

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP  
Form 20-F  
April 30, 2012

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 20-F**

**o REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**o ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011**

**OR**

**o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**OR**

**o SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report \_\_\_\_\_

**Commission file number 001 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 São Paulo SABESP**  
(Translation of the Registrant's name into English)

**Federative Republic of Brazil**  
(Jurisdiction of incorporation or organization)

**Rua Costa Carvalho, 300  
05429 900 São Paulo, SP, Brazil**  
(Address of principal executive offices)

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**Rua Costa Carvalho, 300 05429-900 São Paulo, SP, Brazil**

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
Common Shares, without par value	New York Stock Exchange*
American Depositary Shares, evidenced by American Depositary Receipts, each representing 2 Common Shares <sup>(1)</sup>	New York Stock Exchange

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\* Not for trading purposes, but only in connection with the registration of American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission.

(1) Until June 8, 2007, each American Depositary Share, evidenced by American Depositary Receipts, represented 250 Common Shares.

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Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

227,836,623 Shares of Common Stock

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### General

We maintain our books and records in *reais*. We prepared our consolidated financial statements as of and for the years ended December 31, 2009, 2010 and 2011 included in this annual report in compliance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB.

### Convenience Translations

We have translated some of the *real* amounts contained in this annual report into U.S. dollars. The rate used to translate such amounts in respect of the year ended December 31, 2011 was R\$1.876 to US\$1.00, which was the commercial rate for the purchase of U.S. dollars in effect on December 31, 2011, as reported by the Central Bank. The U.S. dollar equivalent information presented in this annual report is provided solely for the convenience of reader and should not be construed as implying that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at the above rate. See “Item 3.A. Selected Financial Data—Exchange Rates” for more detailed information regarding the Brazilian foreign exchange system and historical data on the exchange rate of the *real* against the U.S. dollar.

### Rounding

Some percentages and numbers included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

### Other Information

In this annual report, unless the context otherwise requires, references to “we,” “us,” “our,” “Company,” or “SABESP” refer to Companhia de Saneamento Básico do Estado de São Paulo - SABESP.

In addition, references to:

- § “*real*,” “*reais*” or “R\$” are to the Brazilian *real*, the official currency of Brazil;
- § “U.S. dollars” or “US\$” are to the United States dollar, the official currency of the United States;
- § “Brazil” are to the Federative Republic of Brazil;
- § “State” are to the State of São Paulo, which is also our controlling shareholder;
- § “federal government” and “Brazilian government” are to the federal government of the Federative Republic of Brazil and “state government” are to the state government of the State of São Paulo;
- § “São Paulo metropolitan region” are to the area where the Metropolitan executive office operates, comprising 38 municipalities, including the city of São Paulo;

§ “Regional systems” are to the area where the Regional systems executive office operates, comprising 325 municipalities in the interior and coastline regions of the State of São Paulo;

§ “water coverage ratio” are to the ratio between the number of residences connected to the water supply network, divided by the number of urban residences in a certain area; and

§ “sewage coverage ratio” are to the ratio between the number of residences connected to the sewage collection network, divided by the number of urban residences in a certain area.

Information in this annual report related to liters, water and sewage volumes, number of employees, kilometers, water and sewage connections, population served, operating productivity, water production rate, sewage lines (in kilometers), savings achieved and investment in improvement programs has not been audited.

***Market Information***

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We make statements in this annual report about our market share and other information relating to Brazil and the industry in which we operate. We have made these statements on the basis of information from third-party sources and publicly available information that we believe is reliable, such as information and reports from the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE, and the State Data Analysis System Foundation (*Fundação Sistema Estadual de Análise de Dados*) or SEADE, among others. We have no reason to believe any of this information is inaccurate in any material respect.

References to urban and total population in this annual report are estimated based on a research made by the SEADE: “Projections for the State of São Paulo – Population and Residences until 2025” (*Projeções para o Estado de São Paulo – População e Domicílios até 2025*).

## CAUTIONARY STATEMENTS ABOUT FORWARD LOOKING STATEMENTS

This annual report includes forward-looking statements, mainly in Items 3 through 5. We have based these forward looking statements largely on our current expectations and projections about future events and financial trends affecting our business. These forward-looking statements are subject to risks, uncertainties and assumptions, including, among other factors:

- § general economic, political, demographical and other conditions in Brazil and in other emerging market countries;
- § changes in applicable laws and regulations, as well as the enactment of new laws and regulations, including those relating to environmental, tax and employment matters in Brazil;
- § fluctuations in inflation, interest rates and exchange rates in Brazil;
- § the interests of our controlling shareholder;
- § our ability to collect amounts owed to us by our controlling shareholder and by municipalities;
- § our ability to continue to use certain reservoirs under current terms and conditions;
- § our capital expenditure program and other liquidity and capital resources requirements;
- § droughts, water shortages, intensive rains and other climate events;
- § power shortages or rationing in energy supply or significant changes in energy tariffs;
- § the effects of the agreement for provision of water and sewage services in the city of São Paulo, that we executed with the State and the city of São Paulo;
- § our lack of formal agreements with certain municipalities to which we render our water and sewage services, including the cities comprising metropolitan regions;
- § the municipalities' ability to terminate our existing concession agreements prior to their expiration date and our ability to renew such agreements;
- § our ability to provide water and sewage services in additional municipalities and to maintain our rights to provide the services currently contracted;
- § the size and growth of our customer base;
- § our ability to comply with certain levels of services and attendance in the provision of water and sewage services established in our agreements with the municipalities;
- § our level of indebtedness and limitations on our ability to incur additional indebtedness;

- § our ability to access financing with favorable terms in the future;
- § our costs relating to compliance with environmental laws and potential penalties for failure to comply with these laws;
- § our exposure to probable increases in the frequency of extreme weather conditions;
- § the outcome of our pending or future legal proceedings;
- § our management's expectations and estimates relating to our future financial performance;
- § the regulation issued by the São Paulo State Sanitation and Energy Regulatory Agency, or the ARSESP, regarding several aspects of our business, including limitations on our ability to set and adjust our tariffs; and
- § other risk factors as set forth under "Item 3.D. Risk Factors."

The words "believe," "may," "estimate," "continue," "anticipate," "plan," "intend," "expect" and similar words are intended to forward-looking statements. In light of these risks and uncertainties, the forward looking events and circumstances discussed in this annual report might not occur. Our actual results could differ substantially from those anticipated in our forward-looking statements. Forward looking statements speak only as of the date they were made and we do not undertake the obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law. Any such forward looking statements are not an indication of future performance and involve risks.

## PART I

### ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

### ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

### ITEM 3. KEY INFORMATION

#### A. Selected Financial Data

The tables below contain a summary of our financial data as of and for each of the periods indicated. The summary of our financial data was derived from our consolidated annual financial statements, prepared in compliance with IFRS, as issued by the IASB. You should read this selected financial data in conjunction with our consolidated financial statements and the related notes thereto included in this annual report.

The selected consolidated financial information as of and for the years ended December 31, 2009, 2010 and 2011 prepared in compliance with IFRS, has been derived from our audited consolidated financial statements, which appear elsewhere in this annual report.

The following tables present our selected financial data as of and for each of the periods indicated.

#### IFRS Summary Financial Data

	<b>Year ended December 31,</b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<i>(in millions of reais, except per share and per ADS(1) data)</i>		
<b>Statement of operations data:</b>			
Net revenue from sales and services	8,579.5	9,231.0	9,941.6
Cost of sales and services	(5,087.3)	(5,194.5)	(6,031.1)
Gross profit	3,492.2	4,036.5	3,910.5
Selling expenses	(610.4)	(712.9)	(619.5)
Administrative expenses	(717.1)	(653.2)	(846.6)
Operating profit	2,120.3	2,672.2	2,354.3
Financial income (expenses), net	(10.0)	(379.4)	(633.6)
Net income	1,507.7	1,630.5	1,223.4
Earnings per share – basic and diluted	6.62	7.16	5.37
Earnings per ADS – basic and diluted	13.24	14.32	10.74

Dividends and interest on shareholders' equity per share	1.73	2.00	1.27
Weighted average number of common shares outstanding	227,836,623	227,836,623	227,836,623

(1) American Depositary Shares, or ADS.

	<b>2009</b>	<b>As of December 31, 2010</b>	<b>2011</b>
	<i>(in millions of reais)</i>		
<b>Balance sheet data:</b>			
Property, plant and equipment, net (*)	190.4	249.6	356.5
Intangible assets, net (*)	16,917.5	18,546.8	20,141.7
Total assets	20,243.1	23,350.6	25,215.0
Short-term loans and financing	1,009.9	1,242.1	1,630.0
Long-term loans and financing	5,548.0	7,022.5	6,966.3
Interest on shareholders' equity payable	365.4	354.3	247.5
Total liabilities	11,804.5	13,668.8	14,669.1
Shareholders' equity	8,438.6	9,681.8	10,545.9
Capital stock	6,203.7	6,203.7	6,203.7
<b>Other financial information:</b>			
Cash provided by operating activities	2,072.5	2,083.0	2,717.1
Cash used in investing activities	(1,964.0)	(2,091.4)	(2,008.3)
Cash provided by (used in) financing activities	36.9	1,226.5	(548.0)
Capital expenditures	(1,982.4)	(1,901.5)	2,211.1

(\*) Reclassification between property, plan and equipment and intangible assets, in the amounts of R\$139.8 million in 2009.

**Operating Data**

	<b>As of and for the year ended December 31,</b>				
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Number of water connections (in thousands)	6,767	6,945	7,118	7,295	7,481
Number of sewage connections (in thousands)	5,167	5,336	5,520	5,718	5,921
Percentage of population with water connections (in percentages)	99	99	99	99	99
Percentage of population with sewer connections (in percentages)	79	79	80	81	82
Volume of water billed during period (in millions of cubic meters)	1,847	1,878	1,917	1,992	2,045
Water loss percentage during period (average)(in percentages)(1)	29.5	27.9	26.0	26.0	25.6
Water loss per connection (average)(2)	467	436	402	403	395
Number of employees					