.8% increase in gross operating revenue was mainly due to:

- The 3.6% increase in billed water and sewage volume;
- The 7.95% impact of the 9.0% tariff readjustment as of August 31, 2005; and
- The 1.17% impact of the 6.71% tariff readjustment as of August 31, 2006.

## Third quarter 2006 Results

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**2. Billed volume**

The following tables show billed water and sewage volume per customer category and region in the 3Q05, 3Q06, 9M05 and 9M06.

**BILLED WATER AND SEWAGE VOLUME \*\* PER CUSTOMER CATEGORY million of m<sup>3</sup>****QUARTER**

|                     | Water        |              | Chg.<br>%  | Sewage       |              | Chg.<br>%  | Water + Sewage |              | Chg.<br>%  |
|---------------------|--------------|--------------|------------|--------------|--------------|------------|----------------|--------------|------------|
|                     | 3Q05         | 3Q06         |            | 3Q05         | 3Q06         |            | 3Q05           | 3Q06         |            |
| Residential         | 315.1        | 326.5        | 3.6        | 247.0        | 258.2        | 4.5        | 562.1          | 584.7        | 4.0        |
| Commercial          | 36.2         | 37.0         | 2.2        | 33.1         | 34.0         | 2.7        | 69.3           | 71.0         | 2.5        |
| Industrial          | 8.3          | 8.6          | 3.6        | 8.0          | 8.0          | -          | 16.3           | 16.6         | 1.8        |
| Public              | 11.6         | 12.0         | 3.4        | 9.3          | 9.6          | 3.2        | 20.9           | 21.6         | 3.3        |
| <b>Total retail</b> | <b>371.2</b> | <b>384.1</b> | <b>3.5</b> | <b>297.4</b> | <b>309.8</b> | <b>4.2</b> | <b>668.6</b>   | <b>693.9</b> | <b>3.8</b> |
| Wholesale           | 64.9         | 66.0         | 1.7        |              |              |            | 64.9           | 66.0         | 1.7        |
| <b>Total</b>        | <b>436.1</b> | <b>450.1</b> | <b>3.2</b> | <b>297.4</b> | <b>309.8</b> | <b>4.2</b> | <b>733.5</b>   | <b>759.9</b> | <b>3.6</b> |

**YEAR**

|                     | 9M05           | 9M06           | %          | 9M05         | 9M06         | %          | 9M05           | 9M06           | %          |
|---------------------|----------------|----------------|------------|--------------|--------------|------------|----------------|----------------|------------|
|                     | Residential    | 948.9          |            | 983.2        | 3.6          |            | 741.6          | 773.0          |            |
| Commercial          | 108.2          | 110.7          | 2.3        | 98.3         | 101.2        | 3.0        | 206.5          | 211.9          | 2.6        |
| Industrial          | 24.5           | 25.8           | 5.3        | 23.7         | 24.3         | 2.5        | 48.2           | 50.1           | 3.9        |
| Public              | 34.2           | 35.1           | 2.6        | 27.2         | 28.0         | 2.9        | 61.4           | 63.1           | 2.8        |
| <b>Total retail</b> | <b>1,115.8</b> | <b>1,154.8</b> | <b>3.5</b> | <b>890.8</b> | <b>926.5</b> | <b>4.0</b> | <b>2,006.6</b> | <b>2,081.3</b> | <b>3.7</b> |
| Wholesale           | 193.1          | 196.3          | 1.7        |              |              |            | 193.1          | 196.3          | 1.7        |
| <b>Total</b>        | <b>1,308.9</b> | <b>1,351.1</b> | <b>3.2</b> | <b>890.8</b> | <b>926.5</b> | <b>4.0</b> | <b>2,199.7</b> | <b>2,277.6</b> | <b>3.5</b> |

**BILLED WATER AND SEWAGE VOLUME \*\* PER REGION million of m<sup>3</sup>****QUARTER**

|  | Water |      | Chg.<br>% | Sewage |      | Chg.<br>% | Water + Sewage |      | Chg.<br>% |
|--|-------|------|-----------|--------|------|-----------|----------------|------|-----------|
|  | 3Q05  | 3Q06 |           | 3Q05   | 3Q06 |           | 3Q05           | 3Q06 |           |

|                     |              |              |            |              |              |            |              |              |            |
|---------------------|--------------|--------------|------------|--------------|--------------|------------|--------------|--------------|------------|
| Metropolitan        | 249.0        | 257.6        | 3.5        | 203.0        | 211.4        | 4.1        | 452.0        | 469.0        | 3.8        |
| Regional systems*   | 122.2        | 126.5        | 3.5        | 94.4         | 98.4         | 4.2        | 216.6        | 224.9        | 3.8        |
| <b>Total retail</b> | <b>371.2</b> | <b>384.1</b> | <b>3.5</b> | <b>297.4</b> | <b>309.8</b> | <b>4.2</b> | <b>668.6</b> | <b>693.9</b> | <b>3.8</b> |
| Wholesale           | 64.9         | 66.0         | 1.7        |              |              |            | 64.9         | 66.0         | 1.7        |
| <b>Total</b>        | <b>436.1</b> | <b>450.1</b> | <b>3.2</b> | <b>297.4</b> | <b>309.8</b> | <b>4.2</b> | <b>733.5</b> | <b>759.9</b> | <b>3.6</b> |

## YEAR

|                     | 9M05           | 9M06           | %          | 9M05         | 9M06         | %          | 9M05           | 9M06           | %          |
|---------------------|----------------|----------------|------------|--------------|--------------|------------|----------------|----------------|------------|
| Metropolitan        | 740.5          | 770.3          | 4.0        | 602.3        | 629.2        | 4.4        | 1,343.1        | 1,399.5        | 4.2        |
| Regional systems*   | 375.3          | 384.5          | 2.5        | 288.2        | 297.3        | 3.2        | 663.5          | 681.8          | 2.8        |
| <b>Total retail</b> | <b>1,115.8</b> | <b>1,154.8</b> | <b>3.5</b> | <b>890.8</b> | <b>926.5</b> | <b>4.0</b> | <b>2,006.6</b> | <b>2,081.3</b> | <b>3.7</b> |
| Wholesale           | 193.1          | 196.3          | 1.7        |              |              |            | 193.1          | 196.3          | 1.7        |
| <b>Total</b>        | <b>1,308.9</b> | <b>1,351.1</b> | <b>3.2</b> | <b>890.8</b> | <b>926.5</b> | <b>4.0</b> | <b>2,199.7</b> | <b>2,277.6</b> | <b>3.5</b> |

(\*) Non-metropolitan and coastal regions

(\*\*) Figures not reviewed by the independent auditors

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**3. Costs, administrative and selling expenses**

In the 9M06, costs of products and services rendered recorded a R\$ 197.7 million or 8.3% increase when compared to the same period of 2005.

In the 3Q06, costs of products and services rendered, administrative and selling expenses grew R\$ 94.1 million, or 11.4% .

*R\$ million*

|   | QUARTER      |              |             |             | YEAR           |                |              |            |
|---|--------------|--------------|-------------|-------------|----------------|----------------|--------------|------------|
|   | 3Q05         | 3Q06         | Chg.        | %           | 9M05           | 9M06           | Chg.         | %          |
| Salaries and payroll                              | 287.0        | 301.7        | 14.7        | 5.1         | 819.0          | 922.9          | 103.9        | 12.7       |
| Supplies  | 29.6         | 30.3         | 0.7         | 2.4         | 82.1           | 88.8           | 63.7         | 8.2        |
| Treatment supplies                                | 21.5         | 24.5         | 3.0         | 14.0        | 78.6           | 83.7           | 5.1          | 6.5        |
| Third-party services                              | 111.9        | 119.5        | 7.6         | 6.8         | 330.5          | 332.8          | 2.3          | 0.7        |
| Electric power                                    | 108.6        | 115.5        | 6.9         | 6.4         | 315.6          | 330.3          | 14.7         | 4.7        |
| General expenses                                  | 42.7         | 51.5         | 8.8         | 20.6        | 126.3          | 114.9          | (11.4)       | (9.0)      |
| Depreciation and amortization                     | 147.3        | 151.5        | 4.2         | 2.9         | 442.3          | 449.3          | 7.0          | 1.6        |
| Credit write-offs                                 | 64.5         | 114.2        | 49.7        | 77.1        | 170.8          | 238.3          | 67.5         | 39.5       |
| Tax expenses                                      | 8.8          | 7.3          | (1.5)       | (17.0)      | 22.3           | 24.2           | 1.9          | 8.5        |
| <b>Costs, administrative and selling expenses</b> | <b>821.9</b> | <b>916.0</b> | <b>94.1</b> | <b>11.4</b> | <b>2,387.5</b> | <b>2,585.2</b> | <b>197.7</b> | <b>8.3</b> |

The main variations were:

**3.1. Salaries and payroll**

The number of connections per employee grew from 646 in the 3Q05 to 667 in the 3Q06 (a 3.3% increase) and the number of employees dropped from 17,489 to 17,303, respectively.

The R\$ 14.7 million or 5.1% increase is mainly a result of the 4.63% readjustment in wages as of May 2006 and the non recurring increase in labor indemnities, in the amount of R\$ 1.4 million.

**3.2. Supplies**

In the 3Q06, this figure moved up R\$ 0.7 million, or 2.4%, primarily due to:

Maintenance of the water distribution and sewage collection network, in the amount of R\$ 1.2 million; and Vehicle fuel and lubricants, in the amount of R\$ 0.4 million, or 7.4%, mainly due to the average readjustment of 6.7% for gas and 11.0% for alcohol prices.

This result was offset by a lower use of supplies for system maintenance, with a R\$ 1.0 million drop.

### **3.3. Treatment supplies**

Treatment supplies recorded a R\$ 3.0 million or 14.0% growth, as a result of the variation in consumption due to a higher volume of water produced, with a 2.5% increase approximately. In addition to this increase in the production, the consumption of copper sulfate grew by 45% in order to control the proliferation of algae at Guarapiranga and Jundiaí basins.

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### **3.4. Third-party services**

In the 3Q06, third-party services recorded a R\$ 7.6 million or 6.8% growth over the 3Q05, moving from R\$ 111.9 million to R\$ 119.5 million, specially due to increase in expenses with:

- Sundry services basically regarding the environmental preservation, maintenance, load and transport, cleaning, maintenance of water and sewage treatment stations, software costs, vehicle maintenance and preservation, among others, in the amount of R\$ 3.8 million;
- Research and detection of leakage and with the solution of problems regarding loss control, in the São Paulo Metropolitan Region, in the amount of R\$ 2.1 million;
- Handset meter-reading and invoicing in the amount of R\$ 0.9 million, due to the computerization of these services in the São Paulo Metropolitan Region; and
- Connection closing and reopening in the amount of R\$ 0.8 million, due to water and sewage collection system maintenance, pavement replacing, connection execution, hydrometer replacement, identification of irregular water connections, stop and reestablishment of water supply at the São Paulo Metropolitan Region.

### **3.5. Electric power**

In the 3Q06, electric power expenses recorded a R\$ 6.9 million, or 6.4% hike over the 3Q05, from R\$ 108.6 million to R\$ 115.5 million, due to the 2.5% increase in the water volume produced and to the 5.86% impact of readjustment in electric power tariff.

### **3.6. General expenses**

In the 3Q06, the general expenses grew R\$ 8.8 million, or 20.6%, over the 3Q05 figure, from R\$ 42.7 million to R\$ 51.5 million, as a result of:

- The R\$ 1.4 million increase regarding the R\$ 18.3 million provision for civil, labor and environmental contingencies in 3Q06, compared to the R\$ 16.9 million in the 3Q05;
- Third-party indemnification, legal and judicial expenses, in the amount of R\$ 5.5 million, mainly related to commercial condominium; and
- The R\$ 2.1 million expenses with charges for the use of water resources from Capivari, Piracicaba and Jundiá basins.

### **3.7. Credit write-offs**

This line amounted to R\$ 49.7 million or 77.1%, due to:

- A higher number of lawsuits regarding customer billing filled during the 3Q06, in the approximate amount of R\$ 32.0 million; and
- A higher credit recovery at the Guarulhos municipality, carried out in the 3Q05, non recurring in the 3Q06, of approximately R\$ 13.0 million.

### **3.8. Tax expenses**

In the 3Q06, tax expenses recorded a R\$ 1.5 million, or 17.0%, decrease, in comparison to the 3Q05, from R\$ 8.8 million to R\$ 7.3 million, mainly attributed to CPMF tax, in the amount of R\$ 2.2 million due to the non recurring



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**4. Financial expenses and passive monetary variation****4.1. Financial expenses**

In the 3Q06, financial expenses recorded a R\$ 59.4 million or 30.1% drop, due to:

|   | <i>R\$ million</i> |             |             |          |
|---|--------------------|-------------|-------------|----------|
|   | <b>3Q05</b>        | <b>3Q06</b> | <b>Chg.</b> | <b>%</b> |
| Financial expenses  |                    |             |             |          |
| Interest and charges on domestic loans and financing      | 145.6              | 127.6       | (18.0)      | (12.4)   |
| Interest and charges on international loans and financing | 30.3               | 22.2        | (8.1)       | (26.7)   |
| Taxes over offshore remittances                           | 2.3                | 2.1         | (0.2)       | (8.7)    |
| Other financial expenses                                  | 7.7                | 8.1         | 0.4         | 5.2      |
| Provisions  | 25.8               | (0.8)       | (26.6)      | (103.3)  |
| Total financial expenses                                  | 211.7              | 159.2       | (52.5)      | (24.8)   |
| Financial revenues  | 14.5               | 21.4        | 6.9         | 47.6     |
| Financial expenses net of revenues                        | 197.2              | 137.8       | (59.4)      | (30.1)   |

- The R\$ 18.0 million drop in interest on domestic loans and financing regarding the prepayment of the 1<sup>st</sup> series of the 5<sup>th</sup> debenture issuance in April 2006, which would mature in March 2007;
- The R\$ 8.1 million drop in interest on international loans and financing, mainly due to amortization of the Eurobond that matured in July 2005;
- A R\$ 26.6 million decrease, due to a higher provision for interest and monetary restatement for new processes, carried out in the 3Q05; and
- Financial revenues grew R\$ 6.9 million, or 47.9%, mainly as a result of interest over settlement agreements and interest over investment.

**4.2. Passive monetary variation**

Passive monetary variation recorded a R\$ 90.1 million increase, resulting from the 0.46% real devaluation versus US dollars in the 3Q06 in comparison to the 5.45% appreciation in the 3Q05.

|  | <i>R\$ million</i> |             |             |          |
|--|--------------------|-------------|-------------|----------|
|  | <b>3Q05</b>        | <b>3Q06</b> | <b>Chg.</b> | <b>%</b> |

|   |        |       |      |         |
|---|--------|-------|------|---------|
| Monetary variation over loans and financing | 10.6   | 22.4  | 11.8 | 111.3   |
| Exchange variation over loans and financing | (80.9) | (2.6) | 78.3 | (96.8)  |
| Passive monetary variation                  | (70.3) | 19.8  | 90.1 | (128.2) |

| US\$ | June   | September | Change (%) |
|------|--------|-----------|------------|
| 2005 | 2.3504 | 2.2222    | (5.45)     |
| 2006 | 2.1643 | 2.1742    | 0.46       |

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**5. Operating indicators**

As shown below, the Company continues to expand its services (non-audited data).

| <b>Operating indicators</b>            | <b>3Q05</b> | <b>3Q06</b> | <b>Chg. %</b> |
|--|-------------|-------------|---------------|
| Water connections (1)                  | 6,454       | 6,575       | 1.9           |
| Sewage connections (1)                 | 4,843       | 4,971       | 2.6           |
| Population directly served - water (2) | 22.509,0    | 22.647,0    | 0.6           |
| Population directly served sewage (2)  | 18.235,9    | 18.518,1    | 1.5           |
| Number of employees                    | 17,489      | 17,303      | (1.1)         |
| Operational productivity (3)           | 646         | 667         | 3.3           |

(1) In 1,000 units at the end of the period

(2) In thousand inhabitants at the end of the period. Does not include wholesale services

(3) Number of water and sewage connection per employee

**6. Loans and financing**

The Company's total debt to be paid until the end of the year is of R\$ 206 million, out of which only R\$ 59 million is denominated in US dollars.

*R\$ million*

**DEBT PROFILE**

| <b>INSTITUTION</b>      | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b>  | <b>2010</b> | <b>2011</b> | <b>2012<br/>and<br/>onwards</b> | <b>TOTAL</b> |
|-------------------------|-------------|-------------|-------------|--------------|-------------|-------------|---------------------------------|--------------|
| <b>DOMESTIC</b>         |             |             |             |              |             |             |                                 |              |
| Banco do Brasil         | 51          | 215         | 234         | 254          | 277         | 301         | 779                             | 2,111        |
| Caixa Econômica Federal | 11          | 49          | 53          | 57           | 61          | 66          | 224                             | 521          |
| Debentures              | 25          | 277         | -           | 750          | 294         | 354         | -                               | 1,700        |
| FIDC SABESP I           | 14          | 56          | 56          | 55           | 55          | 14          | -                               | 250          |
| BNDES                   | 8           | 31          | 31          | 31           | 32          | 32          | 28                              | 193          |
| Others                  | -           | 3           | 6           | 6            | 6           | 5           | -                               | 26           |
| Interest and charges    | 38          | 36          | 4           | 5            | 4           | 1           | -                               | 88           |
| <b>Domestic total</b>   | <b>147</b>  | <b>667</b>  | <b>384</b>  | <b>1,158</b> | <b>729</b>  | <b>773</b>  | <b>1,031</b>                    | <b>4,889</b> |
| <b>INTERNATIONAL</b>    |             |             |             |              |             |             |                                 |              |
| World Bank              | 5           | 5           | -           | -            | -           | -           | -                               | 10           |
| Société Générale        | 2           | -           | -           | -            | -           | -           | -                               | 2            |
| IDB                     | 26          | 97          | 70          | 69           | 70          | 70          | 546                             | 948          |

|                            |            |            |            |              |            |            |              |              |
|----------------------------|------------|------------|------------|--------------|------------|------------|--------------|--------------|
| Eurobonds                  | -          | -          | 489        | -            | -          | -          | -            | 489          |
| JBIC                       | -          | -          | -          | -            | -          | -          | 9            | 9            |
| Interest and charges       | 26         | 4          | -          | -            | -          | -          | -            | 30           |
| <b>International total</b> | <b>59</b>  | <b>106</b> | <b>559</b> | <b>69</b>    | <b>70</b>  | <b>70</b>  | <b>555</b>   | <b>1,488</b> |
| <b>Total</b>               | <b>206</b> | <b>773</b> | <b>943</b> | <b>1,227</b> | <b>799</b> | <b>843</b> | <b>1,586</b> | <b>6,377</b> |

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## **7. Subsequent event**

On November 3, 2006, Sabesp issued instruments of indebtedness in the international market, in the total amount of US\$140.0 million (the "2016 Eurobonds"). 2016 Eurobond interest rate will be 7.5% p. a., semiannually paid as of May 3, 2007. The term for the 2016 Eurobonds is 10 years, with maturity in November 2016.

Funds raised with such issuance were used in the purchase of part of the notes issued by Sabesp in 2003, with maturity in 2008, the interest rate of which is 12% per year (the "2008 Eurobonds"). More specifically, the repurchase operation was closed and settled on November 6, when US\$126.9 million was redeemed, representing an adhesion of 56.42% of 2008 Eurobond holders.

## **8. Conference call and webcast**

**English:** November 16, 2006  
10:00 am US EST  
Ph: +1 (973) 935-8510  
Conference code: 8120206

**Portuguese:** November 16, 2006  
7:00 am US EST  
Ph: (5511) 2101-4848  
Conference code: Sabesp

**For additional information please contact the Investor Relations Department:** *Mario Sampaio* ((5511) 3388-8664 / [maasampaio@sabesp.com.br](mailto:maasampaio@sabesp.com.br)) or *Angela Beatriz Airoidi* ((5511) 3388-8793 / [abairoidi@sabesp.com.br](mailto:abairoidi@sabesp.com.br))

*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.*

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**Third quarter 2006 Results**

November 14, 2006

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**Income Statement****Brazilian Corporate Law****R\$ thousand**

|   | <b>3Q06</b>       | <b>3Q05</b>       | <b>%</b>    |
|---|-------------------|-------------------|-------------|
| <b>Sales/Services Gross Revenues</b>                  | <b>1,505,829</b>  | <b>1,323,016</b>  | <b>13.8</b> |
| Water Supply - Retail                                 | 777,187           | 681,715           | 14.0        |
| Water Supply - Wholesale                              | 66,379            | 60,435            | 9.8         |
| Sewage Collection and Treatment                       | 638,628           | 559,666           | 14.1        |
| Other Services  | 23,635            | 21,200            | 11.5        |
| Gross Revenue Deductions (Cofins/Pasep)               | (114,987)         | (100,431)         | 14.5        |
| <b>Net Sales</b>                                      | <b>1,390,842</b>  | <b>1,222,585</b>  | <b>13.8</b> |
| Cost of Goods and/or Services Sold                    | (644,405)         | (600,934)         | 7.2         |
| <b>Gross Profit</b>                                   | <b>746,437</b>    | <b>621,651</b>    | <b>20.1</b> |
| Selling Expenses                                      | (187,802)         | (136,886)         | 37.2        |
| General & Administrative Expenses                     | (83,734)          | (84,106)          | (0.4)       |
| Net Interest Income (Expense)                         | (153,122)         | (120,754)         | 26.8        |
| <b>Operating Result</b>                               | <b>321,779</b>    | <b>279,905</b>    | <b>15.0</b> |
| Non Operating Expenses (Income)                       | 1,210             | (10,745)          | (111.3)     |
| <b>Income Before Taxes</b>                            | <b>322,989</b>    | <b>269,160</b>    | <b>20.0</b> |
| Provision for Income Tax/Social Contribution          | (122,815)         | (76,124)          | 61.3        |
| Provision for Deferred Income Tax/Social Contribution | 4,060             | 6,893             | (41.1)      |
| Extraordinary Item Net of IT and SC                   | (8,780)           | (8,780)           | -           |
| <b>Net Income</b>                                     | <b>195,454</b>    | <b>191,149</b>    | <b>2.3</b>  |
| Shares Outstanding (1000 shares)                      | <b>28,479,577</b> | <b>28,479,577</b> | -           |
| <b>EPS (R\$/1000 shares)</b>                          | <b>6.86</b>       | <b>6.71</b>       | <b>2.3</b>  |
| <b>Depreciation and Amortization</b>                  | <b>(151,493)</b>  | <b>(147,289)</b>  | <b>2.9</b>  |
| <b>EBITDA</b>   | <b>626,394</b>    | <b>547,948</b>    | <b>14.3</b> |
| % of net sales  | 45.0%             | 44.8%             | -           |



**Third quarter 2006 Results**

November 14, 2006

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**Balance Sheet**

| <b>Brazilian Corporate Law</b>        | <b>R\$ thousand</b> |                   |
|---------------------------------------|---------------------|-------------------|
|                                       | <b>09/30/2006</b>   | <b>09/30/2005</b> |
| <b>ASSETS</b>                         |                     |                   |
| Cash and Cash Equivalents             | 399,434             | 228,641           |
| Accounts Receivable, net              | 1,149,815           | 1,150,486         |
| Accounts Receivable from Shareholders | 370,035             | 196,696           |
| Inventory                             | 33,005              | 26,031            |
| Taxes and contributions               | 21,899              | 26,477            |
| Other Receivables                     | 50,419              | 54,681            |
| <b>Total Current Assets</b>           | <b>2,024,607</b>    | <b>1,683,012</b>  |
| Accounts Receivable, net              | 296,473             | 267,179           |
| Accounts Receivable from Shareholders | 834,715             | 783,004           |
| Indemnities Receivable                | 148,794             | 148,794           |
| Judicial Deposits                     | 31,329              | 19,871            |
| Taxes and contributions               | 323,121             | 288,828           |
| Other Receivables                     | 50,648              | 32,432            |
| <b>Total Long-Term Assets</b>         | <b>1,685,080</b>    | <b>1,540,108</b>  |
| Investments                           | 720                 | 5,100             |
| Permanent Assets                      | 14,233,536          | 13,996,216        |
| Deferred Assets                       | 13,493              | 32,255            |
| <b>Total Permanent Assets</b>         | <b>14,247,749</b>   | <b>14,033,571</b> |
| <b>Total Assets</b>                   | <b>17,957,436</b>   | <b>17,256,691</b> |
| <b>LIABILITIES</b>                    | <b>09/30/2006</b>   | <b>09/30/2005</b> |
| Suppliers and Constructors            | 103,845             | 58,345            |
| Loans and Financing                   | 861,058             | 755,031           |
| Salaries and Payroll Charges          | 236,722             | 181,218           |
| Provision for Judicial Pendencies     | 10,990              | 37,742            |
| Interest on Own Capital Payable       | 380,543             | 262,851           |
| Taxes and contributions payable       | 138,279             | 138,354           |
| Taxes and contributions               | 75,939              | 71,371            |
| Other Payables                        | 130,909             | 94,122            |
| <b>Total Current Liabilities</b>      | <b>1,938,285</b>    | <b>1,599,034</b>  |

|   |                   |                   |
|---|-------------------|-------------------|
| Loans and Financing                               | 5,516,316         | 5,877,991         |
| Taxes and contributions payable                   | 237,794           | 260,749           |
| Taxes and Contributions                           | 145,655           | 136,104           |
| Provision for Contingencies                       | 619,406           | 564,071           |
| Pension Fund Obligations                          | 310,387           | 263,305           |
| Other Payables                                    | 111,887           | 104,728           |
| <b>Total Long-Term Liabilities</b>                | <b>6,941,445</b>  | <b>7,206,948</b>  |
| Capital Stock                                     | 3,403,688         | 3,403,688         |
| Capital Reserves                                  | 104,624           | 76,306            |
| Revaluation Reserves                              | 2,459,701         | 2,552,189         |
| Profit Reserves                                   | 2,470,269         | 1,863,389         |
| Retained Earnings                                 | 639,424           | 555,137           |
| <b>Shareholder's Equity</b>                       | <b>9,077,706</b>  | <b>8,450,709</b>  |
| <b>Total Liabilities and Shareholder's Equity</b> | <b>17,957,436</b> | <b>17,256,691</b> |

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**Third quarter 2006 Results**

November 14, 2006

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**Cash Flow****Brazilian Corporate Law****R\$ thousand**

| <b>Description</b>                                     | <b>Jan-Sep/06</b> | <b>Jan-Sep/05</b> |
|--|-------------------|-------------------|
| Cash flow from operating activities                    |                   |                   |
| Net income for the period                              | 698,936           | 678,260           |
| Adjustments for reconciliation of net income           |                   |                   |
| Deferred income tax and social contribution            | (5,427)           | (22,301)          |
| Reversion of provision for losses                      | (6,595)           | -                 |
| Provisions for contingencies                           | 51,747            | 111,209           |
| Liabilities related to pension plans                   | 44,958            | 51,315            |
| Loss in the write-off of property, plant and equipment | 5,513             | 12,669            |
| Losses in the write-off of deferred assets             | 3,500             | 1,089             |
| Write-off of investments                               | 21                | -                 |
| Gain in the sale of permanent assets                   | (5,378)           | -                 |
| Depreciation and Amortization                          | 449,339           | 442,288           |
| Interest calculated on loans and financing payable     | 473,282           | 512,919           |
| Foreign exchange loss on loans and financing           | (20,102)          | (314,828)         |
| Monetary exchange loss on interest on own capital      | -                 | 715               |
| Passive monetary exchange variation and interest       | 14,028            | 18,928            |
| Active monetary exchange variation and interest        | (9,699)           | (1,068)           |
| Provisions for bad debt                                | 238,287           | 170,798           |
| <b>Adjusted Net Income</b>                             | <b>1,932,410</b>  | <b>1,661,993</b>  |
| <br>(Increase) decrease in assets                      |                   |                   |
| Clients  | (118,728)         | (271,537)         |
| Accounts receivable from shareholders                  | (157,939)         | (111,361)         |
| Inventories  | 3,065             | 3,573             |
| Other accounts receivable                              | (26,390)          | (21,393)          |
| Clients - long term                                    | (107,242)         | (89,075)          |
| Accounts receivable from shareholders- long term       | (70,162)          | (46,043)          |
| Judicial deposits - long term                          | (877)             | (3,682)           |
| Other long term receivables - long term                | (17,728)          | (4,456)           |
|  | <b>(496,001)</b>  | <b>(543,974)</b>  |
| <br>Increase (decrease) in liabilities                 |                   |                   |
| Accounts payable to suppliers and contractors          | 26,064            | 6,767             |
| Salaries and payroll charges                           | 119,433           | 73,990            |
| Taxes and contributions                                | (200)             | (7,282)           |
| Other accounts payable                                 | 11,332            | 10,321            |
| Pension plan   | (11,128)          | (10,186)          |
| Contingencies  | (29,680)          | -                 |
| Other accounts payable - long term                     | 3,398             | 12,040            |

|  |                  |                  |
|--|------------------|------------------|
|  | <b>119,219</b>   | <b>85,650</b>    |
| Net cash from operating activities                                     | <b>1,555,628</b> | <b>1,203,669</b> |
| Cash flow from investing activities                                    |                  |                  |
| Acquisition of property, plant and equipment                           | (540,305)        | (412,651)        |
| Sale of property, plant and equipment                                  | 7,837            | -                |
| Increase in Deferred Assets  | (2,720)          | (79)             |
| Net cash used in investing activities                                  | <b>(535,188)</b> | <b>(412,730)</b> |
| Cash flow from financing activities                                    |                  |                  |
| Loans and Financing - long term  |                  |                  |
| Funding  | 367,319          | 1,084,876        |
| Payments   | (1,109,728)      | (1,681,350)      |
| Interest on own capital payment  | (158,770)        | (71,381)         |
| Net cash used in financing activities                                  | <b>(901,179)</b> | <b>(667,855)</b> |
| Net increase (decrease) in cash equivalents                            | <b>119,261</b>   | <b>123,084</b>   |
| Cash and cash equivalents at the beginning of the period               | 280,173          | 105,557          |
| Cash and cash equivalents at the end of the period                     | 399,434          | 228,641          |
| Change in Cash   | <b>119,261</b>   | <b>123,084</b>   |
| Additional information on cash flow:                                   |                  |                  |
| Juros e taxas pagos de empréstimos e financiamentos                    | 500,625          | 533,489          |
| Capitalization of interest and financial charges                       | 2,382            | (19,248)         |
| Payable income tax and social contribution                             | 351,516          | 257,223          |
| Property, plant and equip. received as donations and/or paid in stocks | 25,804           | 11,016           |
| COFINS and PASEP taxes payable   | 267,559          | 276,661          |
| Balancing accounts   | -                | (715)            |

