

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

August 22, 2007

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF THE
SECURITIES EXCHANGE ACT OF 1934

For August 10, 2007

(Commission File No. 1-31317)

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)

Rua Costa Carvalho, 300
São Paulo, S.P., 05429-900
Federative Republic of Brazil
(Address of Registrant's principal executive offices)

Indicate by check mark whether the registrant files or will file
annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K
in paper as permitted by Regulation S-T Rule 101(b)(1) .

Indicate by check mark if the registrant is submitting the Form 6-K
in paper as permitted by Regulation S-T Rule 101(b)(7) .

Indicate by check mark whether the registrant by furnishing the
information contained in this Form is also thereby furnishing the
information to the Commission pursuant to Rule 12g3-2(b) under
the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicated below the file number assigned to the
registrant in connection with Rule 12g3-2(b):

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

Rui de Britto Álvares Affonso
Chief Financial Officer and Investor Relations Officer
Mario Azevedo de Arruda Sampaio
Head of Capital Markets and Investor Relations

SABESP announces 2Q07 results

São Paulo, August 9, 2007 - Companhia de Saneamento Básico do Estado de São Paulo (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 second quarter 2007 (2Q07). 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 2006.

SBSP3: R\$
43.65/ share
SABESP SBS US\$
45.38
(ADR=2
share)
Total shares:
227,836,623
Market value:
R\$ 9.9 billion
Closing price:
08/09/2007

1. Net revenue grows 10.2% and EBITDA grows 13.5% in 2Q07

| | <i>R\$ million</i> | | | | | | | |
|--|--------------------|---------|-------|------|---------|---------|-------|------|
| | 2Q06 | 2Q07 | Chg. | % | 1H06 | 1H07 | Chg. | % |
| (+) Gross operating revenue | 1,422.0 | 1,563.7 | 141.7 | 10.0 | 2,878.8 | 3,146.9 | 268.1 | 9.3 |
| (-) COFINS and PASEP taxes | 108.6 | 115.9 | 7.3 | 6.7 | 220.8 | 234.4 | 13.6 | 6.2 |
| (+) Net operating revenue | 1,313.4 | 1,447.8 | 134.4 | 10.2 | 2,658.0 | 2,912.5 | 254.5 | 9.6 |
| (-) Costs and expenses | 873.3 | 935.3 | 62.0 | 7.1 | 1,669.3 | 1,832.8 | 163.5 | 9.8 |
| (=) Earnings before financial expenses (EBIT*) | 440.1 | 512.5 | 72.4 | 16.5 | 988.7 | 1,079.7 | 91.0 | 9.2 |
| (+) Depreciation and amortization | 151.1 | 158.8 | 7.7 | 5.1 | 297.9 | 313.0 | 15.1 | 5.1 |
| (=) EBITDA** | 591.2 | 671.3 | 80.1 | 13.5 | 1,286.6 | 1,392.7 | 106.1 | 8.2 |
| (%) EBITDA margin | 45.0 | 46.4 | | | 48.4 | 47.8 | | |
| Net income | 175.6 | 295.5 | 119.9 | 68.3 | 503.5 | 588.4 | 84.9 | 16.9 |
| Earnings per share (R\$)*** | 0.77 | 1.30 | | | 2.21 | 2.58 | | |

(*) Earnings before interest and taxes

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

(***) Earnings per share include the reverse split held on June 2007 for all analyzed periods in order to enable comparison

In 2Q07 net operating revenue totaled R\$ 1.4 billion, a 10.2% increase in comparison to the same period of the previous year. Costs and expenses, in the amount of R\$ 935.3 million, were 7.1% higher than in 2Q06, but as a percentage of net revenues, costs and expenses were 64.6% in 2Q07 versus 66.5% in 2Q06.

EBIT recorded a 16.5% growth, from R\$ 440.1 million in 2Q06 to R\$ 512.5 million in 2Q07. EBITDA moved from R\$ 591.2 million in 2Q06 to R\$ 671.3 million in 2Q07, corresponding to a 13.5% growth. The EBITDA margin went up from 45.0% to 46.4% .

Net income reached R\$ 295.5 million, up by 68.3% when compared to the R\$ 175.6 million recorded in 2Q06.

2. Gross operating revenue

Gross operating revenue totaled R\$ 1.6 billion, up by R\$ 141.7 million or 10.0% over 2Q06. The main reasons for this increase were:

- The 3.2% increase in billed water and sewage volume; and
- The 6.71% tariff readjustment as of August 2006.

3. Billed volume

The following tables show billed water and sewage volume per customer category and region in 2Q06, 2Q07, 1H06 and 1H07.

BILLED WATER AND SEWAGE VOLUME⁽¹⁾ PER REGION - million m³

| | Water | | | Sewage | | | Water + Sewage | | |
|-------------------------|--------------|--------------|------------|--------------|--------------|------------|----------------|--------------|------------|
| | 2Q06 | 2Q07 | % | 2Q06 | 2Q07 | % | 2Q06 | 2Q07 | % |
| Metropolitan | 255.8 | 258.9 | 1.2 | 209.4 | 214.6 | 2.5 | 465.2 | 473.5 | 1.8 |
| Regional ⁽²⁾ | 125.4 | 129.6 | 3.3 | 97.4 | 100.8 | 3.5 | 222.8 | 230.4 | 3.4 |
| Total retail | 381.2 | 388.5 | 1.9 | 306.8 | 315.4 | 2.8 | 688.0 | 703.9 | 2.3 |

| | | | | | | | | | |
|-------------------------|--------------|--------------|------------|--------------|--------------|------------|----------------|----------------|------------|
| Wholesale | 65.2 | 67.5 | 3.5 | - | 5.8 | - | 65.2 | 73.3 | 12.4 |
| Total | 446.4 | 456.0 | 2.2 | 306.8 | 321.2 | 4.7 | 753.2 | 777.2 | 3.2 |
| | 1H06 | 1H07 | % | 1H06 | 1H07 | % | 1H06 | 1H07 | % |
| Metropolitan | 512.7 | 521.1 | 1.6 | 417.8 | 430.5 | 3.0 | 930.5 | 951.6 | 2.3 |
| Regional ⁽²⁾ | 258.1 | 264.1 | 2.3 | 198.8 | 204.1 | 2.7 | 456.9 | 468.2 | 2.5 |
| Total retail | 770.8 | 785.2 | 1.9 | 616.6 | 634.6 | 2.9 | 1,387.4 | 1,419.8 | 2.3 |
| Wholesale | 130.3 | 134.2 | 3.0 | - | 11.9 | - | 130.3 | 146.1 | 12.1 |
| Total | 901.1 | 919.4 | 2.0 | 616.6 | 646.5 | 4.8 | 1,517.7 | 1,565.9 | 3.2 |

(1) Not-audited

(2) Including coastal and interior regions

BILLED WATER AND SEWAGE VOLUME⁽¹⁾ PER CUSTOMER CATEGORY - million m³

| | Water | | | Sewage | | | Water + Sewage | | |
|---------------------|--------------|--------------|------------|--------------|--------------|------------|----------------|----------------|------------|
| | 2Q06 | 2Q07 | % | 2Q06 | 2Q07 | % | 2Q06 | 2Q07 | % |
| Residential | 323.7 | 329.6 | 1.8 | 255.2 | 262.5 | 2.9 | 578.9 | 592.1 | 2.3 |
| Commercial | 36.7 | 37.6 | 2.5 | 33.7 | 34.6 | 2.7 | 70.4 | 72.2 | 2.6 |
| Industrial | 8.6 | 8.7 | 1.2 | 8.2 | 8.3 | 1.2 | 16.8 | 17.0 | 1.2 |
| Public | 12.2 | 12.6 | 3.3 | 9.7 | 10.0 | 3.1 | 21.9 | 22.6 | 3.2 |
| Total retail | 381.2 | 388.5 | 1.9 | 306.8 | 315.4 | 2.8 | 688.0 | 703.9 | 2.3 |
| Wholesale | 65.2 | 67.5 | 3.5 | - | 5.8 | - | 65.2 | 73.3 | 12.4 |
| Total | 446.4 | 456.0 | 2.2 | 306.8 | 321.2 | 4.7 | 753.2 | 777.2 | 3.2 |
| | 1H06 | 1H07 | % | 1H06 | 1H07 | % | 1H06 | 1H07 | % |
| Residential | 656.7 | 668.9 | 1.9 | 514.8 | 530.4 | 3.0 | 1,171.5 | 1,199.3 | 2.4 |
| Commercial | 73.7 | 75.3 | 2.2 | 67.2 | 68.8 | 2.4 | 140.9 | 144.1 | 2.3 |
| Industrial | 17.3 | 17.4 | 0.6 | 16.2 | 16.6 | 2.5 | 33.5 | 34.0 | 1.5 |
| Public | 23.1 | 23.6 | 2.2 | 18.4 | 18.8 | 2.2 | 41.5 | 42.4 | 2.2 |
| Total retail | 770.8 | 785.2 | 1.9 | 616.6 | 634.6 | 2.9 | 1,387.4 | 1,419.8 | 2.3 |
| Wholesale | 130.3 | 134.2 | 3.0 | - | 11.9 | - | 130.3 | 146.1 | 12.1 |
| Total | 901.1 | 919.4 | 2.0 | 616.6 | 646.5 | 4.8 | 1,517.7 | 1,565.9 | 3.2 |

(1) Not-audited

4. Costs, administrative and selling expenses

In 2Q07, cost and administrative and selling expenses moved up by R\$ 62.0 million or 7.1% .

| | 2Q06 | | 2Q07 | | 1H06 | | 1H07 | | <i>R\$ million</i> | |
|---|--------------|--------------|-------------|------------|----------------|----------------|--------------|------------|--------------------|--|
| | | | Chg. | % | | | Chg. | % | | |
| Payroll and benefits | 342.6 | 320.8 | (21.8) | (6.4) | 619.7 | 621.6 | 1.9 | 0.3 | | |
| Supplies | 30.3 | 34.9 | 4.6 | 15.2 | 58.5 | 67.0 | 8.5 | 14.5 | | |
| Treatment supplies | 26.7 | 29.5 | 2.8 | 10.5 | 59.2 | 65.0 | 5.8 | 9.8 | | |
| Third-party services | 105.9 | 135.2 | 29.3 | 27.7 | 213.2 | 262.0 | 48.8 | 22.9 | | |
| Electric power | 109.5 | 124.5 | 15.0 | 13.7 | 214.9 | 242.8 | 27.9 | 13.0 | | |
| General expenses | 42.2 | 50.7 | 8.5 | 20.1 | 64.9 | 95.5 | 30.6 | 47.1 | | |
| Depreciation and amortization | 151.1 | 158.8 | 7.7 | 5.1 | 297.9 | 313.0 | 15.1 | 5.1 | | |
| Credit write-offs | 55.9 | 73.0 | 17.1 | 30.6 | 124.1 | 149.3 | 25.2 | 20.3 | | |
| Tax expenses | 9.1 | 7.9 | (1.2) | (13.2) | 16.9 | 16.6 | (0.3) | (1.8) | | |
| Costs, administrative and selling expenses | 873.3 | 935.3 | 62.0 | 7.1 | 1,669.3 | 1,832.8 | 163.5 | 9.8 | | |
| % over net revenue | 66.5 | 64.6 | | | 62.8 | 62.9 | | | | |

4.1. Payroll and benefits

In 2Q07 the number of employees dropped from 17,289 to 16,922, or 2.1% between 2Q07 and 2Q06. The number of connections per employee moved from 664 in 2Q06 to 695 in 2Q07 (a 4.6% growth) due to the 2.5% growth in the number of water and sewage connections, representing a 4.7% increase in productivity per employee.

In the quarter payroll and benefits dropped by R\$ 21.8 million or 6.4%, from R\$ 342.6 million to R\$ 320.8 million, due to the following factors:

- Provision for a bonus payment per performance evaluation in the amount of R\$ 40.8 million in 2Q06, non-recurring in 2Q07, which generated a drop in the same proportion;
- This drop was partially offset by the following increase:
 - a As of May 2007, payroll and benefits expenses grew due to a 3.37% wage adjustment; and
 - a The provision for pension plan obligations, as determined by CVM Resolution 371, with a R\$ 13.3 million increase mainly due to the adoption of a new mortality rate table and the increase in the average term for retirement.

4.2. Supplies

In 2Q07, supplies grew by R\$ 4.6 million, or 15.2%, from R\$ 30.3 million to R\$ 34.9 million, mostly due to:

- Network and residential water and sewage connection maintenance and a larger amount dedicated to the loss control program in the amount of R\$ 2.3 million;
- Supplies used in security and protection in order to attend the rule that fixes conditions to guarantee employees safety conditions, in the amount of R\$ 0.7 million, in accordance with the international health and safety management rule; and
- IT supplies in the amount of R\$ 0.5 million.

4.3. Treatment supplies

Recorded a R\$ 2.8 million or 10.5% increase, from R\$ 26.7 million to R\$ 29.5 million in 2Q07 due to the 8.7% consumption increase and the 2.8% average price readjustment.

The main variation was in the consumption of Copper Sulfate due to the proliferation of algae in the São Paulo Metropolitan Region, generating growth of R\$ 1.4 million. The algae appear due to natural reasons, such as the increase in isolation and some nutrients, which favor its growth. When not prevented, algae can cause problems of taste and smell.

4.4. Third-party services

In 2Q07 third-party services grew by R\$ 29.3 million, or 27.7%, from R\$ 105.9 million to R\$ 135.2 million. The main reasons for this performance were:

- Residential network and water and sewage connection in the São Paulo Metropolitan Region maintenance in the amount of R\$ 7.8 million, due to the increase in jobs related to the Global Sourcing agreement and a larger amount dedicated to the loss control program;
- Detection of invisible leakage in the São Paulo Metropolitan Region, as part of the loss control program, in the amount of R\$ 1.7 million;
- Services regarding the implementation of specific software to redefine the corporate website and data storage during 2Q07, in the amount of R\$ 7.6 million, non-recurring;
- Publicity and advertising in the amount of R\$ 4.5 million, due to the release of campaigns focused on the new policy and socio-environmental actions from the Company's new strategic drivers;
- R\$ 3.8 million increase due to the maintenance at Sewage Treatment Stations, cargo services, transportation and final disposal of solid waste, sludge removal and storage; and
- Hydrometer reading and bill delivery, in the amount of R\$ 2.2 million, as a result of the expansion of the covered area in some municipalities in the São Paulo Metropolitan Region.

4.5. Electric power

Recorded a R\$ 15.0 million or 13.7% increase, from R\$ 109.5 million to R\$ 124.5 million, as a result of the 10.1% increase in the average electric power tariff and the 1.1% increase in consumption, versus a 3.2% increase in billed water and sewage.

4.6. General expenses

In 2Q07, general expenses moved up R\$ 8.5 million or 20.1%, from R\$ 42.2 million to R\$ 50.7 million, chiefly due to provisions related to law suits.

4.7. Depreciation and amortization

Grew by R\$ 7.7 million or 5.1%, from R\$ 151.1 million to R\$ 158.8 million, due to the transfer of works in place to permanent operating in 2Q07.

4.8. Credit write-offs

Recorded a R\$ 17.1 million or 30.6% increase, from R\$ 55.9 million to R\$ 73.0 million, mainly due to:

- 9% tariff increase in August 2005, which impacted the accounts written off in 2Q07; and

- Provisioning due to an adjourned agreement in the amount of R\$ 8.0 million with one municipality from the Regional System.

4.9. Tax expenses

In 2Q07, tax expenses dropped by R\$ 1.2 million, or 13.2%, in comparison to 2Q06, from R\$ 9.1 million to R\$ 7.9 million, due to the payment of debt in the capital markets in 2Q06, which generated the payment of CPMF tax in the amount of R\$ 0.9 million in the period.

5. Financial expenses and revenues

Net financial revenues and expenses in 2Q07 dropped by R\$ 13.1 million or 10.3%, as follows:

| | 2Q06 | 2Q07 | Chg. | <i>R\$ million</i> % |
|---|--------------|--------------|---------------|-------------------------|
| Financial expenses | | | | |
| Interest and charges on domestic loans and financing | 131.1 | 114.6 | (16.5) | (12.6) |
| Interest and charges on international loans and financing | 25.4 | 16.5 | (8.9) | (35.0) |
| Other financial expenses | 13.7 | 27.7 | 14.0 | 102.2 |
| Provisions | (11.7) | (14.3) | (2.6) | 22.2 |
| Total financial expenses | 158.5 | 144.5 | (14.0) | (8.8) |
| Financial revenues | 30.7 | 29.8 | (0.9) | (2.9) |
| Financial expenses net of revenues | 127.8 | 114.7 | (13.1) | (10.3) |

The domestic financing highlights are:

- The R\$ 16.5 million drop in provision for interest over domestic financing, mainly due to the prepayment of the 1st series of the 5th debenture issuance in April 2006; amortization of the 4th debenture issuance carried out in 2006 and settled in December 2006; payment of the principal amount of the agreement with Banco do Brasil which impacted the interest calculation, and the decrease in the DI rate, that contributed to the decrease in the interest calculation over the 6th, 7th and 8th debenture issuance and FIDC.

The highlights regarding international financing are:

- The R\$ 6.3 million drop due to the prepayment of part of the 2008 Eurobonds in November 2006. The new funding 2016 Eurobonds reduced interest rate from 12% p.a. to 7.5% p.a., which together with the US Dollar depreciation in relation to the Brazilian Real contributed to the decrease in the remaining payable balance (base for the interest calculation); and
- The R\$ 2.5 million drop in interest over the agreement with the IDB, chiefly due to the US Dollar depreciation in relation to the Brazilian Real.

Other financial expenses:

- The R\$ 11.4 million increase refers to the provision for monetary restatement and lawsuits updates.

6. Passive and active monetary variation

| | 2Q06 | 2Q07 | Chg. | <i>R\$ million</i> % |
|--|-------------|---------------|---------------|-------------------------|
| Monetary variation over loans and financing | 12.3 | 9.5 | (2.8) | (22.8) |
| Currency exchange variation over loans and financing | 11.2 | (74.2) | (85.4) | (762.5) |
| Other monetary variation | 5.9 | 6.8 | 0.9 | (15.3) |
| Passive monetary variation | 29.4 | (57.9) | (87.3) | (296.9) |
| Active monetary variation | 9.7 | 6.6 | (3.1) | (32.0) |
| Monetary/currency exchange variation, net | 19.7 | (64.5) | (84.2) | (427.4) |

6.1. Passive monetary variation

In 2Q07 recorded an R\$ 87.3 million drop, due to the:

- R\$ 3.2 million drop in the monetary variation calculated over the debentures, mainly resulting from the lower IGPM index in 2Q07, 0.34% versus 0.71% in 2Q06;
- R\$ 2.3 million drop in the monetary variation of the agreement with the Federal Government / Banco do Brasil, mostly as a result of the lower TR variation, 0.39% in 2Q07 versus 0.47% in 2Q06, in addition to the lower payable balance due to the settlement of the installments due in the period; and
- R\$ 85.4 million drop in the exchange variation calculated over loans and financing, due to a significant US Dollar depreciation in relation to the Brazilian Real, which recorded a negative variation of 6.06% in 2Q07 versus a negative variation of 0.37% in 2Q06, of which:
 - a R\$ 27.7 million related to the Eurobonds; and
 - a R\$ 57.4 million related to the agreement with the IDB, resulting from the US dollar variation and accomplished amortizations and the lower appreciation of the currency basket, with a negative variation of 0.9% in 2Q07 versus a positive variation of 0.2% in 2Q06.

6.2. Active monetary variation

The R\$ 3.1 million, or 32.0% drop was due to the agreement with the local government authority of the municipality of Diadema, entered into in 2Q06.

7. Non operating expenses

Recorded a R\$ 2.5 million increase, due to:

- Tax benefits from the Rouanet Law, in the amount of R\$ 1.0 million; and
- Real estate write offs, in the amount of R\$ 1.5 million.

8. Operating indicators

The following table shows the Company's continued improvement of services rendered.

| Operating indicators* | Jun/06 | Jun/07 | % |
|---|--------|--------|-------|
| Water connections (1) | 6,538 | 6,690 | 2.3 |
| Sewage connections (1) | 4,938 | 5,077 | 2.8 |
| Population directly served - water (2) | 22.6 | 22.8 | 1.1 |
| Population directly served - sewage (2) | 18.4 | 18.7 | 1.5 |
| Number of employees | 17,289 | 16,922 | (2.1) |
| Operational productivity (3) | 664 | 695 | 4.7 |
| Water losses (%) | 32.0 | 30.8 | - |

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

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

(3) Number of water and sewage connections per employee

* Not-audited

9. Loans and financing*R\$ million*

| INSTITUTION | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | As of 2013 | Total |
|----------------------------|--------------|--------------|----------------|--------------|--------------|--------------|-------------------|----------------|
| Domestic | | | | | | | | |
| Banco do Brasil | 111.1 | 236.9 | 257.8 | 280.6 | 305.4 | 332.4 | 457.2 | 1,981.4 |
| Caixa Econômica | | | | | | | | |
| Federal | 26.8 | 56.5 | 60.0 | 64.4 | 69.7 | 75.4 | 196.2 | 549.0 |
| Debentures | 231.8 | - | 756.1 | 302.8 | 365.1 | - | - | 1,655.8 |
| FIDC - SABESP I | 27.8 | 55.5 | 55.5 | 55.6 | 13.9 | - | - | 208.3 |
| BNDES | 18.9 | 37.9 | 37.9 | 37.9 | 37.9 | 31.9 | 3.3 | 205.7 |
| Others | 1.5 | 5.1 | 6.5 | 5.9 | 5.4 | - | - | 24.4 |
| Interest and charges | 82.6 | 18.8 | 10.4 | 10.4 | 2.6 | - | - | 124.8 |
| Domestic total | 500.5 | 410.7 | 1,184.2 | 757.6 | 800.0 | 439.7 | 656.7 | 4,749.4 |
| International | | | | | | | | |
| IDB | 46.1 | 66.9 | 66.9 | 66.9 | 67.0 | 67.0 | 453.0 | 833.8 |
| Eurobonds | - | 188.9 | - | - | - | - | 269.7 | 458.6 |
| JBIC | - | - | - | - | 0.3 | 0.8 | 12.9 | 14.0 |
| Interest and charges | 14.1 | - | - | - | - | - | - | 14.1 |
| International total | 60.2 | 255.8 | 66.9 | 66.9 | 67.3 | 67.8 | 735.6 | 1,320.5 |
| Total | 560.7 | 666.5 | 1,251.1 | 824.5 | 867.3 | 507.5 | 1,392.3 | 6,069.9 |

10. Conference call

| | |
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| <p><u>Conference call in Portuguese</u> August 15, 2007 2:00 PM (EST) / 15:00 (Brasília time) Dial in access: 55 11 2101-4848 Conference ID: Sabesp</p> <p><u>Replay available until 08/22/07</u> Dial in access: 55 11 2101-4848 Replay ID: Sabesp</p> | <p><u>Conference call in English</u> August 15, 2007 12:00 PM (EST) / 13:00 (Brasília time) Dial in access: 1 973 935-8893 Conference ID: 9116816</p> <p><u>Replay available until 08/22/07</u> Dial in access: 1 973 341-3080 Replay ID: 9116816</p> |
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Live webcast through the Internet at www.sabesp.com.br**For more information, please contact our Investor Relations Team:***Mario Sampaio*

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

Income Statement**Corporate Law Method (Law No. 6,404/76)**

| | R\$ thousand | | |
|---|---------------------|-------------------|-------------|
| | 1Q07 | 1Q06 | % |
| Gross Revenue from Sales and Services | 1,563,707 | 1,422,064 | 10.0 |
| Water Supply - Retail | 803,687 | 733,278 | 9.6 |
| Water Supply - Wholesale | 71,034 | 64,204 | 10.6 |
| Sewage Collection and Treatment | 662,667 | 601,901 | 10.1 |
| Sewage Collection and Treatment - Wholesale | 1,797 | - | - |
| Other Services | 24,522 | 22,681 | 8.1 |
| Taxes on Sales and Services - COFINS and PASEP | (115,889) | (108,656) | 6.7 |
| Net Revenue from Sales and Services | 1,447,818 | 1,313,408 | 10.2 |
| Costs of Sales and Services | (677,081) | (652,878) | 3.7 |
| Gross Profit | 770,737 | 660,530 | 16.7 |
| Selling Expenses | (152,672) | (134,943) | 13.1 |
| Administrative Expenses | (105,607) | (85,513) | 23.5 |
| Operating Income before Financial Expenses and Foreign Exchange gain (loss), net | 512,458 | 440,074 | 16.4 |
| Financial Income and Expenses, net | (124,540) | (135,907) | (8.4) |
| Foreign Exchange gain (loss), net | 74,283 | (11,531) | (744.2) |
| Operating Income | 462,201 | 292,636 | 57.9 |
| Non-Operating Expenses (Income) | | | |
| Non-Operating Income | 2,210 | 387 | 471.1 |
| Non-Operating Expense | (3,352) | (944) | 255.1 |
| Income (loss) before Taxes on Income | 461,059 | 292,079 | 57.9 |
| Income and Social Contribution Taxes | | | |
| Current Income Tax/Social Contribution | (153,864) | (114,639) | 34.2 |
| Deferred Income Tax/Social Contribution | (11,655) | 6,907 | (268.7) |
| Income (loss) before Extraordinary Item | 295,540 | 184,347 | 60.3 |
| Extraordinary item, net of income taxes and social contribution | - | (8,781) | (100.0) |
| Net Income (loss) | 295,540 | 175,566 | 68.3 |
| Registered common shares (thousand of shares) | 227,836 | 28,479,577 | - |

| | | | |
|---|------------------|------------------|-------------|
| Earnings (loss) per thousand shares in R\$ | 1.30 | 6.16 | - |
| Depreciation and Amortization | (158,850) | (151,132) | 5.1 |
| EBITDA | 671,309 | 591,206 | 13.5 |
| % over net revenue | 46.4% | 45.0% | |

Balance sheet

| Brazilian Corporate Law | | R\$ thousand | |
|---|--|-------------------|-------------------|
| ASSETS | | 06/30/2007 | 03/31/2007 |
| Cash and Cash Equivalents | | 511,301 | 453,731 |
| Accounts Receivable, net | | 1,121,941 | 1,137,543 |
| Accounts Receivable from Shareholders | | 362,250 | 355,762 |
| Inventory | | 39,874 | 41,917 |
| Taxes and contributions | | 8,287 | 33,772 |
| Other Receivables | | 43,074 | 34,079 |
| Deferred income tax and social contribution | | 16,098 | 16,147 |
| Total Current Assets | | 2,102,825 | 2,072,951 |
| Accounts Receivable, net | | 276,224 | 299,898 |
| Accounts Receivable from Shareholders | | 889,820 | 864,031 |
| Indemnities Receivable | | 148,794 | 148,794 |
| Judicial Deposits | | 45,546 | 35,352 |
| Taxes and contributions | | 341,939 | 350,281 |
| Other Receivables | | 55,848 | 53,811 |
| Investments | | 720 | 720 |
| Permanent Assets | | 13,855,676 | 13,844,404 |
| Intangible Assets | | 489,878 | 491,821 |
| Deferred Assets | | 5,725 | 7,703 |
| Total Permanent Assets | | 16,110,170 | 16,096,815 |
| Total Assets | | 18,212,995 | 18,169,766 |
| LIABILITIES | | 06/30/2007 | 03/31/2007 |
| Suppliers and Constructors | | 91,722 | 89,844 |
| Loans and Financing | | 988,696 | 817,414 |
| Salaries and Payroll Charges | | 185,698 | 148,108 |
| Taxes and contributions payable | | 133,059 | 198,464 |
| Taxes and contributions | | 75,843 | 73,670 |
| Interest on Own Capital Payable | | 396,435 | 511,517 |
| Provision for Judicial Pendencies | | 39,568 | 28,966 |
| Services Payable | | 143,479 | 115,837 |
| Other Payables | | 71,437 | 69,051 |
| Total Current Liabilities | | 2,125,937 | 2,052,871 |
| Loans and Financing | | 5,081,250 | 5,377,108 |
| Taxes and contributions payable | | 214,642 | 222,670 |
| Deferred Taxes and Contributions | | 152,273 | 148,284 |
| Provision for Contingencies | | 627,866 | 666,593 |
| Pension Fund Obligations | | 343,249 | 331,975 |
| Other Payables | | 52,236 | 52,185 |

| | | |
|---|-------------------|-------------------|
| Long Term Liabilities | 6,471,516 | 6,798,815 |
| Capital Stock | 3,403,688 | 3,403,688 |
| Capital Reserves | 115,330 | 113,408 |
| Revaluation Reserves | 2,383,910 | 2,405,656 |
| Profit Reserves | 3,080,605 | 3,080,605 |
| Accrued income | 632,009 | 314,723 |
| Shareholder's Equity | 9,615,542 | 9,318,080 |
| Total Liabilities and Shareholder's Equity | 18,212,995 | 18,169,766 |

Cash flow

| Brazilian Corporate Law | R\$ thousand | |
|--|---------------------|-------------------|
| Description | Abr-Jun/07 | Abr-Jun/06 |
| Cash flow from operating activities | | |
| Net income for the period | 295,540 | 175,566 |
| Adjustments for reconciliation of net income | | |
| Deferred income tax and social contribution | 14,553 | (6,414) |
| Provisions for contingencies | 29,479 | 10,119 |
| Reversion of provision for losses | (44) | - |
| Other provisions | 89 | - |
| Liabilities related to pension plans | 14,999 | 14,986 |
| Loss in the write-off of property, plant and equipment | 2,431 | 956 |
| Deferred asset write-offs | 475 | 863 |
| Depreciation and Amortization | 158,850 | 151,132 |
| Interest calculated on loans and financing payable | 132,834 | 158,862 |
| Foreign exchange loss on loans and financing | (61,689) | 29,333 |
| Passive monetary exchange variation and interest | 3,177 | 4,628 |
| Active monetary exchange variation and interest | (3,495) | (2,032) |
| Provisions for bad debt | 72,983 | 55,896 |
| Adjusted Net Income | 660,182 | 593,895 |
| (Increase) decrease in assets | | |
| Clients | (32,371) | (17,075) |
| Accounts receivable from shareholders | (5,212) | (25,097) |
| Inventories | 2,087 | (1,302) |
| Recoverable Taxes | 25,485 | 429 |
| Other accounts receivable | (10,555) | (7,125) |
| Change in long term assets | | |
| Clients | (990) | (52,275) |
| Accounts receivable from shareholders | (24,406) | (23,326) |
| Judicial deposits | (530) | 2,832 |
| Other accounts receivable | (1,596) | (1,645) |
| | (48,088) | (124,584) |
| Increase (decrease) in liabilities | | |
| Accounts payable to suppliers and contractors | 31,150 | 79,639 |
| Salaries and payroll charges | 37,590 | 82,103 |
| Taxes and contributions | (76,610) | 18,189 |
| Services payable | 27,642 | 3,514 |
| Other accounts payable | 2,386 | 673 |
| Pension plan | (3,725) | (3,692) |
| Provision for contingencies | (65,658) | (17,293) |
| Increase (decrease) in non current liabilities | | |
| Other accounts payable - long term | (38) | 1,142 |
| | (47,263) | 164,275 |

| | | |
|--|------------------|------------------|
| Net cash from operating activities | 564,831 | 633,586 |
| Cash flow from investing activities | | |
| Acquisition of property, plant and equipment | (201,451) | (232,751) |
| Increase in intangible assets | (2,925) | (1,949) |
| Sale of property, plant and equipment | - | - |
| Increase in Deferred Assets | - | (28) |
| Net cash used in investing activities | (204,376) | (234,728) |
| Cash flow from financing activities | | |
| Loans and Financing - long term | | |
| Funding | 92,630 | 29,265 |
| Payments | (280,433) | (587,482) |
| Interest on own capital payment | (115,082) | (148,769) |
| Net cash used in financing activities | (302,885) | (706,986) |
| Net increase (decrease) in cash equivalents | 57,570 | (308,128) |
| Cash and cash equivalents at the beginning of the period | 453,731 | 644,140 |
| Cash and cash equivalents at the end of the period | 511,301 | 336,012 |
| Change in Cash | 57,570 | (308,128) |
| Additional information on cash flow: | | |
| Interest and taxes over loans and financing | 162,377 | 206,085 |
| Capitalization of interest and financial charges | (7,918) | 6,284 |
| Payable income tax and social contribution | 182,172 | 100,509 |
| Property, plant and equip. received as donations and/or paid in stocks | 1,922 | 8,018 |
| COFINS and PASEP taxes payable | 125,415 | 106,746 |

