

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

January 07, 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 August 6, 2010**

**(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 2Q10 Results**

São Paulo, August 6<sup>th</sup>, 2010 - **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 on the number of customers, announces today its **results for the second quarter 2010 (2Q10)**. 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 same period of 2009.

SBSP3: R\$ R\$ 35.79/ share  
SBS: US\$ 40.92 (ADR=2 shares)  
Total shares: 227,836,623  
Market Value: R\$ 8.2 billion  
Closing price: 08/06/2010

## 1. Financial Highlights

|  | <i>R\$ million</i> |         |               |        |         |         |            |       |
|--|--------------------|---------|---------------|--------|---------|---------|------------|-------|
|  | 2Q09               | 2Q10    | Chg.<br>(R\$) | %      | 1H09    | 1H10    | Chg. (R\$) | %     |
| (+) Gross operating revenue                    | 1,743.7            | 1,904.5 | 160.8         | 9.2    | 3,523.0 | 3,790.1 | 267.1      | 7.6   |
| (-) COFINS and PASEP taxes                     | 120.0              | 134.7   | 14.7          | 12.3   | 246.0   | 268.3   | 22.3       | 9.1   |
| (=) Net operating revenue                      | 1,623.7            | 1,769.8 | 146.1         | 9.0    | 3,277.0 | 3,521.8 | 244.8      | 7.5   |
| (-) Costs and expenses                         | 1,118.3            | 1,143.5 | 25.2          | 2.3    | 2,309.7 | 2,176.9 | (132.8)    | (5.7) |
| (+) Equity Results                             | (0.1)              | (0.1)   | -             | -      | (0.1)   | (0.2)   | (0.1)      | 100.0 |
| (=) Earnings before financial expenses (EBIT*) | 505.3              | 626.2   | 120.9         | 23.9   | 967.2   | 1,344.7 | 377.5      | 39.0  |
| (+) Depreciation and amortization              | 161.5              | 151.0   | (10.5)        | (6.5)  | 323.2   | 294.8   | (28.4)     | (8.8) |
| (=) EBITDA**                                   | 666.8              | 777.2   | 110.4         | 16.6   | 1,290.4 | 1,639.5 | 349.1      | 27.1  |
| (%) EBITDA margin                              | 41.1               | 43.9    | -             | -      | 39.4    | 46.6    | -          | -     |
| Net income                                     | 464.7              | 333.6   | (131.1)       | (28.2) | 720.9   | 624.2   | (96.7)     | -     |
| Earnings per share (R\$)                       | 2.04               | 1.46    | -             | -      | 3.16    | 2.74    | -          | -     |

(\*) Earnings before interest and taxes

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

In 2Q10, net operating revenue reached R\$ 1.8 billion, 9.0% grew compared to 2Q09. Costs and expenses in the amount of R\$ 1.1 billion grew 2.3% versus 2Q09. EBITDA was R\$ 666.8 million in 2Q09 and R\$ 777.2 million in 2Q10, an increase of 16.6%.

EBIT grew 23.9%, from R\$ 505.3 million in 2Q09 to R\$ 626.2 million in 2Q10.

## 2. Gross operating revenue

In 2Q10, gross operating revenue grew from R\$ 1.7 billion in 2Q09 to R\$ 1.9 billion in 2Q10, an increase of R\$ 160.8 million or 9.2%. The main factors that led to this variation were the tariff adjustment of 4.43% in September 2009 and the increase of 4.0% in billed volume in relation to the same quarter of 2009.

## 3. Billed volume

The following tables show the billed water and sewage volume per customer category and region in 2Q09, 2Q10, 1H09 and 1H10.

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

| Category            | Water        |              |            | Sewage       |              |            | Water + Sewage |                |            |
|---------------------|--------------|--------------|------------|--------------|--------------|------------|----------------|----------------|------------|
|                     | 2Q09         | 2Q10         | %          | 2Q09         | 2Q10         | %          | 2Q09           | 2Q10           | %          |
| Residential         | 344.3        | 356.8        | 3.6        | 278.2        | 290.1        | 4.3        | 622.5          | 646.9          | 3.9        |
| Commercial          | 38.7         | 40.3         | 4.1        | 35.9         | 37.7         | 5.0        | 74.6           | 78.0           | 4.6        |
| Industrial          | 8.5          | 9.2          | 8.2        | 8.7          | 9.3          | 6.9        | 17.2           | 18.5           | 7.6        |
| Public              | 12.4         | 13.2         | 6.5        | 10.1         | 10.6         | 5.0        | 22.5           | 23.8           | 5.8        |
| <b>Total retail</b> | <b>403.9</b> | <b>419.5</b> | <b>3.9</b> | <b>332.9</b> | <b>347.7</b> | <b>4.5</b> | <b>736.8</b>   | <b>767.2</b>   | <b>4.1</b> |
| Wholesale           | 71.7         | 73.4         | 2.4        | 6.7          | 7.2          | 7.5        | 78.4           | 80.6           | 2.8        |
| Reused water        | 0.1          | 0.1          | -          | -            | -            | -          | 0.1            | 0.1            | -          |
| <b>Total</b>        | <b>475.7</b> | <b>493.0</b> | <b>3.6</b> | <b>339.6</b> | <b>354.9</b> | <b>4.5</b> | <b>815.3</b>   | <b>847.9</b>   | <b>4.0</b> |
|                     | 1H09         | 1H10         | %          | 1H09         | 1H10         | %          | 1H09           | 1H10           | %          |
| Residential         | 696.3        | 721.3        | 3.6        | 560.1        | 584.2        | 4.3        | 1,256.4        | 1,305.5        | 3.9        |
| Commercial          | 77.2         | 80.6         | 4.4        | 71.3         | 74.7         | 4.8        | 148.5          | 155.3          | 4.6        |
| Industrial          | 16.8         | 18.2         | 8.3        | 16.8         | 18.6         | 10.7       | 33.6           | 36.8           | 9.5        |
| Public              | 23.3         | 24.4         | 4.7        | 19.1         | 19.7         | 3.1        | 42.4           | 44.1           | 4.0        |
| <b>Total retail</b> | <b>813.6</b> | <b>844.5</b> | <b>3.8</b> | <b>667.3</b> | <b>697.2</b> | <b>4.5</b> | <b>1,480.9</b> | <b>1,541.7</b> | <b>4.1</b> |
| Wholesale           | 143.5        | 145.9        | 1.7        | 14.6         | 15.3         | 4.8        | 158.1          | 161.2          | 2.0        |
| Reused water        | 0.1          | 0.2          | -          | -            | -            | -          | 0.1            | 0.2            | -          |
| <b>Total</b>        | <b>957.2</b> | <b>990.6</b> | <b>3.5</b> | <b>681.9</b> | <b>712.5</b> | <b>4.5</b> | <b>1,639.1</b> | <b>1,703.1</b> | <b>3.9</b> |

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

|                     | Water        |              |            | Sewage       |              |            | Water + Sewage |                |            |
|---------------------|--------------|--------------|------------|--------------|--------------|------------|----------------|----------------|------------|
|                     | 2Q09         | 2Q10         | %          | 2Q09         | 2Q10         | %          | 2Q09           | 2Q10           | %          |
| Metropolitan        | 269.3        | 278.8        | 3.5        | 226.7        | 236.2        | 4.2        | 496.0          | 515.0          | 3.8        |
| Regional (2)        | 134.6        | 140.7        | 4.5        | 106.2        | 111.5        | 5.0        | 240.8          | 252.2          | 4.7        |
| <b>Total retail</b> | <b>403.9</b> | <b>419.5</b> | <b>3.9</b> | <b>332.9</b> | <b>347.7</b> | <b>4.5</b> | <b>736.8</b>   | <b>767.2</b>   | <b>4.1</b> |
| Wholesale           | 71.7         | 73.4         | 2.4        | 6.7          | 7.2          | 7.5        | 78.4           | 80.6           | 2.8        |
| Reused water        | 0.1          | 0.1          | -          | -            | -            | -          | 0.1            | 0.1            | -          |
| <b>Total</b>        | <b>475.7</b> | <b>493.0</b> | <b>3.6</b> | <b>339.6</b> | <b>354.9</b> | <b>4.5</b> | <b>815.3</b>   | <b>847.9</b>   | <b>4.0</b> |
|                     | 1H09         | 1H10         | %          | 1H09         | 1H10         | %          | 1H09           | 1H10           | %          |
| Metropolitan        | 539.0        | 555.9        | 3.1        | 451.7        | 469.9        | 4.0        | 990.7          | 1,025.8        | 3.5        |
| Regional (2)        | 274.6        | 288.6        | 5.1        | 215.6        | 227.3        | 5.4        | 490.2          | 515.9          | 5.2        |
| <b>Total retail</b> | <b>813.6</b> | <b>844.5</b> | <b>3.8</b> | <b>667.3</b> | <b>697.2</b> | <b>4.5</b> | <b>1,480.9</b> | <b>1,541.7</b> | <b>4.1</b> |
| Wholesale           | 143.5        | 145.9        | 1.7        | 14.6         | 15.3         | 4.8        | 158.1          | 161.2          | 2.0        |
| Reused water        | 0.1          | 0.2          | -          | -            | -            | -          | 0.1            | 0.2            | -          |
| <b>Total</b>        | <b>957.2</b> | <b>990.6</b> | <b>3.5</b> | <b>681.9</b> | <b>712.5</b> | <b>4.5</b> | <b>1,639.1</b> | <b>1,703.1</b> | <b>3.9</b> |

(1) Unaudited

(2) Including coastal and countryside

#### **4. Costs, administrative and selling expenses**

In 2Q10, costs of products and services, administrative and selling expenses grew 2.3% (R\$ 25.2 million). As a percentage of net revenue, costs and expenses declined from 68.9% in 2Q09 to 64.6% in 2Q10.

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|   | <i>R\$ million</i> |                |              |              |                |                |                |              |
|---|--------------------|----------------|--------------|--------------|----------------|----------------|----------------|--------------|
|   | 2Q09               | 2Q10           | Chg.         | %            | 1H09           | 1H10           | Chg.           | %            |
| Payroll and benefits                              | 360.9              | 359.3          | (1.6)        | (0.4)        | 848.9          | 681.5          | (167.4)        | (19.7)       |
| Supplies  | 36.8               | 32.3           | (4.5)        | (12.2)       | 71.6           | 66.6           | (5.0)          | (7.0)        |
| Treatment supplies                                | 33.1               | 31.1           | (2.0)        | (6.0)        | 71.9           | 67.2           | (4.7)          | (6.5)        |
| Services  | 276.3              | 274.6          | (1.7)        | (0.6)        | 457.9          | 489.9          | 32.0           | 7.0          |
| Electric power                                    | 121.7              | 129.8          | 8.1          | 6.7          | 238.8          | 260.0          | 21.2           | 8.9          |
| General expenses                                  | 42.3               | 36.0           | (6.3)        | (14.9)       | 100.3          | 108.8          | 8.5            | 8.5          |
| Tax expenses                                      | 10.0               | 11.7           | 1.7          | 17.0         | 34.0           | 38.8           | 4.8            | 14.1         |
| <b>Sub-total</b>                                  | <b>881.1</b>       | <b>874.8</b>   | <b>(6.3)</b> | <b>(0.7)</b> | <b>1,823.4</b> | <b>1,712.8</b> | <b>(110.6)</b> | <b>(6.1)</b> |
| Depreciation and amortization                     | 161.5              | 151.0          | (10.5)       | (6.5)        | 323.2          | 294.8          | (28.4)         | (8.8)        |
| Credit write-offs                                 | 75.7               | 117.7          | 42.0         | 55.5         | 163.1          | 169.3          | 6.2            | 3.8          |
| <b>Costs, administrative and selling expenses</b> | <b>1,118.3</b>     | <b>1,143.5</b> | <b>25.2</b>  | <b>2.3</b>   | <b>2,309.7</b> | <b>2,176.9</b> | <b>(132.8)</b> | <b>(5.7)</b> |
| % over net revenue                                | <b>68.9</b>        | <b>64.6</b>    | -            | -            | <b>70.5</b>    | <b>61.8</b>    | -              | -            |

#### 4.1. Payroll and Benefits

In 2Q10 payroll and benefits decreased by R\$ 1.6 million or 0.4%, from R\$ 360.9 million to R\$ 359.3 million, due to the following:

The Company's workforce reduction relating to the lay-offs from April/09 to June/10 (TAC + 2% of the workforce) with a dismissal of 2,387 employees; and

This reduction was partially offset by the 6.69% wages adjustment as of May 2009 and 5.05% as of May 2010.

In 1H10 this item decreased R\$ 167.4 million, due to 1Q09 provision made, which did not occur in 2010. Excluding the non-recurring TAC effect of R\$ 146.6 million, there was a reduction of R\$ 20.8 million or 3.0% decrease.

#### 4.2. Supplies

In 2Q10, expenses with Supplies decreased by R\$ 4.5 million or 12.2%, when compared to the same period 2009, from R\$ 36.8 million to R\$ 32.3 million. The main factors for this variation were: i) the lower expenses with materials for the maintenance of the aqueduct systems, water and sewage treatment station, and the lifts in the Metropolitan Region of São Paulo (RMSP) in the amount of R\$ 3.1 million; and ii) expenses with vehicle fuel and lubricants amounting to R\$ 1.2 million, resulting from the lower fuel consumption on account of the allocation of new vehicles and the higher demand for outsourced services, such as Global R and Global Sourcing.

#### 4.3. Treatment supplies

Treatment supplies expenses in 2Q10 were R\$ 2.0 million, or 6.0% lower than in 2Q09, from R\$ 33.1 million to R\$ 31.1 million. The main factors were:

R\$ 4.5 million reduction, due to the lower consumption of aluminum polychloride of approximately 45% and aluminum sulphate replacement. The aluminum sulphate consumption grew around 30%, however the product average cost decreased 54%, which contributed significantly in the expenses reduction of the period; and

Increase of R\$ 2.6 million, due to the adjustment in the price of chlorine and ferric chloride in November 2009 and the increase in the consumption of a few products, such as: i) activated carbon, due to the water reserves and climatic conditions, as well as the proliferation of algae in the Dams that serve the Alto Tietê Production System; ii) start of the use of hydrogen peroxide in Santos, Praia Grande and São Vicente;

iii) polyelectrolytes, due to the commencement of operation of the centrifuges in the Barueri system.

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#### 4.4. Services

In 2Q10 this item decreased R\$ 1.7 million or 0.6%, from R\$ 276.3 million to R\$ 274.6 million. The main factors were:

R\$ 26.8 million decrease in the provision made in 2Q09, related to the actions established in the agreement signed between Sabesp and the São Paulo Municipal Government; and

Appropriation of the expenses of two quarters, made in 2Q09 at the beginning of the booking of the Public Private Partnership (PPP) contract of Alto Tietê, in contrast to the recognition of expenses of just one quarter in 2Q10, resulting in a decrease of R\$ 6.1 million.

Excluding provision effects, the third-party service account would have grown by R\$ 31.2 million, or, 11.3%. There was an increase in the following services:

Advertising campaigns focused on socio-environmental initiatives, such as: Planeta Sustentável, Jornal SPTV Globo, Projeto de Mídia TV Record - a television news programs - among others, in the amount of R\$ 8.5 million, recurring for the next quarters;

Residential connection and sewage network maintenance in the amount of R\$ 8.2 million, due to the increase in demand and the contractual amounts based on Global Sourcing in the municipalities of the Regional Systems and the increases in the execution of the maintenance services in the RMSP, besides the intensification of actions to meet the demands of the Córrego Limpo Program with the Municipal Government of São Paulo (PMSP) and actions to optimize the sewage systems in the Baixada Santista region;

Hiring of consultancy, advisory and specialized services for diverse purposes in the amount of R\$ 4,1 million covering: supply of information and water forecasts in real time, study of the flora and fauna to obtain the environmental license for the Rio Taiapuê basin, call center in the municipalities belonging to the Regional Systems - Contact Center R, development of the new virtual branch office and accounts management system, update of the technical register of the geographic information system SIGNOS (inventory of the distribution networks, supply, collection and treatment), among others;

Hydrometer reading and bill delivery in the amount of R\$ 3.8 million, as a result of increased number of connections and usage of new technologies that allow greater security and agility in the bill issue and reading system, besides the delivery of water bills in a few Business Units by post;

Paving services and replacement of sidewalks in the amount of R\$ 3.2 million;

Renting of vehicles in the amount of R\$ 1.1 million, with most of the delivery of vehicles starting from the 2nd half of 2009, in place of own fleet;

Freight and carriage expenses in the amount of R\$ 1.1 million due to the outsourcing of the transport of chemical products, recurring in the coming quarters; and

Expenses of R\$ 1.0 million with the implementation of the Program for the Rational Use of Water (PURA) the municipal schools as a result of the agreement between Sabesp and the São Paulo Municipal Government.

#### 4.5. Electric power

In 2Q10 this item increased R\$ 8.1 million or 6.7%, from R\$ 121.7 million to R\$ 129.8 million. This increase is due to the following factors:

Tariff adjustment, which had a 5.6% impact in the average tariff in the captive market, which represents 77% of the installed capacity, impacting the weighted average increase between the captive market and free market by around 5.8%; and

Weighted average cost increase of 6.7% between the markets.

|                  | Participation<br>(%) | Costs Variation<br>(%) | Weighted Average<br>(%) |
|------------------|----------------------|------------------------|-------------------------|
| Free market      | 23.0                 | 12.0                   | 2.8                     |
| Captive market   | 77.0                 | 5.0                    | 3.9                     |
| Weighted Average | -                    | -                      | 6.7                     |

#### 4.6. General expenses

In 2Q10 general expenses decreased R\$ 6.3 million or 14.9%, from R\$ 42.3 million to R\$ 36.0 million, mainly due to the decrease in provision for legal contingencies, institutional support and others.

#### 4.7. Depreciation and Amortization

This item decreased R\$ 10.5 million or 6.5%, from R\$ 161.5 million to R\$ 151.0 million. This variation is mainly due to the estimates review, with increase in the useful life of the assets, recurring for the next quarters.

#### 4.8. Credit write-offs

Credit write-offs increased by R\$ 42.0 million, or 55.5%, from R\$ 75.7 million to R\$ 117.7 million, mainly due to the need to complement the overdue debts of the São Paulo Municipal Government in 2Q10.

#### 4.9. Tax expenses

In 2Q10 tax expenses grew R\$ 1.7 million or 17.0%, due to the payment of the Municipal Real Estate Tax (IPTU) to the Municipality of São Paulo.

### 5. Other operating revenues and expenses

#### 5.1 Other operating revenues

These increased by R\$ 5.6 million or 48.3% in 2Q10, mainly due to the revenue generated through the PURA program and the transfer of funds by the OGU (Federal Government's Budget) - Sanitation is Life Program.

#### 5.2 Other operating expenses

In 2Q10 other operating revenues increased R\$ 3.5 million or 42.7%, due to:

R\$ 7.5 million increase due to asset write-offs; and

R\$ 2.3 million decrease due to allocation of fiscal incentives in 2Q09.



## 6. Financial expenses and revenues

|   | <i>R\$ million</i> |              |             |             |
|---|--------------------|--------------|-------------|-------------|
|   | 2Q09               | 2Q10         | Var.        | %           |
| Financial expenses  |                    |              |             |             |
| Interest and charges on domestic loans and financing      | 94.8               | 124.3        | 29.5        | 31.1        |
| Interest and charges on international loans and financing | 15.2               | 11.8         | (3.4)       | (22.4)      |
| Interest rate over lawsuit indemnity, net of provisions   | 33.9               | 45.3         | 11.4        | 33.6        |
| Other financial expenses                                  | 8.6                | 13.6         | 5.0         | 58.1        |
| <b>Total financial expenses</b>                           | <b>152.5</b>       | <b>195.0</b> | <b>42.5</b> | <b>27.9</b> |
| Financial revenues  | 42.5               | 48.3         | 5.8         | 13.6        |
| <b>Financial expenses net of revenues</b>                 | <b>110.0</b>       | <b>146.7</b> | <b>36.7</b> | <b>33.4</b> |

### 6.1. Financial expenses

In 2Q10 financial expenses grew R\$ 42.5 million, or 27.9%, as described below:

Increase in interest by R\$ 29.5 million, on loans and financing due to the 10th issue of debentures in November 2009, 11th issue of debentures in March 2010, 12th issue of debentures in June 2010 and new contracts signed with Caixa Econômica Federal in May 2010; and

Interest over lawsuit in the amount of R\$ 11.4 million.

### 6.2. Financial revenues

Financial revenues increased by R\$ 5.8 million, due to the higher volume of financial investments.

## 7. Monetary variations on assets and liabilities

|  | <i>R\$ million</i> |              |              |                |
|--|--------------------|--------------|--------------|----------------|
|  | 2Q09               | 2Q10         | Var.         | %              |
| Monetary variation over loans and financing          | 0.8                | 22.8         | 22.0         | -              |
| Currency exchange variation over loans and financing | (237.8)            | 14.2         | 252.0        | (106.0)        |
| Other monetary/exchange rate variations              | 5.8                | 2.5          | (3.3)        | (56.9)         |
| <b>Variation on liabilities</b>                      | <b>(231.2)</b>     | <b>39.5</b>  | <b>270.7</b> | <b>(117.1)</b> |
| Variation on assets                                  | 14.0               | 47.6         | 33.6         | 240.0          |
| <b>Net Variation</b>                                 | <b>(245.2)</b>     | <b>(8.1)</b> | <b>237.1</b> | <b>(96.7)</b>  |

### 7.1. Variations on liabilities

The effect on the monetary variations on liabilities in 2Q10 was R\$ 270.7 million higher, compared to 2Q09, due to:

Exchange variation on foreign loans and financing generated a negative impact of R\$ 252.0 million, due to the 1.2% appreciation of the U.S. Dollar in 2Q10 compared to the 15.7% depreciation in 2Q09;

Monetary variations on domestic loans and financing increased by R\$ 22.0 million, mainly due to:

R\$ 23.3 million increase due to the positive variation of the IGPM in 2Q10 of 2.84%, compared to a negative impact of 0.32% in 2Q09; and

R\$ 1.3 million decrease due to the lower variation of the TR interest rate in 2Q10 of 0.11% compared to 0.16% in 2Q09.

Other monetary variations decreased R\$ 3.3 million related to lawsuit.

## 7.2. Monetary variations on assets

Monetary variations on assets increased R\$ 33.6 million, due to the following factors:

Customer installment agreements updates of tariff debts in the amount of R\$ 5.0 million;

Judicial deposits updates related to lawsuits in the amount of R\$ 7.8 million; and

Monetary variation referred to the 11th debentures issuance funding in the amount of R\$ 20.6 million, due to change in the Unit Price between the issue date and settlement date.

## 8. Operating indicators

Sabesp continues to work strenuously to reduce water losses, which has enabled a continued reduction in the loss ratio, from 26.7% in 2Q09 to 25.8% in 2Q10.

| Operating indicators*                   | 2Q09   | 2Q10   | %     |
|---|--------|--------|-------|
| Water connections (1)                   | 7,037  | 7,207  | 2.4   |
| Sewage connections (1)                  | 5,427  | 5,609  | 3.4   |
| Population directly served - water (2)  | 23.2   | 23.4   | 0.9   |
| Population directly served - sewage (2) | 19.3   | 19.7   | 2.1   |
| Number of employees                     | 15,834 | 15,095 | (4.7) |
| Water volume produced (3) (*)           | 1,424  | 1,463  | 2.8   |
| Water losses (%) (*)                    | 26.7   | 25.8   | (3.4) |

(1) In thousand units at the end of the period

(2) In million inhabitants at the end of the period, not including wholesale

(3) In million of cubic meters at the end of the period

\* Not revised by the Independent Auditors

## 9. Loans and financing

In June, the Company issued R\$ 500 million in debentures, its 12<sup>th</sup> issue, to be subscribed by the Sanitation Fund Portfolio of the Government Severance Indemnity Fund (FGTS).

The company has 18 months to use the funds that will be released in 3 installments. The first installment of R\$ 170 million has already been released on the settlement date and signature of the agreement. The remaining balance is deposited in a restricted account and will be released according to evidence that funds will be used in the Company's investment plan. The maturity is 15 years, with a four-year grace period and 11 years of repayment amortized in monthly installments at a rate of 9.5% per year adjusted by the TR (government interest rate).

In July, the Company's Board of Directors approved the 5<sup>th</sup> promissory note issue for public distribution, with firm commitment and restricted placement efforts, in accordance with CVM Instruction 476, in the total amount of R\$ 600 million.

The Promissory Notes maturity will be 180 days from their issue date. The funds raised by the Company through the payment of the Promissory Notes will be used to settle the financial obligations falling due in 2010 and 2011.

The Promissory Notes will be paid with the funds to be raised by the Company through the public issue of debentures by it, and the structuring and distribution process will be conducted by the Underwriters on a firm commitment basis.

In August, Brazil's Senate authorized the federal government to tender guarantee to Japan International Cooperation Agency's loan (JICA) to Sabesp, in the approximate amount of US\$ 65 million. These funds will be invested in the Environmental Improvement Integrated Program at Billings reservoir water source area (Pró-Billings).

|                                   |              |                |              |                |              |              |                         | <i>R\$ million</i> |
|-----------------------------------|--------------|----------------|--------------|----------------|--------------|--------------|-------------------------|--------------------|
| <b>INSTITUTION</b>                | <b>2010</b>  | <b>2011</b>    | <b>2012</b>  | <b>2013</b>    | <b>2014</b>  | <b>2015</b>  | <b>2016 and onwards</b> | <b>Total</b>       |
| <b>Local market</b>               |              |                |              |                |              |              |                         |                    |
| Banco do Brasil                   | 147.8        | 315.0          | 342.9        | 373.1          | 98.3         | -            | -                       | 1,277.1            |
| Caixa Econômica Federal           | 41.2         | 88.1           | 98.1         | 99.8           | 61.3         | 39.1         | 393.7                   | 821.3              |
| Debentures                        | 238.5        | 475.1          | 235.8        | 579.4          | 368.3        | 391.0        | 603.2                   | 2,891.3            |
| FIDC - SABESP I                   | 27.7         | 13.9           | -            | -              | -            | -            | -                       | 41.6               |
| BNDES                             | 21.4         | 44.1           | 67.4         | 38.6           | 34.4         | 34.5         | 228.4                   | 468.8              |
| Others                            | 1.7          | 5.3            | 0.4          | 0.4            | 0.5          | 0.5          | 1.8                     | 10.6               |
| Interest and charges              | 117.2        | 15.6           | -            | -              | -            | -            | -                       | 132.8              |
| <b>Local market total</b>         | <b>595.5</b> | <b>957.1</b>   | <b>744.6</b> | <b>1,091.3</b> | <b>562.8</b> | <b>465.1</b> | <b>1,227.1</b>          | <b>5,643.5</b>     |
| <b>International market</b>       |              |                |              |                |              |              |                         |                    |
| IDB                               | 33.0         | 66.1           | 66.1         | 66.1           | 66.1         | 66.1         | 275.3                   | 638.8              |
| Eurobonds                         | -            | -              | -            | -              | -            | -            | 252.2                   | 252.2              |
| JBIC                              | -            | 11.7           | 23.5         | 23.5           | 23.5         | 23.5         | 328.7                   | 434.4              |
| IDB 1983AB                        | -            | 42.8           | 42.8         | 42.8           | 42.8         | 42.8         | 233.1                   | 447.1              |
| Interest and charges              | 16.4         | -              | -            | -              | -            | -            | -                       | 16.4               |
| <b>International market total</b> | <b>49.4</b>  | <b>120.6</b>   | <b>132.4</b> | <b>132.4</b>   | <b>132.4</b> | <b>132.4</b> | <b>1,089.3</b>          | <b>1,788.9</b>     |
| <b>Total</b>                      | <b>644.9</b> | <b>1,077.7</b> | <b>877.0</b> | <b>1,223.7</b> | <b>695.2</b> | <b>597.5</b> | <b>2,316.4</b>          | <b>7,432.4</b>     |



## 10. Future Events

### APIMEC Meeting

August 11<sup>th</sup> , 2010

3:00 pm (Brasília) / 2:00 pm (US EST)

Replay available at the

Company s website

### Conference Call in English

August 11<sup>th</sup> , 2010

10:30 am (Brasília) / 09:30 am (US EST)

Dial-in access: 1(412) 858-4600

Conference ID: Sabesp

Replay - available until 08/19/2010

Dial-in access: 1(412) 317-0088

Replay ID: 442888#

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

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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

Brazilian Corporate Law

R\$ '000

| ASSETS                                      | PARENT COMPANY    |                   | CONSOLIDATED      |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | 06/30/2010        | 03/31/2010        | 06/30/2010        | 03/31/2010        |
| <b>Current</b>                              |                   |                   |                   |                   |
| Cash and Cash Equivalents                   | 1,046,840         | 851,564           | 1,047,359         | 852,523           |
| Accounts Receivable from Clients            | 1,083,895         | 1,162,978         | 1,083,895         | 1,162,978         |
| Related Party Balance                       | 155,348           | 138,618           | 155,348           | 138,618           |
| Inventory                                   | 31,101            | 34,706            | 31,101            | 34,706            |
| Recoverable Taxes                           | 4,773             | 5,219             | 4,773             | 5,219             |
| Other Receivables                           | 553,174           | 177,843           | 553,267           | 177,937           |
| Deferred income tax and social contribution | 263,369           | 250,951           | 263,369           | 250,951           |
| <b>Total Current Assets</b>                 | <b>3,138,500</b>  | <b>2,621,879</b>  | <b>3,139,112</b>  | <b>2,622,932</b>  |
| <b>Non-Current</b>                          |                   |                   |                   |                   |
| Long Term Assets:                           |                   |                   |                   |                   |
| Accounts Receivable from Clients            | 270,484           | 274,773           | 270,484           | 274,773           |
| Related Party Balance                       | 934,208           | 945,423           | 934,208           | 945,423           |
| Indemnities Receivable                      | 146,213           | 146,213           | 146,213           | 146,213           |
| Judicial Deposits                           | 47,682            | 47,439            | 47,682            | 47,439            |
| Other Receivables                           | 102,872           | 101,370           | 102,872           | 101,370           |
| Deferred income tax and social contribution | 620,858           | 591,286           | 620,858           | 591,286           |
|   | <b>2,122,317</b>  | <b>2,106,504</b>  | <b>2,122,317</b>  | <b>2,106,504</b>  |
| Investments                                 | 4,110             | 4,217             | 720               | 720               |
| Permanent Assets                            | 15,969,828        | 15,682,941        | 15,972,770        | 15,685,606        |
| Intangible Assets                           | 1,644,407         | 1,581,273         | 1,644,407         | 1,581,273         |
|   | 17,618,345        | 17,268,431        | 17,617,897        | 17,267,599        |
| <b>Total Non-Current Assets</b>             | <b>19,740,662</b> | <b>19,374,935</b> | <b>19,740,214</b> | <b>19,374,103</b> |
| <b>Total Assets</b>                         | <b>22,879,162</b> | <b>21,996,814</b> | <b>22,879,326</b> | <b>21,997,035</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                   |                   |                   |                   |
| <b>Current</b>                              |                   |                   |                   |                   |
| Contractors and Suppliers                   | 175,860           | 168,563           | 175,933           | 168,704           |
| Loans and Financing                         | 1,412,954         | 955,811           | 1,412,954         | 955,811           |
| Salaries and Payroll Charges                | 241,482           | 234,958           | 241,570           | 235,034           |

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|   |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|
| Taxes and Contributions Payable                   | 168,689           | 235,429           | 168,692           | 235,433           |
| Taxes and Contributions Deferred                  | 27,134            | 28,941            | 27,134            | 28,941            |
| Interest on Own Capital Payable                   | 56                | 365,423           | 56                | 365,423           |
| Provision for Contingencies                       | 713,318           | 712,270           | 713,318           | 712,270           |
| Accounts Payable                                  | 281,846           | 237,777           | 281,846           | 237,777           |
| Other Payables                                    | 206,283           | 155,307           | 206,283           | 155,307           |
| <b>Total Current Liabilities</b>                  | <b>3,227,622</b>  | <b>3,094,479</b>  | <b>3,227,786</b>  | <b>3,094,700</b>  |
| <b>Non-Current</b>                                |                   |                   |                   |                   |
| Long Term Liabilities:                            |                   |                   |                   |                   |
| Loans and Financing                               | 6,019,456         | 5,610,061         | 6,019,456         | 5,610,061         |
| Taxes and Contributions Payable                   | 69,375            | 77,287            | 69,375            | 77,287            |
| Taxes and Contributions Deferred                  | 162,600           | 157,655           | 162,600           | 157,655           |
| Provision for Contingencies                       | 852,695           | 871,452           | 852,695           | 871,452           |
| Provisions for actuarial liabilities Law 4819/58  | 507,772           | 520,055           | 507,772           | 520,055           |
| Pension Fund Obligations                          | 504,114           | 492,061           | 504,114           | 492,061           |
| Other Payables                                    | 383,648           | 355,515           | 383,648           | 355,515           |
| <b>Total Non Current Liabilities</b>              | <b>8,499,660</b>  | <b>8,084,086</b>  | <b>8,499,660</b>  | <b>8,084,086</b>  |
| <b>Shareholders' Equity</b>                       |                   |                   |                   |                   |
| Capital Stock                                     | 6,203,688         | 6,203,688         | 6,203,688         | 6,203,688         |
| Capital Reserves                                  | 124,255           | 124,255           | 124,255           | 124,255           |
| Revaluation Reserves                              | 2,088,454         | 2,106,063         | 2,088,454         | 2,106,063         |
| Profit Reserves                                   | 2,054,594         | 2,054,594         | 2,054,594         | 2,054,594         |
| Accrued income                                    | 680,889           | 329,649           | 680,889           | 329,649           |
| <b>Total Shareholders' Equity</b>                 | <b>11,151,880</b> | <b>10,818,249</b> | <b>11,151,880</b> | <b>10,818,249</b> |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>22,879,162</b> | <b>21,996,814</b> | <b>22,879,326</b> | <b>21,997,035</b> |

## Balance Sheet

| Corporate Law Method (Law No. 6,404/76)                   | PARENT COMPANY   |                  | CONSOLIDATED     |                  |
|---|------------------|------------------|------------------|------------------|
|   | Apr-Jun/10       | Apr-Jun/09       | Apr-Jun/10       | Apr-Jun/09       |
|   |                  |                  |                  | R\$ '000         |
| <b>Gross Revenue from Sales and Services</b>              | <b>1,904,453</b> | <b>1,743,652</b> | <b>1,904,453</b> | <b>1,743,652</b> |
| Water Supply - Retail                                     | 961,920          | 888,380          | 961,920          | 888,380          |
| Water Supply - Wholesale                                  | 87,802           | 81,056           | 87,802           | 81,056           |
| Sewage Collection and Treatment                           | 813,834          | 739,604          | 813,834          | 739,604          |
| Sewage Collection and Treatment - Wholesale               | 5,474            | 4,387            | 5,474            | 4,387            |
| Other Services  | 35,423           | 30,225           | 35,423           | 30,225           |
| Taxes on Sales and Services - COFINS and PASEP            | (134,665)        | (120,029)        | (134,665)        | (120,029)        |
| <b>Net Revenue from Sales and Services</b>                | <b>1,769,788</b> | <b>1,623,623</b> | <b>1,769,788</b> | <b>1,623,623</b> |
| Costs of Sales and Services                               | (781,247)        | (830,083)        | (781,247)        | (830,083)        |
| <b>Gross Profit</b>                                       | <b>988,541</b>   | <b>793,540</b>   | <b>988,541</b>   | <b>793,540</b>   |
| <b>Operating Expenses</b>                                 |                  |                  |                  |                  |
| Selling   | (255,450)        | (187,307)        | (255,450)        | (187,307)        |
| Administrative  | (106,815)        | (100,884)        | (106,936)        | (101,048)        |
| Other operating expenses, net                             | 3,926            | 2,345            | 3,926            | 2,345            |
| <b>Operating Income Before Shareholdings</b>              | <b>630,202</b>   | <b>507,694</b>   | <b>630,081</b>   | <b>507,530</b>   |
| Equity Result   | (107)            | (79)             | -                | -                |
| <b>Earnings Before Financial Results</b>                  | <b>630,095</b>   | <b>507,615</b>   | <b>630,081</b>   | <b>507,530</b>   |
| Financial, net  | (124,384)        | (102,604)        | (124,370)        | (102,519)        |
| Exchange gain (loss), net                                 | (14,217)         | 237,769          | (14,217)         | 237,769          |
| <b>Earnings before Income Tax and Social Contribution</b> | <b>491,494</b>   | <b>642,780</b>   | <b>491,494</b>   | <b>642,780</b>   |
| <b>Income Tax and Social Contribution</b>                 |                  |                  |                  |                  |
| Current   | (198,095)        | (200,881)        | (198,095)        | (200,881)        |
| Deferred  | 40,232           | 22,766           | 40,232           | 22,766           |

|  |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| <b>Net Income (loss) for the period</b>      | <b>333,631</b> | <b>464,665</b> | <b>333,631</b> | <b>464,665</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>1.46</b>    | <b>2.04</b>    | <b>1.46</b>    | <b>2.04</b>    |
| <b>Depreciation and Amortization</b>         | (150,960)      | (161,483)      | (150,960)      | (161,483)      |
| <b>EBITDA</b>                                | <b>777,129</b> | <b>666,753</b> | <b>777,115</b> | <b>666,668</b> |
| % over net revenue                           | 43.9%          | 41.1%          | 43.9%          | 41.1%          |

## Cash Flow

Brazilian Corporate Law

R\$ '000

| Description  | PARENT COMPANY   |                  | CONSOLIDATED     |                  |
|--|------------------|------------------|------------------|------------------|
|  | Apr-Jun/10       | Apr-Jun/09       | Apr-Jun/10       | Apr-Jun/09       |
| Cash flow from operating activities                            |                  |                  |                  |                  |
| Net income for the period before taxes and social contribution | 491,494          | 642,780          | 491,494          | 642,780          |
| Provisions for contingencies                                   | 36,721           | 106,720          | 36,721           | 106,720          |
| Reversion of provision for losses                              | 310              | 780              | 310              | 780              |
| Other provisions   | 75               | 107              | 75               | 107              |
| Liabilities related to pension plans                           | 16,040           | 19,150           | 16,040           | 19,150           |
| Write-off of property, plant and equipment                     | 10,871           | 4,268            | 10,871           | 4,268            |
| Depreciation and Amortization                                  | 150,960          | 161,483          | 150,961          | 161,483          |
| Interest calculated over loans and financing payable           | 137,071          | 111,051          | 137,071          | 111,051          |
| Monetary and exchange variation over loans and financing       | 37,007           | (237,005)        | 37,007           | (237,005)        |
| Variation on liabilities and interest                          | 1,070            | 1,467            | 1,070            | 1,467            |
| Variation on assets and interest                               | (33,677)         | (1,030)          | (33,677)         | (1,030)          |
| Provisions for bad debt  | 117,744          | 75,749           | 117,744          | 75,749           |
| Provision for TAC (Conduct Adjustment Term)                    | 9,153            | (17,378)         | 9,153            | (17,378)         |
| Provision for São Paulo Municipal Government Agreement         | 35,475           | 62,231           | 35,475           | 62,231           |
| Equity Result  | 107              | 79               | -                | -                |
| <b>Operating activities</b>                                    | <b>1,010,421</b> | <b>930,452</b>   | <b>1,010,315</b> | <b>930,373</b>   |
| <b>Variation on Assets and Liabilities</b>                     | <b>(412,825)</b> | <b>(144,631)</b> | <b>(412,881)</b> | <b>(144,472)</b> |
| <b>(Increase) decrease in assets:</b>                          |                  |                  |                  |                  |
| Accounts receivable from clients                               | (12,831)         | 6,685            | (12,831)         | 6,685            |
| Balances and transactions with related parties                 | (2,572)          | (5,382)          | (2,572)          | (5,382)          |
| Inventories  | 3,295            | 2,303            | 3,295            | 2,303            |
| Recoverable Taxes  | 446              | 3,356            | 446              | 3,356            |
| Other accounts receivable                                      | (376,342)        | (25,194)         | (376,341)        | (25,199)         |
| Judicial deposits  | (665)            | (20,472)         | (665)            | (20,472)         |
| <b>Increase (decrease) in liabilities:</b>                     |                  |                  |                  |                  |
| Loans and financing  | 1,220            | (3,709)          | 1,152            | (3,561)          |
| Salaries and payroll charges                                   | (2,629)          | 494              | (2,617)          | 507              |
| Provision for actuarial liabilities - Law 4819/58              | (12,283)         | (12,605)         | (12,283)         | (12,605)         |
| Taxes and contributions payable                                | (22,197)         | (28,526)         | (22,198)         | (28,523)         |
| Accounts payable   | 20,369           | 19,721           | 20,369           | 19,721           |
| Other accounts payable   | 40,662           | 53,957           | 40,662           | 53,957           |

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|  |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|
| Contingencies  | (45,311)         | (131,122)        | (45,311)         | (131,122)        |
| Pension plan - transfer to Sabesprev                         | (3,987)          | (4,137)          | (3,987)          | (4,137)          |
| <b>Others</b>  | <b>(442,151)</b> | <b>(349,924)</b> | <b>(442,151)</b> | <b>(349,924)</b> |
| Interest paid  | (191,913)        | (174,793)        | (191,913)        | (174,793)        |
| Income tax and contribution paid                             | (250,238)        | (175,131)        | (250,238)        | (175,131)        |
| <b>Net cash generated from operating activities</b>          | <b>155,445</b>   | <b>435,897</b>   | <b>155,283</b>   | <b>435,977</b>   |
| Cash flow from investing activities:                         |                  |                  |                  |                  |
| Acquisition of property, plant and equipment                 | (404,294)        | (432,878)        | (404,572)        | (433,235)        |
| Increase in intangible assets                                | (22,413)         | (13,869)         | (22,413)         | (13,869)         |
| Receivables by the permanent assets sale                     | -                | 2,270            | -                | 2,270            |
| <b>Net cash used in investing activities</b>                 | <b>(426,707)</b> | <b>(444,477)</b> | <b>(426,985)</b> | <b>(444,834)</b> |
| Cash flow from financing activities                          |                  |                  |                  |                  |
| Funding  | 1,872,185        | 666,544          | 1,872,185        | 666,544          |
| Loan amortizations   | (1,040,280)      | (484,966)        | (1,040,280)      | (484,966)        |
| Payment of interest on own capital                           | (365,367)        | (285,331)        | (365,367)        | (285,331)        |
| <b>Net cash generated (invested) at financing activities</b> | <b>466,538</b>   | <b>(103,753)</b> | <b>466,538</b>   | <b>(103,753)</b> |
| <b>Increase in cash and equivalents</b>                      | <b>195,276</b>   | <b>(112,333)</b> | <b>194,836</b>   | <b>(112,610)</b> |
| Cash and cash equivalents at the beginning of the period     | 851,564          | 797,909          | 852,523          | 801,514          |
| Cash and cash equivalents at the end of the period           | 1,046,840        | 685,576          | 1,047,359        | 688,904          |
| <b>Changes in Cash and Cash Equivalents</b>                  | <b>195,276</b>   | <b>(112,333)</b> | <b>194,836</b>   | <b>(112,610)</b> |

