

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

August 18, 2006

**SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 6-K

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

For August 16, 2006

(Commission File No. 1-31317)

Companhia de Saneamento Básico do Estado de São Paulo - SABESP
(Exact name of registrant as specified in its charter)

Basic Sanitation Company of the State of Sao Paulo - SABESP
(Translation of Registrant's name into English)

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

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

Form 20-F Form 40-F

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

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

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

Yes No

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

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

Rui de Britto Álvares Affonso
Chief Financial Officer and Investor Relations Officer
Mario Azevedo de Arruda Sampaio
Head of Capital Market and Investor Relations
Ph: (5511) 3388-8664 / Fax: (5511) 3388-8669
e-mail: maasampaio@sabesp.com.br

SABESP announces its 2Q06 results

São Paulo, August 14, 2006 - SABESP - Cia. de Saneamento Básico do Estado de São Paulo - (Bovespa: SBSP3; NYSE: SBS), one of the largest water and sewage service provider in the world based on the number of customers, announces today its results for the second quarter 2006 (2Q06) The Company's operating and financial information, except when indicated otherwise, is shown in Brazilian Reais, in accordance with the Brazilian Corporate Law. All comparisons in this release, unless otherwise stated, refer to the second quarter of 2005.

SBSP3:R\$ 229.50/ thousand
shares
SBS US\$ 26.56 (ADR=250
shares)
Total shares: 28,480 million
Market Value: R\$ 6.5 million
Closing Price:08/14/2006

Highlights

- **Gross operating revenue grows 11.5% in 1H06**
 - **EBITDA margin reached 48.4% in 1H06**
 - **Net income totaled R\$ 503.5 million in 1H06**
-

Second Quarter 2006 Results

August 14, 2006

Page 2 of 11

1. 6.9% gross operating revenue growth in 2Q06 and 11.5% growth in 1H06

R\$ million

| HALF YEAR | 1H05 | 1H06 | Chg. | % |
|---|-------------|-------------|-------------|----------|
| (+)Gross Operating Revenue | 2,582.2 | 2,878.8 | 296.6 | 11.5 |
| (-) COFINS and PASEP | 192.2 | 220.8 | 28.6 | 14.9 |
| (+)Net Operating Revenue | 2,390.0 | 2,658.0 | 268.0 | 11.2 |
| (-) Costs and Expenses | 1,565.6 | 1,669.3 | 103.7 | 6.6 |
| (=)Earnings before financial expenses (EBIT*) | 824.4 | 988.7 | 164.3 | 19.9 |
| (+)Depreciation and amortization | 295.0 | 297.8 | 2.8 | 0.9 |
| (=)EBITDA** | 1,119.4 | 1,286.5 | 167.1 | 14.9 |
| EBITDA Margin (%) | 46.8 | 48.4 | | |
| Net Income | 487.1 | 503.5 | 16.4 | 3.4 |
| Earnings per 1,000 shares in R\$ | 17.10 | 17.68 | | |

(*) Earnings before interest and taxes

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

In the first half 2006, Sabesp's gross operating revenue totaled R\$ 2,878.8 million, an 11.5% increase in comparison to the same period of the previous year. EBITDA reached R\$ 1,286.5 million with a 48.4% EBITDA margin. Net income reached R\$ 503.5 million.

R\$ million

| QUARTER | 2Q05 | 2Q06 | Chg. | % |
|---|-------------|-------------|-------------|----------|
| (+)Gross Operating Revenue | 1,330.2 | 1,422.0 | 91.8 | 6.9 |
| (-) COFINS and PASEP | 98.9 | 108.6 | 9.7 | 9.8 |
| (+)Net Operating Revenue | 1,231.3 | 1,313.4 | 82.1 | 6.7 |
| (-) Costs and Expenses | 820.6 | 873.3 | 52.7 | 6.4 |
| (=)Earnings before financial expenses (EBIT*) | 410.7 | 440.1 | 29.4 | 7.2 |

| | | | | |
|----------------------------------|-------|-------|---------|--------|
| (+)Depreciation and amortization | 149.5 | 151.1 | 1.6 | 1.1 |
| (=)EBITDA** | 560.2 | 591.2 | 31.0 | 5.5 |
| EBITDA Margin (%) | 45.5 | 45.0 | | |
| Net Income | 335.7 | 175.6 | (160.1) | (47.7) |
| Earnings per 1,000 shares in R\$ | 11.79 | 6.16 | | |

(* Earnings before interest and taxes

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

In 2Q06 Sabesp's gross operating revenue totaled R\$ 1,422.0 million and the EBITDA totaled R\$ 591.2 million in 2Q06. The 6.9% increase in gross operating revenue was mostly due to the following factors:

- 2.4% increase in billed water and sewage volume; and
 - Tariff readjustment of 9.0% as of August 2005, partially offset by a concentration of customers whose consumption was billed at intermediary tariff brackets. This drop in the average tariff was a result of the 2% drop in the consumption calculation period combined with lower temperatures in the period.
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Second Quarter 2006 Results

August 14, 2006

Page 3 of 11

2. Billed volume

The following tables show billed water and sewage volume per customer category and region in 2Q05 and 2Q06.

WATER AND SEWAGE BILLED VOLUME ** PER CUSTOMER CATEGORY million m³

| | Water | | | Sewage | | | Water + Sewage | | |
|---------------------|--------------|--------------|------------|--------------|--------------|------------|----------------|--------------|------------|
| | 2Q05 | 2Q06 | Chg % | 2Q05 | 2Q06 | Chg % | 2Q05 | 2Q06 | Chg % |
| Residential | 315.7 | 323.7 | 2.5 | 247.4 | 255.2 | 3.2 | 563.1 | 578.9 | 2.8 |
| Commercial | 36.5 | 36.7 | 0.5 | 33.2 | 33.7 | 1.5 | 69.7 | 70.4 | 1.0 |
| Industrial | 8.2 | 8.6 | 4.9 | 8.0 | 8.2 | 2.5 | 16.2 | 16.8 | 3.7 |
| Public | 12.0 | 12.2 | 1.7 | 9.6 | 9.7 | 1.0 | 21.6 | 21.9 | 1.4 |
| Total Retail | 372.4 | 381.2 | 2.4 | 298.2 | 306.8 | 2.9 | 670.6 | 688.0 | 2.6 |
| Wholesale | 64.6 | 65.2 | 0.9 | | | | 64.6 | 65.2 | 0.9 |
| Total | 437.0 | 446.4 | 2.2 | 298.2 | 306.8 | 2.9 | 735.2 | 753.2 | 2.4 |

WATER AND SEWAGE BILLED VOLUME **PER REGION million m³

| | Water | | | Sewage | | | Water + Sewage | | |
|----------------------|--------------|--------------|------------|--------------|--------------|------------|----------------|--------------|------------|
| | 2Q05 | 2Q06 | Chg % | 2Q05 | 2Q06 | Chg % | 2Q05 | 2Q06 | Chg % |
| Metropolitan | 248.0 | 255.8 | 3.1 | 202.4 | 209.4 | 3.5 | 450.4 | 465.2 | 3.3 |
| Regional Systems* | 124.4 | 125.4 | 0.8 | 95.8 | 97.4 | 1.7 | 220.2 | 222.8 | 1.2 |
| Total Retail | 372.4 | 381.2 | 2.4 | 298.2 | 306.8 | 2.9 | 670.6 | 688.0 | 2.6 |
| Wholesale | 64.6 | 65.2 | 0.9 | | | | 64.6 | 65.2 | 0.9 |
| Total | 437.0 | 446.4 | 2.2 | 298.2 | 306.8 | 2.9 | 735.2 | 753.2 | 2.4 |

* Non-metropolitan and coastal regions

** Figures not reviewed by the independent auditors

3. Costs, administrative and selling expenses

Between January and June 2006, product and service costs, administrative and selling expenses recorded a R\$ 103.7 million, or 6.6% increase, when compared to the same period of 2005.

| | <i>R\$ million</i> | | | |
|---|--------------------|----------------|---------------|------------|
| Costs and Expenses | 1H05 | 1H06 | Change | % |
| Salaries and payroll | 532.0 | 621.1 | 89.1 | 16.7 |
| Supplies | 52.4 | 58.5 | 6.1 | 11.6 |
| Treatment supplies | 57.1 | 59.2 | 2.1 | 3.7 |
| Third-party services | 218.6 | 213.2 | (5.4) | (2.5) |
| Electric power | 207.1 | 214.9 | 7.8 | 3.8 |
| General expenses | 83.6 | 63.4 | (20.2) | (24.2) |
| Depreciation and amortization | 295.0 | 297.8 | 2.8 | 0.9 |
| Credit write-offs | 106.3 | 124.2 | 17.9 | 16.8 |
| Tax expenses | 13.5 | 17.0 | 3.5 | 25.9 |
| Costs, administrative and selling expenses | 1,565.6 | 1,669.3 | 103.7 | 6.6 |

In 2Q06, product and service costs, administrative and selling expenses, increased by R\$ 52.7 million or 6.4% . The main variation in 2Q06 were:

Second Quarter 2006 Results

August 14, 2006

Page 4 of 11

R\$ million

| Costs and Expenses | 2Q05 | 2Q06 | Change | % |
|---|--------------|--------------|-------------|------------|
| Salaries and payroll | 278.0 | 343.3 | 65.3 | 23.5 |
| Supplies | 28.2 | 30.3 | 2.1 | 7.4 |
| Treatment supplies | 26.1 | 26.7 | 0.6 | 2.3 |
| Third-party services | 116.9 | 105.9 | (11.0) | (9.4) |
| Electric power | 109.1 | 109.5 | 0.4 | 0.4 |
| General expenses | 45.4 | 41.5 | (3.9) | (8.6) |
| Depreciation and amortization | 149.5 | 151.1 | 1.6 | 1.1 |
| Credit write-offs | 60.4 | 55.9 | (4.5) | (7.5) |
| Tax expenses | 7.0 | 9.1 | 2.1 | 30.0 |
| Costs, administrative and selling expenses | 820.6 | 873.3 | 52.7 | 6.4 |

3.1. Salaries and payroll

In 2Q06 the Company expanded its productivity per employee by 3.8% . The number of connections per employee grew from 640 in 2Q05 to 664 in 2Q06 and the number of employees dropped from 17,577 to 17,289, respectively.

Salaries and payroll expenses moved up by R\$ 65.3 million or 23.5%, due to the following factors:

- 4.63% readjustment, equivalent to approximately R\$ 25.4 million, as of May 2006, affecting wages, social taxes, benefits and provisions;
- Full provision for a bonus payment per performance evaluation to employees in the amount of R\$ 40.8 million in 2Q06, non-recurring.

3.2. Supplies

In 2Q06, the figure moved up R\$ 2.1 million or 7.4%, primarily due to the following factors:

- Vehicle fuel and lubricants in the amount of R\$ 0.9 million or 16.1% mainly due to price readjustment as shown in the table below.

| | Alcohol | Gas | Fuel Diesel | Natural Gas | Total |
|----------------------------------|---------|------|----------------|----------------|-------|
| Average readjustment (%) | 35,3 | 12,7 | 10,6 | 5,2 | |
| SABESP s average consumption (%) | 17 | 43 | 38 | 2 | |
| Average impact in expenses (%) | 6.00 | 5.46 | 4.03 | 0.10 | 15.59 |

- Network maintenance up by R\$ 0.7 million;
- Vehicle maintenance up by R\$ 0.3 million.

3.3. Treatment supplies

Recorded a R\$ 0.6 million or 2.3% increase. This result was mostly due to the increase in average treatment supply price, offset by the drop in consumption, primarily chlorine.

3.4. Third-party services

In 2Q06, this figure recorded a R\$ 11.0 million or 9.4% drop in comparison to 2Q05, from R\$ 116.9 million to R\$ 105.9 million, mostly due to:

- Technical services in the amount of R\$ 9.4 million, highlighting costs related to the restructuring of capital market's operations, in June 2005, in the amount of R\$ 7.7 million, non-recurring;
- R\$ 2.5 million decrease in specific software expenses, regarding the implementation of the SIGNOS (geographical information system) system in April 2005, non-recurring;
- R\$ 1.9 million decrease in residential connection maintenance and R\$ 1.8 million decrease in pavement replacing at the São Paulo Metropolitan Region, mostly due to the discontinuance of some contracts regarding the Global Sourcing.

These decreases were partially offset by the following increases:

- R\$ 1.7 million regarding security, due to new hiring and existing contracts price readjustments;
- R\$ 1.2 million with Telecom services;
- R\$ 0.9 million with system maintenance in the São Paulo Metropolitan Region and;
- R\$ 0.6 million, mainly due to the hiring of engineering services regarding the detection of leakage.

3.5. Electric power

In 2Q06 recorded a R\$ 0.4 million or 0.4% growth versus 2Q05, from R\$ 109.1 million to R\$ 109.5 million, in spite of the average readjustment and increase in produced volume.

3.6. General expenses

In 2Q06, general expenses recorded a R\$ 3.9 million or 8.6% drop in comparison to 2Q05, from R\$ 45.4 million to R\$ 41.5 million, mainly as a result, of lower provisions for legal contingencies.

3.7. Credit Write-offs

Showed a R\$ 4.5 million or 7.5% decrease, primarily due to the improved performance of loss recovery, through the reception of provisioned debits as not chargeable.

3.8. Tax expenses

In 2Q06, tax expenses recorded a R\$ 2.1 million or 30.0% growth versus 2Q05, from R\$ 7.0 million to R\$ 9.1 million, mainly attributed to CPMF tax in the amount of R\$ 1.2 million due to the amortization of debt in the capital markets.

Second Quarter 2006 Results

August 14, 2006

Page 6 of 11

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

In 2Q06 recorded a R\$ 50.3 million or 28.2% drop due to:

| | <i>R\$ million</i> | | | |
|---|--------------------|--------|--------|---------|
| | 2Q05 | 2Q06 | Chg. | % |
| Financial expenses | | | | |
| Interest and charges on domestic loans and financing | 126.9 | 131.1 | 4.2 | 3.3 |
| Interest and charges on international loans and financing | 38.5 | 25.4 | (13.1) | (34.0) |
| Taxes over offshore remittances | 2.2 | 2.4 | 0.2 | 9.1 |
| Other financial expenses | 8.5 | 11.3 | 2.8 | 32.9 |
| Provisions | 20.2 | (11.7) | (31.9) | (157.9) |
| Total financial expenses | 196.3 | 158.5 | (37.8) | (19.3) |
| Financial revenues | 18.2 | 30.7 | 12.5 | 68.7 |
| Financial expenses net of revenues | 178.1 | 127.8 | (50.3) | (28.2) |

- R\$ 4.2 million increase in interest on domestic loans and financing regarding the 8th debenture issuance in June 2005 and the credit rights investment fund in March 2006;
- R\$ 13.1 million drop in interest on international loans and financing due to the amortization of the Eurobond that matured in July 2005;
- R\$ 31.9 million decrease in provision for interest related to legal contingencies, due to lower provision during the quarter.

Financial revenues grew R\$ 12.5 million or 68.7%, mainly as a result of interest over settlements, agreements and interest over investments.

4.2. Passive monetary variation

Passive monetary variation recorded a R\$ 284.9 million increase, resulting from a lower Real appreciation versus US Dollars (0.4%) in 2Q06 in comparison to 2Q05 (11.8%) .

R\$ million

| | 2Q05 | 2Q06 | Chg. | % |
|---|-------------|-------------|-------------|----------|
| Monetary variation over loans and financing | 22.4 | 18.1 | (4.3) | (19.2) |
| Exchange variation over loans and financing | (278.0) | 11.2 | 289.2 | (104.0) |
| | (255.6) | 29.3 | 284.9 | (111.5) |

Second Quarter 2006 Results

August 14, 2006

Page 7 of 11

5. Operating indicators*

As shown below, the Company continues to expand its services.

| Operating indicators | 2Q05 | 2Q06 | Chg. % |
|--|-------------|-------------|---------------|
| Water connections (1) | 6,431 | 6,538 | 1.7 |
| Sewage connections (1) | 4,817 | 4,938 | 2.5 |
| Population directly served - water (2) | 22.5 | 22.6 | 0.4 |
| Population directly served - sewage collection (2) | 18.2 | 18.4 | 1.1 |
| Number of employees | 17,577 | 17,289 | (1.6) |
| Operational productivity (3) | 640 | 664 | 3.8 |

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

(2) Million Inhabitants at the end of the period. Does not include wholesale services

(3) Number of water and sewage connection per employee

* Figures not reviewed by the independent auditors

6. Loans and financing

The Company's total debt to be paid until the end of the year is of R\$ 351 million, out of which only R\$ 66 million is denominated in US Dollars.

(R\$ million)

DEBT PROFILE

| INSTITUTION | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 and onwards | TOTAL |
|-----------------------|-------------|-------------|-------------|--------------|-------------|-------------|---------------------------------|--------------|
| DOMESTIC | | | | | | | | |
| Banco do Brasil | 100 | 213 | 233 | 253 | 275 | 300 | 775 | 2,149 |
| Caixa Econômica | | | | | | | | |
| Federal | 22 | 48 | 52 | 55 | 60 | 64 | 203 | 504 |
| Debentures | 50 | 277 | - | 749 | 291 | 351 | - | 1,718 |
| FIDC - SABESP I | 14 | 55 | 55 | 56 | 56 | 14 | - | 250 |
| BNDES | 16 | 32 | 31 | 31 | 31 | 31 | 28 | 200 |
| Others | 1 | 4 | 6 | 5 | 5 | 5 | - | 26 |
| Interest and charges | 82 | 20 | - | - | - | - | - | 102 |
| Domestic Total | 285 | 649 | 377 | 1.149 | 718 | 765 | 1,006 | 4,949 |
| INTERNATIONAL | | | | | | | | |
| World Bank | 5 | 5 | - | - | - | - | - | 10 |

| | | | | | | | | |
|----------------------------|------------|------------|------------|--------------|------------|------------|--------------|--------------|
| Société Générale | 1 | - | - | - | - | - | - | 1 |
| IDB | 49 | 97 | 69 | 69 | 69 | 69 | 533 | 955 |
| Eurobonds | - | - | 487 | - | - | - | - | 487 |
| JBIC | - | - | - | - | - | - | 8 | 8 |
| Interest and charges | 11 | - | - | - | - | - | - | 11 |
| International Total | 66 | 102 | 556 | 69 | 69 | 69 | 541 | 1,472 |
| Total | 351 | 751 | 933 | 1,218 | 787 | 834 | 1,547 | 6,421 |

7. Conference call and webcast

English: August 17, 2006
12:00 pm - US EST
Ph: +1 (973) 935-8893
Conference code: 7739649

Portuguese: August 17, 2006
9:00 am - US EST
Ph: (5511) 2101-4848
Conference code: Sabesp

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

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

Second Quarter 2006 Results

August 14, 2006

Page 9 of 11

Income Statement

Brazilian Corporate Law

R\$ thousand

| | 2Q06 | 2Q05 | % |
|---|-------------------|-------------------|---------------|
| Sales/Services Gross Revenues | 1,422,064 | 1,330,236 | 6.9 |
| Water Supply - Retail | 748,238 | 700,459 | 6.8 |
| Water Supply - Wholesale | 64,204 | 58,434 | 9.9 |
| Sewage Collection and Treatment | 609,622 | 571,343 | 6.7 |
| Other Services | - | - | - |
| Gross Revenue Deductions (Cofins/Pasep) | (108,656) | (98,891) | 9.9 |
| Net Sales | 1,313,408 | 1,231,345 | 6.7 |
| Cost of Goods and/or Services Sold | (666,685) | (594,793) | 12.1 |
| Gross Profit | 646,723 | 636,552 | 1.6 |
| Selling Expenses | (132,177) | (131,550) | 0.5 |
| General & Administrative Expenses | (74,472) | (94,352) | (21.1) |
| Net Interest Income (Expense) | (147,438) | 84,263 | (275.0) |
| Operating Result | 292,636 | 494,913 | (40.9) |
| Non Operating Expenses (Income) | (558) | 1,428 | (139.1) |
| Income Before Taxes | 292,078 | 496,341 | (41.2) |
| Provision for Income Tax/Social Contribution | (114,639) | (155,145) | (26.1) |
| Provision for Deferred Income Tax/Social Contribution | 6,907 | 3,325 | 107.7 |
| Extraordinary Item Net of IT and SC | (8,780) | (8,780) | - |
| Net Income | 175,566 | 335,741 | (47.7) |
| Shares Outstanding (1000 shares) | 28,479,577 | 28,479,577 | - |
| EPS (R\$/1000 shares) | 6.16 | 11.79 | (47.7) |
| Depreciation and Amortization | 151,133 | 149,538 | (1.1) |
| EBITDA | 591,207 | 560,188 | (5.2) |
| % of net sales | 45.0% | 45.5% | - |

Second Quarter 2006 Results

August 14, 2006

Page 10 of 11

Balance Sheet**Brazilian Corporate Law****R\$ thousand**

| ASSETS | 06/30/2006 | 06/30/2005 |
|---------------------------------------|-------------------|-------------------|
| Cash and Cash Equivalents | 336,012 | 877,949 |
| Accounts Receivable, net | 1,214,648 | 1,115,441 |
| Accounts Receivable from Shareholders | 225,612 | 174,742 |
| Inventory | 32,035 | 25,040 |
| Taxes and contributions | 22,161 | 30,421 |
| Other Receivables | 43,904 | 47,830 |
| Total Current Assets | 1,874,372 | 2,271,423 |
| Accounts Receivable, net | 297,250 | 278,687 |
| Accounts Receivable from Shareholders | 823,558 | 757,727 |
| Indemnities Receivable | 148,794 | 148,794 |
| Judicial Deposits | 30,723 | 15,395 |
| Taxes and contributions | 310,827 | 272,293 |
| Other Receivables | 48,879 | 31,064 |
| Total Long-Term Assets | 1,660,031 | 1,503,960 |
| Investments | 740 | 5,100 |
| Permanent Assets | 14,165,702 | 13,981,250 |
| Deferred Assets | 15,389 | 35,277 |
| Total Permanent Assets | 14,181,831 | 14,021,627 |
| Total Assets | 17,716,234 | 17,797,010 |
| LIABILITIES | 06/30/2006 | 06/30/2005 |
| Suppliers and Constructors | 88,032 | 46,553 |
| Loans and Financing | 642,461 | 1,420,176 |
| Salaries and Payroll Charges | 224,208 | 169,579 |
| Provision for Judicial Pendencies | 10,921 | 30,979 |
| Interest on Own Capital Payable | 381,158 | 183,526 |
| Taxes and contributions payable | 145,150 | 129,115 |
| Taxes and contributions | 72,348 | 69,980 |
| Other Payables | 98,612 | 86,110 |
| Total Current Liabilities | 1,662,890 | 2,136,018 |

| | | |
|---|-------------------|-------------------|
| Loans and Financing | 5,778,076 | 6,041,965 |
| Taxes and contributions payable | 244,567 | 264,998 |
| Taxes and Contributions | 139,454 | 131,615 |
| Provision for Contingencies | 602,964 | 528,084 |
| Pension Fund Obligations | 299,118 | 249,736 |
| Other Payables | 110,777 | 103,362 |
| Total Long-Term Liabilities | 7,174,956 | 7,319,760 |
| Capital Stock | 3,403,688 | 3,403,688 |
| Capital Reserves | 100,760 | 72,824 |
| Revaluation Reserves | 2,483,566 | 2,574,594 |
| Profit Reserves | 2,470,269 | 1,863,389 |
| Retained Earnings | 420,105 | 426,737 |
| Shareholder's Equity | 8,878,388 | 8,341,232 |
| Total Liabilities and Shareholder's Equity | 17,716,234 | 17,797,010 |

Second Quarter 2006 Results

August 14, 2006

Page 11 of 11

Cash Flow

Brazilian Corporate Law

R\$ thousand

| Description | Jan-Jun/06 | Jan-Jun/05 |
|--|------------------|------------------|
| Cash flow from operating activities | | |
| Net income for the period | 503,482 | 487,111 |
| Adjustments for reconciliation of net income | | |
| Deferred income tax and social contribution | (3,187) | (15,590) |
| Provisions for contingencies | 25,556 | 68,015 |
| Liabilities related to pension plans | 29,977 | 34,255 |
| Loss in the write-off of property, plant and equipment | 2,321 | 2,332 |
| Loss in the write-off of assets | 863 | - |
| Gain with the sale of property | (1,007) | - |
| Depreciation and Amortization | 297,846 | 294,999 |
| Interest calculated on loans and financing payable | 321,369 | 334,763 |
| Foreign exchange loss on loans and financing | (39,789) | (264,052) |
| Monetary exchange loss on interest on own capital | - | 715 |
| Passive monetary exchange variation and interest | 9,917 | 12,812 |
| Active monetary exchange variation and interest | (6,911) | (2,479) |
| Provisions for bad debt | 124,118 | 106,257 |
| (Increase) decrease in assets | | |
| Clients | (91,228) | (212,297) |
| Accounts receivable from shareholders | (29,067) | (95,155) |
| Inventories | 4,035 | 4,564 |
| Other accounts receivable | (19,875) | (14,542) |
| Changes in Long Term Assets | | |
| Clients | (86,182) | (60,233) |
| Accounts receivable from shareholders | (46,243) | (13,608) |
| Judicial deposits | (6,866) | 794 |
| Other accounts receivable | (15,959) | (3,088) |
| | (291,385) | (393,565) |
| Increase (decrease) in liabilities | | |
| Accounts payable to suppliers and contractors | 10,251 | (5,025) |
| Salaries and payroll charges | 106,919 | 62,351 |
| Taxes and contributions | 17,555 | (6,157) |
| Other accounts payable | (20,965) | 2,308 |
| Contingencies | (20,000) | 444 |
| Changes in Long Term Liabilities | - | - |
| Pension plan | (7,416) | (6,695) |

| | | |
|---|------------------|------------------|
| Other accounts payable | 2,288 | 10,674 |
| | 88,632 | 57,900 |
| Net cash from operating activities | 1,061,802 | 723,473 |
| Cash flow from investing activities | | |
| Acquisition of property, plant and equipment | (331,506) | (240,663) |
| Sale of property, plant and equipment | 2,188 | - |
| Increase in Deferred Assets | (55) | (53) |
| | - | - |
| Net cash used in investing activities | (329,373) | (240,716) |
| Cash flow from financing activities | | |
| Loans and Financing - long term | | |
| Funding | 320,528 | 1,061,414 |
| Payments | (838,963) | (706,227) |
| Interest on own capital payment | (158,155) | (65,552) |
| Net cash from financing activities | (676,590) | 289,635 |
| Net increase (decrease) in cash equivalents | 55,839 | 772,392 |
| Cash and cash equivalents at the beginning of the period | 280,173 | 105,557 |
| Cash and cash equivalents at the end of the period | 336,012 | 877,949 |
| Change in Cash | 55,839 | 772,392 |
| Additional information on cash flow: | | |
| Interests and taxes paid to loans and financing | 346,245 | 320,422 |
| Capitalization of interest and financial charges | (6,829) | (14,411) |
| Payable income tax and social contribution | 221,150 | 183,405 |
| Property, plant and equip. received as donations and/or paid in | 21,940 | 7,533 |
| COFINS and PASEP taxes payable | 219,429 | 184,130 |
| Balancing accounts | - | (715) |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the city São Paulo, Brazil.

Date: August 16, 2006

**Companhia de Saneamento Básico do Estado de São Paulo -
SABESP**

By: /S/ Rui de Britto Álvares
Affonso

Name: Rui de Britto Álvares
Affonso
Title: Chief Financial Officer and
Investor Relations Officer

FORWARD-LOOKING STATEMENTS

This press release may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.
