

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 25, 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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PUBLIC FEDERAL SERVICE

CVM - SECURITIES EXCHANGE COMMISSION

ITR - QUARTERLY INFORMATION  
06/30/2010

Corporate  
Legislation

COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

REGISTRATION WITH THE CVM DOES NOT IMPLY ANY ANALYSIS OF THE COMPANY.  
MANAGEMENT IS RESPONSIBLE FOR THE ACCURACY OF THE INFORMATION PROVIDED.

**01.01 - IDENTIFICATION**

2 - COMPANY S NAME

1 - CVM CODE

01444-3

**CIA SANEAMENTO  
BÁSICO ESTADO SÃO  
PAULO**

3 -Federal Taxpayers'  
Registration Number (CNPJ)

43.776.517/0001-80

4 - State Registration Number - NIRE

35300016831

**01.02 - HEAD OFFICE**

1 - ADDRESS

Rua Costa Carvalho, 300

3 - POSTAL CODE 4 - MUNICIPALITY

05429-900

6 - AREA CODE

São Paulo

7 - TELEPHONE

8 - TELEPHONE

2 - SUBURB OR DISTRICT

Pinheiros

5 - STATE

SP

9 - TELEPHONE

10 - TELEX

11 3388-8000 3388-8200 3388-8201  
 11 - AREA CODE 12 - FAX 13 - FAX 14 - FAX

11 3813-0254 - -  
 15 - E-MAIL

sabesp@sabesp.com.br

**01.03 - INVESTOR RELATIONS OFFICER (Company's Mail Address)**

1 - NAME

Rui de Britto Álvares Affonso

2 - ADDRESS

3 - SUBURB OR DISTRICT

Rua Costa Carvalho, 300

Pinheiros

4 - POSTAL CODE 5 - MUNICIPALITY

6 - STATE

05429-900 São Paulo SP  
 7 - AREA CODE 8 - TELEPHONE 9 - TELEPHONE 10 - TELEPHONE 11 - TELEX

11 3388-8247 3388-8386 -  
 12 - AREA CODE 13 - FAX 14 - FAX 15 - FAX

11 3815-4465 - -  
 16 - E-MAIL

raffonso@sabesp.com.br

**01.04 - GENERAL INFORMATION/INDEPENDENT ACCOUNTANT**

| CURRENT YEAR               |            | CURRENT QUARTER |            |            | PRIOR QUARTER |               |            |
|----------------------------|------------|-----------------|------------|------------|---------------|---------------|------------|
| 1                          | 2 - END    | 3 -             | 4          | 5 - END    | 6 -           | 7             | 8 - END    |
| -BEGINNING                 |            | QUARTER         | -BEGINNING |            | QUARTER       | -BEGINNING    |            |
| 01/01/2010                 | 12/31/2010 | 2               | 04/01/2010 | 06/30/2010 | 1             | 01/01/2010    | 03/31/2010 |
| 9 - INDEPENDENT ACCOUNTANT |            |                 |            |            |               | 10 - CVM CODE |            |

PRICEWATERHOUSECOOPERS INDEPENDENT AUDITORS

00287-9  
 12 - INDIVIDUAL  
 TAXPAYERS'  
 REGISTRATION NUMBER  
 OF THE PARTNER  
 RESPONSIBLE

11 - PARTNER RESPONSIBLE

VALDIR RENATO COSCODAI

031.065.768-71



**01.05 - CAPITAL COMPOSITION**

| <b>NUMBER OF<br/>SHARES</b> | 1 - CURRENT QUARTER | 2 - PRIOR QUARTER | 3 - SAME QUARTER IN<br>PRIOR YEAR |
|-----------------------------|---------------------|-------------------|-----------------------------------|
|                             |                     |                   |                                   |
|                             | <b>06/30/2010</b>   | <b>03/31/2010</b> | <b>06/30/2009</b>                 |
| (thousand)                  |                     |                   |                                   |
| <b>Paid-up Capital</b>      |                     |                   |                                   |
| 1 - Common                  | 227,836             | 227,836           | 227,836                           |
| 2 - Preferred               | 0                   | 0                 | 0                                 |
| 3 - Total                   | 227,836             | 227,836           | 227,836                           |
| <b>Treasury Shares</b>      |                     |                   |                                   |
| 4 - Common                  | 0                   | 0                 | 0                                 |
| 5 - Preferred               | 0                   | 0                 | 0                                 |
| 6 - Total                   | 0                   | 0                 | 0                                 |

**01.06 - CHARACTERISTICS OF THE COMPANY**

1 - TYPE OF COMPANY

Commercial, Industrial and Other

2 - SITUATION

Operational

3 - NATURE OF OWNERSHIP

State-owned

4 - ACTIVITY CODE

1160 - Sanitation, Water and Gas Services

5 - MAIN ACTIVITY

Water Capture, Treatment and Distribution; Sewage Collection and Treatment

6 - TYPE OF CONSOLIDATION

Total

7 - TYPE OF REPORT OF INDEPENDENT ACCOUNTANTS

Unqualified

**01.07 - COMPANIES NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS**

NUMBER OF SHARES



**01.09 - SUBSCRIBED CAPITAL AND ALTERATIONS IN THE CURRENT YEAR**

| 1 -<br>ITEM | 2 - DATE OF<br>ALTERATION | 3 - CAPITAL<br>(R\$ thousand) | 4 - AMOUNT OF<br>THE<br>ALTERATION<br>(R\$ thousand) | 5 - NATURE<br>OF<br>ALTERATION | 7 - NUMBER OF<br>SHARES<br>ISSUED<br>(Thousand) | 8 - SHARE<br>PRICE ON<br>ISSUE DATE<br>(Reais) |
|-------------|---------------------------|-------------------------------|--|--------------------------------|---|--|
|-------------|---------------------------|-------------------------------|--|--------------------------------|---|--|

**01.10 - INVESTOR RELATIONS OFFICER**

**1 - Date**

**2 - SIGNATURE**

08/06/2010



**02.01 - BALANCE SHEET - ASSETS (In thousands of Brazilian reais - R\$)**

| 1 - Code      | 2 - Description                              | 3 - 06/30/2010 | 4 - 03/31/2010 |
|---------------|--|----------------|----------------|
| 1             | Total assets                                 | 22,879,162     | 21,996,814     |
| 1.01          | Current assets                               | 3,138,500      | 2,621,879      |
| 1.01.01       | Cash and cash equivalents                    | 1,046,840      | 851,564        |
| 1.01.01.01    | Cash & Cash Equivalents                      | 1,046,839      | 851,562        |
| 1.01.01.02    | Other cash and cash equivalents              | 1              | 2              |
| 1.01.02       | Receivables                                  | 1,239,243      | 1,301,596      |
| 1.01.02.01    | Trade accounts receivable                    | 1,083,895      | 1,162,978      |
| 1.01.02.02    | Sundry receivables                           | 155,348        | 138,618        |
| 1.01.02.02.01 | Balances & Transactions with Related Parties | 155,348        | 138,618        |
| 1.01.03       | Inventories                                  | 31,101         | 34,706         |
| 1.01.03.01    | Storeroom supplies - operations              | 31,101         | 34,706         |
| 1.01.04       | Other  | 821,316        | 434,013        |
| 1.01.04.01    | Taxes Recoverable                            | 4,773          | 5,219          |
| 1.01.04.02    | Deferred Income Taxes & Social Contribution  | 263,369        | 250,951        |
| 1.01.04.03    | Agreement with Sao Paulo City Hall           | 172,174        | 136,812        |
| 1.01.04.04    | Cef - Debêntures                             | 330,587        | 0              |
| 1.01.04.05    | Other receivables                            | 50,413         | 41,031         |
| 1.02          | Noncurrent assets                            | 19,740,662     | 19,374,935     |
| 1.02.01       | Long-term assets                             | 2,122,317      | 2,106,504      |
| 1.02.01.01    | Sundry receivables                           | 2,122,317      | 2,106,504      |
| 1.02.01.01.01 | Trade accounts receivable                    | 270,484        | 274,773        |
| 1.02.01.01.02 | Balances & Transactions with Related Parties | 934,208        | 945,423        |
| 1.02.01.01.03 | Indemnities receivable                       | 146,213        | 146,213        |
| 1.02.01.01.04 | Escrow deposits                              | 47,682         | 47,439         |
| 1.02.01.01.05 | Deferred Income Tax & Social Contribution    | 620,858        | 591,286        |
| 1.02.01.01.06 | Other receivables                            | 102,872        | 101,370        |
| 1.02.01.02    | Intercompany receivables                     | 0              | 0              |
| 1.02.01.02.01 | Affiliates                                   | 0              | 0              |
| 1.02.01.02.02 | Subsidiaries                                 | 0              | 0              |
| 1.02.01.02.03 | Other related parties                        | 0              | 0              |
| 1.02.01.03    | Other  | 0              | 0              |
| 1.02.02       | Permanent assets                             | 17,618,345     | 17,268,431     |
| 1.02.02.01    | Investments                                  | 4,110          | 4,217          |
| 1.02.02.01.01 | In affiliated companies                      | 0              | 0              |
| 1.02.02.01.02 | In affiliated companies - goodwill           | 0              | 0              |
| 1.02.02.01.03 | In subsidiaries                              | 3,390          | 3,497          |
| 1.02.02.01.04 | In subsidiaries - goodwill                   | 0              | 0              |
| 1.02.02.01.05 | Other investments                            | 0              | 0              |
| 1.02.02.01.06 | Shares in other companies                    | 698            | 698            |
| 1.02.02.01.07 | Compulsory deposits - Eletrobrás             | 22             | 22             |

|               |                               |            |            |
|---------------|-------------------------------|------------|------------|
| 1.02.02.02    | Property, plant and equipment | 15,969,828 | 15,682,941 |
| 1.02.02.02.01 | Property, plant and equipment | 11,672,056 | 11,704,906 |
| 1.02.02.02.02 | Construction in progress      | 4,297,772  | 3,978,035  |
| 1.02.02.03    | Intangible                    | 1,644,407  | 1,581,273  |
| 1.02.02.04    | Deferred charges              | 0          | 0          |

**02.02 - BALANCE SHEET - LIABILITIES AND SHAREHOLDERS EQUITY (In thousands of Brazilian reais - R\$)**

| 1 - Code      | 2 - Description                           | 3 - 06/30/2010 | 4 - 03/31/2010 |
|---------------|---|----------------|----------------|
| 2             | Total liabilities and shareholders equity | 22,879,162     | 21,996,814     |
| 2.01          | Current liabilities                       | 3,227,622      | 3,094,479      |
| 2.01.01       | Loans and financing                       | 646,294        | 656,451        |
| 2.01.02       | Debentures                                | 766,660        | 299,360        |
| 2.01.02.01    | 6 <sup>th</sup> issue of debentures       | 238,461        | 232,415        |
| 2.01.02.02    | 8 <sup>th</sup> issue of debentures       | 442,091        | 0              |
| 2.01.02.03    | Interest on debentures                    | 86,108         | 66,945         |
| 2.01.03       | Trade accounts payable                    | 175,860        | 168,563        |
| 2.01.04       | Taxes payable                             | 168,689        | 235,429        |
| 2.01.04.01    | Income tax                                | 42,464         | 87,205         |
| 2.01.04.02    | Social contribution tax                   | 15,671         | 30,529         |
| 2.01.04.03    | PAES (tax debt refinancing program)       | 34,688         | 34,349         |
| 2.01.04.04    | COFINS and PASEP (taxes on revenue)       | 39,885         | 48,733         |
| 2.01.04.05    | INSS (Social security contribution)       | 23,768         | 22,616         |
| 2.01.04.06    | Other                                     | 12,213         | 11,997         |
| 2.01.05       | Dividends payable                         | 0              | 0              |
| 2.01.06       | Reserves                                  | 713,318        | 712,270        |
| 2.01.06.01    | For Tax Contingencies                     | 2,634          | 436            |
| 2.01.06.02    | For Civil Contingencies                   | 21,499         | 18,164         |
| 2.01.06.03    | For Contingencies with Suppliers          | 195,169        | 191,704        |
| 2.01.06.04    | For Contingencies with Customers          | 457,984        | 465,876        |
| 2.01.06.05    | For Environmental Contingencies           | 21,813         | 18,210         |
| 2.01.06.06    | For Labor Contingencies                   | 14,219         | 17,880         |
| 2.01.07       | Intercompany payables                     | 0              | 0              |
| 2.01.08       | Other                                     | 756,801        | 1,022,406      |
| 2.01.08.01    | Payroll and related charges               | 241,482        | 234,958        |
| 2.01.08.02    | Accounts Payable                          | 213,639        | 193,270        |
| 2.01.08.03    | Interest on capital payable               | 56             | 365,423        |
| 2.01.08.04    | Deferred taxes                            | 27,134         | 28,941         |
| 2.01.08.05    | Refundable amounts                        | 59,837         | 57,295         |
| 2.01.08.06    | Program contract commitments              | 68,207         | 44,507         |
| 2.01.08.07    | Other payables                            | 146,446        | 98,012         |
| 2.02          | Noncurrent liabilities                    | 8,499,660      | 8,084,086      |
| 2.02.01       | Long-term liabilities                     | 8,499,660      | 8,084,086      |
| 2.02.01.01    | Loans and financing                       | 3,808,766      | 4,677,301      |
| 2.02.01.02    | Debentures                                | 2,210,690      | 932,760        |
| 2.02.01.02.01 | 8 <sup>th</sup> issue of debentures       | 0              | 429,932        |
| 2.02.01.02.02 | 9 <sup>th</sup> issue of debentures       | 228,335        | 226,552        |
| 2.02.01.02.03 | 10 <sup>th</sup> issue of debentures      | 277,435        | 276,276        |
| 2.02.01.02.04 | 11 <sup>th</sup> issue of debentures      | 1,204,925      | 0              |

|               |   |            |            |
|---------------|---|------------|------------|
| 2.02.01.02.05 | 12 <sup>th</sup> issue of debentures          | 499,975    | 0          |
| 2.02.01.03    | Reserves                                      | 852,695    | 871,452    |
| 2.02.01.03.01 | For Tax Contingencies                         | 63,733     | 27,168     |
| 2.02.01.03.02 | For Civil Contingencies                       | 154,013    | 140,616    |
| 2.02.01.03.03 | For Contingencies with Suppliers              | 168,279    | 161,691    |
| 2.02.01.03.04 | For Contingencies with Customers              | 346,751    | 420,205    |
| 2.02.01.03.05 | For Environmental Contingencies               | 24,121     | 34,056     |
| 2.02.01.03.06 | For Labor Contingencies                       | 95,798     | 87,716     |
| 2.02.01.04    | Intercompany payables                         | 0          | 0          |
| 2.02.01.05    | Advance for future capital increase           | 0          | 0          |
| 2.02.01.06    | Other   | 1,627,509  | 1,602,573  |
| 2.02.01.06.01 | Deferred taxes                                | 162,600    | 157,655    |
| 2.02.01.06.02 | PAES (tax debt refinancing program)           | 69,375     | 77,287     |
| 2.02.01.06.03 | Social security charges                       | 504,114    | 492,061    |
| 2.02.01.06.04 | Indemnities                                   | 30,847     | 41,761     |
| 2.02.01.06.05 | Program contract commitments                  | 102,399    | 99,501     |
| 2.02.01.06.06 | Provision for Actuarial Liability Law 4819/58 | 507,772    | 520,055    |
| 2.02.01.06.07 | Private Public Partnership                    | 144,192    | 104,751    |
| 2.02.01.06.08 | Other payables                                | 106,210    | 109,502    |
| 2.03          | Deferred income                               | 0          | 0          |
| 2.05          | Shareholders' equity                          | 11,151,880 | 10,818,249 |
| 2.05.01       | Capital                                       | 6,203,688  | 6,203,688  |
| 2.05.02       | Capital reserves                              | 124,255    | 124,255    |
| 2.05.02.01    | Support to projects                           | 108,475    | 108,475    |
| 2.05.02.02    | Incentive reserve                             | 15,780     | 15,780     |
| 2.05.03       | Revaluation reserves                          | 2,088,454  | 2,106,063  |
| 2.05.03.01    | Own assets                                    | 2,088,454  | 2,106,063  |
| 2.05.03.02    | Subsidiaries/Affiliates                       | 0          | 0          |
| 2.05.04       | Profit reserves                               | 2,054,594  | 2,054,594  |
| 2.05.04.01    | Legal   | 378,526    | 378,526    |
| 2.05.04.02    | Statutory                                     | 0          | 0          |
| 2.05.04.03    | For contingencies                             | 0          | 0          |
| 2.05.04.04    | Unrealized profit                             | 0          | 0          |
| 2.05.04.05    | Profit retention                              | 0          | 0          |
| 2.05.04.06    | Special for unpaid dividends                  | 0          | 0          |
| 2.05.04.07    | Other profit reserves                         | 1,676,068  | 1,676,068  |
| 2.05.04.07.01 | Reserve for investments                       | 1,676,068  | 1,676,068  |
| 2.05.05       | Adjustments of Equity Evaluation              | 0          | 0          |
| 2.05.05.01    | Adjustments of Marketable Securities          | 0          | 0          |
| 2.05.05.02    | Accumulated Conversion Adjustments            | 0          | 0          |
| 2.05.05.03    | Business Combination Adjustments              | 0          | 0          |
| 2.05.06       | Retained earnings (accumulated deficit)       | 680,889    | 329,649    |
| 2.05.07       | Advance for future capital increase           | 0          | 0          |

**03.01 - STATEMENT OF INCOME (In thousands of Brazilian reais - R\$)**

3 -

04/01/2010 4 - 01/01/2010 5 -04/01/2009 6 -01/01/2009

| 1 - Code      | 2 - Description  | to 06/30/2010 | to 06/30/2010 | to 06/30/2009 | to 06/30/2009 |
|---------------|--|---------------|---------------|---------------|---------------|
| 3.01          | Gross revenue from sales and/or services                 | 1,904,453     | 3,790,061     | 1,743,652     | 3,523,019     |
| 3.02          | Gross revenue deductions                                 | (134,665)     | (268,270)     | (120,029)     | (246,030)     |
| 3.03          | Net revenue from sales and/or services                   | 1,769,788     | 3,521,791     | 1,623,623     | 3,276,989     |
| 3.04          | Cost of sales and/or services                            | (781,247)     | (1,503,752)   | (830,083)     | (1,665,272)   |
| 3.05          | Gross profit   | 988,541       | 2,018,039     | 793,540       | 1,611,717     |
| 3.06          | Operating (expenses) income                              | (497,047)     | (1,055,288)   | (150,760)     | (569,162)     |
| 3.06.01       | Selling  | (255,450)     | (413,925)     | (187,307)     | (395,823)     |
| 3.06.02       | General and administrative                               | (106,815)     | (259,261)     | (100,884)     | (248,606)     |
| 3.06.03       | Financial  | (138,601)     | (376,400)     | 135,165       | 67,562        |
| 3.06.03.01    | Financial income   | 95,980        | 159,311       | 56,432        | 112,834       |
| 3.06.03.01.01 | Financial income   | 95,926        | 159,182       | 56,487        | 120,336       |
| 3.06.03.01.02 | Exchange gains   | 54            | 129           | (55)          | (7,502)       |
| 3.06.03.02    | Financial expenses                                       | (234,581)     | (535,711)     | 78,733        | (45,272)      |
| 3.06.03.02.01 | Financial expenses                                       | (220,310)     | (497,135)     | (159,091)     | (315,966)     |
| 3.06.03.02.02 | Exchange losses  | (14,271)      | (38,576)      | 237,824       | 270,694       |
| 3.06.04       | Other operating income                                   | 15,603        | 22,159        | 10,541        | 18,064        |
| 3.06.04.01    | Other operating income                                   | 17,193        | 24,418        | 11,615        | 19,905        |
| 3.06.04.02    | COFINS and PASEP (taxes on revenue)                      | (1,590)       | (2,259)       | (1,074)       | (1,841)       |
| 3.06.05       | Other operating expenses                                 | (11,677)      | (27,637)      | (8,196)       | (10,249)      |
| 3.06.05.01    | Loss on write-off of property, plant and equipment items | (10,871)      | (12,195)      | (4,268)       | (6,048)       |
| 3.06.05.02    | Provision for Losses in Tax Incentives                   | 0             | 0             | (300)         | (300)         |
| 3.06.05.03    | Tax Incentives   | (754)         | (904)         | (3,072)       | (3,072)       |
| 3.06.05.04    | Provision for Actuarial Liability Law 4819/58            | 0             | (14,237)      | 0             | 0             |
| 3.06.05.05    | Provision for Loss Law 4819/58                           | 0             | 0             | 0             | 0             |
| 3.06.05.06    | Other  | (52)          | (301)         | (556)         | (829)         |
| 3.06.06       | Equity in subsidiaries                                   | (107)         | (224)         | (79)          | (110)         |
| 3.07          | Income from operations                                   | 491,494       | 962,751       | 642,780       | 1,042,555     |

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|         |   |           |           |           |           |
|---------|---|-----------|-----------|-----------|-----------|
| 3.08    | Nonoperating income (expenses)                      | 0         | 0         | 0         | 0         |
| 3.08.01 | Income  | 0         | 0         | 0         | 0         |
| 3.08.02 | Expenses  | 0         | 0         | 0         | 0         |
| 3.09    | Income before taxes and profit sharing              | 491,494   | 962,751   | 642,780   | 1,042,555 |
| 3.10    | Provision for income and social contribution taxes  | (198,095) | (435,026) | (200,881) | (337,235) |
| 3.10.01 | Provision for income tax                            | (145,303) | (320,002) | (146,993) | (276,492) |
| 3.10.02 | Provision for social contribution tax               | (52,792)  | (115,024) | (53,888)  | (100,743) |
| 3.11    | Deferred income tax                                 | 40,232    | 96,518    | 22,766    | 55,559    |
| 3.11.01 | Deferred income tax                                 | 29,582    | 70,969    | 16,740    | 40,852    |
| 3.11.02 | Deferred social contribution tax                    | 10,650    | 25,549    | 6,026     | 14,707    |
| 3.12    | Statutory profit sharing/contributions              | 0         | 0         | 0         | 0         |
| 3.12.01 | Profit sharing                                      | 0         | 0         | 0         | 0         |
| 3.12.02 | Contributions                                       | 0         | 0         | 0         | 0         |
| 3.13    | Reversal of interest on capital                     | 0         | 0         | 0         | 0         |
| 3.15    | Net income (loss)                                   | 333,631   | 624,243   | 464,665   | 720,879   |
|         | Number of shares, former treasury shares (thousand) | 227,836   | 227,836   | 227,836   | 227,836   |
|         | EARNINGS PER SHARE (Reais)                          | 1.46435   | 2.73988   | 2.03947   | 3.16403   |
|         | LOSS PER SHARE (Reais)                              |           |           |           |           |

**04.01 - STATEMENT OF CASH FLOWS - INDIRECT METHOD (In thousands of Brazilian reais - R\$)**

| 1 - Code   | 2 - Description   | 3 -<br>04/01/2010 | 4 -<br>01/01/2010 | 5 -01/04/2009 | 6 - 01/01/2009 |
|------------|---|-------------------|-------------------|---------------|----------------|
|            |   | to 06/30/2010     | to 06/30/2010     | to 06/30/2009 | to 06/30/2009  |
| 4.01       | Net Cash from Operating Activities                              | 155,445           | 739,669           | 435,897       | 1,068,444      |
| 4.01.01    | Cash Generated from Operations                                  | 1,010,421         | 2,039,783         | 930,452       | 1,878,907      |
| 4.01.01.01 | Net Income before Income Tax and Social Contribution            | 491,494           | 962,751           | 642,780       | 1,042,555      |
| 4.01.01.02 | Provision for Contingencies                                     | 36,721            | 213,132           | 106,720       | 154,788        |
| 4.01.01.03 | Reversal of Provision for Losses                                | 310               | 93                | 780           | 1,068          |
| 4.01.01.04 | Social Security Obligations                                     | 16,040            | 32,181            | 19,150        | 38,187         |
| 4.01.01.05 | Write-off of Fixed Assets                                       | 10,871            | 12,195            | 4,268         | 6,048          |
| 4.01.01.06 | Depreciation and Amortization                                   | 150,960           | 294,808           | 161,483       | 323,175        |
| 4.01.01.07 | Interests on Loans and Financings Payable                       | 137,071           | 253,604           | 111,051       | 234,322        |
| 4.01.01.08 | Monetary and Foreign Exchange Variation on Loans and Financings | 37,007            | 87,253            | (237,005)     | (269,653)      |
| 4.01.01.09 | Expenses with Interests and Monetary Variations                 | 1,070             | 2,225             | 1,467         | 3,022          |
| 4.01.01.10 | Income with Interests and Monetary Variations                   | (33,677)          | (43,916)          | (1,030)       | (9,509)        |
| 4.01.01.11 | Allowance for Doubtful Accounts                                 | 117,744           | 169,280           | 75,749        | 163,149        |
| 4.01.01.12 | Provision for Term of Adjustment of Conduct (TAC)               | 9,153             | 9,153             | (17,378)      | 129,186        |
| 4.01.01.13 | Equity Result   | 107               | 224               | 79            | 110            |
| 4.01.01.14 | Provision for Actuarial Liability Law 4819/58                   | 0                 | 14,237            | 0             | 0              |
| 4.01.01.15 | Other Provisions/Reversals                                      | 75                | (987)             | 107           | 228            |
| 4.01.01.16 | Provision for PMSP Agreement                                    | 35,475            | 33,550            | 62,231        | 62,231         |
| 4.01.02    | Variation to Assets and Liabilities                             | (412,825)         | (559,587)         | (144,631)     | (205,902)      |
| 4.01.02.01 | Accounts Receivable   | (12,831)          | (51,051)          | 6,685         | (34,445)       |
| 4.01.02.02 | Balances and Transactions with Related Parties                  | (2,572)           | 8,818             | (5,382)       | 69,718         |
| 4.01.02.03 | Inventories   | 3,295             | 8,683             | 2,303         | 7,465          |
| 4.01.02.04 | Taxes Recoverable   | 446               | (1,755)           | 3,356         | 1,469          |
| 4.01.02.05 | Other Accounts Receivable                                       | (376,342)         | (413,304)         | (25,194)      | (18,075)       |
| 4.01.02.06 | Judicial Deposits   | (665)             | (1,178)           | (20,472)      | (14,119)       |
| 4.01.02.07 | Indemnifications Receivable                                     | 0                 | 0                 | 0             | 2,581          |
| 4.01.02.08 | Contractors and Suppliers                                       | 1,220             | (9,851)           | (3,709)       | (21,469)       |

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|            |   |             |              |           |           |
|------------|---|-------------|--------------|-----------|-----------|
| 4.01.02.09 | Salaries, Provisions and Social Security Obligations  | (2,629)     | (6,780)      | 494       | 14,940    |
| 4.01.02.10 | Provision for Actuarial Liability Law 4819/58         | (12,283)    | (24,492)     | (12,605)  | (31,996)  |
| 4.01.02.11 | Taxes and Contributions Payable                       | (22,197)    | (51,229)     | (28,526)  | (63,250)  |
| 4.01.02.12 | Accounts Payable                                      | 20,369      | 19,730       | 19,721    | 4,630     |
| 4.01.02.13 | Other Obligations                                     | 40,662      | 76,165       | 53,957    | 54,345    |
| 4.01.02.14 | Contingencies   | (45,311)    | (105,173)    | (131,122) | (169,204) |
| 4.01.02.15 | Pension Plan - Sabesprev Transfer                     | (3,987)     | (8,170)      | (4,137)   | (8,492)   |
| 4.01.03    | Others  | (442,151)   | (740,527)    | (349,924) | (604,561) |
| 4.01.03.01 | Interests paid  | (191,913)   | (284,613)    | (174,793) | (280,451) |
| 4.01.03.02 | Income Tax and Contributions Paid                     | (250,238)   | (455,914)    | (175,131) | (324,110) |
| 4.02       | Net Cash from Investment Activities                   | (426,707)   | (834,667)    | (444,477) | (760,889) |
| 4.02.01    | Acquisition of Items of Fixed Assets                  | (404,294)   | (807,511)    | (432,878) | (745,057) |
| 4.02.02    | Increase in Intangibles                               | (22,413)    | (27,156)     | (13,869)  | (18,102)  |
| 4.02.03    | Proceeds received for the Sale of Fixed Assets        | 0           | 0            | 2,270     | 2,270     |
| 4.03       | Net Cash from Financing Activities                    | 466,538     | 372,405      | (103,753) | (244,038) |
| 4.03.01    | Funding   | 1,872,185   | 2,025,282    | 666,544   | 844,737   |
| 4.03.02    | Loan Amortizations                                    | (1,040,280) | (1,2873,491) | (484,966) | (803,444) |
| 4.03.03    | Payment of Interests on Shareholders' Equity          | (365,367)   | (365,386)    | (285,331) | (285,331) |
| 4.04       | Foreign Exchange Variation on Cash & Cash Equivalents | 0           | 0            | 0         | 0         |
| 4.05       | Increase(Decrease) in Cash & Cash Equivalents         | 195,276     | 277,407      | (112,333) | 63,517    |
| 4.05.01    | Beginning Balance of Cash & Cash Equivalents          | 851,564     | 769,433      | 797,909   | 622,059   |
| 4.05.02    | Ending Balance of Cash & Cash Equivalents             | 1,046,840   | 1,046,840    | 685,576   | 685,576   |



**05.01 - STATEMENT OF CHANGES TO SHAREHOLDERS EQUITY FROM 04/01/2010 to 06/30/2010 (In thousands of Brazilian reais - R\$)**

| 1 -<br>CODE | 2 - DESCRIPTION                              | 3 -<br>CAPITAL<br>STOCK | 4 -<br>CAPITAL<br>RESERVES | 5 -<br>REVALUATION<br>RESERVES | 6 - PROFIT<br>RESERVES | 7 -RETAINED<br>EARNINGS/LOSSES | 8 -EQUITY<br>ADJUSTMEN |
|-------------|--|-------------------------|----------------------------|--------------------------------|------------------------|--------------------------------|------------------------|
| 5.01        | Beginning Balance                            | 6,203,688               | 124,255                    | 2,106,063                      | 2,054,594              |                                | 329,649                |
| 5.02        | Adjustments from<br>Previous Years           | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.03        | Adjusted Balance                             | 6,203,688               | 124,255                    | 2,106,063                      | 2,054,594              |                                | 329,649                |
| 5.04        | Profit/Loss for the<br>Period                | 0                       | 0                          | 0                              | 0                      |                                | 333,631                |
| 5.05        | Allocations                                  | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.05.01     | Dividends                                    | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.05.02     | Interests on<br>Shareholders' Equity         | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.05.03     | Other Allocations                            | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.06        | Realization of Profit<br>Reserves            | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.07        | Equity Adjustments                           | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.07.01     | Marketable Securities<br>Adjustments         | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.07.02     | Accumulated<br>Conversion Adjustments        | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.07.03     | Adjustments from<br>Business Combinations    | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.08        | Increase/Decrease in<br>Capital Stock        | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.09        | Capital Reserves<br>Constitution/Realization | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.10        | Treasury Stock                               | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.11        | Other Capital Stock<br>Transactions          | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.12        | Others                                       | 0                       | 0                          | (17,609)                       | 0                      |                                | 17,609                 |
| 5.13        | Ending Balance                               | 6,203,688               | 124,255                    | 2,088,454                      | 2,054,594              |                                | 680,889                |

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**05.02 - STATEMENT OF CHANGES TO SHAREHOLDERS EQUITY FROM 01/01/2010 to 06/30/2010 (In thousands of Brazilian reais - R\$)**

| 1 -<br>CODE | 2 - DESCRIPTION                              | 3 -<br>CAPITAL<br>STOCK | 4 -<br>CAPITAL<br>RESERVES | 5 -<br>REVALUATION<br>RESERVES | 6 -<br>PROFIT<br>RESERVES | 7 -<br>RETAINED<br>EARNINGS/LOSSES | 8 -<br>EQUITY<br>ADJUSTMEN |
|-------------|--|-------------------------|----------------------------|--------------------------------|---------------------------|------------------------------------|----------------------------|
| 5.01        | Beginning Balance                            | 6,203,688               | 124,255                    | 2,145,100                      | 2,054,594                 |                                    | 0                          |
| 5.02        | Adjustments from<br>Previous Years           | 0                       | 0                          | 0                              | 0                         |                                    | 0                          |
| 5.03        | Adjusted Balance                             | 6,203,688               | 124,255                    | 2,145,100                      | 2,054,594                 |                                    | 0                          |
| 5.04        | Profit/Loss for the<br>Period                | 0                       | 0                          | 0                              | 0                         |                                    | 624,243                    |
| 5.05        | Allocations                                  | 0                       | 0                          | 0                              | 0                         |                                    | 0                          |
| 5.05.01     | Dividends                                    | 0                       | 0                          | 0                              | 0                         |                                    | 0                          |
| 5.05.02     | Interests on<br>Shareholders' Equity         | 0                       | 0                          | 0                              | 0                         |                                    | 0                          |
| 5.05.03     | Other Allocations                            | 0                       | 0                          | 0                              | 0                         |                                    | 0                          |
| 5.06        | Realization of Profit<br>Reserves            | 0                       | 0                          | 0                              | 0                         |                                    | 0                          |
| 5.07        | Equity Adjustments                           | 0                       | 0                          | 0                              | 0                         |                                    | 0                          |
| 5.07.01     | Marketable Securities<br>Adjustments         | 0                       | 0                          | 0                              | 0                         |                                    | 0                          |
| 5.07.02     | Accumulated<br>Conversion Adjustments        | 0                       | 0                          | 0                              | 0                         |                                    | 0                          |
| 5.07.03     | Adjustments from<br>Business Combinations    | 0                       | 0                          | 0                              | 0                         |                                    | 0                          |
| 5.08        | Increase/Decrease in<br>Capital Stock        | 0                       | 0                          | 0                              | 0                         |                                    | 0                          |
| 5.09        | Capital Reserves<br>Constitution/Realization | 0                       | 0                          | 0                              | 0                         |                                    | 0                          |
| 5.10        | Treasury Stock                               | 0                       | 0                          | 0                              | 0                         |                                    | 0                          |
| 5.11        | Other Capital Stock<br>Transactions          | 0                       | 0                          | 0                              | 0                         |                                    | 0                          |
| 5.12        | Others                                       | 0                       | 0                          | (56,646)                       | 0                         |                                    | 56,646                     |
| 5.13        | Ending Balance                               | 6,203,688               | 124,255                    | 2,088,454                      | 2,054,594                 |                                    | 680,889                    |

**08.01 - CONSOLIDATED BALANCE SHEETS - ASSETS (In thousands of Brazilian reais - R\$)**

| 1 - Code      | 2 - Description                              | 3 - 06/30/2010 | 4 - 03/31/2010 |
|---------------|--|----------------|----------------|
| 1             | Total assets                                 | 22,879,326     | 21,997,035     |
| 1.01          | Current assets                               | 3,139,112      | 2,622,932      |
| 1.01.01       | Cash and cash equivalents                    | 1,047,359      | 852,523        |
| 1.01.01.01    | Cash & Cash Equivalents                      | 1,047,358      | 852,521        |
| 1.01.01.02    | Other cash and cash equivalents              | 1              | 2              |
| 1.01.02       | Receivables                                  | 1,239,243      | 1,301,596      |
| 1.01.02.01    | Trade accounts receivable                    | 1,083,895      | 1,162,978      |
| 1.01.02.02    | Sundry receivables                           | 155,348        | 138,618        |
| 1.01.02.02.01 | Balances & Transactions with Related Parties | 155,348        | 138,618        |
| 1.01.03       | Inventories                                  | 31,101         | 34,706         |
| 1.01.03.01    | Storeroom supplies - operations              | 31,101         | 34,706         |
| 1.01.04       | Other  | 821,409        | 434,107        |
| 1.01.04.01    | Taxes Recoverable                            | 4,773          | 5,219          |
| 1.01.04.02    | Deferred Income Taxes & Social Contribution  | 263,369        | 250,951        |
| 1.01.04.03    | Agreement with Sao Paulo City Hall           | 172,174        | 136,812        |
| 1.01.04.04    | Cef - Debêntures                             | 330,587        | 0              |
| 1.01.04.05    | Other receivables                            | 50,506         | 41,125         |
| 1.02          | Noncurrent assets                            | 19,740,214     | 19,374,103     |
| 1.02.01       | Long-term assets                             | 2,122,317      | 2,106,504      |
| 1.02.01.01    | Sundry receivables                           | 2,122,317      | 2,106,504      |
| 1.02.01.01.01 | Trade accounts receivable                    | 270,484        | 274,773        |
| 1.02.01.01.02 | Balances & Transactions with Related Parties | 934,208        | 945,423        |
| 1.02.01.01.03 | Indemnities receivable                       | 146,213        | 146,213        |
| 1.02.01.01.04 | Escrow deposits                              | 47,682         | 47,439         |
| 1.02.01.01.05 | Deferred Income Tax & Social Contribution    | 620,858        | 591,286        |
| 1.02.01.01.06 | Other receivables                            | 102,872        | 101,370        |
| 1.02.01.02    | Intercompany receivables                     | 0              | 0              |
| 1.02.01.02.01 | Affiliates                                   | 0              | 0              |
| 1.02.01.02.02 | Subsidiaries                                 | 0              | 0              |
| 1.02.01.02.03 | Other related parties                        | 0              | 0              |
| 1.02.01.03    | Other  | 0              | 0              |
| 1.02.02       | Permanent assets                             | 17,617,897     | 17,267,599     |
| 1.02.02.01    | Investments                                  | 720            | 720            |
| 1.02.02.01.01 | In affiliated companies                      | 0              | 0              |
| 1.02.02.01.02 | In subsidiaries                              | 0              | 0              |
| 1.02.02.01.03 | Other investments                            | 0              | 0              |
| 1.02.02.01.06 | Shares in other companies                    | 698            | 698            |
| 1.02.02.01.07 | Compulsory deposits - Eletrobrás             | 22             | 22             |
| 1.02.02.02    | Property, plant and equipment                | 15,972,770     | 15,685,606     |
| 1.02.02.02.01 | Property, plant and equipment                | 11,674,984     | 11,707,557     |

|               |                          |           |           |
|---------------|--------------------------|-----------|-----------|
| 1.02.02.02.02 | Construction in progress | 4,297,786 | 3,978,049 |
| 1.02.02.03    | Intangible               | 1,644,407 | 1,581,273 |
| 1.02.02.04    | Deferred charges         | 0         | 0         |

**08.02 - CONSOLIDATED BALANCE SHEETS - LIABILITIES (In thousands of Brazilian reais - R\$)**

| 1 - Code      | 2 - Description                           | 4 - 06/30/2010 | 3 - 03/31/2010 |
|---------------|---|----------------|----------------|
| 2             | Total liabilities and shareholders equity | 22,879,326     | 21,997,035     |
| 2.01          | Current liabilities                       | 3,227,786      | 3,094,700      |
| 2.01.01       | Loans and financing                       | 646,294        | 656,451        |
| 2.01.02       | Debentures                                | 766,660        | 299,360        |
| 2.01.02.01    | 6 <sup>th</sup> issue of debentures       | 238,461        | 232,415        |
| 2.01.02.02    | 8 <sup>th</sup> issue of debentures       | 442,091        | 0              |
| 2.01.02.03    | Interest on debentures                    | 86,108         | 66,945         |
| 2.01.03       | Trade accounts payable                    | 175,933        | 168,704        |
| 2.01.04       | Taxes payable                             | 168,692        | 235,433        |
| 2.01.04.01    | Income tax                                | 42,464         | 87,205         |
| 2.01.04.02    | Social contribution tax                   | 15,671         | 30,529         |
| 2.01.04.03    | PAES (tax debt refinancing program)       | 34,688         | 34,349         |
| 2.01.04.04    | COFINS and PASEP (taxes on revenue)       | 39,885         | 48,733         |
| 2.01.04.05    | INSS (Social security contribution)       | 23,768         | 22,616         |
| 2.01.04.06    | Other                                     | 12,216         | 12,001         |
| 2.01.05       | Dividends payable                         | 0              | 0              |
| 2.01.06       | Reserves                                  | 713,318        | 712,270        |
| 2.01.06.01    | For Tax Contingencies                     | 2,634          | 436            |
| 2.01.06.02    | For Civil Contingencies                   | 21,499         | 18,164         |
| 2.01.06.03    | For Contingencies with Suppliers          | 195,169        | 191,704        |
| 2.01.06.04    | For Contingencies with Customers          | 457,984        | 465,876        |
| 2.01.06.05    | For Environmental Contingencies           | 21,813         | 18,210         |
| 2.01.06.06    | For Labor Contingencies                   | 14,219         | 17,880         |
| 2.01.07       | Intercompany payables                     | 0              | 0              |
| 2.01.08       | Other                                     | 756,889        | 1,022,482      |
| 2.01.08.01    | Payroll and related charges               | 241,570        | 235,034        |
| 2.01.08.02    | Accounts Payable                          | 213,639        | 193,270        |
| 2.01.08.03    | Interest on capital payable               | 56             | 365,423        |
| 2.01.08.04    | Deferred taxes                            | 27,134         | 28,941         |
| 2.01.08.05    | Refundable amounts                        | 59,837         | 57,295         |
| 2.01.08.06    | Program contract commitments              | 68,207         | 44,507         |
| 2.01.08.07    | Other payables                            | 146,446        | 98,012         |
| 2.02          | Noncurrent liabilities                    | 8,499,660      | 8,084,086      |
| 2.02.01       | Long-term liabilities                     | 8,499,660      | 8,084,086      |
| 2.02.01.01    | Loans and financing                       | 3,808,766      | 4,677,301      |
| 2.02.01.02    | Debentures                                | 2,210,690      | 932,760        |
| 2.02.01.02.01 | 8 <sup>th</sup> issue of debentures       | 0              | 429,932        |
| 2.02.01.02.02 | 9 <sup>th</sup> issue of debentures       | 228,355        | 226,552        |
| 2.02.01.02.03 | 10 <sup>th</sup> issue of debentures      | 277,435        | 276,276        |
| 2.02.01.02.04 | 11 <sup>th</sup> issue of debentures      | 1,204,925      | 0              |
| 2.02.01.02.05 | 12 <sup>th</sup> issue of debentures      | 499,975        | 0              |

| 1 - Code      | 2 - Description                               | 4 - 06/30/2010 | 3 - 03/31/2010 |
|---------------|---|----------------|----------------|
| 2.02.01.03    | Reserves                                      | 852,695        | 871,452        |
| 2.02.01.03.01 | For Tax Contingencies                         | 63,733         | 27,168         |
| 2.02.01.03.02 | For Civil Contingencies                       | 154,013        | 140,616        |
| 2.02.01.03.03 | For Contingencies with Suppliers              | 168,279        | 161,691        |
| 2.02.01.03.04 | For Contingencies with Customers              | 346,751        | 420,205        |
| 2.02.01.03.05 | For Environmental Contingencies               | 24,121         | 34,056         |
| 2.02.01.03.06 | For Labor Contingencies                       | 95,798         | 87,716         |
| 2.02.01.04    | Intercompany payables                         | 0              | 0              |
| 2.02.01.05    | Advance for future capital increase           | 0              | 0              |
| 2.02.01.06    | Other   | 1,627,509      | 1,602,573      |
| 2.02.01.06.01 | Deferred taxes                                | 162,600        | 157,655        |
| 2.02.01.06.02 | PAES (tax debt refinancing program)           | 69,375         | 77,287         |
| 2.02.01.06.03 | Social security charges                       | 504,114        | 492,061        |
| 2.02.01.06.04 | Indemnities                                   | 30,847         | 41,761         |
| 2.02.01.06.05 | Program contract commitments                  | 102,399        | 99,501         |
| 2.02.01.06.06 | Provision for Actuarial Liability Law 4819/58 | 507,772        | 520,055        |
| 2.02.01.06.07 | Private Public Partnership                    | 144,192        | 104,751        |
| 2.02.01.06.08 | Other payables                                | 106,210        | 109,502        |
| 2.03          | Deferred income                               | 0              | 0              |
| 2.04          | Interest of non-controlling shareholders      | 0              | 0              |
| 2.05          | Shareholders' equity                          | 11,151,880     | 10,818,249     |
| 2.05.01       | Capital                                       | 6,203,688      | 6,203,688      |
| 2.05.02       | Capital reserves                              | 124,255        | 124,255        |
| 2.05.02.01    | Support to projects                           | 108,475        | 108,475        |
| 2.05.02.02    | Incentive reserve                             | 15,780         | 15,780         |
| 2.05.03       | Revaluation reserves                          | 2,088,454      | 2,106,063      |
| 2.05.03.01    | Own assets                                    | 2,088,454      | 2,106,063      |
| 2.05.03.02    | Subsidiaries/Affiliates                       | 0              | 0              |
| 2.05.04       | Profit reserves                               | 2,054,594      | 2,054,594      |
| 2.05.04.01    | Legal   | 378,526        | 378,526        |
| 2.05.04.02    | Statutory                                     | 0              | 0              |
| 2.05.04.03    | For contingencies                             | 0              | 0              |
| 2.05.04.04    | Unrealized profit                             | 0              | 0              |
| 2.05.04.05    | Profit retention                              | 0              | 0              |
| 2.05.04.06    | Special for unpaid dividends                  | 0              | 0              |
| 2.05.04.07    | Other profit reserves                         | 1,676,068      | 1,676,068      |
| 2.05.04.07.01 | Reserve for investments                       | 1,676,068      | 1,676,068      |
| 2.05.05       | Adjustments of Equity Evaluation              | 0              | 0              |
| 2.05.05.01    | Adjustments of Marketable Securities          | 0              | 0              |
| 2.05.05.02    | Accumulated Conversion Adjustments            | 0              | 0              |
| 2.05.05.03    | Business Combination Adjustments              | 0              | 0              |
| 2.05.06       | Retained earnings (accumulated deficit)       | 680,889        | 329,649        |
| 2.05.07       | Advance for future capital increase           | 0              | 0              |

**09.01 - CONSOLIDATED STATEMENT OF INCOME (In thousands of Brazilian reais - R\$)**

| 1 - Code      | 2 - Description  | 3 -           | 4 -           | 6 -           |               |
|---------------|--|---------------|---------------|---------------|---------------|
|               |  | 04/01/2010    | 01/01/2010    | 5 -04/01/2009 | 01/01/2009    |
|               |  | to 06/30/2010 | to 06/30/2010 | to 06/30/2009 | to 06/30/2009 |
| 3.01          | Gross revenue from sales and/or services                 | 1,904,453     | 3,790,061     | 1,743,652     | 3,523,019     |
| 3.02          | Gross revenue deductions                                 | (134,665)     | (268,270)     | (120,029)     | (246,030)     |
| 3.03          | Net revenue from sales and/or services                   | 1,769,788     | 3,521,791     | 1,623,623     | 3,276,989     |
| 3.04          | Cost of sales and/or services                            | (781,247)     | (1,503,752)   | (830,083)     | (1,665,272)   |
| 3.05          | Gross profit   | 988,541       | 2,018,039     | 793,540       | 1,611,717     |
| 3.06          | Operating (expenses) income                              | (497,047)     | (1,055,288)   | (150,760)     | (569,162)     |
| 3.06.01       | Selling  | (255,450)     | (413,925)     | (187,307)     | (395,823)     |
| 3.06.02       | General and administrative                               | (106,936)     | (259,523)     | (101,048)     | (248,908)     |
| 3.06.03       | Financial  | (138,587)     | (376,362)     | 135,250       | 67,754        |
| 3.06.03.01    | Financial income   | 95,994        | 159,349       | 56,517        | 113,026       |
| 3.06.03.01.01 | Financial income   | 95,940        | 159,220       | 56,572        | 120,528       |
| 3.06.03.01.02 | Exchange gains   | 54            | 129           | (55)          | (7,502)       |
| 3.06.03.02    | Financial expenses                                       | (234,581)     | (535,711)     | 78,733        | (45,272)      |
| 3.06.03.02.01 | Financial expenses                                       | (220,310)     | (497,135)     | (159,091)     | (315,966)     |
| 3.06.03.02.02 | Exchange losses  | (14,271)      | (38,576)      | 237,824       | 270,694       |
| 3.06.04       | Other operating income                                   | 15,603        | 22,159        | 10,541        | 18,064        |
| 3.06.04.01    | Other operating income                                   | 17,193        | 24,418        | 11,615        | 19,905        |
| 3.06.04.02    | COFINS and PASEP (taxes on revenue)                      | (1,590)       | (2,259)       | (1,074)       | (1,841)       |
| 3.06.05       | Other operating expenses                                 | (11,677)      | (27,637)      | (8,196)       | (10,249)      |
| 3.06.05.01    | Loss on write-off of property, plant and equipment items | (10,871)      | (12,195)      | (4,268)       | (6,048)       |
| 3.06.05.02    | Provision for Losses in Tax Incentives                   | 0             | 0             | (300)         | (300)         |
| 3.06.05.03    | Tax Incentives   | (754)         | (904)         | (3,072)       | (3,072)       |
| 3.06.05.04    | Provision for Actuarial Liability Law 4819/58            | 0             | (14,237)      | 0             | 0             |
| 3.06.05.05    | Provision for Loss Law 4819/58                           | 0             | 0             | 0             | 0             |
| 3.06.05.02    | Other  | (52)          | (301)         | (556)         | (829)         |
| 3.06.06       | Equity in subsidiaries                                   | 0             | 0             | 0             | 0             |
| 3.07          | Income from operations                                   | 491,494       | 962,751       | 642,780       | 1,042,555     |

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| 1 - Code | 2 - Description                                     | 3 -           |                | 6 -           |               |
|----------|---|---------------|----------------|---------------|---------------|
|          |   | 04/01/2010    | 4 - 01/01/2010 | 5 -04/01/2009 | 01/01/2009    |
|          |   | to 06/30/2010 | to 06/30/2010  | to 06/30/2009 | to 06/30/2009 |
| 3.08     | Nonoperating income (expenses)                      | 0             | 0              | 0             | 0             |
| 3.08.01  | Income  | 0             | 0              | 0             | 0             |
| 3.08.02  | Expenses  | 0             | 0              | 0             | 0             |
| 3.09     | Income before taxes and profit sharing              | 491,494       | 962,751        | 642,780       | 1,042,555     |
| 3.10     | Provision for income and social contribution taxes  | (198,095)     | (435,026)      | (200,881)     | (377,235)     |
| 3.10.01  | Provision for income tax                            | (145,303)     | (320,002)      | (146,993)     | (276,492)     |
| 3.10.02  | Provision for social contribution tax               | (52,792)      | (115,024)      | (53,888)      | (100,743)     |
| 3.11     | Deferred income tax                                 | 40,232        | 96,518         | 22,766        | 55,559        |
| 3.11.01  | Deferred income tax                                 | 29,582        | 70,969         | 16,740        | 40,852        |
| 3.11.02  | Deferred social contribution tax                    | 10,650        | 25,549         | 6,026         | 14,707        |
| 3.12     | Statutory profit sharing/contributions              | 0             | 0              | 0             | 0             |
| 3.12.01  | Profit sharing                                      | 0             | 0              | 0             | 0             |
| 3.12.02  | Contributions                                       | 0             | 0              | 0             | 0             |
| 3.13     | Reversal of interest on capital                     | 0             | 0              | 0             | 0             |
| 3.14     | Non-controlling Shareholders Interest               | 0             | 0              | 0             | 0             |
| 3.15     | Net income (loss)                                   | 333,631       | 624,243        | 464,665       | 720,879       |
|          | Number of shares, former treasury shares (thousand) | 227,836       | 227,836        | 227,836       | 227,836       |
|          | EARNINGS PER SHARE (Reais)                          | 1.46435       | 2.73988        | 2.03947       | 3.16403       |
|          | LOSS PER SHARE (Reais)                              |               |                |               |               |

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**10.01 - CONSOLIDATED STATEMENT OF CASH FLOWS - INDIRECT METHOD (In thousands of Brazilian reais - R\$)**

| 1 - Code   | 2 - Description   | 3 -           | 4 -           | 5 -           | 6 -           |
|------------|---|---------------|---------------|---------------|---------------|
|            |   | 04/01/2010    | 01/01/2010    | 04/01/2009    | 01/01/2009    |
|            |   | to 06/30/2010 | to 06/30/2010 | to 06/30/2009 | to 06/30/2009 |
| 4.01       | Net Cash from Operating Activities                              | 155,283       | 739,401       | 435,977       | 1,068,488     |
| 4.01.01    | Cash Generated from Operations                                  | 1,010,315     | 2,039,560     | 930,373       | 1,878,798     |
| 4.01.01.01 | Net Income before Income Tax and Social Contribution            | 491,494       | 962,751       | 642,780       | 1,042,555     |
| 4.01.01.02 | Provision for Contingencies                                     | 36,721        | 213,132       | 106,720       | 154,788       |
| 4.01.01.03 | Reversal of Provision for Losses                                | 310           | 93            | 780           | 1,068         |
| 4.01.01.04 | Social Security Obligations                                     | 16,040        | 32,181        | 19,150        | 38,187        |
| 4.01.01.05 | Write-off of Fixed Assets                                       | 10,871        | 12,195        | 4,268         | 6,048         |
| 4.01.01.06 | Depreciation and Amortization                                   | 150,961       | 294,809       | 161,483       | 323,176       |
| 4.01.01.07 | Interests on Loans and Financings Payable                       | 137,071       | 253,604       | 111,051       | 234,322       |
| 4.01.01.08 | Monetary and Foreign Exchange Variation on Loans and Financings | 37,007        | 87,253        | (237,005)     | (269,653)     |
| 4.01.01.09 | Expenses with Interests and Monetary Variations                 | 1,070         | 2,225         | 1,467         | 3,022         |
| 4.01.01.10 | Income with Interests and Monetary Variations                   | (33,677)      | (43,916)      | (1,030)       | (9,509)       |
| 4.01.01.11 | Allowance for Doubtful Accounts                                 | 117,744       | 169,280       | 75,749        | 163,149       |
| 4.01.01.12 | Provision for Term of Adjustment of Conduct (TAC)               | 9,153         | 9,153         | (17,378)      | 129,186       |
| 4.01.01.13 | Provision for Actuarial Liability Law 4819/58                   | 0             | 14,237        | 0             | 0             |
| 4.01.01.15 | Other Provisions/Reversals                                      | 75            | (987)         | 107           | 228           |
| 4.01.01.16 | Provision for PMSP Agreement                                    | 35,475        | 33,550        | 62,231        | 62,231        |
| 4.01.02    | Variation to Assets and Liabilities                             | (412,881)     | (559,632)     | (144,472)     | (205,749)     |
| 4.01.02.01 | Accounts Receivable   | (12,831)      | (51,051)      | 6,685         | (34,446)      |
| 4.01.02.02 | Balances and Transactions with Related Parties                  | (2,572)       | 8,818         | (5,382)       | 69,718        |
| 4.01.02.03 | Inventories   | 3,295         | 8,683         | 2,303         | 7,465         |
| 4.01.02.04 | Taxes Recoverable   | 446           | (1,755)       | 3,356         | 1,469         |
| 4.01.02.05 | Other Accounts Receivable                                       | (376,341)     | (413,306)     | (25,199)      | (18,084)      |
| 4.01.02.06 | Judicial Deposits   | (665)         | (1,178)       | (20,472)      | (14,119)      |
| 4.01.02.07 | Indemnifications Receivable                                     | 0             | 0             | 0             | 2,581         |
| 4.01.02.08 | Contractors and Suppliers                                       | 1,152         | (9,937)       | (3,561)       | (21,324)      |
| 4.01.02.09 | Salaries, Provisions and Social Security Obligations            | (2,617)       | (6,735)       | 507           | 14,959        |
| 4.01.02.10 | Provision for Actuarial Liability Law 4819/58                   | (12,283)      | (24,492)      | (12,605)      | (31,966)      |

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| 1 - Code   | 2 - Description  | 3 -           | 4 -           | 5 -           | 6 -            |
|------------|--|---------------|---------------|---------------|----------------|
|            |  | 04/01/2010    | 01/01/2010    | 5 -04/01/2009 | 6 - 01/01/2009 |
|            |  | to 06/30/2010 | to 06/30/2010 | to 06/30/2009 | to 06/30/2009  |
| 4.01.02.11 | Taxes and Contributions Payable                          | (22,198)      | (51,231)      | (28,523)      | (63,251)       |
| 4.01.02.12 | Accounts Payable   | 20,369        | 19,730        | 19,721        | 4,630          |
| 4.01.02.13 | Other Obligations  | 40,662        | 76,165        | 53,957        | 54,345         |
| 4.01.02.14 | Contingencies  | (45,311)      | (105,173)     | (131,122)     | (169,204)      |
| 4.01.02.15 | Pension Plan - Sabesprev Transfer                        | (3,987)       | (8,170)       | (4,137)       | (8,492)        |
| 4.01.03    | Others   | (442,151)     | (740,527)     | (349,924)     | (604,561)      |
| 4.01.03.01 | Interests paid   | (191,913)     | (284,613)     | (174,793)     | (280,451)      |
| 4.01.03.02 | Income Tax and Contributions Paid                        | (250,238)     | (455,914)     | (175,131)     | (324,110)      |
| 4.02       | Net Cash from Investment Activities                      | (426,985)     | (835,455)     | (444,834)     | (761,278)      |
| 4.02.01    | Acquisition of Items of Fixed Assets                     | (404,572)     | (808,299)     | (433,235)     | (745,446)      |
| 4.02.02    | Increase in Intangibles                                  | (22,413)      | (27,156)      | (13,869)      | (18,102)       |
| 4.02.03    | Proceeds from Sale of Fixed Assets                       | 0             | 0             | 2,270         | 2,270          |
| 4.03       | Net Cash from Financing Activities                       | 466,538       | 372,405       | (103,753)     | (244,038)      |
| 4.03.01    | Funding  | 1,872,185     | 2,025,282     | 666,544       | 844,737        |
| 4.03.02    | Loan Amortizations                                       | (1,040,280)   | (1,287,491)   | (484,966)     | (803,444)      |
| 4.03.03    | Payment of Interests on Shareholders' Equity             | (365,367)     | (365,386)     | (285,331)     | (285,331)      |
| 4.04       | Foreign Exchange Variation on Cash & Cash<br>Equivalents | 0             | 0             | 0             | 0              |
| 4.05       | Increase(Decrease) in Cash & Cash<br>Equivalents         | 194,836       | 276,351       | (112,610)     | 63,172         |
| 4.05.01    | Beginning Balance of Cash & Cash<br>Equivalents          | 852,523       | 771,008       | 801,514       | 625,732        |
| 4.05.02    | Ending Balance of Cash & Cash<br>Equivalents             | 1,047,359     | 1,047,359     | 688,904       | 688,904        |

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**11.01 - STATEMENT OF CONSOLIDATED CHANGES TO SHAREHOLDERS EQUITY FROM 04/01/2010 to 06/30/2010 (In thousands of Brazilian reais - R\$)**

| 1 -<br>CODE | 2 - DESCRIPTION                              | 3 -<br>CAPITAL<br>STOCK | 4 -<br>CAPITAL<br>RESERVES | 5 -<br>REVALUATION<br>RESERVES | 6 -<br>PROFIT<br>RESERVES | 7 -<br>RETAINED<br>EARNINGS/LOSSES | 8 -<br>EQUITY<br>ADJUSTMEN |
|-------------|--|-------------------------|----------------------------|--------------------------------|---------------------------|------------------------------------|----------------------------|
| 5.01        | Beginning Balance                            | 6,203,688               | 124,255                    | 2,106,063                      | 2,054,594                 | 329,649                            |                            |
| 5.02        | Adjustments from<br>Previous Years           | 0                       | 0                          | 0                              | 0                         | 0                                  | 0                          |
| 5.03        | Adjusted Balance                             | 6,203,688               | 124,255                    | 2,106,063                      | 2,054,594                 | 329,649                            |                            |
| 5.04        | Profit/Loss for the<br>Period                | 0                       | 0                          | 0                              | 0                         | 333,631                            |                            |
| 5.05        | Allocations                                  | 0                       | 0                          | 0                              | 0                         | 0                                  | 0                          |
| 5.05.01     | Dividends                                    | 0                       | 0                          | 0                              | 0                         | 0                                  | 0                          |
| 5.05.02     | Interests on<br>Shareholders' Equity         | 0                       | 0                          | 0                              | 0                         | 0                                  | 0                          |
| 5.05.03     | Other Allocations                            | 0                       | 0                          | 0                              | 0                         | 0                                  | 0                          |
| 5.06        | Realization of Profit<br>Reserves            | 0                       | 0                          | 0                              | 0                         | 0                                  | 0                          |
| 5.07        | Equity Adjustments                           | 0                       | 0                          | 0                              | 0                         | 0                                  | 0                          |
| 5.07.01     | Marketable Securities<br>Adjustments         | 0                       | 0                          | 0                              | 0                         | 0                                  | 0                          |
| 5.07.02     | Accumulated<br>Conversion Adjustments        | 0                       | 0                          | 0                              | 0                         | 0                                  | 0                          |
| 5.07.03     | Adjustments from<br>Business Combinations    | 0                       | 0                          | 0                              | 0                         | 0                                  | 0                          |
| 5.08        | Increase/Decrease in<br>Capital Stock        | 0                       | 0                          | 0                              | 0                         | 0                                  | 0                          |
| 5.09        | Capital Reserves<br>Constitution/Realization | 0                       | 0                          | 0                              | 0                         | 0                                  | 0                          |
| 5.10        | Treasury Stock                               | 0                       | 0                          | 0                              | 0                         | 0                                  | 0                          |
| 5.11        | Other Capital Stock<br>Transactions          | 0                       | 0                          | 0                              | 0                         | 0                                  | 0                          |
| 5.12        | Others                                       | 0                       | 0                          | (17,609)                       | 0                         | 17,609                             |                            |
| 5.13        | Ending Balance                               | 6,203,688               | 124,255                    | 2,088,454                      | 2,054,594                 | 680,889                            |                            |

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**11.02 - STATEMENT OF CONSOLIDATED CHANGES TO SHAREHOLDERS EQUITY FROM 01/01/2010 to 06/30/2010 (In thousands of Brazilian reais - R\$)**

| 1 -<br>CODE | 2 - DESCRIPTION                              | 3 -<br>CAPITAL<br>STOCK | 4 -<br>CAPITAL<br>RESERVES | 5 -<br>REVALUATION<br>RESERVES | 6 - PROFIT<br>RESERVES | 7 -RETAINED<br>EARNINGS/LOSSES | 8 -EQUITY<br>ADJUSTMEN |
|-------------|--|-------------------------|----------------------------|--------------------------------|------------------------|--------------------------------|------------------------|
| 5.01        | Beginning Balance                            | 6,203,688               | 124,255                    | 2,145,100                      | 2,054,594              |                                | 0                      |
| 5.02        | Adjustments from<br>Previous Years           | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.03        | Adjusted Balance                             | 6,203,688               | 124,255                    | 2,145,100                      | 2,054,594              |                                | 0                      |
| 5.04        | Profit/Loss for the<br>Period                | 0                       | 0                          | 0                              | 0                      |                                | 624,243                |
| 5.05        | Allocations                                  | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.05.01     | Dividends                                    | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.05.02     | Interests on<br>Shareholders' Equity         | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.05.03     | Other Allocations                            | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.06        | Realization of Profit<br>Reserves            | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.07        | Equity Adjustments                           | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.07.01     | Marketable Securities<br>Adjustments         | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.07.02     | Accumulated<br>Conversion Adjustments        | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.07.03     | Adjustments from<br>Business Combinations    | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.08        | Increase/Decrease in<br>Capital Stock        | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.09        | Capital Reserves<br>Constitution/Realization | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.10        | Treasury Stock                               | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.11        | Other Capital Stock<br>Transactions          | 0                       | 0                          | 0                              | 0                      |                                | 0                      |
| 5.12        | Others                                       | 0                       | 0                          | (56,646)                       | 0                      |                                | 56,646                 |
| 5.13        | Ending Balance                               | 6,203,688               | 124,255                    | 2,088,454                      | 2,054,594              |                                | 680,889                |

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

**PUBLIC FEDERAL SERVICE  
CVM - SECURITIES EXCHANGE COMMISSION  
ITR - QUARTERLY INFORMATION  
COMMERCIAL, INDUSTRIAL AND OTHER  
COMPANIES**

**Corporate Law  
06/30/2010**

**01444-3 CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO 43.776.517/0001-80**

## **06.01 - EXPLANATORY NOTES**

Amounts in thousands of Brazilian reais - R\$, unless otherwise stated

### **1. OPERATIONS**

Companhia de Saneamento Básico do Estado de São Paulo - Sabesp (the Sabesp or Company ) is a mixed-capital company headquartered in São Paulo, controlled by the São Paulo State Government. The Company is engaged in the provision of basic and environmental sanitation services, as well as supplying treated water on a bulk basis and providing sewage treatment services for another six municipalities of the Greater São Paulo Metropolitan Area.

In addition to providing basic sanitation services in the State of São Paulo, SABESP may perform these activities in other states and countries, and can operate in drainage, urban cleaning, solid waste handling and energy markets. The new Sabesp vision sets forth as its objective to be recognized as the company that has universalized the Sanitation services in its area of operation, with focus on the customer, in a sustainable and competitive way, with excellence in environmental solutions.

The Company provides water and sewage services in 365 municipalities in the State of São Paulo. It should be highlighted noted that the operations of the municipalities of Itapira, Araçoiaba da Serra, Iperó and Cajobi have ceased temporarily due to judicial orders still in progress. On June 30, 2010, the assets referring to these four municipalities were R\$16,470. Nearly all of these assets are result of concessions granted by the municipalities which most of them

have a 30-year term. Up to June 30, 2010, 78 concessions were expired and all of them are being negotiated with the municipalities. Between 2010 and 2030, 65 concessions will expire. The remaining concessions are for undetermined period. Up to June 30, 2010 198 program contracts were signed.

Management expects that the referred concessions will be renewed or extended, thus there will not be a discontinuity of the water supply and sewage collection in these municipalities. On June 30, 2010 the net book value of the property, plant and equipment used in the 78 municipalities where the concessions are under negotiation totals R\$2,086 million and the net revenues for the period ended on June 30, 2010 totals R\$463 million.

In the municipality of Santos, in the Santista lowland region, which has a significant population, the Company operates supported by a public authorization deed. A similar situation occurs in other municipalities in that region as well as the Ribeira valley region. The Company started to operate after the merger of the companies that formed it.

The important changes in regulation of the sanitation sector occurred in 2007 and generated new challenges and opportunities for Sabesp. The regulatory milestone has consolidated the integration between the investments of the service provider and the priorities set forth by the holder of the services, it made the provision of accounts more effective and transparent and increased the security for investments.

The Company's shares have been listed on the Novo Mercado (New Market) segment of the BOVESPA (São Paulo Stock Exchange) since April 2002, and on the New York Stock Exchange (NYSE) as ADRs since May 2002.

All information about areas of concession, number of municipalities, water and sewage volume and other related data disclosed in this report, which does not arise from the accounting and/or financial statements, have not been examined by the independent auditors.

## **2. PRESENTATION OF THE QUARTERLY FINANCIAL STATEMENTS**

The financial statements have been approved by the Board of Directors on August 5, 2010.

### **(i) Presentation of the Quarterly Information**

The Quarterly Information has been prepared and presented consistently with the accounting standards adopted for the preparation of the financial statements of the fiscal year ended on December 31, 2009, as allowed by CVM Resolution 603/99.

On June 30, 2010, Management prepared an estimate of the possible effects on shareholders' equity and on the company's result for the year, in view of the main accounting statements, interpretations and directions that might impact the Company's financial statements. These are:

CPC 20 - Borrowing Costs, approved by CVM Resolution 577

CPC 21 - Interim financial reporting, approved by CVM Resolution 581

CPC 22 - Segment Information, approved by CVM Resolution 582

CPC 27 - Property, plant and equipment, approved by CVM Resolution 619

CPC 33 Employees Benefits, approved by CVM Resolution 600

CPC 37 First time adoption of International Financial Reporting Standards, approved by CVM Resolution 609

CPC 38 Financial Instruments: recognition and measurement, approved by CVM Resolution 604

CPC 39 Financial Instruments: presentation, approved by CVM Resolution 604

CPC 40 Financial Instruments: evidence, approved by CVM Resolution 604

- Interpretations:

ICPC 01 Service Concession Arrangements, approved by CVM Resolution 611

ICPC 08 Accounting for proposed dividends, approved by CVM Resolution 601

ICPC 11 Transfer of Assets from Customers, approved by CVM Resolution 620



Estimate of possible impacts in the application of the CPC's:

|  | Shareholders<br>Equity | June 30, 2010<br>Result |
|--|------------------------|-------------------------|
| Beginning Balances before the application of CPC's   | 11,151,880             | 624,243                 |
| Write-off of GESP receivables related to Law 4819/58 | (696,283)              | -                       |
| Supplement of Actuarial Obligation                   | (851,015)              | (17,392)                |
| Other Adjustments                                    | 164,321                | 37,086                  |
| Deferred Income Taxes                                | (683,385)              | (7,358)                 |
| Ending Balance after the application of CPC's        | 9,085,518              | 636,579                 |

Management refined the figures above and concluded a result of the studies regarding disclosures and other related matters. Management will restate the Quarterly Information ITR in accordance with CVM Resolution 603/09. At present this point, Management do not consider practicable the presentation of this Quarterly Information ITR in accordance with new CPC's.

(ii) Consolidated Financial Statements

The consolidated financial statements include the financial statements of Sabesp and its subsidiary Sesamm, which has been included in proportion to the Company's equity interest. The Company maintains the joint shareholder control of the subsidiary, as detailed in Note 7. Fiscal year ends and accounting practices are aligned with the contracting company.

Although Sabesp's equity interest in Sesamm capital stock is not majority interest, the shareholders' agreement provides for the vetoing power on certain management matters together with OHL Meio Ambiente, Inima S.A.U. Unipersonal (Inima) indicating shared control on Sesamm. In light of this, the Financial Statements have been presented on a consolidated basis.

The consolidation process of the balance sheet and income statement accounts adds up the balances of the assets, liabilities, revenues and expenses according to their nature, complemented by the elimination of the equity interest of the holding company in the capital stock and retained earnings of the subsidiary.

**3. CASH & CASH EQUIVALENTS**

|                  | HOLDING          |                | CONSOLIDATED     |                |
|------------------|------------------|----------------|------------------|----------------|
|                  | <u>Jun/10</u>    | <u>Mar/10</u>  | <u>Jun/10</u>    | <u>Mar/10</u>  |
| Cash and Bank    | 70,405           | 64,691         | 70,455           | 64,757         |
| Cash Equivalents | <u>976,435</u>   | <u>786,873</u> | <u>976,904</u>   | <u>787,766</u> |
|                  | <u>1,046,840</u> | <u>851,564</u> | <u>1,047,359</u> | <u>852,523</u> |

**4. ACCOUNTS RECEIVABLE FROM CUSTOMERS**

## (a) Balances

|   | HOLDING AND CONSOLIDATED |             |
|---|--------------------------|-------------|
|   | Jun/10                   | Mar/10      |
| <b>Private sector</b>                                     |                          |             |
| General and special customers (i) (ii)                    | 774,393                  | 803,589     |
| Agreements (iii)  | 261,673                  | 265,585     |
|   | 1,036,066                | 1,069,174   |
| Government entities                                       |                          |             |
| Municipal   | 564,260                  | 552,913     |
| Federal   | 3,097                    | 3,764       |
| Agreements (iii)  | 151,914                  | 150,456     |
|   | 719,271                  | 707,133     |
| <b>Bulk sales - Municipal Administration Offices (iv)</b> |                          |             |
| - Guarulhos   | 439,867                  | 418,920     |
| - Mauá  | 203,419                  | 196,722     |
| - Mogi das Cruzes   | 14,204                   | 13,958      |
| - Santo André   | 457,497                  | 442,655     |
| - São Caetano do Sul                                      | 3,623                    | 3,477       |
| - Diadema   | 140,765                  | 136,944     |
| Wholesale total - Municipal City Halls                    | 1,259,375                | 1,212,676   |
| Unbilled supply   | 338,976                  | 347,196     |
| Subtotal  | 3,353,688                | 3,336,179   |
| Allowance for doubtful accounts                           | (1,999,309)              | (1,898,428) |
| Total   | 1,354,379                | 1,437,751   |
| Current   | 1,083,895                | 1,162,978   |
| Non-current (v)   | 270,484                  | 274,773     |

(i) General customers - residential and small and medium-sized companies.

(ii) Special customers - large consumers, commercial, industries, condominiums and special billing consumers (industrial waste, wells, etc.).

(iii) Agreements - installment payments of past-due receivables, plus monetary adjustment and interest.

(iv) Whosale - municipal city halls - The balance of accounts receivable from wholesalers refers to the sale of treated water to the municipalities which are responsible for the distribution, billing and collection from the end consumers, some of these municipalities question judicially the tariffs charged by Sabesp and do not pay the amounts under litigation. The past due amounts that are included in the allowance for doubtful accounts are substantially classified in non-current assets, according to the following table:

|  | HOLDING AND CONSOLIDATED |             |
|--|--------------------------|-------------|
|  | 2nd Qtr./10              | 1st Qtr./10 |
| Balance at beginning of period         | 1,212,676                | 1,182,744   |
| Billing for services provided          | 87,802                   | 86,800      |
| Collections - current year s services  | (41,103)                 | (47,905)    |
| Collections - previous year s services | -                        | (8,963)     |
| Balance at the end of the period       | 1,259,375                | 1,212,676   |
| Current                                | 72,946                   | 60,709      |
| Non-current                            | 1,186,429                | 1,151,967   |

(v) The non-current portion consists of past-due and renegotiated balances with customers and past-due receivables related to the wholesale of water to municipal authorities and is recorded net of allowance for doubtful accounts.

(b) The aging of trade accounts receivable is as follows:

|                      | HOLDING AND<br>CONSOLIDATED |                  |
|----------------------|-----------------------------|------------------|
|                      | <u>Jun/10</u>               | <u>Mar/10</u>    |
| Current              | 958,807                     | 1,010,570        |
| Past-due:            |                             |                  |
| Up to 30 days        | 147,720                     | 149,323          |
| From 31 to 60 days   | 72,162                      | 68,813           |
| From 61 to 90 days   | 44,708                      | 51,581           |
| From 91 to 120 days  | 39,717                      | 39,442           |
| From 121 to 180 days | 82,629                      | 72,993           |
| From 181 to 360 days | 119,711                     | 102,873          |
| Over 360 days        | <u>1,888,234</u>            | <u>1,840,584</u> |
| Total                | <u>3,353,688</u>            | <u>3,336,179</u> |

(c) Allowance for doubtful accounts

(i) The activity of the provision can be presented as follows:

| HOLDING AND<br>CONSOLIDATED HOLDING |                    |
|-------------------------------------|--------------------|
| <u>2nd Qtr /10</u>                  | <u>2nd Qtr /09</u> |

|                                      |                |                  |
|--------------------------------------|----------------|------------------|
| Beginning balance                    | 1,898,428      | 1,710,833        |
| Private sector / government entities |                | 61,080           |
| Bulk sales                           |                | <u>39,801</u>    |
|                                      |                | 22,891           |
|                                      |                | <u>35,634</u>    |
| Additions for the period             | <u>100,881</u> | <u>58,525</u>    |
| Ending balance                       |                | <u>1,999,309</u> |
|                                      |                | <u>1,769,358</u> |
| Current                              |                | 930,280          |
| Non-current                          |                | 833,255          |
|                                      |                | 1,069,029        |
|                                      |                | 936,103          |

## (ii) In the Result

Probable bad debt of R\$ 117,744 (2009 R\$ 75,749) for the second quarter of 2010 has been recorded against income for the period, under Selling Expenses .

|  | HOLDING AND CONSOLIDATED |                    |                    |                    |
|--|--------------------------|--------------------|--------------------|--------------------|
|  | <u>2nd Qtr /10</u>       | <u>1st Qtr /10</u> | <u>2nd Qtr /09</u> | <u>1st Qtr /09</u> |
| Provisions (over 5,000 Brazilian reais)              | (153,523)                | (207,969)          | (113,224)          | (218,324)          |
| Recoveries (over 5,000 Brazilian reais)              | 52,642                   | 62,891             | 54,699             | 82,255             |
| Write-offs (lower or equal to 5,000 Brazilian reais) | (40,796)                 | (76,949)           | (42,110)           | (80,447)           |
| Recoveries (lower or equal to 5,000 Brazilian reais) | <u>23,933</u>            | <u>52,747</u>      | <u>24,886</u>      | <u>53,367</u>      |
| Expenses   | <u>(117,744)</u>         | <u>(169,280)</u>   | <u>(75,749)</u>    | <u>(163,149)</u>   |

## 5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Company is party to transactions with its controlling shareholder, São Paulo State Government ( Gesp ), and companies related to it.

## (a) Accounts receivable, interest on capital and operating revenue with the São Paulo State Government

|   | HOLDING AND CONSOLIDATED |                |
|---|--------------------------|----------------|
|   | <u>Jun/10</u>            | <u>Mar/09</u>  |
| Intercompany receivables  |                          |                |
| Current assets:   |                          |                |
| Water and sewage services (i)   | 112,469                  | 95,430         |
| Gesp Agreement (iii), (iv) and (v)  | 24,437                   | 25,378         |
| Provision for Losses (v)  | (12,389)                 | (12,389)       |
| Reimbursement of additional retirement and pension benefits - Agreement (ii) and (vi)         | 25,494                   | 25,494         |
| Reimbursement of additional retirement and pension benefits paid - Monthly flow (ii) and (vi) | <u>5,337</u>             | <u>4,705</u>   |
| Total current assets  | <u>155,348</u>           | <u>138,618</u> |
| Long-term assets:   |                          |                |
| Water and sewage services - Gesp Agreement (iii), (iv) and (v)                                | 63,720                   | 68,562         |

Treasury Shares

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|  |                  |                  |
|--|------------------|------------------|
| Reimbursement of additional retirement and pension benefits paid - Controversial (ii) and (vi) | 496,084          | 483,800          |
| Provision for Losses - Controversial (vii)   | (496,084)        | (483,800)        |
| Reimbursement of additional retirement and pension benefits - Agreement (ii) and (vi)          | 174,205          | 180,578          |
| Reimbursement of additional retirement and pension benefits - Reservoir (ii) and (vi)          | <u>696,283</u>   | <u>696,283</u>   |
| Total Non-current  | <u>934,208</u>   | <u>945,423</u>   |
| Total receivable from shareholder  | <u>1,089,556</u> | <u>1,084,041</u> |
| Provision of water and sewage services   | 188,237          | 176,981          |
| Reimbursement of additional retirement and pension benefits                                    | <u>901,319</u>   | <u>907,060</u>   |
|  | <u>1,089,556</u> | <u>1,084,041</u> |
| Interest on capital payable  | _____ -          | <u>198,099</u>   |

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|                                       |                   |                   |
|---------------------------------------|-------------------|-------------------|
| Gross revenue from sales and services |                   |                   |
|                                       | <u>2nd Qtr/10</u> | <u>2nd Qtr/09</u> |
| Water sales                           | 52,062            | 49,794            |
| Sewage services                       | 44,934            | 42,465            |
| Receipts                              | (88,444)          | (45,509)          |
| Financial Income                      | 28,517            | 47,308            |

## (i) Water and sewage services

The Company provides water supply and sewage collection services to the State Government and other Companies related to it, under terms and conditions considered by Management as normal in the market, with the exception as to the form of settlement of the trade receivables, that may be settled under the conditions mentioned in items (iii), (iv) and (v).

## (ii) Reimbursement of additional retirement and pension benefits paid

It refers to amounts of supplemental benefits of retirement and pension plan provided by State of Sao Paulo s Law nr. 4819/58 ( Benefits ) paid by the Company to former employees or retirees.

## (iii) Second Amendment to the Gesp Agreement

On December 28, 2007, the Company and the State of São Paulo, by means of the Secretary of Treasury signed the second amendment to the terms of the original Gesp agreement, (1) agreeing with the payment of the remaining balance of the First Amendment, (R\$133,709 as at November 30, 2007) to be paid in 60 equal, monthly and consecutive installments, the first one maturing on January 02, 2008. The value of the installments is monetarily adjusted according to the variation of the IPCA-IBGE, added by simple interests of 0.5% per month. Within the balance of this agreement, which installments have been paid monthly up to this point, there is an amount of R\$46,244 that the State does not recognize as due. Sabesp has an understanding different from the State regarding this amount, and is not admitting the review of these previously agreed upon values, without the substantiated unequivocal demonstration, of the lack of correspondence between the amounts presented by Sabesp and the services effectively provided. (2) with regards to the overdue and unpaid accounts in the period from March, 2004 to October, 2007, resulting from the provision of water and collection of sewage services in the total of R\$256,608, R\$236,126 have been received with R\$8,093 were transferred to Other Debtors and R\$12,389, object of discrepancies about the validation were submitted to ARSESP and are under analysis. At present, differences as to the debtor have been identified, although not regarding the amount of the debt. In case of reclassification of the person responsible for

paying the bill, Sabesp transferred the collection to the corresponding Entity. (3) the interests on shareholders' equity due by Sabesp to the State, referring to the period from March, 2004 to December,

2006, in the amount of R\$400,823, restated from June, 2007 to November, 2007 by the Selic rate, were paid in the period from January to March, 2008, (4) the State and Sabesp agreed upon the prompt resumption of the fulfillment of their reciprocal obligations, under the new premises: (a) implementation of the electronic accounts management system to facilitate and speed up the follow-up of the payment processes and the procures of budgeting management; (b) structuring of the Programa de Uso Racional de Agua - PURA, to rationalize the consumption of water and the amount of the water and sewage bills of the responsibility of the State; (c) the establishment, by the State, of criteria in the budgeting of a way to avoid the displacement of amounts in the specific line of water and sewage bills as of 2008; (d) possibility of registration of state entities and bodies in a default system or master file; (e) possibility of interruption of the supply of water to the state entities in case of default in the payment of water and sewage bills.

Out of the invoicing of the months of November, 2007 to March, 2010, approximately 95% of the accounts have already been paid by the State Government.

(iv) Third Amendment to Gesp Agreement

Gesp, Sabesp and DAEE, on November 17, 2008, entered into the Third Amendment to the Term of Agreement of Payment Commitment, and Other Agreements, where the State confesses to owe Sabesp the amount of R\$915,251, monetarily adjusted until September, 2008 by the IPCA-IBGE, corresponding to the Uncontroversial Amount, calculated by FIPECAFI. Sabesp accepts temporarily the Reservoirs as part of the payment of the Uncontroversial Amount and offers to the State a temporary settlement, constituting a financial credit of R\$696,283, corresponding to the value of the Reservoirs. The definitive settlement will only occur with the effective transfer of property in the relevant real estate notary. The remaining balance of R\$218,967 is being paid in 114 monthly and consecutive installments, in the amount of R\$1,920 each, restated annually by the IPCA/FIPE, added by interests of 0.5% p.m., the first installment became due on November 25, 2008.

Sabesp and the State are working together on obtaining a legislative authorization in order to make viable the transfer of the Reservoirs to Sabesp, thus overcoming the juridical uncertainty caused by the Public Civil Action, mentioned in item (iii). After publication of the legislative authorization, the transfer of the Reservoirs to Sabesp will occur.

The Third Amendment also provides for the regularization of the monthly flow of benefits. While Sabesp is responsible for the monthly payments, by judicial decision, the State reimburses the Company based on criteria identical to those applied to the Uncontroversial Amount. In the absence of an impeditive judicial decision, the State will directly assume the flow of the portion of monthly payments of the part considered uncontroversial.

(v) As mentioned before, on November 17, 2008 the Company and the State executed the 3<sup>rd</sup> Amendment to GESP Agreement, in such occasion that the amounts called controversial and uncontroversial have been quantified. In such Amendment, efforts have been made to resolve what was called the Controversial Amount of Benefits. According to the fourth clause of this instrument, the Controversial Amount is represented by the difference between the Uncontroversial Amount and the amount effectively paid by the Company as supplemental retirement and pension benefits provided for Law 4819/58, under the original responsibility of the State of Sao Paulo, in the Company's understanding, although paid by Sabesp until May, 2008, due to judicial order.

In executing the Third Amendment, an appreciation of the differences that gave rise to the Controversial Amount of the Benefits provided by Law 4819/58 has been provided. Such expectation was, at that time,

based on the PGE's will to reanalyze the matter and also, in the Company's understanding, to the reimbursement based on external legal opinions.

However, recent opinions issued by PGE and received on September 4<sup>th</sup> and 22<sup>nd</sup>, 2009 and on January 4<sup>th</sup>, 2010, once again denied the reimbursement of the larger portion of this amount. As a consequence, the management's understanding has been changed about receiving the Controversial Amount upon a direct negotiation with the State.

Although the negotiations with the State are still underway, it is no longer possible to ensure that the Company will recover, in an entirely amicable way, the debts related to the Controversial Amount.

Sabesp will not waive the debt that it considers to be legitimately held against the State. In this sense, it shall exhaust all possibilities to resolve the question at a technical and legal level. If the difference persists, the Company shall adopt all necessary measures to safeguard the Company's interests.

In this context, the Company's management decided to recognize in the 2008 results a provision for losses on the outstanding balance of the controversial amount. This provision, in June 30, 2010 was R\$496,084. As a consequence of the recognition of this provision, it was also recorded the obligation related to the actuarial commitment kept with the beneficial owners, which right has been denied by the State, under the way it is paid by Sabesp. On June 30, 2010, the amount of this obligation was R\$507,772 (March 31, 2010 - R\$520,055). The details of the actuarial obligation are presented in the explanatory note nr. 13.

(b) Cash and cash equivalents

The Company's bank short-term investments accounts with financial institutions controlled by the State Government was R\$1,009,639 and R\$813,594 on June 30, 2010 and March 31, 2010, respectively. The financial income from such investments was R\$28,517 and R\$47,308 in the first quarter of 2010 and 2009, respectively. The Company, due to State Decree n° 55,357 of January 18, 2010, must invest its excess resources with financial institutions controlled by the State Government.

(c) Agreement for the use of reservoirs

In its operations, the Company uses the Guarapiranga and Billings reservoirs; should these reservoirs not be available for use to the Company, there could be the need to collect water in more distant places. The Company does not pay any fee for the use of these reservoirs but it is responsible for their maintenance and operating costs.

(d) Agreements with lower tariffs with State and Municipal Government Entities that joined the Rational Water Use Program (PURA).

The Company has contracts signed with public entities linked to the State Government and to the municipalities served involving approximately 6.500 properties, which are benefited with a 25% reduction in the tariffs of the services of water supply and sewage collection, when not in default. The contracts provide for the implementation of the rational use of water program, which considers a reduction in the consumption of water.

(e) Guarantees

The State Government grants guarantees for some loans and financings of the Company and does not charge any fee related thereto.

(f) Sesamm

On August 15, 2008, the Company, as part of its growing process, together with the companies OHL Médio Ambiente, Inima S.A.U. - Unipersonal ( Inima ), Técnicas y Gestion Medioambiental S.A.U. ( TGM ) and Estudos Tecnicos e Projetos ETEP Ltda. ( ETEP ) organized the company Sesamm - Serviços de Saneamento de Mogi Mirim S/A ( Sesamm or Subsidiary ) which corporate objective is the provision of sewage separation system supplementary services to the implementation and implementation and operation of the sewage treatment system of the Municipality of Mogi Mirim, including the disposal of solid waste generated, as per note 7.

(g) Contract of personnel assignment among entities related to GESP

The Company has contracts of personnel assignments with entities related to the São Paulo's State Government, where the expenditures are fully passed on the monetarily reimbursed.

On June 30, 2010, the expenditures with employees transferred by Sabesp to other state entities amounted to R\$1,485 (June 30, 2009 - R\$1,294).

In the same period, the expenditures with the employees of other entities at Sabesp's disposal totaled R\$70 (June 30, 2009 - R\$78).

(h) Services contracted from entities related to GESP

On June 30, 2010 Sabesp had outstanding the balance of R\$11,535 payable in relation to services provided to entities related to São Paulo's State Government, among which we highlight the services of electric energy supply by

Companhia Energetica de Sao Paulo - CESP, totaling 83% of the balance payable.

(i) Non-operating Assets

The Company had, on June 30 and March 31, 2010, the amount of R\$25,371 and R\$26,411, respectively, mainly related to land granted in free lease [*comodato*] to Associations, Assistance Entities, Non-Governmental Organizations and to the DAEE - Department of Water and Electric Energy, among others. The land granted to the DAEE amount to R\$2,289.

(j) Sabesprev

The Company sponsors the defined contribution plan managed by Fundação Sabesp de Seguridade Social - Sabesprev. The net actuarial obligation, recorded up to June 30, 2010, is R\$504,114 (March 31, 2010 - R\$492,061).

Management is making efforts towards maintaining, in permanent basis, the timely payment by the State regarding the transactions between the parties.



## 6. INDEMNIFICATIONS RECEIVABLE

Indemnities receivable are a non-current asset that represents amounts receivable from the Municipalities of Diadema and Mauá as an indemnity for their unilateral termination of the concessions for water supply and sewage collection services of the Company in 1995. As of June 30, 2010 and March 31, 2010, this asset amounted to R\$146,213 (nominal amounts).

Due to these concession agreements, the Company invested in the construction of water and sewage systems in those municipalities in order to meet its concession service commitments. For the unilateral termination of the Diadema and Mauá concessions, the municipalities assumed the responsibility of supplying water and sewage services in those regions. At that time, the Company reclassified the balances of property, plant and equipment related to the assets used in those municipalities to non-current assets (indemnities receivable).

The net book value of the items of property, plant and equipment related to the Municipality of Diadema, reclassified in December, 1996, was R\$75,231, and the balance of the indemnifications receivable from the Municipality was R\$60,295.

The net book value of the items of property, plant and equipment related to the Municipality of Maua, reclassified in December, 1999, was R\$103,763, and the balance of the indemnifications receivable from the Municipality was R\$85,918.

The Company's rights to the recovery of these amounts are being judicially discussed by the municipalities.

Sabesp filed lawsuits to collect the amounts due by the municipalities. With regards to Diadema, the execution of the agreement entered with Diadema's Mayor Office and the Companhia de Saneamento de Diadema - Saned, has started for the payment of the indemnification, the judge of first level accepted the appeals of the Mayor's Office and extinguished the execution. Sabesp filed an appeal against such sentence and, in December, 2005, partial approval to this appeal was granted to declare the validity of the agreement and determine that the appeals to the execution were once again judged in first level. On December 2007, the decision that accepted the execution of the Saned was rendered, ordering this company to be summoned to pay the full amount of the debt within 15 days under the penalty of fine. The realization of the pledge in cash was approved on Saned's bank accounts and financial investments (online pledge) up to 10% of the restated amount of the debit, being blocked and withdrawn the amount of R\$2,919 in March 3<sup>rd</sup>, 2009. Later, the Court of Justice determined that the pledge be made upon weekly deposit by Saned of the amount corresponding to 20% on all it receives in its bank accounts and financial investments, such decision still being subject of appeal. Regarding Diadema Mayor's Office, a new sentence was given to the appeals to the execution, on October, 2009, recognizing the existence of the right to claim the debt, and affirming that the execution against the Municipality shall be made upon precatory notes (and not by pledge). Sabesp and the Mayor's Office have appealed against such judgment.

On December 29, 2008, Saned and the municipality of Diadema entered into, with the State of Sao Paulo and Sabesp, a Memorandum of Intent with the purpose to prepare studies and conduct negotiations to instruct decisions of Diadema and Sabesp, aiming at the exclusive provision of water and sewage services in the municipality of Diadema.

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The parties agreed that the search for a negotiated solution for the currently existing conflicts among the companies is fundamental so that the public service of water supply, sewage collection and treatment have their proper development in Diadema.

On January, 2009 the parties presented joint petition requesting the suspension of new pledges for the period of three months in order to try to make an agreement viable. The suspension was granted by the Judge of Public Treasury and, successively renewed, being the last renewal occurred on April, 2010 in face of negotiations for agreement.

With regards to Mauá, a first level decision was given determining that the Municipality pays the amount of R\$153.2 million as compensation for the damages caused and for loss of profits. The Maua's City Hall appealed against this decision. On July 2006, the decision was converted in diligence consisting of an expert clarification on the amount of the indemnity for loss of profits and the expert confirmed the amount of the loss of profits determined by the lower court. In August, 2008, the appeal was judged, having fully maintained the conviction imposed in the first level. The Maua Mayor's Office filed special and extraordinary appeals against the sentence that confirmed its conviction to indemnify Sabesp. Both appeals were not accepted by the Court of Justice, causing the filing of appeals to the Superior Court of Justice and to the Supreme Court. Superior Court of Justice has already denied acceptance to the appeal and confirmed the non admissibility of the special appeal.

Based on the opinion of the legal counsels, Management continues to affirm that the Company has legal right to receive the amounts corresponding the indemnification and it continues to monitor the situation of the lawsuits.

## 7. INVESTMENTS

|        | <u>Mar/10</u> | Equity Result | <u>Jun/10</u> |
|--------|---------------|---------------|---------------|
| Sesamm | 3,497         | (107)         | 3,390         |
| Others | <u>720</u>    | <u>-</u>      | <u>720</u>    |
| Total  | 4,217         | (107)         | 4,110         |

On August 15, 2008 the company Sesamm - Serviços de Saneamento de Mogi Mirim S/A was formed with a duration term of 30 years counted from the date of signature of the Concession Contract with the municipality. Sesamm's corporate objective is the provision of sewage separation system supplementary services to the implementation and implementation and operation of the sewage treatment system of the Municipality of Mogi Mirim, including the disposal of the solid waste generated.

On June 30, 2010 the Sesamm's capital stock was R\$10,669, divided into 10,669,549 common nominated shares, with no par value, of which Sabesp holds 36% of equity interest.

On June 30, 2010 the Sesamm's operations had not still been initiated.

**8. PROPERTY, PLANT & EQUIPMENT**

|                                  | HOLDING           |                                     |                   |                   |
|----------------------------------|-------------------|-------------------------------------|-------------------|-------------------|
|                                  | <u>June/10</u>    |                                     |                   | <u>Mar/10</u>     |
|                                  | <b>Cost</b>       | <b>Accumulated<br/>depreciation</b> | <b>Net</b>        | <b>Net</b>        |
| In use                           |                   |                                     |                   |                   |
| Water systems                    |                   |                                     |                   |                   |
| Land                             | 954,512-          |                                     | 954,512           | 954,857           |
| Buildings                        | 2,700,122         | (1,709,210)                         | 990,912           | 1,006,498         |
| Connections                      | 1,035,759         | (443,872)                           | 591,887           | 581,482           |
| Water meters                     | 304,536           | (149,633)                           | 154,903           | 156,754           |
| Networks                         | 3,499,694         | (1,293,979)                         | 2,205,715         | 2,223,013         |
| Wells                            | 184,245           | (114,258)                           | 69,987            | 71,860            |
| Equipment                        | 583,949           | (416,082)                           | 167,867           | 172,005           |
| Others                           | <u>18,310</u>     | <u>(14,921)</u>                     | <u>3,389</u>      | <u>3,575</u>      |
|                                  | 9,281,127         | (4,141,955)                         | 5,139,172         | 5,170,044         |
| Sewage systems                   |                   |                                     |                   |                   |
| Land                             | 346,382           | -                                   | 346,382           | 346,382           |
| Buildings                        | 1,688,027         | (742,112)                           | 945,915           | 925,604           |
| Connections                      | 952,824           | (441,761)                           | 511,063           | 512,260           |
| Networks                         | 5,775,638         | (1,535,755)                         | 4,239,883         | 4,251,088         |
| Equipment                        | 631,364           | (477,909)                           | 153,455           | 156,722           |
| Others                           | <u>2,624</u>      | <u>(2,133)</u>                      | <u>491</u>        | <u>543</u>        |
|                                  | 9,396,859         | (3,199,670)                         | 6,197,189         | 6,192,599         |
| General use                      |                   |                                     |                   |                   |
| Land                             | 91,452            | -                                   | 91,452            | 91,093            |
| Buildings                        | 135,872           | (86,933)                            | 48,939            | 49,443            |
| Transportation equipment         | 139,178           | (118,045)                           | 21,133            | 21,546            |
| Information Technology Equipment | 124,845           | (90,258)                            | 34,587            | 33,556            |
| Furniture, Fixture and Equipment | 255,996           | (141,783)                           | 114,213           | 120,215           |
| Lands granted in free lease      | 20,488            | -20,488                             | 20,488            |                   |
| Items granted in free lease      | <u>6,816</u>      | <u>(1,933)</u>                      | <u>4,883</u>      | <u>5,922</u>      |
|                                  | <u>774,647</u>    | <u>(438,952)</u>                    | <u>335,695</u>    | <u>342,263</u>    |
| Subtotal in operation            | 19,452,633        | (7,780,577)                         | 11,672,056        | 11,704,906        |
| Work in progress:                |                   |                                     |                   |                   |
| Water systems                    | 1,782,600-        |                                     | 1,782,600         | 1,642,695         |
| Sewage systems                   | 2,502,299         | -                                   | 2,502,299         | 2,323,941         |
| Others                           | <u>12,873</u>     | =                                   | <u>12,873</u>     | <u>11,399</u>     |
| Subtotal in progress (d)         | 4,297,772-        |                                     | 4,297,772         | 3,978,035         |
| <b>Grand Total</b>               | <u>23,750,405</u> | <u>(7,780,577)</u>                  | <u>15,969,828</u> | <u>15,682,941</u> |

The consolidated balance totals the amount of R\$15,972,770, being the difference of R\$2,928 referring to the sewage projects and R\$14 represented mainly by furniture and fixture and equipment.

The operating fixed assets represent the assets involved in the providing of water supply and sewage collection services. Under the assets originated from contracts negotiated based on financial and economic appraisals, Sabesp holds the possession and management.

The concession contracts provide that the assets will be reversed to the conceding power at the end of the period, upon indemnification by the net market value as set forth in each contract. In the program contracts, the indemnification will correspond to the net present value of the cash flow in the remaining period at the date of resume of the services, monetarily restated and added by interests until the date of effective payment.

(a) Depreciation

Depreciation is calculated at the following rates:

Structure - 2%, connections - 2%, hydrometers - 10%, networks - 2%, wells - 5%, equipment - 5%, transportation equipment - 10%, information technology equipment - 20%, furniture and fixture - 6.7%.

(b) Write-off of Property, Plant and Equipment

The Company wrote-off, in the second quarter of 2010 and first semester of 2010, items of property, plant and equipment, in the amount of R\$10,871 and R\$12,195, respectively (2009 - R\$6,538 and R\$8,319), resulting in a total loss in the amount of R\$4,268 and R\$6,048, respectively). R\$10,039 and R\$11,363 related to the items in operation group, due to obsolescence, thefts and disposals and R\$832 referring to discontinued works, unproductive wells, and economically unprofitable projects.

(c) Work in Progress

The provision for disbursements from the third quarter of 2010 until 2015, referring to investments already contracted, is approximately R\$4,193 million (not audited).

(d) Expropriations

As a result of the execution of priority works related to the water and sewage systems there was the need to expropriate properties from third parties those owners shall be reimbursed by amicable or judicial means.

The forecast for disbursements to be made after the third quarter, 2010, is approximately R\$537 million (not audited), which shall be covered by own resources. The assets object of these lawsuits shall be recorded in the fixed assets when the operation is carried out. In the second quarter of 2010, the amount referring to the expropriations was R\$1,201 (in the second quarter of 2009 - R\$2,117).

(e) Assets given in Guarantee

On June 30, 2010 and March 31, 2010 the Company held assets with a value of R\$249,034 given in guarantee to Request of Special Payment in Installment - Paes (Note 12).

(f) Non-operating Assets



The Company had, on June 30, 2010 and March 31, 2010 the amount of R\$25,371 and R\$26,411 respectively, related mainly to lands granted in free lease to the Associations, Assistance Entities, Non-Governmental Organizations and to the DAEE - Departamento de Aguas e Energia Eletrica, among others.

(g) Revaluation

Property, plant and equipment items were revaluated in 1990 and 1991 and have been depreciated at annual rates which take into consideration the estimated remaining economic useful lives.

As permitted by CVM Instruction 197/93, the Company did not record a provision for the tax effects (deferred taxes) on the surplus of the revaluation of property, plant and equipment carried out in 1990 and 1991. Had the income tax and social contribution on the revaluation reserve been accounted for, the unrealized amount at June 30, 2010 would be R\$321,641 (R\$356,354 up to June 30, 2009). The amounts of R\$56,646 and R\$45,688 from the revaluation reserve were realized in the periods ended on June 30, 2010 and June 30, 2009, respectively.

The Company elected to keep the Revaluation Reserve recorded until its respective realization.

(h) Assets totally depreciated in operation

On June 30, 2010 and March 31, 2010 the gross book value of the totally depreciated assets that are still in use is R\$957,902 and R\$930,475, respectively.

(i) PPP Public Private Partnership

Sabesp and CSB Sistema Produtor Alto Tiete S/A, special purpose company organized by the companies Galvão Engenharia S.A. and Companhia Aguas dop Brasil CAB Ambiental, executed in June, 2008 the Public Private Partnership contracts of the Sistema Produtor Alto Tiete.

The service contract represents a 15-year commitment, during which the works of capacity increase of the Taiaçupeba Water Treatment Station, the construction of large-sized aqueducts and four reservoirs that will have the capacity to store 70 million litres, are provided. In addition to the works, it shall be the company's responsibility to provide maintenance services to the dams; inspection and maintenance of tunnels and channels; civil and electro-mechanic maintenance in units that integrate the Alto Tiete System; the treatment and final disposal of the mud generated in the production of treated water and other services.

The initiative will make investments viable for the realization of a set of works and services that will enhance the offer of water from 10 to 15 thousand litres per second, thus ensuring the regularity of the supply across the region.

On June 30, 2010 the book amount recorded in the Company's fixed assets related to the PPP still under construction is R\$206,010 (Mar/2010 R\$166,569).

In the period from January to June, 2010 it was paid to CAB the amount of R\$25,688, being R\$20,115 recorded as expenses and R\$5,573 as amortization of expenditures related to the construction.

**9. INTANGIBLE**

|  | <u>HOLDING AND<br/>CONSOLIDATED</u> |               |
|--|-------------------------------------|---------------|
|  | <u>June/10</u>                      | <u>Mar/10</u> |
| Concessions (i)                                | 496,745                             | 501,449       |
| Program contracts (commitments) (ii)           | 306,534                             | 261,710       |
| License of Use (Software s) (iii)              | 6,119                               | 8,056         |
| Program Contracts - investments performed (iv) | 833,354                             | 809,097       |
| New Businesses (v)                             | <u>1,655</u>                        | <u>961</u>    |
| Total  | 1,644,407                           | 1,581,273     |

## (i) Concessions

In the period between 1999 and 2006, the negotiations for new concessions were conducted on the basis of the economic and financial results of the transaction, determined in an appraisal report issued by independent experts.

The amount determined in the respective contract, after the transaction is closed with the municipal authorities, with payment through Company shares in cash, is recorded in this account and amortized over the period of the related concession (normally 30 years). As of June 30, 2010 and March 31, 2010 there were no amounts pending related to these payments to the municipalities.

The net amount shown relates to concessions with the following municipalities:

|                         | HOLDING AND CONSOLIDATED |                             |        |        |
|-------------------------|--------------------------|-----------------------------|--------|--------|
|                         |                          | Jun/10                      |        | Mar/10 |
|                         | Cost                     | Accumulated<br>amortization | Net    | Net    |
| Agudos                  | 10,163                   | (3,062)                     | 7,101  | 7,198  |
| Bom Sucesso do Itararé  | 926                      | (121)                       | 805    | 817    |
| Campo Limpo Paulista    | 21,133                   | (5,078)                     | 16,055 | 16,200 |
| Conchas                 | 4,233                    | (970)                       | 3,263  | 3,236  |
| Duartina                | 2,046                    | (531)                       | 1,515  | 1,536  |
| Estância de Serra Negra | 15,698                   | (3,403)                     | 12,295 | 12,436 |
| Itapira                 | 16,360                   | (1,330)                     | 15,030 | 15,030 |
| Itararé                 | 6,538                    | (2,202)                     | 4,336  | 4,396  |
| Marabá Paulista         | 1,896                    | (317)                       | 1,579  | 1,602  |

|                       |                |                  |                |                |
|-----------------------|----------------|------------------|----------------|----------------|
| Miguelópolis          | 11,721         | (2,242)          | 9,479          | 9,607          |
| Osasco                | 296,815        | (94,898)         | 201,917        | 204,468        |
| Paraguaçu Paulista    | 26,646         | (6,206)          | 20,440         | 19,985         |
| Paulistânia           | 222            | (51)             | 171            | 173            |
| Sandovalina           | 2,567          | (399)            | 2,168          | 2,193          |
| Santa Maria da Serra  | 1,267          | (384)            | 883            | 826            |
| São Bernardo do Campo | 237,464        | (50,915)         | 186,549        | 188,538        |
| Várzea Paulista       | <u>17,948</u>  | <u>(4,789)</u>   | <u>13,159</u>  | <u>13,208</u>  |
| Total                 | <u>673,643</u> | <u>(176,898)</u> | <u>496,745</u> | <u>501,449</u> |

The amortization of intangible assets is performed during the effective period of the concession agreements of the related municipalities.

In the second quarter of 2010 and 2009, amortization expenses relating to concession intangible rights were R\$5,882 and R\$5,776, respectively.

(ii) Program Contracts (commitments)

Since the regulatory changes, the renewals have occurred by means of program contracts. In some of them the Company assumed commitments to financially participate in social environmental sanitation actions.

These commitments were recorded as offset to intangible assets in the amount of R\$323,765 (Mar/10 - R\$276,373) deducted from the adjustment to present value of R\$91,003 at an interest rate of 6% plus IPCA.

These assets are being amortized over the duration of the program contract (in their majority on 30 years).

The committed amounts are related to the following municipalities:

| <u>Municipality</u> | HOLDING AND CONSOLIDATED |   |            |                             |
|---------------------|--------------------------|---|------------|-----------------------------|
|                     | <u>Cost</u>              | <u>Jun/10</u><br>Accumulated<br><u>amortization</u> | <u>Net</u> | <u>Mar/10</u><br><u>Net</u> |
| Alfredo Marcondes   | 70                       | (6)   | 64         | 65                          |
| Aparecida D Oeste   | 45                       | (3)   | 42         | 42                          |
| Auriflama           | 110                      | (2)   | 108        | 109                         |
| Avaré               | 5,000                    | (333)   | 4,667      | 4,708                       |
| Bento de Abreu      | 50                       | (4)   | 46         | 46                          |
| Bocaina             | 800                      | (67)  | 733        | 740                         |
| Botucatu            | 28,979                   | (161)   | 28,818     | -                           |
| Caçapava            | 9,000                    | (600)   | 8,400      | 8,475                       |
| Cajuru              | 2,236                    | (12)  | 2,224      | -                           |

|                          |                |                 |                |                |
|--------------------------|----------------|-----------------|----------------|----------------|
| Campos do Jordão         | 3,000          | (283)           | 2,717          | 2,742          |
| Capão Bonito             | 2,000          | (133)           | 1,867          | 1,883          |
| Emilianópolis            | 112            | (10)            | 102            | 103            |
| Espírito Santo do Pinhal | 5,179          | (58)            | 5,121          | 5,165          |
| Fartura                  | 243            | (16)            | 227            | 229            |
| Fernandópolis            | 9,500          | (792)           | 8,708          | 8,788          |
| Franca                   | 20,676         | (2,010)         | 18,666         | 18,838         |
| Indiaporã                | 250            | (17)            | 233            | 235            |
| Irapuã                   | 260            | (4)             | 256            | 258            |
| Jales                    | 4,426          | (418)           | 4,008          | 4,045          |
| Lorena                   | 9,000          | (750)           | 8,250          | 8,325          |
| Magda                    | 320            | (5)             | 315            | 320            |
| Mococa                   | 8,843          | (590)           | 8,253          | 8,327          |
| Mombuca                  | 197            | (16)            | 181            | 182            |
| Monte Alto               | 5,000          | (347)           | 4,653          | 4,694          |
| Novo Horizonte           | 5,000          | (333)           | 4,667          | 4,708          |
| Osvaldo Cruz             | 2,336          | (13)            | 2,323          | -              |
| Pindamonhangaba          | 16,000         | (1,156)         | 14,844         | 14,978         |
| Piratininga              | 350            | (24)            | 326            | 329            |
| Planalto                 | 39             | (4)             | 35             | 36             |
| Platina                  | 30             | -               | 30             | -              |
| Pongaí                   | 35             | (1)             | 34             | 35             |
| Quatá                    | 1,000          | (17)            | 983            | 992            |
| Riolândia                | 2,643          | (176)           | 2,467          | 2,489          |
| Santa Rosa do Viterbo    | 3,696          | (31)            | 3,665          | -              |
| São João da Boa Vista    | 16,700         | (1,113)         | 15,587         | 15,726         |
| São José dos Campos      | 142,945        | (7,147)         | 135,798        | 136,989        |
| São Luiz Paraitinga      | 600            | (50)            | 550            | 555            |
| São Manuel               | 1,300          | (87)            | 1,213          | 1,224          |
| Tatuí                    | 9,795          | (43)            | 9,752          | -              |
| Tupã                     | 5,540          | (385)           | 5,155          | 5,201          |
| Valentim Gentil          | 140            | (12)            | 128            | 129            |
| Zacarias                 | 320            | (2)             | 318            | -              |
| Total                    | <u>323,765</u> | <u>(17,231)</u> | <u>306,534</u> | <u>261,710</u> |

In the second quarter of 2010 and 2009, the amortization expenses related to the commitments of the program contracts were R\$2,568 and R\$2,246, respectively.

The amounts not yet disbursed related to program contracts are recorded under the caption other obligations in current liabilities, R\$68,207 and non-current liabilities, R\$102,399.

(iii) License for Use (Software)

The net amount of the amortizations of the license for the use of Software in June 30, 2010 was R\$6,119 (Mar/2010 - R\$8,056).

(iv) Program Contracts - Investments Performed

Refer to renewals of the contracts previously named full concession to operating concession, through program contracts that have the objective of providing municipal public services of supply and sanitation sewage, where the Company has the ownership and management of the assets acquired or constructed during the term of these contracts (30 years).

|                                  | HOLDING AND CONSOLIDATED |                                     |                |                |
|----------------------------------|--------------------------|-------------------------------------|----------------|----------------|
|                                  | <u>Jun/10</u>            |                                     | <u>Mar/10</u>  |                |
|                                  | <u>Cost</u>              | <u>Accumulated<br/>amortization</u> | <u>Net</u>     | <u>Net</u>     |
| In use                           |                          |                                     |                |                |
| Water systems                    |                          |                                     |                |                |
| Land                             | 7,564                    | (413)                               | 7,151          | 7,205          |
| Buildings                        | 49,218                   | (2,821)                             | 46,397         | 45,513         |
| Connections                      | 30,224                   | (1,608)                             | 28,616         | 28,753         |
| Water meters                     | 19,290                   | (912)                               | 18,378         | 22,140         |
| Networks                         | 90,555                   | (5,005)                             | 85,550         | 79,607         |
| Wells                            | 12,508                   | (680)                               | 11,828         | 11,831         |
| Equipment                        | 16,573                   | (2,057)                             | 14,516         | 13,623         |
| Others                           | <u>1,790</u>             | <u>(103)</u>                        | <u>1,687</u>   | <u>5,532</u>   |
| Subtotal                         | 227,722                  | (13,599)                            | 214,123        | 214,204        |
| Sewage systems                   |                          |                                     |                |                |
| Land                             | 2,867                    | (152)                               | 2,715          | 2,226          |
| Buildings                        | 57,018                   | (3,148)                             | 53,870         | 46,933         |
| Connections                      | 38,478                   | (1,985)                             | 36,493         | 36,751         |
| Networks                         | 124,297                  | (6,741)                             | 117,556        | 118,453        |
| Equipment                        | 20,472                   | (2,502)                             | 17,970         | 15,568         |
| Others                           | <u>2,046</u>             | <u>(117)</u>                        | <u>1,929</u>   | <u>9,353</u>   |
| Subtotal                         | 245,178                  | (14,645)                            | 230,533        | 229,284        |
| General use                      |                          |                                     |                |                |
| Land                             | 10                       | -                                   | 10             | 9              |
| Buildings                        | 392                      | (13)                                | 379            | 378            |
| Transportation equipment         | 6,097                    | (343)                               | 5,754          | 5,794          |
| Information Technology Equipment | 1,200                    | (62)                                | 1,138          | 1,144          |
| Furniture, Fixture and Equipment | <u>6,219</u>             | <u>(470)</u>                        | <u>5,749</u>   | <u>5,806</u>   |
| Subtotal                         | <u>13,918</u>            | <u>(888)</u>                        | <u>13,030</u>  | <u>13,131</u>  |
| Total                            | 486,818                  | (29,132)                            | 457,686        | 456,619        |
| Work in progress:                |                          |                                     |                |                |
| Water systems                    | 102,379                  | -                                   | 102,379        | 89,110         |
| Sewage systems                   | 272,943                  | -                                   | 272,943        | 263,030        |
| Others                           | <u>346</u>               | <u>-</u>                            | <u>346</u>     | <u>338</u>     |
| Subtotal in progress             | <u>375,668</u>           | <u>-</u>                            | <u>375,668</u> | <u>352,478</u> |
| Grand Total                      | <u>862,486</u>           | <u>(29,132)</u>                     | <u>833,354</u> | <u>809,097</u> |

The amortization of the assets is performed during the effectiveness of the program contract period.

(v) New Businesses



It was signed, in August, 2009, with the Companhia of Saneamento de Alagoas (CASAL), the specialized technical services contract and technology transfer with the purpose to implement a program of loss reduction and revenue evasion of the Municipality of Maceio, for 60 months.

On June 30, 2010 the amount in progress referring to this contract was R\$1,655.

## 10. LOANS, FINANCINGS & DEBENTURES

### (i) Outstanding balance of loans and financings

|                                   | HOLDING AND CONSOLIDATED |             |               |         |             |           | Guarantees                        | Final maturity | Annual interest rate  | Monetary adjustment |
|-----------------------------------|--------------------------|-------------|---------------|---------|-------------|-----------|-----------------------------------|----------------|---|---------------------|
|                                   | <u>Jun/10</u>            |             | <u>Mar/10</u> |         |             |           |                                   |                |   |                     |
|                                   | Current                  | Non-current | Total         | Current | Non-current | Total     |                                   |                |   |                     |
| Financial Institution:<br>COUNTRY |                          |             |               |         |             |           |                                   |                |   |                     |
| União Federal / Banco do Brasil   | 301,904                  | 975,120     | 1,277,024     | 295,251 | 1,051,855   | 1,347,106 | Gov.Est.S.Paulo and own resources | 2014           | 8.50%   | UPR                 |
| Debentures 6th Issuance           | 238,461                  | -           | 238,461       | 232,415 | -           | 232,415   | Unsecured                         | 2010           | 11%   | IGP-M               |
| Debentures 8th Issuance           | 442,091                  | -           | 442,091       | -       | 429,932     | 429,932   | Unsecured                         | 2011           | 10.75%  | IGP-M               |
| Debentures 9th Issuance           | -                        | 228,355     | 228,355       | -       | 226,552     | 226,552   | Unsecured                         | 2015           | CDI+2.75% (1st series) and 12.87% (2nd series)                | IPCA                |
| Debentures 10th Issuance          | -                        | 277,435     | 277,435       | -       | 276,276     | 276,276   | Unsecured                         | 2020           | TJLP+1.92% (1st series and 3rd series) and 9.53% (2nd series) | IPCA                |
| Debentures 11th Issuance          | -                        | 1,204,925   | 1,204,925     | -       | -           | -         | Unsecured                         | 2015           | CDI+1.95% (1st series) and CDI+1.4% (2nd series)              |                     |
| Debentures 12th Issuance          | -                        | 499,975     | 499,975       | -       | -           | -         | Unsecured                         | 2025           | TR+9.5%   |                     |
| Caixa Econômica Federal           | 84,076                   | 737,260     | 821,336       | 80,940  | 690,948     | 771,888   | Own Resources                     | 2010/2032      | 6.8% (weighted)   | UPR                 |
| Promissory Notes                  | -                        | -           | -             | -       | 899,207     | 899,207   |                                   | 2015           | CDI + 3.5%  |                     |
| FIDC - Sabesp I                   | 41,667                   | -           | 41,667        | 55,556  | -           | 55,556    | Own Resources                     | 2011           |   |                     |

|  |                  |                  |                  |                |                  |                  |                    |           |                                      |                                |
|--|------------------|------------------|------------------|----------------|------------------|------------------|--------------------|-----------|--------------------------------------|--------------------------------|
| Banco Nacional de Desenvolvimento Econômico e Social - BNDES | 43,119           | 62,241           | 105,360          | 42,976         | 73,102           | 116,078          | Own Resources      | 2013      | CDI + 0.70%<br>3% + TJLP<br>LIMIT 6% |                                |
| Banco Nacional de Desenvolvimento Econômico e Social - BNDES | -                | 130,474          | 130,474          | -              | 130,474          | 130,474          |                    | 2019      | 2.5% + TJLP<br>LIMIT 6%              |                                |
| Banco Nacional de Desenvolvimento Econômico e Social - BNDES | -                | 30,001           | 30,001           | -              | 30,001           | 30,001           | Own Resources      | 2023      | 2.15% +<br>TJLP LIMIT<br>6%          |                                |
| Banco Nacional de Desenvolvimento Econômico e Social - BNDES | -                | 202,973          | 202,973          | -              | 105,117          | 105,117          | Own Resources      | 2025      | 1.92% +<br>TJLP LIMIT<br>6%          |                                |
| ONDAS LIMPAS - Others  | 3,271            | 7,374            | 10,645           | 3,141          | 9,513            | 12,654           |                    | 2010/2018 | 12% / CDI /<br>TJLP+ 6%              | UPR                            |
| Interests and charges  | <u>132.784</u>   | =                | <u>132.784</u>   | <u>155.117</u> | =                | <u>155.117</u>   |                    |           |                                      |                                |
| Total Domestic   | <u>1.287.373</u> | <u>4.356.133</u> | <u>5.643.506</u> | <u>865.396</u> | <u>3.922.977</u> | <u>4.788.373</u> |                    |           |                                      |                                |
| FOREIGN CURRENCY   |                  |                  |                  |                |                  |                  |                    |           |                                      |                                |
| Inter-American Development Bank - BID                        | 66,088           | 572,687          | 638,775          | 65,312         | 589,525          | 654,837          | Federal Government | 2016/2025 | 3.00% a<br>4.13%<br>(i)              | Currency Basket Var.<br>+ US\$ |
| US\$ 354,579 thd. (Mar/10 - US\$ 367,680 thd)                |                  |                  |                  |                |                  |                  |                    |           |                                      |                                |
| Euro Bonds - US\$ 140,000 thd (Mar/10 - US\$ 140,000 thd)    | -                | 252,210          | 252,210          | -              | 249,340          | 249,340          |                    | 2016      | 7.5%                                 | US\$                           |
| JICA - Yens 21,316,000 thd (Mar/10 - Yens 21,316,000 thd)    | -                | 434,420          | 434,420          | -              | 406,283          | 406,283          | Federal Government | 2029      | 1.8% and<br>2.5% (i)                 | Yens                           |
| BID 1983AB - US\$ 250,000 thd (Mar/10 - US\$ 250,000 thd.)   | 43,132           | 404,006          | 447,138          | -              | 441,936          | 441,936          |                    | 2023      | 2.4% to<br>2.9% (i)                  | US\$                           |

|                       |                  |   |                  |                  |   |                  |
|-----------------------|------------------|---|------------------|------------------|---|------------------|
| Interests and charges | <u>16.361</u>    | = | <u>16.361</u>    | <u>25.103</u>    | = | <u>25.103</u>    |
| Total                 | <u>125.581</u>   |   | <u>1.663.323</u> | <u>1.788.904</u> |   | <u>90.415</u>    |
| International         |                  |   |                  |                  |   | <u>1.687.084</u> |
| <u>TOTAL OF</u>       | <u>1.412.954</u> |   | <u>6.019.456</u> | <u>7.432.410</u> |   | <u>955.811</u>   |
| <u>LOANS AND</u>      |                  |   |                  |                  |   | <u>5.610.061</u> |
| <u>FINANCINGS</u>     |                  |   |                  |                  |   | <u>6.565.872</u> |

Parity rates as of June 30, 2010: US\$ 1.8015; Yen 0.020380 (March 31, 2010: US\$ 1.7810; Yen 0.019060).

On June 30, 2010 the Company did not have short term balances of loans and financings .

(i) The demonstration of the annual interest rates is summarized in the contract s general chart.

|                 | Jun/10  |             |         | Mar/10  |             |         | interest rate |
|-----------------|---------|-------------|---------|---------|-------------|---------|---------------|
|                 | Current | Non-current | Total   | Current | Non-current | Total   |               |
| BID             | 42,567  | 276,683     | 319,250 | 42,060  | 294,415     | 336,475 | 4.13%         |
| Contract 713    |         |             |         |         |             |         |               |
| BID             | 5,004   | 27,523      | 32,527  | 4,947   | 29,683      | 34,630  | 3.00%         |
| Contract 896    |         |             |         |         |             |         |               |
| BID             | 18,516  | 268,482     | 286,998 | 18,305  | 265,427     | 283,732 | 4.02%         |
| Contract 1212   |         |             |         |         |             |         |               |
| Jica Consulting | -       | 248,711     | 248,711 | -       | 232,602     | 232,602 | 1.80%         |
| Jica Work       | -       | 185,709     | 185,709 | -       | 173,681     | 173,681 | 2.50%         |
| BID             | 13,858  | 164,998     | 178,856 | -       | 178,100     | 178,100 | 2.90%         |
| 1983 A          |         |             |         |         |             |         |               |
| Bid             | 18,015  | 160,840     | 178,855 | -       | 178,100     | 178,100 | 2.60%         |
| 1983 B1         |         |             |         |         |             |         |               |
| BID             | 11,259  | 78,168      | 89,427  | -       | 89,050      | 89,050  | 2.40%         |
| 1983 B2         |         |             |         |         |             |         |               |

(ii) In accordance with the CPC 08 the chart below was prepared with the purpose of showing the annual effects of the financial expenses resulting from funding costs on the effective interest rates.

|  | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 and thereafter | Total | Monthly IRR |
|--|------|------|------|------|------|------|---------------------|-------|-------------|
| Debentures - 9th issuance - 1st series | 159  | 318  | 319  | 267  | -    | -    | -                   | 1,063 | 0.26726%    |
| Debentures - 9th issuance - 2nd series | 122  | 245  | 246  | 246  | 247  | 206  | -                   | 1,312 | 0.017171%   |
| Debentures - 10th issuance             | 18   | 36   | 36   | 36   | 36   | 37   | 181                 | 380   | 0.003956%   |

|   |     |       |       |       |       |     |     |       |           |
|---|-----|-------|-------|-------|-------|-----|-----|-------|-----------|
| - 1st series<br>Debentures -<br>10th issuance |     |       |       |       |       |     |     |       |           |
| - 2nd series<br>Debentures -<br>10th issuance | 19  | 39    | 39    | 39    | 39    | 39  | 196 | 410   | 0.003944% |
| - 3rd series<br>Debentures -<br>11th issuance | 27  | 55    | 55    | 55    | 55    | 55  | 270 | 572   | 0.003966% |
| - 1st series                                  | 710 | 1,422 | 1,424 | 1,427 | 1,430 | 357 | -   | 6,770 | 0.014728% |

|   | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016 and thereafter | Total  | Monthly IRR |
|---|-------|-------|-------|-------|-------|-------|---------------------|--------|-------------|
| Debentures -<br>11th issuance -<br>2nd series   | 599   | 1,200 | 1,204 | 302   | -     | -     | -                   | 3,305  | 0.024830%   |
| Debentures -<br>12th issuance -<br>sole series  | 1     | 2     | 2     | 2     | 2     | 2     | 14                  | 25     | 0.000028%   |
| BNDES<br>(National<br>Bank for<br>Economic and<br>Social<br>Development)<br>ONDA<br>LIMPA | 13    | 26    | 26    | 26    | 26    | 26    | 236                 | 379    | 0.002184%   |
| AB Loan A   | 52    | 103   | 103   | 103   | 103   | 104   | 770                 | 1,338  | 0.005301%   |
| AB Loan B1  | 64    | 129   | 129   | 129   | 129   | 129   | 575                 | 1,284  | 0.006621%   |
| AB Loan B2  | 39    | 77    | 77    | 78    | 78    | 78    | 188                 | 615    | 0.007939%   |
| Total   | 1,823 | 3,652 | 3,660 | 2,710 | 2,145 | 1,033 | 2,430               | 17,453 |             |

There is no premium when the resources are funded.

(iii) On May 3, 2010 occurred the full settlement of the 4<sup>th</sup> issuance of promissory notes.

(iv) 11<sup>th</sup> Issuance of debentures

On March 01, 2010 the Company issued the 11<sup>th</sup> issuance of debentures and on April 30, 2010 and May 03, 2010 it made the financial settlement of the 1<sup>st</sup> and 2<sup>nd</sup> series, respectively, through the Public Offer, which characteristics are:

|                       | <u>1<sup>st</sup> Series</u> | <u>2<sup>nd</sup> Series</u> |
|-----------------------|------------------------------|------------------------------|
| CVM Registration      | CVM/SRE/DEB/2010/015         | CVM/SRE/DEB/2010/016         |
| Quantity              | 810,000                      | 405,000                      |
| Issuance Date         | 03/01/2010                   | 03/01/2010                   |
| Unit Value (R\$ thd)  | R\$1                         | R\$1                         |
| Total Value (R\$ thd) | R\$810,000                   | R\$405,000                   |

|                        |                                  |                |
|------------------------|----------------------------------|----------------|
| Remuneration DI + p.a. | 1.95%                            | 1.40%          |
| Remuneration Payment   | Semi-annual                      | Semi-annual    |
| Final Amortization     | 03/01/2015                       | 03/01/2013     |
| Optional Redemption    | As of the 24 <sup>th</sup> month | Not applicable |



(v) 12<sup>th</sup> Issuance of debentures

Sabesp issued R\$500 million of debentures to the FGTS [Unemployment Fund] in a transaction with the Fund's Sanitation Portfolio. The proceeds will pay for Sabesp's works of structuring program, essential to reach the target to universalize the sanitation services in the State of Sao Paulo by 2018. Among the programs that will receive the amount are Vida Nova (Water Sources), Water Metropolitan Program, Sewage Metropolitan Program, Water and Sewage Programs of the Interior and Coastal Area.

Initially, R\$170 million were released and the remaining amount is invested in a blocked account, whose redemption shall be made in 2 installments, within 6 and 12 months from the date of the transaction, through evidence of the realization of the investments by Sabesp.

Among the requirements of the Sanitation Portfolio for approving the transaction is the destination of 60% of the investments bound to the transaction in needing areas.

This transaction occurred in June 22, 2010 with the issuance and subscription of the 12th issuance of debentures, through the Public Offer of Restrict Efforts, pursuant CVM Instruction nr. 476, which characteristics are:

|                        | <u>Single Series</u>             |
|------------------------|----------------------------------|
| CVM Registration       | None                             |
| Quantity               | 500,000                          |
| Issuance Date          | 06/22/2010                       |
| Unit Value (R\$ thd)   | R\$1                             |
| Total Value (R\$ thd)  | R\$500,000                       |
| Remuneration DI + p.a. | 9.5%                             |
| Remuneration Payment   | Monthly, as of 07/2010           |
| Final Amortization     | Monthly, as of 07/2014           |
| Optional Redemption    | As of the 49 <sup>th</sup> month |

(iv) Repayment schedule of loans and financing

The total debt volume to be paid through the end of 2010 is R\$644,875 and the amount denominated in US dollars is R\$49,404 and the amount of R\$595,471 refers to the interest and principal of loans denominated in Brazilian reais falling due.

| BANK  | 2010    | 2011      | 2012    | 2013      | 2014    | 2015    | 2016<br>and<br>thereafter | TOTAL      |
|---|---------|-----------|---------|-----------|---------|---------|---------------------------|------------|
| <b>COUNTRY</b>  |         |           |         |           |         |         |                           |            |
| Federal Government/Banco do Brasil  | 147,754 | 314,970   | 342,824 | 373,142   | 98,334  | -       | -                         | -1,277,024 |
| Caixa Econômica Federal (CEF)   | 41,161  | 88,178    | 98,100  | 99,755    | 61,318  | 39,136  | 393,688                   | 821,336    |
| Debentures  | 238,461 | 475,070   | 235,825 | 579,389   | 368,288 | 391,014 | 603,195                   | 2,891,242  |
| FIDC - SABESP I   | 27,778  | 13,889    | -       | -         | -       | -       | -                         | 41,667     |
| BNDES (National Bank for Economic and Social Development)                 | 21,424  | 42,847    | 36,914  | 4,175     | -       | -       | -                         | 105,360    |
| BNDES (National Bank for Economic and Social Development) Santos Lowlands | -       | -         | 16,309  | 16,309    | 16,309  | 16,309  | 65,238                    | 130,474    |
| BNDES (National Bank for Economic and Social Development) PAC             | -       | 1,250     | 2,500   | 2,500     | 2,500   | 2,500   | 18,751                    | 30,001     |
| BNDES (National Bank for Economic and Social Development) ONDA            | -       | -         | 11,710  | 15,613    | 15,613  | 15,613  | 144,424                   | 202,973    |
| LIMPA   | -       | -         | 11,710  | 15,613    | 15,613  | 15,613  | 144,424                   | 202,973    |
| Other   | 1,713   | 5,251     | 384     | 432       | 487     | 549     | 1,829                     | 10,645     |
| Interest and charges  | 117,180 | 15,604    | -       | -         | -       | -       | -                         | 132,784    |
| Total - Domestic  | 595,471 | 957,059   | 744,566 | 1,091,315 | 562,849 | 465,121 | 1,227,125                 | 5,643,506  |
| <b>ABROAD</b>   |         |           |         |           |         |         |                           |            |
| BID   | 33,043  | 66,087    | 66,087  | 66,087    | 66,087  | 66,087  | 275,297                   | 638,775    |
| Eurobonds   | -       | -         | -       | -         | -       | -       | 252,210                   | 252,210    |
| JICA  | -       | 11,741    | 23,482  | 23,482    | 23,482  | 23,482  | 328,751                   | 434,420    |
| BID 1983AB  | -       | 42,822    | 42,822  | 42,822    | 42,822  | 42,822  | 233,028                   | 447,138    |
| Interest and charges  | 16,361  | -         | -       | -         | -       | -       | -                         | 16,361     |
| Total Abroad  | 49,404  | 120,650   | 132,391 | 132,391   | 132,391 | 132,391 | 1,089,286                 | 1,788,904  |
| Grand Total   | 644,875 | 1,077,709 | 876,957 | 1,223,706 | 695,240 | 597,512 | 2,316,411                 | 7,432,410  |

## (v) Covenants

As of June 30, 2010, the Company was compliant with all covenants.



**11. DEFERRED TAXES AND CONTRIBUTIONS**

## (a) Balances

|                                  | <u>HOLDING AND<br/>CONSOLIDATED</u> |                |
|----------------------------------|-------------------------------------|----------------|
|                                  | <u>Jun/10</u>                       | <u>Mar/10</u>  |
| In current assets (i)            |                                     |                |
| Deferred income tax              | 193,654                             | 184,523        |
| Deferred social contribution tax | <u>69,715</u>                       | <u>66,428</u>  |
|                                  | 263,369                             | 250,951        |
| In non current assets (ii)       |                                     |                |
| Deferred income tax              | 456,513                             | 434,769        |
| Deferred social contribution tax | <u>164,345</u>                      | <u>156,517</u> |
|                                  | 620,858                             | 591,286        |
| In current liabilities (iii)     |                                     |                |
| Deferred income tax              | 209                                 | 209            |
| Deferred social contribution tax | 75                                  | 75             |
| Deferred PASEP (tax on revenue)  | 12,320                              | 12,697         |
| Deferred COFINS (tax on revenue) | <u>14,530</u>                       | <u>15,960</u>  |
|                                  | 27,134                              | 28,941         |
| In non-current liabilities (iv)  |                                     |                |
| Deferred income tax              | 57,064                              | 55,772         |
| Deferred social contribution tax | 16,033                              | 15,568         |
| Deferred PASEP (tax on revenue)  | 22,005                              | 21,436         |
| Deferred COFINS (tax on revenue) | <u>67,498</u>                       | <u>64,879</u>  |
|                                  | 162,600                             | 157,655        |

|                                  | <u>HOLDING AND<br/>CONSOLIDATED</u> |                    | <u>HOLDING</u>    |                    |
|----------------------------------|-------------------------------------|--------------------|-------------------|--------------------|
|                                  | <u>2nd Qtr/10</u>                   | <u>1st sem//10</u> | <u>2nd Qtr/09</u> | <u>1st sem//09</u> |
| To the result of the year        |                                     |                    |                   |                    |
| Income tax                       | (145,303)                           | (320,002)          | (146,993)         | (276,492)          |
| Deferred income tax              | <u>29,582</u>                       | <u>70,969</u>      | <u>16,740</u>     | <u>40,852</u>      |
|                                  | (115,721)                           | (249,033)          | (130,253)         | (235,640)          |
| Social contribution tax          | (52,792)                            | (115,024)          | (53,888)          | (100,743)          |
| Deferred social contribution tax | <u>10,650</u>                       | <u>25,549</u>      | <u>6,026</u>      | <u>14,707</u>      |
|                                  | <u>(42,142)</u>                     | <u>(89,475)</u>    | <u>(47,862)</u>   | <u>(86,036)</u>    |

(i) In current assets

Substantially calculated based on timing differences of R\$774,616 (Mar/2010 - R\$738,092).

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(ii) In non-current assets

Substantially calculated based on timing differences of R\$1,826,052 (Mar/2010 - R\$1,739,076) related to the income tax and social contribution.

The Company's Management expects to realize the long term balance, mentioned in item (ii) in 2011 in the same proportion as 2010, and the remaining to be realized in 2012.

(iii) Current Liabilities

- Income Tax and Social Contribution

Substantially calculated based on timing differences of R\$836, relating the income tax and social contribution.

- Pasep and Cofins

Calculated substantially on billings to government entities. The obligation is determined and the allowance recognized when the service is provided. Settlement is made when the invoices are received.

(iv) In non-current liabilities

- Income and social contribution taxes

Substantially calculated based on timing differences of R\$228,256 (Mar/2010 - R\$223,088) relating to the income tax and R\$178,149 (Mar/2010 - R\$172,981) relating to the social contribution.

- Pasep and Cofins

Calculated substantially on billings to government entities. The obligation is determined and the allowance recognized when the service is provided. Settlement is made when the invoices are received.

## (b) Break-down of deferred taxes and contributions

|   | <u>HOLDING AND<br/>CONSOLIDATED</u> |                |
|---|-------------------------------------|----------------|
|   | <u>Jun/10</u>                       | <u>Mar/10</u>  |
| In current assets                         |                                     |                |
| Provisions for contingencies              | 263,369                             | 250.951        |
| In non-current assets                     |                                     |                |
| Provision for contingencies               | 325,914                             | 329.167        |
| Provision for social security obligations | 168,258                             | 164.160        |
| Others                                    | <u>126.686</u>                      | <u>97.959</u>  |
|   | <u>620.858</u>                      | <u>591.286</u> |
| Total deferred tax assets                 | <u>884.227</u>                      | <u>842.237</u> |
| In current liabilities                    |                                     |                |
| Costs in the issuance of securities       | 284                                 | 284            |
| Public entity revenues                    | <u>26.850</u>                       | <u>28.657</u>  |
|   | 27,134                              | 28.941         |
| In non-current liabilities                |                                     |                |
| Costs in the issuance of securities       | 179                                 | 699            |
| Public entity revenues                    | 72,919                              | 70.641         |
| Public entity income                      | <u>89.502</u>                       | <u>86.315</u>  |
|   | <u>162.600</u>                      | <u>157.655</u> |
| Total deferred tax liabilities            | <u>189.734</u>                      | <u>186.596</u> |

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## (c) Conciliation of the effective tax rate

The amounts recorded as income and social contribution tax expenses in the interim financial statements are reconciled to the statutory rates provided for in law, as shown below:

|   | <u>HOLDING AND<br/>CONSOLIDATED</u> |                    | <u>HOLDING</u>     |                    |
|---|-------------------------------------|--------------------|--------------------|--------------------|
|   | <u>2nd Qtr /10</u>                  | <u>1st Sem /10</u> | <u>2nd Qtr /09</u> | <u>1st Sem /09</u> |
| Income before taxes on income               | 491,494                             | 962,751            | 642,780            | 1,042,555          |
| Statutory rate                              | <u>34%</u>                          | <u>34%</u>         | <u>34%</u>         | <u>34%</u>         |
| Tax expense at statutory rate               | (167,108)                           | (327,335)          | (218,545)          | (354,469)          |
| Permanent differences                       |                                     |                    |                    |                    |
| Realization of revaluation reserve          | (5,987)                             | (19,260)           | (8,169)            | (15,534)           |
| Interests on Shareholders' Equity           | -                                   | -                  | 47,253             | 47,253             |
| Other differences                           | 15,232                              | 8,087              | 1,346              | 1,074              |
| Income tax and social contribution          | <u>(157,863)</u>                    | <u>(338,508)</u>   | <u>(178,115)</u>   | <u>(321,676)</u>   |
| Current income tax and social contribution  | (198,095)                           | (435,026)          | (200,881)          | (377,235)          |
| Deferred income tax and social contribution | 40,232                              | 96,518             | 22,766             | 55,559             |
| Effective tax rate                          | <u>32%</u>                          | <u>35%</u>         | <u>28%</u>         | <u>31%</u>         |

## (d) Transitional Taxation Regime RTT

For purposes of calculation of the income tax and social contribution on net income of the fiscal years 2009 and 2008, the Company and its subsidiaries elected the RTT, which allows the legal entity to eliminate the accounting effects of Law 11638/07 and the PM 449/08, converted into Law 11941/09, by means of registration in the actual profit book LALUR or auxiliary ledgers, without any change to the accounting entries.

In 2010, the Company has also adopted the same tax standards adopted in 2008 and 2009, once the RTT shall be in force until the effectiveness of the law that regulates the tax effects of the new accounting methods, seeking tax neutrality.

**12. PROGRAM PAES**

The Company applied for enrollment in PAES on July 15, 2003, in accordance with Law No. 10684 of May 30, 2003, and included in its application the debts related to COFINS and PASEP which were involved in a legal action challenging application of Law 9718/98, and the outstanding balance under the Tax Recovery Program (REFIS). The total amount included in PAES was R\$316,953, as follows:

| <u>Taxes</u> | <u>Main</u>    | <u>Fines</u>  | <u>Interests</u> | <u>Total</u>   |
|--------------|----------------|---------------|------------------|----------------|
| Cofins       | 132,499        | 13,250        | 50,994           | 196,743        |
| Pasep        | 5,001          | 509           | 2,061            | 7,571          |
| Refis        | <u>112.639</u> | <u>-</u>      | <u>-</u>         | <u>112.639</u> |
| Total        | <u>250.139</u> | <u>13.759</u> | <u>53.055</u>    | <u>316.953</u> |

The debt is being paid in 120 months. The amounts paid in the 2nd qtr./10 and 2nd qtr./09 were respectively R\$8,644 and R\$8,305 and were recorded as financial expenses of R\$1,070 in the 2nd qtr/10 and R\$1,467 in the 2nd qtr/09. The outstanding balance on June 30, 2010 is R\$104,063. The assets given in guarantee for the previous Refis Program, with R\$249,034, continue to guarantee the amounts of the Paes Program.

**13. SOCIAL SECURITY LIABILITIES**

The Company sponsors Fundação Sabesp de Seguridade Social - Sabesprev, an entity established in August 1990 with the main purpose of managing the pension plan and the welfare program for Sabesp's employees.

**(a) Pension plan benefits:**

The monthly contributions to the pension fund - defined benefit correspond to 2.1% by the Company and 2.3% by the participants.

Participants' contributions above refer to the average contributions, as the discount amount ranges from 1% to 8.5% depending on the salary bracket.

In order to meet the provisions of CVM Resolution No. 371 of December 13, 2000, the amounts of the pension and retirement benefits granted or to be granted, to which employees are entitled after retirement, are presented below.

On December 31, 2009, based on an independent report, calculated by the Projected Credit Unit method, the Company had net actuarial obligation of R\$480,103, representing the difference between the present value of the Company's obligations to the participating employees, retired employees, and pensioners, and the value of the related assets.

The actuarial liability as of June 30, 2010, is R\$504,114 (Mar/10 - R\$492,061). This is accounted for in non-current liabilities.

The estimated expense for 2010 is R\$60,532 (2009 - R\$73,086). This was recognized in the period from April to June 2010, in the amount of R\$16,041 (April to June 2009 - R\$19,152), as shown below:

HOLDING AND CONSOLIDATED

|                              | <u>2nd Qtr/10</u> | <u>1st Sem/10</u> | <u>2nd Qtr/09</u> | <u>1st Sem/09</u> |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
| Transfer to Sabesprev        | 3,987             | 8,170             | 4,137             | 8,492             |
| Actuarial liability recorded | <u>12,054</u>     | <u>24,011</u>     | <u>15,015</u>     | <u>29,696</u>     |
| Total recorded               | <u>16,041</u>     | <u>32,181</u>     | <u>19,152</u>     | <u>38,188</u>     |

(b) Welfare plan

The assistance program, which is made up by optional health plans, freely chosen, is also maintained by contributions of the sponsor (to the plan of active employees) and of the participants, which, in the period, were the following:

Company: 7.8%, on average, of payroll;

Participating employees: 3.21% of base salary and premiums, equivalent to 2.3% of gross payroll, on average.

(c) Actuarial Obligation I referring to the payment of the benefits of the State Law nr. 4819/58.

As described in the explanatory note 5, the Company has been paying, due to judicial decision, the benefits of supplementary retirement of the former employees and pensioners.

The benefits plan, as determined by Law nr. 4819/58, includes the supplement of retirement, supplement of retirement for permanent disable and supplementary pensions.

This benefit plan does not receive contributions like the Plan managed by SABESPREV does, it therefore, has no asset in guarantee.

On June 30, 2010, based on an independent report, issued with base date December 31, 2009, the actuarial commitment referring to future payments of the benefits was R\$1,157,095.

The actuarial provision herein made in the amount of R\$507.7 million corresponds to the controversial portion of such liability not reimbursed by the State.

The number of participants of the plan was 2,727. The number of beneficial owners, retirees and pensioners was 2,602.

**14. PROFIT SHARING**

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In the quarter ended June 30, 2010 R\$14,925 was accrued, which is recorded under payroll and related charges, in current liabilities, related to the period from January to December 2010, based on the attainment of goals set during negotiations between the Company and entities representing the employees.

## 15. PROVISIONS FOR CONTINGENCIES

|                      | Mar/10    | Additions | Deductions | Interest,<br>monetary<br>restatements<br>and reversals | Jun/10    |
|----------------------|-----------|-----------|------------|--|-----------|
| Customers            | 968,512   | 7,484     | (73,683)   | (10,484)   | 891,829   |
| Suppliers            | 354,519   | 1,558     | (1,327)    | 9,560  | 364,310   |
| Other civil lawsuits | 165,651   | 12,036    | (2,813)    | 12,223   | 187,097   |
| Tax                  | 27,659    | 28,319    | (299)      | 10,745   | 66,424    |
| Labor                | 105,596   | 7,034     | (4,715)    | 2,102  | 110,017   |
| Environmental        | 52,266    | 10,122    | (14,571)   | (1,883)  | 45,934    |
| Subtotal             | 1,674,203 | 66,553    | (97,408)   | 22,263   | 1,665,611 |
| Escrow deposits      | (90,481)  | (6,671)   | 2,242      | (4,688)  | (99,598)  |
| Total                | 1,583,722 | 59,882    | (95,166)   | 17,575   | 1,566,013 |

Management, based on analysis together with its legal counsels, recorded a provision in amount considered sufficient to face probable losses in judicial law suits. In current liabilities, in the Provisions item, the amounts related to judicial law suits in phase of execution of sentence present the amount of R\$713,318 (Mar/2010 R\$712,270) in non current liabilities, in the Provisions item, in the amount of R\$852,695 (Mar/2010 R\$871,452).

(i) Customers - Approximately 1,380 lawsuits were filed by commercial customers, which claim that their tariffs should be equal to the tariffs of another consumer category, and therefore claim the refund of the amounts collected by Sabesp. The Company was granted both favorable and unfavorable final decisions at several courts, and recognized provisions when the likelihood of loss is considered probable.

(ii) Suppliers - Suppliers claims include lawsuits filed by some building companies alleging an underpayment of monetary adjustments, withholding of amounts related to the understatement of official inflation rates after the Real economic plan, and the economic and financial imbalance of the agreements. These lawsuits are in progress at

different courts and a provision is recognized when the likelihood of loss is considered probable.

(iii) Other civil lawsuits - refer mainly to indemnity claims for property damage, pain and suffering, and loss of profits allegedly caused to third parties, filed at different court levels, duly accrued when classified as probable losses.

(iv) Tax lawsuits - the provision for tax contingencies refers mainly to issues related to tax collections challenged due to differences in the interpretation of legislation by the Company's legal counsel, duly accrued when classified as probable losses.

(v) Labor lawsuits - the Company is a party to labor lawsuits, involving issues such as overtime, health hazard premium and hazardous duty premium, prior notice, change of function, salary equalization, and other. Part of the amount involved is in provisional or final execution at various court levels, and thus is classified as a probable loss and accordingly a provision was recognized.

(vi) Environmental lawsuits - refer to several administrative proceedings and lawsuits filed by government entities, including Companhia de Tecnologia de Saneamento Ambiental - Cetesb and the São Paulo State Public Prosecution Office for the imposition of fines for environmental damages allegedly caused by the Company. The amounts recognized in provision do not always represent the final amount to be disbursed as indemnity of alleged damages, in view of the current stage in which such lawsuits are and Management's impossibility to reasonably estimate the amounts of future disbursements.

Lawsuits with possible likelihood of loss

The Company is a party to lawsuits and administrative proceedings related to environmental, tax, civil and labor lawsuits, which are considered by its legal counsel as possible losses, and are not recorded in the books. The amount attributed to these lawsuits and proceedings is approximately R\$2,222,200 as of June 30, 2010 (Mar/2010 - R\$1,975,800).

## **16. SHAREHOLDERS EQUITY**

(a) Authorized capital

The Company is authorized to increase capital up to R\$10,000,000, based on a Board of Directors' resolution, after submission to the Supervisory Boards.

(b) Subscribed and paid-up capital



Subscribed and paid-up capital is represented by 227,836,623 registered common shares, with no par value, held as follows:

|  | Number of<br>shares | %      |
|--|---------------------|--------|
| State Finance Department                                       | 114,508,083         | 50.26  |
| Companhia Brasileira de Liquidação e Custódia                  | 52,686,737          | 23.12  |
| The Bank Of New York ADR Department (Equivalent in shares) (*) | 59,979,264          | 26.33  |
| Other  | 662,539             | 0.29   |
|  | 227,836,623         | 100.00 |

(\*) Each ADR is equal to 2 shares

(c) Payment to shareholders

Shareholders are entitled to a minimum mandatory dividend of 25% of the adjusted net income, calculated according to Brazilian Corporate Law. No interests accrue on dividends approved, and the amounts not

claimed within 3 years from the date of the General Shareholders' Meeting that approved them will prescribe in favor of the Company.

The Company attributed in the fiscal year of 2009, as interests on shareholders' equity considered dividends, R\$365,401 net of withholding income tax in the amount of R\$28,756 which will be paid on June 28<sup>th</sup>, 2010. The interests on shareholders' equity were calculated in accordance with article 9<sup>th</sup> of Law nr. 9249/95, observing the Long Term Interest Rate TJLP; for purposes of deductibility in calculating the income tax and social contribution, they were recorded as Financial Expenses and later, for purposes of demonstration, are presented in the Shareholders' Equity .

(d) Capital reserve

Capital reserve includes tax incentives and donations through 2007.

(e) Revaluation reserve

As provided for by CVM Instruction No. 197/93, the Company decided not to record income and social contribution taxes on the revaluation reserve of property, plant and equipment items recognized in 1991.

The reserve is being realized as a contra entry to the caption retained earnings , on the same proportion as the depreciation and write-off of the respective assets.

The balances of the revaluation reserve will be maintained until their effective realization.

(f) Changes in the caption retained earnings

|                                    | <u>Jun/10</u> | <u>Jun/09</u> |
|------------------------------------|---------------|---------------|
| Previous Balance                   | 329,649       | 277,876       |
| Realization of Revaluation Reserve | 17,609        | 24,026        |

|                                   |         |           |
|-----------------------------------|---------|-----------|
| Current Year's Results            | 333,631 | 464,665   |
| Interests on Shareholders' Equity | -       | (138,980) |
| Current Balance                   | 680,889 | 627,587   |

(g) Reserve for investments

The reserve for investments is specifically made up of the portion corresponding to the Company's own resources that will be used for the expansion of the water supply and sewage sanitation systems.

## 17. FINANCIAL INSTRUMENTS AND RISK

(a) Identification and valuation of the financial instruments

The Company operates with several financial instruments with emphasis in cash and cash equivalents, including financial investments and loans and financings, described as follows.

The Company did not perform transactions with derivatives in 2010 and 2009.

- (i) Cash & cash equivalents, accounts receivable, other current assets and accounts payable

The amounts recorded approximate the realization amounts.

Cash equivalents correspond to the financial investments expressed in reais and have immediate liquidity.

- (ii) Investments

These consist, mainly, of the equity interest in the company Sesamm (pursuant Note 7) recorded by the equity method of accounting, in which the Company has strategic interest. Considerations of market value of the shares held are not applicable.

- (iii) Loans and Financings

In accordance with accounting standards related to the financial instruments, the market values of the projected cash flows, at fair value, of loans and financings on June 30, 2010 are as follows:

|                       | <u>Jun/10</u>    |                  | <u>Mar/10</u>    |                  |
|-----------------------|------------------|------------------|------------------|------------------|
|                       | Equity amount    | Market value     | Equity amount    | Market value     |
| <b>Banking Loans</b>  |                  |                  |                  |                  |
| Foreign Currency (iv) | 1,788,904        | 2,313,570        | 1,777,499        | 2,472,689        |
| Debentures (i)        | 2,977,350        | 3,342,763        | 1,232,120        | 1,495,001        |
| BNDES (ii)            | 470,914          | 470,914          | 382,906          | 382,906          |
| Others (iii)          | <u>2,195,242</u> | <u>2,417,560</u> | <u>3,173,347</u> | <u>3,409,554</u> |
|                       | 7,432,410        | 8,544,807        | 6,565,872        | 7,760,150        |

In order to obtain the market values of Financial Instruments, the following criteria have been adopted:

(i) Debentures are financings considered by the nominal amount restated up to the maturity date, discounted to present value at the forward interest market rates, disclosed by Anbima in the secondary market, having as basis June 30, 2010 and the Company's security traded in the domestic market.

(ii) Financings - BNDES, those are instruments considered by the nominal amount restated up to the maturity date, that have as characteristics the indexation to the TJLP, which is a specific modality, not being compared to any other market rate.

Therefore, the Company's choice was to publish as market value the amount accounted as of June 30, 2010.

(iii) Other financings in national currency are considered by the nominal amount restated up to the maturity date, discounted to present value at the forward interest market rates. The forward rates used were obtained at the BM&F website.

(iv) Foreign currency financings are controlled in the original currency, converted at the foreign exchange rate at the date of the balance sheet, discounted to present value using the forward market rate obtained in the Bloomberg, based on the Company's title in the external market.

Additionally, the Company has an instrument indexed to the YEN [JICA (Note 10)], which, in addition of the premises above, was considered in the conversion to present value the parity of the original currency of the instrument related to the dollar.

(b) Market risks

(i) Foreign exchange rate risk

This risk results from the possibility of the Company incurring losses due to fluctuations in the foreign exchange rates that impact the balances of loans and financings in foreign currency funded in the market and, consequently, the financial expenses. The Company does not maintain hedge or swap operations, however, the company performs an active management of the debt, seeking to reduce the exposure in foreign currency, taking advantage of the windows of opportunity, to exchange expensive debts to cheaper debts, reducing the cost by means of anticipation of the maturity dates.

A significant portion of the Company's financial debt was linked to the US dollar and to the Yen, in the total amount of R\$1,788,904 (Note 10). The table below summarizes the Company's exposure to exchange rates at June 30, 2010.

|                     | In thousands |              |
|---------------------|--------------|--------------|
|                     | US\$         | Japanese Yen |
| Loans and financing | 744,579      | 21,316,000   |

(ii) Interest rate risk

This risk arises from the possibility that the Company may incur losses due to interest rate fluctuations and indices that increase their interest expenses on loans and financing. The Company has not entered into any derivative contract to hedge against this risk; however, it continually monitors market interest rates, in order to evaluate the possible need to replace its debt. As of June 30, 2010, the Company had R\$2,093,971 in loans and financing which were obtained at

variable interest rates (CDI and TJLP).

Another risk faced by the Company is the lack of correlation between the monetary adjustment indices of its debt and those of its receivables. Water supply and sewage treatment tariffs do not necessarily follow the increases in the interest rates affecting the Company's debt.

(iii) Credit risk

Credit risk is mitigated by selling to a geographically dispersed customer base.

(c) Sensitivity analysis

Bellow is presented the table demonstrating the sensitivity analysis of the financial instruments that may generate significant impacts to the Company.

Under the terms of CVM instruction nr. 475/08, in order to demonstrate the amounts of the main financial liabilities converted at a projected rate for final settlement of each contract, converted to fair value (Scenario I) with 25% appreciation (Scenario II) and 50% appreciation (Scenario III).

| Financial Instruments       | Risk                 | 2010       |             |              |
|-----------------------------|----------------------|------------|-------------|--------------|
|                             |                      | Scenario I | Scenario II | Scenario III |
|                             |                      | R\$        | R\$         | R\$          |
| <b>Financial Liability</b>  |                      |            |             |              |
| <b>Loans and Financings</b> |                      |            |             |              |
| Banco do Brasil, CEF        | Increase in UPR      | 1,216,546  | 1,222,369   | 1,228,191    |
| Debentures                  | Increase in IGPM     | 648,451    | 810,564     | 972,677      |
| Debentures                  | Increase in IPCA     | 140,573    | 175,716     | 210,860      |
| BID and Eurobonds           | Increase in the US\$ | 793,926    | 992,407     | 1,190,888    |
| JICA                        | Increase in the Yen  | 99,200     | 124,000     | 148,800      |

The indices used for each scenario are based on the number of days to elapse for each contract, the amounts expressed above have been summarized.

The rates were projected based on the settlement dates of each financial instrument; the information was obtained out of BM&F website.

These sensitivity analysis have the objective to measure the impact of the changes in the market variables on the Company's financial instruments. Such amounts, when settled, may present values different from those demonstrated above, due to the estimates used in their preparation process.

## 18. OPERATING REVENUE



|                                 | <u>2nd Qtr/10</u> | <u>1st Sem/10</u> | <u>2nd Qtr/09</u> | <u>1st Sem /09</u> |
|---------------------------------|-------------------|-------------------|-------------------|--------------------|
| São Paulo s Metropolitan Region | 1,450,278         | 2,836,460         | 1,324,514         | 2,660,352          |
| Regional systems (i)            | <u>454,175</u>    | <u>953,601</u>    | <u>419,138</u>    | <u>862,667</u>     |
| Total                           | <u>1,904,453</u>  | <u>3,790,061</u>  | <u>1,743,652</u>  | <u>3,523,019</u>   |

(i) Comprises municipalities operating in inland and coastal regions of the State of São Paulo.

**19. OPERATING COSTS AND EXPENSES**

|  | <u>HOLDING</u>     |                    |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | <u>2nd Qtr/10</u>  | <u>1st Sem/10</u>  | <u>2nd Qtr/09</u>  | <u>1st Sem/09</u>  |
| <b>Cost of sales and services</b>                      |                    |                    |                    |                    |
| Payroll and related charges                            | (265,111)          | (507,730)          | (268,611)          | (648,056)          |
| General supplies                                       | (29,606)           | (60,623)           | (33,047)           | (64,873)           |
| Treatment supplies                                     | (31,085)           | (67,139)           | (33,060)           | (71,866)           |
| Outside services                                       | (169,106)          | (302,091)          | (205,620)          | (309,064)          |
| Electricity  | (129,293)          | (258,945)          | (121,236)          | (237,921)          |
| General expenses                                       | (11,696)           | (22,365)           | (11,996)           | (21,293)           |
| Depreciation and amortization                          | (145,350)          | (284,859)          | (156,513)          | (312,199)          |
|  | <b>(781,247)</b>   | <b>(1,503,752)</b> | <b>(830,083)</b>   | <b>(1,665,272)</b> |
| <b>Selling expenses</b>                                |                    |                    |                    |                    |
| Payroll and related charges                            | (50,310)           | (95,868)           | (48,607)           | (112,411)          |
| General supplies                                       | (1,341)            | (2,989)            | (2,190)            | (3,812)            |
| Outside services                                       | (68,932)           | (111,726)          | (43,140)           | (82,948)           |
| Electricity  | (189)              | (402)              | (173)              | (341)              |
| General expenses                                       | (15,731)           | (31,193)           | (16,186)           | (30,892)           |
| Depreciation and amortization                          | (1,203)            | (2,467)            | (1,262)            | (2,270)            |
| Allowance for doubtful accounts, net of recoveries     |                    |                    |                    |                    |
| [Note 4 (c(ii))]                                       | (117,744)          | (169,280)          | (75,749)           | (163,149)          |
|  | <b>(255,450)</b>   | <b>(413,925)</b>   | <b>(187,307)</b>   | <b>(395,823)</b>   |
| <b>Administrative expenses:</b>                        |                    |                    |                    |                    |
| Payroll and related charges                            | (43,911)           | (77,939)           | (43,687)           | (88,406)           |
| General supplies                                       | (1,335)            | (3,015)            | (1,595)            | (2,960)            |
| Outside services                                       | (36,546)           | (76,123)           | (27,495)           | (65,901)           |
| Electricity  | (294)              | (673)              | (292)              | (498)              |
| General expenses                                       | (8,611)            | (55,210)           | (14,091)           | (48,104)           |
| Depreciation and amortization                          | (4,407)            | (7,482)            | (3,708)            | (8,706)            |
| Tax expenses   | (11,711)           | (38,819)           | (10,016)           | (34,031)           |
|  | <b>(106,815)</b>   | <b>(259,261)</b>   | <b>(100,884)</b>   | <b>(248,606)</b>   |
| <b>Costs, and selling and administrative expenses:</b> |                    |                    |                    |                    |
| Payroll and related charges                            | (359,332)          | (681,537)          | (360,905)          | (848,873)          |
| General supplies                                       | (32,282)           | (66,627)           | (36,832)           | (71,645)           |
| Treatment supplies                                     | (31,085)           | (67,139)           | (33,060)           | (71,866)           |
| Outside services                                       | (274,584)          | (489,940)          | (276,255)          | (457,913)          |
| Electricity  | (129,776)          | (260,020)          | (121,701)          | (238,760)          |
| General expenses                                       | (36,038)           | (108,768)          | (42,273)           | (100,289)          |
| Depreciation and amortization                          | (150,960)          | (294,808)          | (161,483)          | (323,175)          |
| Tax expenses   | (11,711)           | (38,819)           | (10,016)           | (34,031)           |
| Allowance for doubtful accounts, net of recoveries -   |                    |                    |                    |                    |
| [Note 4 (c(ii))]                                       | (117,744)          | (169,280)          | (75,749)           | (163,149)          |
|  | <b>(1,143,512)</b> | <b>(2,176,938)</b> | <b>(1,118,274)</b> | <b>(2,309,701)</b> |

|   | <u>HOLDING</u>    |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | <u>2nd Qtr/10</u> | <u>1st Sem/10</u> | <u>2nd Qtr/09</u> | <u>1st Sem/09</u> |
| <b>Financial expenses:</b>  |                   |                   |                   |                   |
| Interest and charges on loans and financing - local currency      | (124,350)         | (224,488)         | (94,800)          | (197,393)         |
| Interest and charges on loans and financing - foreign<br>currency | (11,798)          | (27,481)          | (15,201)          | (34,972)          |
| Interest on Shareholders Equity                                   | -                 | -                 | (138,980)         | (138,980)         |
| Interest on Shareholders Equity (reversal)                        | -                 | -                 | 138,980           | 138,980           |
| Other financial expenses  | (35,707)          | (68,460)          | (29,806)          | (46,255)          |
| Income tax on remittance abroad                                   | (928)             | (1,640)           | (1,060)           | (1,967)           |
| Monetary variation on loans and financing                         | (22,805)          | (48,837)          | (811)             | (1,033)           |
| Other monetary variation  | (2,459)           | (13,903)          | (5,802)           | (11,874)          |
| Provisions for financial contingencies                            | (22,263)          | (112,326)         | (11,611)          | (22,472)          |
|   | <b>(220,310)</b>  | <b>(497,135)</b>  | <b>(159,091)</b>  | <b>(315,966)</b>  |
| <b>Financial income:</b>  |                   |                   |                   |                   |
| Monetary variation gains  | 47,583            | 70,864            | 14,011            | 30,364            |
| Income from temporary cash investments                            | 28,517            | 46,221            | 22,151            | 47,308            |
| Interest and others   | 19,826            | 42,097            | 20,325            | 42,664            |
|   | <b>95,926</b>     | <b>159,182</b>    | <b>56,487</b>     | <b>120,336</b>    |
| <b>Financial expenses before exchange variations, net</b>         | <b>(124,384)</b>  | <b>(337,953)</b>  | <b>(102,604)</b>  | <b>(195,630)</b>  |
| <b>Exchange variations, net</b>                                   |                   |                   |                   |                   |
| Exchange variation on loans and financing                         | (14,202)          | (38,416)          | 237,824           | 270,694           |
| Other foreign exchange variations                                 | (69)              | (160)             | -                 | -                 |
| Exchange gains  | 54                | 129               | (55)              | (7,502)           |
|   | <b>(14,217)</b>   | <b>(38,447)</b>   | <b>237,769</b>    | <b>263,192</b>    |
| <b>Financial expenses, net</b>                                    | <b>(138,601)</b>  | <b>(376,400)</b>  | <b>135,165</b>    | <b>67,562</b>     |

|  | <u>CONSOLIDATED</u> |                    |                    |                    |
|--|---------------------|--------------------|--------------------|--------------------|
|  | <u>2nd Qtr/10</u>   | <u>1st Sem/10</u>  | <u>2nd Qtr/09</u>  | <u>1st Sem/09</u>  |
| <b>Cost of sales and services</b>                      |                     |                    |                    |                    |
| Payroll and related charges                            | (265,111)           | (507,730)          | (268,611)          | (648,056)          |
| General supplies                                       | (29,606)            | (60,623)           | (33,047)           | (64,873)           |
| Treatment supplies                                     | (31,085)            | (67,139)           | (33,060)           | (71,866)           |
| Outside services                                       | (169,106)           | (302,091)          | (205,620)          | (309,064)          |
| Electricity  | (129,293)           | (258,945)          | (121,236)          | (237,921)          |
| General expenses                                       | (11,696)            | (22,365)           | (11,996)           | (21,293)           |
| Depreciation and amortization                          | (145,350)           | (284,859)          | (156,513)          | (312,199)          |
|  | <b>(781,247)</b>    | <b>(1,503,752)</b> | <b>(830,083)</b>   | <b>(1,665,272)</b> |
| <b>Selling expenses</b>                                |                     |                    |                    |                    |
| Payroll and related charges                            | (50,310)            | (95,868)           | (48,607)           | (112,411)          |
| General supplies                                       | (1,341)             | (2,989)            | (2,190)            | (3,812)            |
| Outside services                                       | (68,932)            | (111,726)          | (43,140)           | (82,948)           |
| Electricity  | (189)               | (402)              | (173)              | (341)              |
| General expenses                                       | (15,731)            | (31,193)           | (16,186)           | (30,892)           |
| Depreciation and amortization                          | (1,203)             | (2,467)            | (1,262)            | (2,270)            |
| Allowance for doubtful accounts, net of recoveries     |                     |                    |                    |                    |
| [Note 4 (c(ii))]                                       | (117,744)           | (169,280)          | (75,749)           | (163,149)          |
|  | <b>(255,450)</b>    | <b>(413,925)</b>   | <b>(187,307)</b>   | <b>(395,823)</b>   |
| <b>Administrative expenses:</b>                        |                     |                    |                    |                    |
| Payroll and related charges                            | (43,992)            | (78,124)           | (43,750)           | (88,530)           |
| General supplies                                       | (1,337)             | (3,019)            | (1,597)            | (2,964)            |
| Outside services                                       | (36,568)            | (76,161)           | (27,588)           | (66,062)           |
| Electricity  | (294)               | (673)              | (292)              | (498)              |
| General expenses                                       | (8,626)             | (55,244)           | (14,093)           | (48,112)           |
| Depreciation and amortization                          | (4,408)             | (7,483)            | (3,708)            | (8,707)            |
| Tax expenses   | (11,711)            | (38,819)           | (10,020)           | (34,035)           |
|  | <b>(106,936)</b>    | <b>(259,523)</b>   | <b>(101,048)</b>   | <b>(248,908)</b>   |
| <b>Costs, and selling and administrative expenses:</b> |                     |                    |                    |                    |
| Payroll and related charges                            | (359,413)           | (681,722)          | (360,968)          | (848,997)          |
| General supplies                                       | (32,284)            | (66,631)           | (36,834)           | (71,649)           |
| Treatment supplies                                     | (31,085)            | (67,139)           | (33,060)           | (71,866)           |
| Outside services                                       | (274,606)           | (489,978)          | (276,348)          | (458,074)          |
| Electricity  | (129,776)           | (260,020)          | (121,701)          | (238,760)          |
| General expenses                                       | (36,053)            | (108,802)          | (42,275)           | (100,297)          |
| Depreciation and amortization                          | (150,961)           | (294,809)          | (161,483)          | (323,176)          |
| Tax expenses   | (11,711)            | (38,819)           | (10,020)           | (34,035)           |
| Allowance for doubtful accounts, net of recoveries -   |                     |                    |                    |                    |
| [Note 4 (c(ii))]                                       | (117,744)           | (169,280)          | (75,749)           | (163,149)          |
|  | <b>(1,143,633)</b>  | <b>(2,177,200)</b> | <b>(1,118,438)</b> | <b>(2,310,003)</b> |

|   | <u>CONSOLIDATED</u> |                   |                   |                   |
|---|---------------------|-------------------|-------------------|-------------------|
|   | <u>2nd Qtr/10</u>   | <u>1st Sem/10</u> | <u>2nd Qtr/09</u> | <u>1st Sem/09</u> |
| <b>Financial expenses:</b>  |                     |                   |                   |                   |
| Interest and charges on loans and financing - local currency      | (124,350)           | (224,488)         | (94,800)          | (197,393)         |
| Interest and charges on loans and financing - foreign<br>currency | (11,798)            | (27,481)          | (15,201)          | (34,972)          |
| Interest on Shareholders Equity                                   | -                   | -                 | (138,980)         | (138,980)         |
| Interest on Shareholders Equity (reversal)                        | -                   | -                 | 138,980           | 138,980           |
| Other financial expenses  | (35,707)            | (68,460)          | (29,806)          | (46,255)          |
| Income tax on remittance abroad                                   | (928)               | (1,640)           | (1,060)           | (1,967)           |
| Monetary variation on loans and financing                         | (22,805)            | (48,837)          | (811)             | (1,033)           |
| Other monetary variation  | (2,459)             | (13,903)          | (5,802)           | (11,874)          |
| Provisions for financial contingencies                            | (22,263)            | (112,326)         | (11,611)          | (22,472)          |
|   | <b>(220,310)</b>    | <b>(497,135)</b>  | <b>(159,091)</b>  | <b>(315,966)</b>  |
| <b>Financial income:</b>  |                     |                   |                   |                   |
| Monetary variation gains  | 47,583              | 70,864            | 14,011            | 30,364            |
| Income from temporary cash investments                            | 28,531              | 46,259            | 22,236            | 47,500            |
| Interest and others   | 19,826              | 42,097            | 20,325            | 42,664            |
|   | <b>95,940</b>       | <b>159,220</b>    | <b>56,572</b>     | <b>120,528</b>    |
| <b>Financial expenses before exchange variations, net</b>         | <b>(124,370)</b>    | <b>(337,915)</b>  | <b>(102,519)</b>  | <b>(195,438)</b>  |
| <b>Exchange variations, net</b>                                   |                     |                   |                   |                   |
| Exchange variation on loans and financing                         | (14,202)            | (38,416)          | 237,824           | 270,694           |
| Other foreign exchange variations                                 | (69)                | (160)             | -                 | -                 |
| Exchange gains  | 54                  | 129               | (55)              | (7,502)           |
|   | <b>(14,217)</b>     | <b>(38,447)</b>   | <b>237,769</b>    | <b>263,192</b>    |
| <b>Financial expenses, net</b>                                    | <b>(138,587)</b>    | <b>(376,362)</b>  | <b>135,250</b>    | <b>67,754</b>     |

The consolidated balance includes administrative expenses in the amount of R\$262 (2009 R\$302) and net financial expenses of R\$38 (2009 R\$192).

**20. OTHER OPERATING INCOME AND EXPENSES**

The break-down of other operating income (expenses), net is the following:

|  | <u>HOLDING AND CONSOLIDATED</u> |                   |                   |                   |
|--|---------------------------------|-------------------|-------------------|-------------------|
|  | <u>2nd Qtr/10</u>               | <u>1st Sem/10</u> | <u>2nd Qtr/09</u> | <u>1st Sem/09</u> |
| Other operating expenses               | 17,193                          | 24,418            | 11,615            | 19,905            |
| Cofins and Pasep                       | <u>(1,590)</u>                  | <u>(2,259)</u>    | <u>(1,074)</u>    | <u>(1,841)</u>    |
|  | <u>15,603</u>                   | <u>22,159</u>     | <u>10,541</u>     | <u>18,064</u>     |
| Other operating expenses               | <u>(11,677)</u>                 | <u>(27,637)</u>   | <u>(8,196)</u>    | <u>(10,249)</u>   |
| other operating income (expenses), net | <u>3,926</u>                    | <u>(5,478)</u>    | <u>2,345</u>      | <u>7,815</u>      |

Other operating income is comprised of the sale of fixed assets, sales of public notices, as well as indemnifications and reimbursement of expenses, lease of real estate, water for reuse, Pura and Aqua log s projects and services.

The other operating expenses comprise: (i) the write-off of items of fixed assets by obsolescence, deactivated works, unproductive wells, economically unfeasible projects and loss with fixed assets and (ii) provision referring to the actuarial obligation of State Law 4819/58 (note 5(vii)).

**21. AGREEMENT WITH THE MUNICIPALITY OF SÃO PAULO**

On November 14, 2007, the Company and the Municipality of Paulo (the Parties) entered into an Agreement to establish the conditions that ensure the stability in the providing of water supply and sewage, and environmental utility services in the city of São Paulo, the main provisions of which are as follows:

1. The Parties made the commitment to take basic sanitation and environmental actions, complementary to the actions of the Municipality of São Paulo, by investing in the deployment and continuity of programs such as: Programa Córrego Limpo (Clean River Program) and Programa de Uso Racional da Água - PURA (Rational Water Use Program), the purpose of which is to ensure a decrease in water consumption by City government units, ensuring water supply to and the quality of living of the population;

2. Starting November 14, 2007, Agreement date, all the amounts paid by the Municipality of São Paulo to SABESP, referring to consumption by City departments, agencies, and foundations, net of taxes, will be used in basic sanitation and environmental actions in the Municipality;

3. The Municipality made the commitment to resume the payment of consumption bills issued by SABESP, starting November 14, 2007, the date of this Agreement's execution;

On June 23, 2010 the State of Sao Paulo, through its Governor, the Municipality of Sao Paulo and the Regulating Agency of Sanitation and Energy ARSESP entered into the Agreement provided in the initial instrument, signed in November 14, 2007.

The Agreement, signed in June 23, 2010 has as object to share the responsibility for offering the service of water supply and sanitation sewage in the capital, in the next 30 years, extendable for equal period. Additionally, it attributes to Sabesp exclusivity in the provision of services and defines ARSESP as responsible for the regulating functions, including tariff, control and inspection of services.

Also on June 23, 2010 it was signed the Agreement of Provision of Public Services of Water Supply and Sanitation Sewage . The Agreement was entered into between the State of Sao Paulo, the Municipality of Sao Paulo and Sabesp, for the period of 30 years, extendable for equal period, encompassing the following activities:

- i. the protection of mananciais, in articulation with other bodies of the State and the Municipality;
- ii. capitation, adduction and treatment of gross water;
- iii. collection, transportation and final disposal of sanitation sewage; and
- iv. adoption of other actions of basic and environmental sanitation.

The municipal law 14934/09 authorized the municipal executive power to execute the abovementioned instruments with the signatories also mentioned above.

## 22. STATEMENT OF VALUE ADDED - DVA

The statement of value-added, prepared in accordance with CVM Resolution nr. 557/08 (CPC 09) presents the result of the period under the generation and distribution of wealth point of view, where four main beneficiaries of the wealth generation by the activities are: the employees, the government, capital of third parties and the shareholders capital.

|                     | Explanatory<br>Note                                   | <u>HOLDING</u>    |                        | <u>CONSOLIDATED</u> |                        |                  |
|---------------------|---|-------------------|------------------------|---------------------|------------------------|------------------|
|                     |   | <u>1st Sem/10</u> | <u>1st Sem<br/>/09</u> | <u>1st Sem /10</u>  | <u>1st Sem<br/>/09</u> |                  |
| <b>1 - Revenues</b> |   |                   |                        |                     |                        |                  |
| 1.1)                | Revenues from Products and Services                   | 18                | 3,790,061              | 3,523,019           | 3,790,061              | 3,523,019        |
| 1.2)                | Other revenues  | 20                | 24,418                 | 19,905              | 24,418                 | 19,905           |
| 1.3)                | Revenues related to the construction of own<br>assets |                   | 150,303                | (51,991)            | 150,303                | (51,991)         |
| 1.4)                | Allowance for doubtful accounts - set up              | 19                | <u>(169,280)</u>       | <u>(163,149)</u>    | <u>(169,280)</u>       | <u>(163,149)</u> |
|                     |   |                   | <u>3,795,502</u>       | <u>3,327,784</u>    | <u>3,795,502</u>       | <u>3,327,784</u> |



**2 - Inputs acquired from third parties**

|  |    |                    |                  |                    |                  |
|--|----|--------------------|------------------|--------------------|------------------|
| 2.1) Cost of sale and services provided                                    |    | (689,483)          | (687,853)        | (689,482)          | (687,853)        |
| 2.2) Supplies, electricity and power, third party s<br>services and others |    | (299,162)          | (249,731)        | (299,224)          | (249,892)        |
| 2.3) Other operating expenses  | 20 | <u>(27,637)</u>    | <u>(10,249)</u>  | <u>(27,637)</u>    | <u>(10,249)</u>  |
|  |    | <u>(1,016,282)</u> | <u>(947,833)</u> | <u>(1,016,343)</u> | <u>(947,994)</u> |

**3 - Gross Value Added (1-2)**

2,779,220    2,379,951    2,779,159    2,379,790

**4 - Retentions**

|                                    |  |                  |                  |                  |                  |
|------------------------------------|--|------------------|------------------|------------------|------------------|
| 4.1) Depreciation and Amortization |  | <u>(295,596)</u> | <u>(324,108)</u> | <u>(295,597)</u> | <u>(324,109)</u> |
|------------------------------------|--|------------------|------------------|------------------|------------------|

**5 - Net value added produced by the Company**

|              |  |           |           |           |           |
|--------------|--|-----------|-----------|-----------|-----------|
| <b>(3-4)</b> |  | 2,483,624 | 2,055,843 | 2,483,562 | 2,055,681 |
|--------------|--|-----------|-----------|-----------|-----------|

**6 - Value added produced in transfer**

|                       |    |                |                |                |                |
|-----------------------|----|----------------|----------------|----------------|----------------|
| 6.1) Equity result    |    | (224)          | (110)          | -              | -              |
| 6.2) Financial income | 19 | <u>159,311</u> | <u>112,834</u> | <u>159,349</u> | <u>113,026</u> |
|                       |    | <u>159,087</u> | <u>112,724</u> | <u>159,349</u> | <u>113,026</u> |

**7 - Value added to allocate**

2,642,711    2,168,567    2,642,911    2,168,707

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|  | Explanatory<br>Note | <u>HOLDING</u>        |               |                       |               | <u>CONSOLIDATED</u>   |               |                       |               |
|--|---------------------|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|
|  |                     | <u>1st<br/>Sem/10</u> |               | <u>1st<br/>Sem/09</u> |               | <u>1st<br/>Sem/10</u> |               | <u>1st<br/>Sem/09</u> |               |
| <b>8 - Value added allocated</b>                         |                     |                       |               |                       |               |                       |               |                       |               |
| <b>8.1) Personnel</b>                                    |                     |                       |               |                       |               |                       |               |                       |               |
| 8.1.1 Direct compensation                                |                     |                       |               |                       |               |                       |               |                       |               |
|  |                     | 434,340               | 16.4%         | 463,282               | 21.4%         | 434,492               | 16.4%         | 463,377               | 21.4%         |
| 8.1.2  | Benefits            | 134,475               | 5.1%          | 160,402               | 7.4%          | 134,479               | 5.1%          | 160,408               | 7.4%          |
| 8.1.3  | FGTS                | <u>41,538</u>         | <u>1.6%</u>   | <u>159,720</u>        | <u>7.4%</u>   | <u>41,546</u>         | <u>1.6%</u>   | <u>159,727</u>        | <u>7.4%</u>   |
|  |                     | <u>610,353</u>        | <u>23.1%</u>  | <u>783,404</u>        | <u>36.2%</u>  | <u>610,517</u>        | <u>23.1%</u>  | <u>783,512</u>        | <u>36.2%</u>  |
| <b>8.2) Taxes, fees and contributions</b>                |                     |                       |               |                       |               |                       |               |                       |               |
| 8.2.1  | Federal             | 740,085               | 28.0%         | 698,842               | 32.2%         | 740,106               | 28.0%         | 698,863               | 32.2%         |
| 8.2.2  | State               | 19,060                | 0.7%          | 19,438                | 0.9%          | 19,060                | 0.7%          | 19,438                | 0.9%          |
| 8.2.3  | Municipal           | <u>20,597</u>         | <u>0.8%</u>   | <u>15,345</u>         | <u>0.7%</u>   | <u>20,598</u>         | <u>0.8%</u>   | <u>15,345</u>         | <u>0.7%</u>   |
|  |                     | <u>779,742</u>        | <u>29.5%</u>  | <u>733,625</u>        | <u>33.8%</u>  | <u>779,764</u>        | <u>29.5%</u>  | <u>733,646</u>        | <u>33.8%</u>  |
| <b>8.3) Remuneration of Third Parties Capital</b>        |                     |                       |               |                       |               |                       |               |                       |               |
| 8.3.1 Interests, foreign exchange and monetary variation |                     |                       |               |                       |               |                       |               |                       |               |
|  |                     | 612,447               | 23.2%         | (82,087)              | -3.8%         | 612,447               | 23.2%         | (82,087)              | -3.8%         |
| 8.3.2  | Lease               | <u>15,926</u>         | <u>0.6%</u>   | <u>12,746</u>         | <u>0.6%</u>   | <u>15,940</u>         | <u>0.6%</u>   | <u>12,757</u>         | <u>0.6%</u>   |
|  |                     | <u>628,373</u>        | <u>23.8%</u>  | <u>(69,341)</u>       | <u>-3.2%</u>  | <u>628,387</u>        | <u>23.8%</u>  | <u>(69,330)</u>       | <u>-3.2%</u>  |
| <b>8.4) Compensation of shareholders equity</b>          |                     |                       |               |                       |               |                       |               |                       |               |
| 8.4.1 Interests on shareholders equity                   |                     |                       |               |                       |               |                       |               |                       |               |
|  |                     | -                     | 0.0%          | 138,980               | 6.4%          | -                     | 0.0%          | 138,980               | 6.4%          |
| 8.4.2  | Retained earnings   | <u>624,243</u>        | <u>23.6%</u>  | <u>581,899</u>        | <u>26.8%</u>  | <u>624,243</u>        | <u>23.6%</u>  | <u>581,899</u>        | <u>26.8%</u>  |
|  |                     | <u>624,243</u>        | <u>23.6%</u>  | <u>720,879</u>        | <u>33.2%</u>  | <u>624,243</u>        | <u>23.6%</u>  | <u>720,879</u>        | <u>33.2%</u>  |
| <b>Value added allocated</b>                             |                     | <u>2,642,711</u>      | <u>100.0%</u> | <u>2,168,567</u>      | <u>100.0%</u> | <u>2,642,911</u>      | <u>100.0%</u> | <u>2,168,707</u>      | <u>100.0%</u> |

## 23. SUBSEQUENT EVENTS

## SABESPREV

In order to resolve the technical deficit of the Define Benefit Plan, that on December 31 was R\$582,819, in July 8, 2010 the new plan SABESPREV MAIS in the modality of Defined Contribution CD, was approved by the National

Superintendence of Supplemental Pension - PREVIC.

The deficit calculated will be settled by the Sponsor and by the participants in the same proportion of their normal contribution. The participants of the current Defined Benefit - BD plan shall have the option to migrate to the new CD plan. The Sponsor will make additional contributions as a way to incentive the migration from BD plan to CD plan.

In the new plan, the Sponsor will continue to make monthly contributions to the individual account, in amount equal to the participant's basic contribution.

Management is not able, at this moment, to foresee the eventual impacts as a result of this change. On June 30, 2010, the actuarial obligation recognized in the balance sheets is R\$504,114, which shall be reverted, together with the deferred income tax and social contribution (R\$171,399), proportionally to the adhesion of the participants and to the new actuarial calculation to be prepared.

PUBLIC FEDERAL SERVICE  
 CVM - SECURITIES EXCHANGE COMMISSION  
 ITR - QUARTERLY INFORMATION  
 COMMERCIAL, INDUSTRIAL AND OTHER  
 COMPANIES

Corporate Law  
 06/30/2010

01444-3 CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO 43.776.517/0001-80

## 07.01 - COMMENTS ON THE COMPANY'S PERFORMANCE IN THE QUARTER

### 1. Financial Highlights

|  | In millions of R\$ |         |           |        |            |            |           |       |  |  |
|--|--------------------|---------|-----------|--------|------------|------------|-----------|-------|--|--|
|  | 2Q09               | 2Q10    | Variation |        | Jan-Jun/09 | Jan-Jun/10 | Variation |       |  |  |
|  |                    |         | R\$       | %      |            |            | R\$       | %     |  |  |
| (+) Gross operating revenues                 | 1,743.7            | 1,904.5 | 160.8     | 9.2    | 3,523.0    | 3,790.1    | 267.1     | 7.6   |  |  |
| (-) COFINS and PASEP                         | 120.0              | 134.7   | 14.7      | 12.3   | 246.0      | 268.3      | 22.3      | 9.1   |  |  |
| (=) Net operating revenues                   | 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 result                            | (0.1)              | (0.1)   | -         | -      | (0.1)      | (0.2)      | (0.1)     | 100.0 |  |  |
| (=) Income 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)    | -     |  |  |
| Net income per one thousand shares in R\$    | 2.04               | 1.46    |           |        | 3.16       | 2.74       |           |       |  |  |

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

In the 2Q10, the net operating revenue totaled R\$1.8 billion, 9.0% growth in relation to 2Q09. Costs and expenses, in the amount of R\$1.1 billion suffered a 2.3% in relation to the 2Q09. EBITDA increased from R\$666.8 million to R\$777.2 million in the 2Q10, with 16.6% increase.

EBIT presented a 23.9% growth, from R\$505.3 million in the 2Q09 to R\$626.2 million in the 2Q10

## 2. Gross operating revenue

In the 2Q10, the gross operating revenue presented a R\$160.8 million increase, or 9.2%, from R\$1.7 billion in 2Q09 to R\$1.9 billion in 2Q10. The main factors responsible for such variance were the tariff adjustment of 4.43% applied in September, 2009 and the growth of volume billed in 4.0% as compared to the same quarter of 2009.

## 3. Volume invoiced

The following charts are demonstrated the volumes invoiced of water and sewage, according to the category of use and region, in the 2Q09, 2Q10, 1S09 and 1S10.

### QUARTER

#### VOLUME INVOICED (1) WATER AND SEWAGE PER CATEGORY OF USE - millions of m<sup>3</sup>

| By Category         | Water        |              |            | Sewage       |              |            | Water + Sewage |              |            |
|---------------------|--------------|--------------|------------|--------------|--------------|------------|----------------|--------------|------------|
|                     | 2Q09         | 2Q10         | Var. %     | 2Q09         | 2Q10         | Var. %     | 2Q09           | 2Q10         | Var. %     |
| 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> |

VOLUME INVOICED (1) WATER AND SEWAGE PER CATEGORY OF USE - millions of m<sup>3</sup>

|                    | Water        |              |            | Sewage       |              |            | Water + Sewage |              |            |
|--------------------|--------------|--------------|------------|--------------|--------------|------------|----------------|--------------|------------|
|                    |              |              |            |              |              |            |                |              |            |
| Wholesale          | 71.7         | 73.4         | 2.4        | 6.7          | 7.2          | 7.5        | 78.4           | 80.6         | 2.8        |
| Reuse Water        | 0.1          | 0.1          | -          | -            | -            | -          | 0.1            | 0.1          | -          |
| <b>Grand 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> |

## SEMESTER

VOLUME INVOICED (1) WATER AND SEWAGE PER CATEGORY OF USE - millions of m<sup>3</sup>

| By Category         | Water        |              |            | Sewage       |              |            | Water + Sewage |                |            |
|---------------------|--------------|--------------|------------|--------------|--------------|------------|----------------|----------------|------------|
|                     | 1S09         | 1S10         | Var. %     | 1S09         | 1S10         | Var. %     | 1S09           | 1S10           | Var. %     |
| 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        |
| Reuse Water         | 0.1          | 0.2          | -          | -            | -            | -          | 0.1            | 0.2            | -          |
| <b>Grand 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> |

## QUARTER

VOLUME INVOICED (1) WATER AND SEWAGE PER REGION - millions of m<sup>3</sup>

| Per Region          | Water        |              |            | Sewage       |              |            | Water + Sewage |              |            |
|---------------------|--------------|--------------|------------|--------------|--------------|------------|----------------|--------------|------------|
|                     | 2Q09         | 2Q10         | Var. %     | 2Q09         | 2Q10         | Var. %     | 2Q09           | 2Q10         | Var. %     |
| Metropolitan        | 269.3        | 278.8        | 3.5        | 266.7        | 236.2        | 4.2        | 496.0          | 515.0        | 3.8        |
| Regional (2)        | 134.6        | 140.7        | 4.5        | 106.2        | 11.5         | 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> |
| Bulk                | 71.7         | 73.4         | 2.4        | 6.7          | 7.2          | 7.5        | 78.4           | 80.6         | 2.8        |
| Reuse Water         | 0.1          | 0.1          | -          | -            | -            | -          | 0.1            | 0.1          | -          |
| <b>Grand 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> |

## SEMESTER

VOLUME INVOICED (1) WATER AND SEWAGE PER REGION - millions of m<sup>3</sup>

| Per Region   | Water |       |        | Sewage |       |        | Water + Sewage |         |        |
|--------------|-------|-------|--------|--------|-------|--------|----------------|---------|--------|
|              | 1S09  | 1S10  | Var. % | 1S09   | 1S10  | Var. % | 1S09           | 1S10    | Var. % |
| 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> |
| Bulk                | 143.5        | 145.9        | 1.7        | 14.6         | 15.3         | 4.8        | 158.1          | 161.2          | 2.0        |
| Reuse Water         | 0.1          | 0.2          | -          | -            | -            | -          | 0.1            | 0.2            | -          |
| <b>Grand 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) Not audited

(2) Comprised by the coastal region and country side

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

In the 2Q10, the costs of products and services provided, administrative and commercial expenses, had an increase of 2.3%, corresponding to R\$2.55 million. The participation of the costs and expenses in the net revenue decreased from 68.9% in the 2Q09 to 64.6% in the 2Q10.

|  | In millions of R\$ |         |           |        |            |            |           |        |
|--|--------------------|---------|-----------|--------|------------|------------|-----------|--------|
|  | 2Q09               | 2Q10    | Variation |        | Jan-Jun/09 | Jan-Jun/10 | Variation |        |
|  |                    |         | R\$       | %      |            |            | R\$       | %      |
| Payroll and related charges                    | 360.9              | 359.3   | (1.6)     | (0.4)  | 848.9      | 681.5      | (167.4)   | (19.7) |
| General 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)  |
| Outside services                               | 276.3              | 274.6   | (1.7)     | (0.6)  | 457.9      | 489.9      | 32.0      | 7.0    |
| Electricity                                    | 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   |
| Subtotal                                       | 881.1              | 874.8   | (6.3)     | (0.7)  | 1,823.4    | 1,712.8    | (110.6)   | (6.1)  |
| Depreciation and amortization                  | 161.5              | 151.0   | (10.5)    | (6.5)  | 323.2      | 294.8      | (28.4)    | (8.8)  |
| Credits write-off                              | 75.7               | 117.7   | 42.0      | 55.5   | 163.1      | 169.3      | 6.2       | 3.8    |
| Costs, and administrative and selling expenses | 1,118.3            | 1,143.5 | 25.2      | 2.3    | 2,309.7    | 2,176.9    | (132.8)   | (5.7)  |
| Percentage of Net Revenue (%)                  | 68.9               | 64.6    |           |        | 70.5       | 61.8       |           |        |

#### 4.1. Salaries and payroll charges

In 2Q10 salaries and payroll charges increased by R\$1.6 million or 0.4%, going from R\$360.9 million to R\$359.3 million as a result of the following factors:

- Reduction in headcount in function of the layoffs (TAC + 2% of the headcount) occurred from April/09 to June/10 with 2,387 dismissals; and
- This reduction was partially offset by 6.69% salary adjustment since May, 2009 and 5.05% since May, 2010.

In the 1<sup>st</sup> semester of 2010, there was a reduction of R\$167.4 million, caused by the provision made in the 1Q09, that did not occur in 2010. Even excluding the effect of the TAC of R\$146.6 million, there was a decrease of R\$20.8 million, or 3.0%.



#### **4.2. General Supplies**

In the 2Q10 there was a decrease of R\$4.5 million, or 12.2%, when compared to the same period previous year, from R\$36.8 million to R\$32.3 million. The main factors that caused this variance were: i) lower expenses with maintenance materials in the adductor systems, water and sewage treatment stations and elevation stations in the Metropolitan Region of Sao Paulo - RMSP, in the amount of R\$3.1 million; and ii) expenditures with fuels and lubricants of vehicles in the amount of R\$1.2 million, as a consequence of lower consumption of fuels in function of the reallocation of new vehicles and increase in demand of outsourced services like the Global R and Global Sourcing.

#### **4.3. Treatment Materials**

The expenditures in 2Q10 were lower than 2Q09 by R\$2.0 million, or 6.0%, going from R\$33.1 million to R\$31.1 million. This variance is related to the following factors:

- Decrease of R\$4.5 million in function of lower consumption of aluminum poly-chloride by approximately 45% and replacement of aluminum sulfide. Despite the consumption of aluminum sulfide has grown approximately 30%, the average cost of the product dropped 54%, which contributed significantly in the reduction of the expenditures for the period; and
- Increase of R\$2.6 million as a result of the price adjustment of chlorine and ferric chlorite since November, 2009 and increase in the consumption of some products such as: i) activate charcoal, in function of the climatic and water source conditions, as well as the proliferation of algae in the Reservoirs that serve Alto Tiete Producer System; ii) beginning of the use of hydrogen peroxide in Santos, Praia Grande and Sao Vicente; iii) poly-electrolytes, in function of the entrance into operations of the centrifuges in the Barueri system.

#### 4.4. Services

In the 2Q10, this item presented a decrease of R\$1.7 million, or 0.6%, from R\$276.3 million to R\$274.6 million. The main factors that contributed to this variance were:

- Decrease of R\$26.8 million in the provision made in the 2Q09, referring to the actions set forth in the agreement signed between Sabesp and the PMSP; and
- Appropriation of the expenditures incurred in two quarters, made in the 2Q09, when the accounting for the public private partnership PPP of Alto Tiete started, as opposed to the recognition of the expenditures of only one quarter in the 2Q10, resulting in a reduction of R\$6.1 million.

Disregarding the effects of these provisions, the third party services account would have presented a growth of R\$31.2 million, that is, a 11.3% increase.

The following services presented increase:

- Broadcasting of advertising campaigns focused in social environmental actions, such as: Planeta Sustentavel, Jornal SPTV Globo, TV Record Media Project, among others, in the amount of R\$8.5 million, recurring for upcoming quarters;
- Maintenance of networks and connections of water and sewage in the amount of R\$8.2 million, in function of the increase in demand and contractual amounts based on the Global Sourcing of the municipalities of the Regional Systems and the increase in the executions of services of the maintenances in the RMSP, in addition to the enhancement of the actions to meet the demands of the Corrego Limpo Program with the Sao Paulo Municipal Hall PMSP and actions to optimize the systems of sanitation sewage in Santos Lowlands;
- Contracting of consulting firms, advisory and specialized services in the amount of R\$4.1 million comprising: supply of information and hydrological forecasts in real time, fauna and flora survey for obtaining environmental permits of Rio Taiacupeba basin, tele-service in the municipalities that comprise the Regional Systems Contact Center R, development services of the new virtual agency and bills management system, update of the technical registry of the geographic information system SIGNOS (inventory of distributions networks, adduction, collection and treatment), among others;

- Reading of hydrometers and delivery of bills in the amount of R\$3.8 million, resulting from the increase in the number of connections and use of new technologies, that allow higher safety and agility in the system of issuance and reading of bills, in addition to the delivery of water bills in some Business Units by postage in the mails;
- Pavement services and replacement of sidewalks in the amount of R\$3.2 million;
- Lease of vehicles in the amount of R\$1.1 million, with large concentration of delivery of vehicle since the 2nd semester of 2009 in replacement to the own fleet;
- Expenditures with freights and transportations in the amount of R\$1.1 million due to the outsourcing of the transportation of chemical products, recurring for upcoming quarters; and
- Expenses of R\$1.0 million with the implementation of the Program of Rational Use of Water - PURA in the municipal schools in function of the agreement signed between Sabesp and PMSP.

#### **4.5 Electric Energy**

In the 2Q10, this item presented increase of R\$8.1 million or 6.7%, from R\$121.7 million to R\$129.8 million.

This result is associated to the following factors:

- Tariff adjustment with impact to the average price of 5.6% in the tariff of the captive market, which represents 77% of the installed capacity with electric energy, influencing in the weighted average tariff increase between the captive market and the free market around 5.8%; and
- Increase in cost between the markets with weighted average of 6.7%.

**Participation(%)**

**Cost Variance (%)**

**Weighted Average (%)**

|                         |      |      |     |
|-------------------------|------|------|-----|
| <b>Free Market</b>      | 23.0 | 12.0 | 2.8 |
| <b>Captive Market</b>   | 77.0 | 5.0  | 3.9 |
| <b>Weighted Average</b> |      |      | 6.7 |

#### **4.6. General Expenses**

In the 2Q10 there was a decrease of R\$6.3 million or 14.9%, from R\$42.3 million to R\$36.0 million, in function of the decrease in the provision for judicial contingencies, institutional support, among others.

#### **4.7. Depreciation and Amortization**

This item presented a decrease of R\$10.5 million or 6.5%, from R\$161.5 million to R\$151.0 million. This variance is due mainly to the review of the estimate, with increase in the useful life of assets, recurring for upcoming quarters.

#### **4.8. Credit Write-offs**

In the 2Q10, the write-offs of credits presented an increase of R\$42.0 million, or 55.5%, from R\$75.7 million to R\$117.7 million, mainly for the need for supplement occurred in the 2Q10 of past due debts of PMSP.

#### 4.9. Tax Expenses

In the 2Q10 there was an increase of R\$1.7 million, or 17.0%, in view of the payment of Property Tax IPTU to the municipality of Sao Paulo.

### 5. Other operating income and expenses

#### 5.1. Other operating income

This saw an increase of R\$5.6 million or 48.3% in the 2Q10 mainly due to the revenue generated through PURA and the transfer of resources made by the federal public entity OGU (Union General Budget) Sanitation is Life program.

#### 5.2. Other operating expenses

This saw an increase of R\$3.5 million, or 42.7% due to:

- Increase of R\$7.5 million resulting from write-offs of assets; and
- Decrease of R\$2.3 million for the destination of tax incentives occurred in the 2Q09.

### 6. Financial Income and Expenses

|  |      |       |           | <b>R\$ million</b> |
|--|------|-------|-----------|--------------------|
|  | 2Q09 | 2Q10  | Variation | %                  |
| Financial expenses                                       |      |       |           |                    |
| Interest and charges on domestic loans and financing     | 94.8 | 124.3 | 29.5      | 31.1               |
| Interest and charges on foreign loans and financing      | 15.2 | 11.8  | (3.4)     | (22.4)             |
| Interest on court-ordered indemnities, net of provisions | 33.9 | 45.3  | 11.4      | 33.6               |
|  |      |       |           | <b>118</b>         |

|  |              |              |             |             |
|--|--------------|--------------|-------------|-------------|
| 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 income                         | 42.5         | 48.3         | 5.8         | 13.6        |
| <b>Financial expenses, net of income</b> | <b>110.0</b> | <b>146.7</b> | <b>36.7</b> | <b>33.4</b> |

In the 2Q10 there was an increase of R\$42.5 million, or 27.9%, described as follows:

- Increase in interests of R\$29.5 million, in loans and financings due to the 10th issuance of debentures occurred in November, 2009, to the 11th issuance of debentures occurred in March, 2010, 12th issuance of debentures occurred in June, 2010 and to the new contracts with Caixa Economica Federal executed in May, 2010; and
- Interests on judicial proceedings in the amount of R\$11.4 million.

## 6.2. Financial income

The financial income presented an increase of R\$5.8 million, resulting from higher volume of financial investments.

## 7. Income and expenses with monetary variation

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

### 7.1. Expenses with monetary variation

The effect of foreign exchange income in the 2Q10 was R\$270.7 million higher than the same period of last year. This variance is due to:

- The foreign exchange on external loans and financings generated a negative impact in the amount of R\$252.0 million resulting from the 1.2% appreciation of the North-American dollar in the 2Q10 versus a 15.7% depreciation in the 2Q09.
- The monetary variations on internal loans and financings presented R\$22.0 million increase, due mainly to:
  - R\$23.3 million increase due to the positive variation of the IGPM by 2.84% in the 2Q10 versus a negative variance of 0.32% in the previous period; and
  - R\$1.3 million reduction of the TR in the 2Q10 of 0.11%, as compared with the previous period of 0.16%.
  - Other monetary variances on indemnification of judicial law suits with increase of R\$3.3 million.



## 7.2. Income from monetary variance

The income from monetary variance presented an increase of R\$33.6 million as a result from the following factors:

- Restatement referring to parcel payment agreements of tariff debts with clients in the amount of R\$5.0 million;
- Restatement of deposits referring to judicial proceedings in the amount of R\$7.8 million; and
- Monetary variation referring to the funding of the 11<sup>th</sup> issuance of debentures in the amount of R\$20.6 million, caused by the change in the UP (Unit Price) value between the issuance date and the effective settlement.

**8. Operating Indicators**

Sabesp continues to work strongly towards fighting losses of water, with the constant reduction of the loss index, which went from 26.7% in the 2Q09 to 25.8% in the 2Q10.

| <b>Operational Indicators</b>                  | <b>2Q09</b> | <b>2Q10</b>    | <b>Variation %</b> |
|--|-------------|----------------|--------------------|
| Water connections (1)                          | 7,037       | <b>7,207</b>   | <b>2.4</b>         |
| Sewage connections (1)                         | 5,427       | <b>5,609</b>   | <b>3.4</b>         |
| Population directly served by water supply (2) | 23.2        | <b>23.4</b>    | <b>0.9</b>         |
| Population served by sewage collection (2)     | 19.3        | <b>19.7</b>    | <b>2.1</b>         |
| Number of employees                            | 15,834      | <b>15,095</b>  | <b>(4.7)</b>       |
| Water volume produced (3)                      | 1,423.8     | <b>1,463.3</b> | <b>2.8</b>         |
| Water loss (%)                                 | 26.7        | <b>25.8</b>    | <b>(3.4)</b>       |

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

(2) In millions of inhabitants at the end of the period. Wholesale supply not included.

(3) In million of m<sup>3</sup> accumulated at the end of period.

\* Not audited

PUBLIC FEDERAL SERVICE  
CVM - SECURITIES EXCHANGE COMMISSION  
ITR - QUARTERLY INFORMATION  
COMMERCIAL, INDUSTRIAL AND OTHER  
COMPANIES

Corporate Law  
06/30/2010

01444-3 CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO 43.776.517/0001-80

**12.01 - COMMENTS ON THE COMPANY S CONSOLIDATED PERFORMANCE IN THE QUARTER**

See comments on the Company s performance.

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**14.01 - CHARACTERISTICS of the PUBLIC OR PRIVATE ISSUE OF DEBENTURES**

|                                      |                      |
|--------------------------------------|----------------------|
| 1- ITEM                              | 01                   |
| 2 - ORDER No.                        | 6                    |
| 3 - REGISTRATION N°. AT CVM          | CVM/SRE/DEB/2004/033 |
| 4 - REGISTRATION DATE AT CVM         | 09/17/2004           |
| 5 - SERIES ISSUED                    | 2                    |
| 6 - TYPE OF ISSUE                    | SIMPLE               |
| 7 - ISSUED NATURE                    | PUBLIC               |
| 8 - ISSUE DATE                       | 09/01/2004           |
| 9 - MATURITY DATE                    | 09/01/2010           |
| 10 - TYPE OF DEBENTURE               | WITHOUT PREFERENCE   |
| 11 - EFFECTIVE YIELD CONDITION       | IGPM + 11%           |
| 12 - PREMIUM/DISCOUNT                |                      |
| 13 - NOMINAL AMOUNT (Reais)          | 1,443.40             |
| 14 - AMOUNT ISSUED (Million Reais)   | 259,696              |
| 15 - NO. OF SECURITIES ISSUED (UNIT) | 179,920              |
| 16 - OUTSTANDING SECURITIES (UNIT)   | 179,920              |
| 17 - TREASURY SECURITIES (UNIT)      | 0                    |
| 18 - REDEEMED SECURITIES (UNIT)      | 0                    |
| 19 - CONVERTED SECURITIES (UNIT)     | 0                    |
| 20 - SECURITIES TO BE PLACED (UNIT)  | 0                    |
| 21 - LAST RENEGOTIATION DATE         |                      |
| 22 - DATE OF NEXT EVENT              | 09/01/2010           |

**14.01 - CHARACTERISTICS of the PUBLIC OR PRIVATE ISSUE OF DEBENTURES**

|                                      |                      |
|--------------------------------------|----------------------|
| 1- ITEM                              | 02                   |
| 2 - ORDER No.                        | 8                    |
| 3 - REGISTRATION N°. AT CVM          | CVM/SRE/DEB/2005/033 |
| 4 - REGISTRATION DATE AT CVM         | 06/22/2005           |
| 5 - SERIES ISSUED                    | 2                    |
| 6 - TYPE OF ISSUE                    | SIMPLE               |
| 7 - ISSUED NATURE                    | PUBLIC               |
| 8 - ISSUE DATE                       | 06/01/2005           |
| 9 - MATURITY DATE                    | 06/01/2011           |
| 10 - TYPE OF DEBENTURE               | WITHOUT PREFERENCE   |
| 11 - EFFECTIVE YIELD CONDITION       | IGPM + 10.75%        |
| 12 - PREMIUM/DISCOUNT                |                      |
| 13 - NOMINAL AMOUNT (Reais)          | 1,273.39             |
| 14 - AMOUNT ISSUED (Million Reais)   | 445,686              |
| 15 - NO. OF SECURITIES ISSUED (UNIT) | 350,000              |
| 16 - OUTSTANDING SECURITIES (UNIT)   | 350,000              |
| 17 - TREASURY SECURITIES (UNIT)      | 0                    |
| 18 - REDEEMED SECURITIES (UNIT)      | 0                    |
| 19 - CONVERTED SECURITIES (UNIT)     | 0                    |
| 20 - SECURITIES TO BE PLACED (UNIT)  | 0                    |
| 21 - LAST RENEGOTIATION DATE         |                      |
| 22 - DATE OF NEXT EVENT              | 06/01/2010           |

**14.01 - CHARACTERISTICS of the PUBLIC OR PRIVATE ISSUE OF DEBENTURES**

|                                      |                      |
|--------------------------------------|----------------------|
| 1- ITEM                              | 03                   |
| 2 - ORDER No.                        | 9                    |
| 3 - REGISTRATION N°. AT CVM          | CVM/SRE/DEB/2008/029 |
| 4 - REGISTRATION DATE AT CVM         | 10/23/2008           |
| 5 - SERIES ISSUED                    | 1                    |
| 6 - TYPE OF ISSUE                    | SIMPLE               |
| 7 - ISSUED NATURE                    | PUBLIC               |
| 8 - ISSUE DATE                       | 10/15/2008           |
| 9 - MATURITY DATE                    | 10/15/2013           |
| 10 - TYPE OF DEBENTURE               | WITHOUT PREFERENCE   |
| 11 - EFFECTIVE YIELD CONDITION       | DI + 2.75%           |
| 12 - PREMIUM/DISCOUNT                |                      |
| 13 - NOMINAL AMOUNT (Reais)          | 1,024.52             |
| 14 - AMOUNT ISSUED (Million Reais)   | 102,452              |
| 15 - NO. OF SECURITIES ISSUED (UNIT) | 100,000              |
| 16 - OUTSTANDING SECURITIES (UNIT)   | 100,000              |
| 17 - TREASURY SECURITIES (UNIT)      | 0                    |
| 18 - REDEEMED SECURITIES (UNIT)      | 0                    |
| 19 - CONVERTED SECURITIES (UNIT)     | 0                    |
| 20 - SECURITIES TO BE PLACED (UNIT)  | 0                    |
| 21 - LAST RENEGOTIATION DATE         |                      |
| 22 - DATE OF NEXT EVENT              | 10/15/2010           |

**14.01 - CHARACTERISTICS of the PUBLIC OR PRIVATE ISSUE OF DEBENTURES**

|                                      |                      |                    |
|--------------------------------------|----------------------|--------------------|
| 1- ITEM                              |                      | 04                 |
| 2 - ORDER No.                        |                      | 9                  |
| 3 - REGISTRATION N°. AT CVM          | CVM/SRE/DEB/2008/030 |                    |
| 4 - REGISTRATION DATE AT CVM         |                      | 10/23/2008         |
| 5 - SERIES ISSUED                    |                      | 2                  |
| 6 - TYPE OF ISSUE                    |                      | SIMPLE             |
| 7 - ISSUED NATURE                    |                      | PUBLIC             |
| 8 - ISSUE DATE                       |                      | 10/15/2008         |
| 9 - MATURITY DATE                    |                      | 10/15/2015         |
| 10 - TYPE OF DEBENTURE               |                      | WITHOUT PREFERENCE |
| 11 - EFFECTIVE YIELD CONDITION       |                      | IPCA + 12.87%      |
| 12 - PREMIUM/DISCOUNT                |                      |                    |
| 13 - NOMINAL AMOUNT (Reais)          |                      | 1,185.53           |
| 14 - AMOUNT ISSUED (Million Reais)   |                      | 142,263            |
| 15 - NO. OF SECURITIES ISSUED (UNIT) |                      | 120,000            |
| 16 - OUTSTANDING SECURITIES (UNIT)   |                      | 120,000            |
| 17 - TREASURY SECURITIES (UNIT)      |                      | 0                  |
| 18 - REDEEMED SECURITIES (UNIT)      |                      | 0                  |
| 19 - CONVERTED SECURITIES (UNIT)     |                      | 0                  |
| 20 - SECURITIES TO BE PLACED (UNIT)  |                      | 0                  |
| 21 - LAST RENEGOTIATION DATE         |                      |                    |
| 22 - DATE OF NEXT EVENT              |                      | 10/15/2010         |

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**14.01 - CHARACTERISTICS of the PUBLIC OR PRIVATE ISSUE OF DEBENTURES**

|                                      |                  |
|--------------------------------------|------------------|
| 1- ITEM                              | 05               |
| 2 - ORDER No.                        | 10               |
| 3 - REGISTRATION N°. AT CVM          | PRIVATE ISSUANCE |
| 4 - REGISTRATION DATE AT CVM         |                  |
| 5 - SERIES ISSUED                    | 1                |
| 6 - TYPE OF ISSUE                    | SIMPLE           |
| 7 - ISSUED NATURE                    | PRIVATE          |
| 8 - ISSUE DATE                       | 11/15/2009       |
| 9 - MATURITY DATE                    | 11/15/2020       |
| 10 - TYPE OF DEBENTURE               | REAL             |
| 11 - EFFECTIVE YIELD CONDITION       | TJLP + 1.92%     |
| 12 - PREMIUM/DISCOUNT                |                  |
| 13 - NOMINAL AMOUNT (Reais)          | 2,779,471.00     |
| 14 - AMOUNT ISSUED (Million Reais)   | 77,825           |
| 15 - NO. OF SECURITIES ISSUED (UNIT) | 28               |
| 16 - OUTSTANDING SECURITIES (UNIT)   | 28               |
| 17 - TREASURY SECURITIES (UNIT)      | 0                |
| 18 - REDEEMED SECURITIES (UNIT)      | 0                |
| 19 - CONVERTED SECURITIES (UNIT)     | 0                |
| 20 - SECURITIES TO BE PLACED (UNIT)  | 0                |
| 21 - LAST RENEGOTIATION DATE         |                  |
| 22 - DATE OF NEXT EVENT              | 08/15/2010       |



**14.01 - CHARACTERISTICS of the PUBLIC OR PRIVATE ISSUE OF DEBENTURES**

|                                      |                  |
|--------------------------------------|------------------|
| 1- ITEM                              | 06               |
| 2 - ORDER No.                        | 10               |
| 3 - REGISTRATION N°. AT CVM          | PRIVATE ISSUANCE |
| 4 - REGISTRATION DATE AT CVM         |                  |
| 5 - SERIES ISSUED                    | 2                |
| 6 - TYPE OF ISSUE                    | SIMPLE           |
| 7 - ISSUED NATURE                    | PRIVATE          |
| 8 - ISSUE DATE                       | 11/15/2009       |
| 9 - MATURITY DATE                    | 12/15/2020       |
| 10 - TYPE OF DEBENTURE               | REAL             |
| 11 - EFFECTIVE YIELD CONDITION       | IPCA + 9.53%     |
| 12 - PREMIUM/DISCOUNT                |                  |
| 13 - NOMINAL AMOUNT (Reais)          | 2,901,656.00     |
| 14 - AMOUNT ISSUED (Million Reais)   | 87,049           |
| 15 - NO. OF SECURITIES ISSUED (UNIT) | 30               |
| 16 - OUTSTANDING SECURITIES (UNIT)   | 30               |
| 17 - TREASURY SECURITIES (UNIT)      | 0                |
| 18 - REDEEMED SECURITIES (UNIT)      | 0                |
| 19 - CONVERTED SECURITIES (UNIT)     | 0                |
| 20 - SECURITIES TO BE PLACED (UNIT)  | 0                |
| 21 - LAST RENEGOTIATION DATE         |                  |
| 22 - DATE OF NEXT EVENT              | 11/15/2010       |

**14.01 - CHARACTERISTICS of the PUBLIC OR PRIVATE ISSUE OF DEBENTURES**

|                                      |                  |
|--------------------------------------|------------------|
| 1- ITEM                              | 07               |
| 2 - ORDER No.                        | 10               |
| 3 - REGISTRATION N°. AT CVM          | PRIVATE ISSUANCE |
| 4 - REGISTRATION DATE AT CVM         |                  |
| 5 - SERIES ISSUED                    | 3                |
| 6 - TYPE OF ISSUE                    | SIMPLE           |
| 7 - ISSUED NATURE                    | PRIVATE          |
| 8 - ISSUE DATE                       | 11/15/2009       |
| 9 - MATURITY DATE                    | 11/15/2020       |
| 10 - TYPE OF DEBENTURE               | REAL             |
| 11 - EFFECTIVE YIELD CONDITION       | TJLP + 1.92%     |
| 12 - PREMIUM/DISCOUNT                |                  |
| 13 - NOMINAL AMOUNT (Reais)          | 2,779,471.00     |
| 14 - AMOUNT ISSUED (Million Reais)   | 116,737          |
| 15 - NO. OF SECURITIES ISSUED (UNIT) | 42               |
| 16 - OUTSTANDING SECURITIES (UNIT)   | 42               |
| 17 - TREASURY SECURITIES (UNIT)      | 0                |
| 18 - REDEEMED SECURITIES (UNIT)      | 0                |
| 19 - CONVERTED SECURITIES (UNIT)     | 0                |
| 20 - SECURITIES TO BE PLACED (UNIT)  | 0                |
| 21 - LAST RENEGOTIATION DATE         |                  |
| 22 - DATE OF NEXT EVENT              | 08/15/2010       |

**14.01 - CHARACTERISTICS of the PUBLIC OR PRIVATE ISSUE OF DEBENTURES**

|                                      |                      |
|--------------------------------------|----------------------|
| 1- ITEM                              | 08                   |
| 2 - ORDER No.                        | 11                   |
| 3 - REGISTRATION N°. AT CVM          | CVM/SER/DEB/2010/015 |
| 4 - REGISTRATION DATE AT CVM         | 04/21/2010           |
| 5 - SERIES ISSUED                    | 1                    |
| 6 - TYPE OF ISSUE                    | SIMPLE               |
| 7 - ISSUED NATURE                    | PUBLIC               |
| 8 - ISSUE DATE                       | 03/01/2010           |
| 9 - MATURITY DATE                    | 03/01/2015           |
| 10 - TYPE OF DEBENTURE               | WITHOUT PREFERENCE   |
| 11 - EFFECTIVE YIELD CONDITION       | DI+1.95%             |
| 12 - PREMIUM/DISCOUNT                |                      |
| 13 - NOMINAL AMOUNT (Reais)          | 1,036.20             |
| 14 - AMOUNT ISSUED (Million Reais)   | 839,322              |
| 15 - NO. OF SECURITIES ISSUED (UNIT) | 810,000              |
| 16 - OUTSTANDING SECURITIES (UNIT)   | 810,000              |
| 17 - TREASURY SECURITIES (UNIT)      | 0                    |
| 18 - REDEEMED SECURITIES (UNIT)      | 0                    |
| 19 - CONVERTED SECURITIES (UNIT)     | 0                    |
| 20 - SECURITIES TO BE PLACED (UNIT)  | 0                    |
| 21 - LAST RENEGOTIATION DATE         |                      |
| 22 - DATE OF NEXT EVENT              | 09/01/2010           |

**14.01 - CHARACTERISTICS of the PUBLIC OR PRIVATE ISSUE OF DEBENTURES**

|                                      |                      |
|--------------------------------------|----------------------|
| 1- ITEM                              | 09                   |
| 2 - ORDER No.                        | 11                   |
| 3 - REGISTRATION N°. AT CVM          | CVM/SER/DEB/2010/016 |
| 4 - REGISTRATION DATE AT CVM         | 04/21/2010           |
| 5 - SERIES ISSUED                    | 2                    |
| 6 - TYPE OF ISSUE                    | SIMPLE               |
| 7 - ISSUED NATURE                    | PUBLIC               |
| 8 - ISSUE DATE                       | 03/01/2010           |
| 9 - MATURITY DATE                    | 03/01/2013           |
| 10 - TYPE OF DEBENTURE               | WITHOUT PREFERENCE   |
| 11 - EFFECTIVE YIELD CONDITION       | DI+1.40%             |
| 12 - PREMIUM/DISCOUNT                |                      |
| 13 - NOMINAL AMOUNT (Reais)          | 1,034.33             |
| 14 - AMOUNT ISSUED (Million Reais)   | 418,903              |
| 15 - NO. OF SECURITIES ISSUED (UNIT) | 405,000              |
| 16 - OUTSTANDING SECURITIES (UNIT)   | 405,000              |
| 17 - TREASURY SECURITIES (UNIT)      | 0                    |
| 18 - REDEEMED SECURITIES (UNIT)      | 0                    |
| 19 - CONVERTED SECURITIES (UNIT)     | 0                    |
| 20 - SECURITIES TO BE PLACED (UNIT)  | 0                    |
| 21 - LAST RENEGOTIATION DATE         |                      |
| 22 - DATE OF NEXT EVENT              | 09/01/2010           |

**14.01 - CHARACTERISTICS of the PUBLIC OR PRIVATE ISSUE OF DEBENTURES**

|                                      |                                     |            |
|--------------------------------------|-------------------------------------|------------|
| 1- ITEM                              |                                     | 10         |
| 2 - ORDER No.                        |                                     | 12         |
| 3 - REGISTRATION N°. AT CVM          | NO REGISTRATION (CVM Instr. 476/09) |            |
| 4 - REGISTRATION DATE AT CVM         |                                     | 06/23/2010 |
| 5 - SERIES ISSUED                    |                                     | UN         |
| 6 - TYPE OF ISSUE                    |                                     | SIMPLE     |
| 7 - ISSUED NATURE                    |                                     | PUBLIC     |
| 8 - ISSUE DATE                       |                                     | 06/22/2010 |
| 9 - MATURITY DATE                    |                                     | 06/01/2025 |
| 10 - TYPE OF DEBENTURE               | WITHOUT PREFERENCE                  |            |
| 11 - EFFECTIVE YIELD CONDITION       |                                     | TR+9.5%    |
| 12 - PREMIUM/DISCOUNT                |                                     |            |
| 13 - NOMINAL AMOUNT (Reais)          |                                     | 1,002.47   |
| 14 - AMOUNT ISSUED (Million Reais)   |                                     | 501,235    |
| 15 - NO. OF SECURITIES ISSUED (UNIT) |                                     | 500,000    |
| 16 - OUTSTANDING SECURITIES (UNIT)   |                                     | 500,000    |
| 17 - TREASURY SECURITIES (UNIT)      |                                     | 0          |
| 18 - REDEEMED SECURITIES (UNIT)      |                                     | 0          |
| 19 - CONVERTED SECURITIES (UNIT)     |                                     | 0          |
| 20 - SECURITIES TO BE PLACED (UNIT)  |                                     | 0          |
| 21 - LAST RENEGOTIATION DATE         |                                     |            |
| 22 - DATE OF NEXT EVENT              |                                     | 07/01/2010 |

PUBLIC FEDERAL SERVICE  
 CVM - SECURITIES EXCHANGE COMMISSION  
 ITR - QUARTERLY INFORMATION  
 COMMERCIAL, INDUSTRIAL AND OTHER  
 COMPANIES

Corporate Law  
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## 20.01 - OTHER INFORMATION CONSIDERED MATERIAL BY THE COMPANY

### 1. CHANGE IN THE INTEREST HELD BY THE CONTROLLING SHAREHOLDER, DIRECTORS AND OFFICERS

#### CONSOLIDATED SHAREHOLDING POSITION OF CONTROLLING SHAREHOLDER, DIRECTORS AND OFFICERS AND OUTSTANDING SHARES

| Shareholder                    | Position at June 30, 2010                |              | Total Number<br>of Shares<br>(In units) | %            |
|--------------------------------|--|--------------|---|--------------|
|                                | Number of<br>Common Shares<br>(In units) | %            |   |              |
| <b>Controlling Shareholder</b> |  |              |   |              |
| State Finance Department       | 114,508,083                              | 50.3%        | 114,508,083                             | 50.3%        |
| <b>Management</b>              |  |              |   |              |
| Board of Directors             | 5,209                                    | 0            | 5,209                                   | 0            |
| Executive Board                | -  | -            | -                                       | -            |
| <b>Supervisory Board</b>       | -  | -            | -                                       | -            |
| <b>Treasury Shares</b>         | -  | -            | -                                       | -            |
| <b>Other Shareholders</b>      |  |              |   |              |
| <b>Total</b>                   | <b>114,513,292</b>                       | <b>50.3%</b> | <b>114,513,292</b>                      | <b>50.3%</b> |
| Outstanding Shares             | 113,323,331                              | 49.7%        | 113,323,331                             | 49.7%        |

**CONSOLIDATED SHAREHOLDING POSITION OF CONTROLLING SHAREHOLDER, DIRECTORS  
AND OFFICERS AND OUTSTANDING SHARES**

| Shareholder                    | Position at June 30, 2009                |              | Number Total<br>de Ações<br>(In units) | %            |
|--------------------------------|--|--------------|--|--------------|
|                                | Number de<br>Common Shares<br>(In units) | %            |  |              |
| <b>Controlling Shareholder</b> |  |              |  |              |
| State Finance Department       | 114,508,085                              | 50.3%        | 114,508,085                            | 50.3%        |
| <b>Management</b>              |  |              |  |              |
| Board of Directors             | 5,210                                    | 0            | 5,210                                  | 0            |
| Executive Board                | -  | -            | -                                      | -            |
| <b>Supervisory Board</b>       | -  | -            | -                                      | -            |
| <b>Treasury Shares</b>         | -  | -            | -                                      | -            |
| <b>Other Shareholders</b>      |  |              |  |              |
| <b>Total</b>                   | <b>114,513,295</b>                       | <b>50.3%</b> | <b>114,513,295</b>                     | <b>50.3%</b> |
| Outstanding Shares             | 113,323,328                              | 49.7%        | 113,323,328                            | 49.7%        |

## 2. SHAREHOLDING POSITION

### SHAREHOLDING POSITION OF HOLDERS OF MORE THAN 5% OF SHARES OF EACH CATEGORY AND CLASS OF SHARES OF THE COMPANY, UP TO THE LEVEL OF INDIVIDUAL

| Company:                               | Position at June 30, 2010 |      |             |      |
|--|---------------------------|------|-------------|------|
|  | (In Shares)               |      |             |      |
|  | Common Shares             |      | Total       |      |
| Shareholder                            | Number                    | %    | Number      | %    |
| CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO |                           |      |             |      |
| State Finance Department               | 114,508,083               | 50.3 | 114,508,083 | 50.3 |

## 3. ARBITRATION COMMITMENT CLAUSE

The Company, its shareholders, Managers and member of the fiscal council undertake to resolve, by arbitration, any and all dispute or controversy that may arise between them, related to or arising from, specially, the application, effectiveness, interpretation, violation and its effects, of the provisions included in Law 6404/76, in its by-laws, in the norms issued by the National Monetary Council, by the Central Bank of Brazil and by the Brazilian Securities and Exchange Commission, as well as in other norms applicable to the operation of the capital markets in general, in addition to those contained in the Listing Regulation of the New Market, the Contract of Participation in the New Market and the Arbitration Regulation of the Arbitration Chamber of the Market, to be conducted with the Arbitration Chamber of the Market organized by BM&BOVESPA in accordance with the Regulation of such Chamber, observed the exception applicable to the unavailable rights.



**PUBLIC FEDERAL SERVICE  
CVM - SECURITIES EXCHANGE COMMISSION  
ITR - QUARTERLY INFORMATION  
COMMERCIAL, INDUSTRIAL AND OTHER  
COMPANIES**

**Corporate Law  
06/30/2010**

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**21.01 - REPORT ON THE LIMITED REVIEW - UNQUALIFIED**

**Review Report of Independent  
Accountants**

To the Board of Directors and Shareholders

Companhia de Saneamento Básico do  
Estado de São Paulo - SABESP

1 We have reviewed the accounting information included in the Quarterly Information (ITR) of Companhia de Saneamento Básico do Estado de São Paulo - SABESP ( Company ) and subsidiary (parent company and consolidated), for the quarter ended June 30, 2010, comprising the balance sheets and the statements of income, of changes in shareholders' equity, of cash flows and of value added, explanatory notes and the performance report. This Quarterly

Information is the responsibility of the Company's management.

2 Our review was carried out in accordance with specific standards established by the Institute of Independent Auditors of Brazil (IBRACON), in conjunction with the Federal Accounting Council (CFC), and mainly comprised: (a) inquiries of and discussions with management responsible for the accounting, financial and operating areas of the Company with regard to the main criteria adopted for the preparation of the Quarterly Information; and (b) a review of information and of subsequent events which have, or could have, significant effects on the financial position and operations of the Company and its subsidiary.

3 Based on our limited review, we are not aware of any material modifications that should be made to the quarterly information referred to above in order that it be stated in accordance with the accounting practices adopted in Brazil applicable to the preparation of the Quarterly Information, consistent with the standards issued by the Brazilian Securities Commission (CVM).

4 As mentioned in Note 2, the CVM has approved several Pronouncements, Interpretations and Technical Guidance issued by the Brazilian Accounting Pronouncements Committee (CPC) to be effective as from 2010, which altered the accounting practices adopted in Brazil. As permitted by CVM Resolution No. 603/09, the Company's management has opted to present its Quarterly Information by using the accounting standards adopted in Brazil until December 31, 2009. As required by said Resolution, Note 2 to the Quarterly Information discloses this fact and also provides a description of the main changes that may have an impact on the Company's year-end financial statements, as well as an estimate of their possible effects on shareholders' equity and results of operations.

5 As mentioned in Note 5, the Company and the Government of the State of São Paulo entered into an agreement to settle the so-called uncontroversial amount, referring to the reimbursement of payments related to retirement and pension plans paid by the Company, in the name and on account of the Government of the State of São Paulo. The recovery of this asset may be influenced by: (a) the resolution of legal uncertainties caused by public action and legislative authorization related to the transfer of reservoirs to the Company, amounting to R\$ 696,283 thousand, and (b) the financial collection of other amounts, amounting R\$ 205,036 thousand.

São Paulo, August 6, 2010

PricewaterhouseCoopers

Auditores Independentes

CRC 2SP000160/O-5

Valdir Renato Coscodai

Contador CRC 1SP165875/O-6

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