

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

May 27, 2014

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 May 27, 2014
(Commission File No. 1-31317)

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

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

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

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

Form 20-F Form 40-F

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

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

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

Yes No

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

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

Rui de Britto Álvares Affonso

Chief Financial Officer and Investor Relations Officer

Mario Azevedo de Arruda Sampaio

Head of Capital Markets and Investor Relations

SABESP announces 1Q14 results

São Paulo, May 15, 2014 - **Companhia de Saneamento Básico do Estado de São Paulo - SABESP** (BM&FBovespa: SBSP3; NYSE: SBS), one of the largest water and sewage services providers in the world based on the number of costumers, announces today its results for the **first quarter of 2014 (1Q14)**. The Company's operating and financial information, except when indicated otherwise is presented in Brazilian Reais, in accordance with the Brazilian Corporate Law. All comparisons in this release, unless otherwise stated, refer to the same period of 2013.

SBSP3: R\$ 21.17/share

SBS: US\$ 9.53 (ADR=1 share)

Total shares: 683,509,869

Market value: R\$ 14.5 billion

Closing price: 05/15/2014

R\$ million

1. Financial highlights

	<i>R\$ million</i>			
(+) Gross operating revenue	2,318.82	2,444.5	125.7	5.4
(+) Construction revenue	495.6	531.2	35.6	7.2
(-) COFINS and PASEP taxes	169.4	183.7	14.3	8.4
(=) Net operating revenue	2,645.02	2,792.0	147.0	5.6
(-) Costs and expenses	1,432.61	1,515.5	82.9	5.8
(-) Construction costs	486.0	520.5	34.5	7.1
(+) Equity result	(0.1)	(0.4)	(0.3)	-
(+) Other operating revenue/expenses	8.8	(43.1)	(51.9)	-
(=) Earnings before financial result, income tax and social contribution	735.1	712.5	(22.6)	(3.1)
(+) Net financial	27.3	27.5	0.2	0.7
(=) Earnings before income tax and social contribution	762.4	740.0	(22.4)	(2.9)
(+) Income tax and social contribution	(266.2)	(262.4)	3.8	(1.4)
Net Income	496.2	477.6	(18.6)	(3.7)
Earnings per share (R\$)	0.73	0.70		
* Total shares = 683,509,869				

Adjusted EBITDA Reconciliation (Non-accounting measures)

	<i>R\$ million</i>			
Net income	496.2	477.6	(18.6)	(3.7)
(+) Income tax and social contribution	266.2	262.4	(3.8)	(1.4)
(+) Net financial	(27.3)	(27.5)	(0.2)	0.7
(+) Other operating revenues/expenses	(8.8)	43.1	51.9	-
(=) Earnings before financial result (EBIT)*	726.3	755.6	29.3	4.0
(+) Depreciation and amortization	195.2	260.2	65.0	33.3
(=) Adjusted EBITDA **	921.5	1,015.8	94.3	10.2
(%) Adjusted EBITDA margin	34.8	36.4		

(* Earnings before interest, income tax and social contribution.

(**) Adjusted EBITDA is net income before: (i) depreciation and amortization; (ii) income tax and social contribution; (iii) financial result; and (iv) other operating revenues/expenses, net.

In 1Q14, net operating revenue reached R\$ 2.8 billion; a 5.6% increase compared to 1Q13.

Costs and expenses, including construction costs, increased 6.1%, from R\$ 1.9 billion in 1Q13 to R\$ 2.0 billion this quarter.

EBIT grew 4.0%, from R\$ 726.3 million in 1Q13 to R\$ 755.6 million in 1Q14.

Adjusted EBITDA increased 10.2%, from R\$ 921.5 million in 1Q13 to R\$ 1,015.8 million in 1Q14.

The adjusted EBITDA margin moved from 34.8% in 1Q13 to 36.4% in 1Q14. Excluding construction revenues and construction costs, the adjusted EBITDA margin was 44.5% in 1Q14 (42.4% in 1Q13).

Net income dropped 3.7%, from R\$ 496.2 million in 1Q13 to R\$ 477.6 million in 1Q14.

2. Gross operating revenue

Gross operating revenue from water and sewage grew from R\$ 2.3 billion in 1Q13 to R\$ 2.4 billion in 1Q14, an increase of R\$ 125.7 million or 5.4%.

The main factors that led to this variation were:

- Increase of 5.2% in the Company's total billed volume (4.9% in water and 5.5% in sewage); and
- Average effect of the 5.3% tariff adjustment.

The tariff adjustments in 2013 were:

- The tariff repositioning index of 2.35% applied since April 2013; and
- Tariff adjustment of 3.1% since December 2013.

The increases mentioned above were partially offset by the higher reversion of estimated revenue in 1Q14, in the amount of R\$ 75.6 million, compared to 1Q13 and by higher provision for revenue losses on the wholesale basis, in the amount of R\$ 39.6 million.

3. Construction revenue

Construction revenue increased R\$ 35.6 million or 7.2%, when compared to 1Q13. The variation was mainly due to higher investments in 1Q14.

4. Billed volume

The following tables show the water and sewage billed volume, quarter-on-quarter, per customer category and region.

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

Residential	389.0	410.6	5.6	321.2	340.3	5.9	710.2	750.9	5.7
Commercial	43.1	44.9	4.2	40.0	42.0	5.0	83.1	86.9	4.6
Industrial	9.6	10.2	6.3	10.6	11.2	5.7	20.2	21.4	5.9
Public	12.9	13.7	6.2	10.1	10.6	5.0	23.0	24.3	5.7
Total retail	454.6	479.4	5.5	381.9	404.1	5.8	836.5	883.5	5.6
Wholesale	74.5	75.5	1.3	7.3	6.6	(9.6)	81.8	82.1	0.4
Total	529.1	554.9	4.9	389.2	410.7	5.5	918.3	965.6	5.2

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

Metropolitan	296.8	308.9	4.1	252.3	262.9	4.2	549.1	571.8	4.1
Regional ⁽²⁾	157.8	170.5	8.0	129.6	141.2	9.0	287.4	311.7	8.5
Total retail	454.6	479.4	5.5	381.9	404.1	5.8	836.5	883.5	5.6
Wholesale	74.5	75.5	1.3	7.3	6.6	(9.6)	81.8	82.1	0.4
Total	529.1	554.9	4.9	389.2	410.7	5.5	918.3	965.6	5.2

(1) Unaudited

(2) Including coastal and interior region

5. Costs, administrative and selling expenses

In 1Q14, costs, administrative and selling expenses, grew 6.1% (R\$ 117.4 million). Excluding construction costs, total costs and expenses grew 5.8%. As a percentage of net revenue, cost and expenses moved from 72.5% in 1Q13 to 72.9% in 1Q14.

	<i>R\$ million</i>			
Payroll and benefits	461.8	496.7	34.9	7.6
Supplies	44.3	47.1	2.8	6.3
Treatment supplies	64.9	69.7	4.8	7.4
Services	228.7	314.7	86.0	37.6
Electric power	144.8	140.0	(4.8)	(3.3)
General expenses	215.4	152.7	(62.7)	(29.1)
Tax expenses	40.1	19.7	(20.4)	(50.9)
Sub-total	1,200.0	1,240.6	40.6	3.4
Depreciation and amortization	195.2	260.2	65.0	33.3
Credit write-offs	37.4	14.7	(22.7)	(60.7)
Sub-total	232.6	274.9	42.3	18.2
Costs and expenses	1,432.6	1,515.5	82.9	5.8
Construction costs	486.0	520.5	34.5	7.1
Costs, adm., selling and construction expenses	1,918.6	2,036.0	117.4	6.1
% of net revenue	72.5	72.9	-	-

5.1. Payroll and benefits

In 1Q14 payroll and benefits grew R\$ 34.9 million or 7.6%, from R\$ 461.8 million to R\$ 496.7 million, due to the following:

- 8.0% increase in wages since May 2013 and the implementation of the Company's new career and wage plan carried out by the Company, with an impact of approximately R\$ 24.0 million;
- R\$ 5.7 million upturn in the provision for the Pension Plan, arising from changes in actuarial assumptions;

- R\$ 4.0 million increase from the higher number of employees who are entitled to request retirement (TAC); and
- R\$ 2.3 million increase in meal expenses, mainly due to the 13.6% adjustment on meal voucher in May 2013, settled in the collective bargaining agreement.

5.2. Supplies

In 1Q14, expenses with supplies increased by R\$ 2.8 million or 6.3%, when compared to the previous year, from R\$ 44.3 million to R\$ 47.1 million, mostly due to:

- Preventive and corrective maintenance in several water and sewage systems, in the amount of R\$ 1.6 million; and
- Expenses with fuel and lubricants, in the amount of R\$ 1.1 million, from the increase in prices of diesel and ethanol in March and November, 2013, in addition to increased mileage traveled.

5.3. Treatment supplies

Treatment supplies expenses in 1Q14 were R\$ 4.8 million or 7.4% higher than in 1Q13, from R\$ 64.9 million to R\$ 69.7 million. The main factors for this variation were:

- Increase in the consumption of aluminum polychloride, in the amount R\$ 1.9 million, essentially in the Rodolfo Costa e Silva, Guaraú, Campo Limpo Paulista, Presidente Prudente and Hortolândia Water Treatment Stations (WTS) with an upturn of 40.0% in the average cost;

- Increase of R\$ 1.8 million in the consumption of aluminum sulfate, due to the decline in the quality of untreated water in the Casa Grande and Rio Claro WTS, with a 15.5% increase in consumption and of 38.6% in the average cost.; and
- Increase of R\$ 1.2 million in the consumption of Sodium hypochlorite, with a 20.6% increase in consumption and of 11.4% in the average cost.

5.4. Services

Services grew R\$ 86.0 million or 37.6%, from R\$ 228.7 million in 1Q13 to R\$ 314.7 million in 1Q14. The main factors were:

- Reversal of provision in the amount of R\$ 41.4 million, due to the end of the agreement settled with the São Paulo Municipal Government in 1Q13, non-recurring;
- Expenses with legal services in the amount of R\$ 13.0 million, regarding the agreement for the resumption of the operation in the municipality of Diadema;
- Expenses with risk contracts for credit recovery, in the amount of R\$ 8.4 million. As a result of these contracts, collection initiatives generated an increase of R\$ 51.8 million in revenue in 1Q14;
- Maintenance in the water and sewage network connections, in the amount of R\$ 6.5 million, mainly due to the intensification of water loss prevention and the execution of services in several areas of the São Paulo Metropolitan Region;
- Maintenance of software and equipment, in the amount of R\$ 5.5 million;
- Hydrometer reading and bill delivery expenses in the amount of R\$ 2.7 million, as a result of the new contracts with services expansion, such as: property inspections, service requests, analysis of outstanding debt and revision of bills;
- Hiring of consultancy, advisory and specialized services, with a R\$ 2.7 million increase, mainly comprising: (i) SiiS project – Sabesp integrated information system, support, updates, maintenance services and information safety management training; and (ii) value generation project through GVA system; and
- Preventive and corrective maintenance in the water and sewage systems in the amount of R\$ 2.4 million.

5.5. Electric power

This item decreased R\$ 4.8 million, or 3.3%, from R\$ 144.8 million in 1Q13 to R\$ 140.0 million this quarter, mainly due to the average reduction of 14.0% in regulated market and distribution grid tariffs, and partially offset by the average increase of 7.1% in free market tariffs associated with the upturn in consumption

5.6. General expenses

General expenses dropped by R\$ 62.7 million or 29.1%, from R\$ 215.4 million in 1Q13 to R\$ 152.7 million in 1Q14, due to the following:

- Decrease in the provision for lawsuits in the amount of R\$ 59.6 million, mainly related to civil (R\$ 32.1 million), environmental (R\$ 19.9 million) and labor (R\$ 6.2 million) contingencies; and
- Agreements for environmental compensation, in the amount of R\$ 17.3 million in 1Q13.

These decreases were offset, in part, by:

- Provision for unrecoverable losses in the amount of R\$ 4.1 million; and
- R\$ 3.3 million in provision related to the transfer to the Municipal Fund for Environmental Sanitation and Infrastructure, pursuant to the Service Agreement with the São Paulo Municipal Government, as a result of the increase in revenues; and

- R\$ 3.3 million due to institutional support aiming the rational use of water.

5.7. Depreciation and amortization

Depreciation and amortization increased R\$ 65.0 million or 33.3%, from R\$ 195.2 million in 1Q13 to R\$ 260.2 million in 1Q14, due to the beginning of operations of intangible assets, in the amount of R\$ 1.8 billion.

5.8. Credit write-offs

Credit write-offs decreased R\$ 22.7 million or 60.7%, from R\$ 37.4 million in 1Q13 to R\$ 14.7 million in 1Q14, chiefly due to the lower provision for possible loan losses and higher recoveries through agreements.

5.9. Tax expenses

In 1Q14, there was a decrease of R\$ 20.4 million or 50.9%, chiefly due to increase tax expenses in 1Q13.

6. Other operating revenues and expenses

6.1. Other operating revenues

Recorded a R\$ 5.9 million increase, mainly due to revenue from the Rational Water Use Program (PURA) in 1Q14.

6.2. Other operating expenses

R\$ 57.8 million increase in other operating expenses due to:

- Provision for the write-off of works and projects in the amount of R\$ 31.4 million;
- Provision for losses regarding contractual payments related to the agreement with the municipality of Diadema, in the amount of R\$ 13.0 million; and
- Provision for the write-off of hydrometers in the amount of R\$ 11.6 million.

7. Net financial

	<i>R\$ million</i>			
Financial expenses, net of revenues	(77.8)	(65.6)	12.2	(15.7)
Net monetary and exchange variation	105.1	93.1	(12.0)	(11.4)
Net financial	27.3	27.5	0.2	0.7

7.1. Financial revenues and expenses

	<i>R\$ million</i>			
Financial expenses				
Interest and charges on domestic loans and financing	(82.5)	(82.2)	0.3	(0.4)
Interest and charges on international loans and financing	(18.4)	(24.4)	(6.0)	32.6
Other financial expenses	(41.3)	(30.5)	10.8	(26.2)
Total financial expenses	(142.2)	(137.1)	5.1	(3.6)
Financial revenues	64.4	71.5	7.1	11.0
Financial expenses net of revenues	(77.8)	(65.6)	12.2	(15.7)

7.1.1. Financial expenses

Financial expenses dropped R\$ 5.1 million or 3.6%. The main reasons were:

- R\$ 10.8 million decrease in other financial expenses, chiefly due to: (i) lower interest due to lower need of provision for lawsuits, in the amount of R\$ 20.3 million; and (ii) costs with funding in the amount of R\$ 3.9 million, due to the early settlement of the balance of the 11th debenture issue in March 2013; and
- Increase in interest and charges on international loans and financing, due to the increase in total debt, from higher funding, specially the BID loan.

7.1.2. Financial revenues

Financial revenues increased by R\$ 7.1 million or 11.0%, due to the higher interest rate from financial investments.

7.2. Net monetary variation

	<i>R\$ million</i>			
Exchange variation on loans and financing	129.6	117.0	(12.6)	(9.7)
Monetary variation on loans and financing	(24.1)	(33.0)	(8.9)	36.9
Other monetary variations	(29.4)	(15.9)	13.5	(45.9)
Monetary variation on liabilities	76.1	68.1	(8.0)	(10.5)
Monetary variation on assets	29.0	25.0	(4.0)	(13.8)
Monetary/exchange variation, net	105.1	93.1	(12.0)	(11.4)

7.2.1. Monetary/currency exchange variation on liabilities

The effect on the monetary/currency exchange variation on liabilities in 1Q14 was R\$ 8.0 million or 10.5% lower than in 1Q13, specially:

- Decrease of R\$ 12.6 million in revenues of exchange rate variation over loans and financing, mainly deriving from the lower depreciation of the Japanese Yen versus Brazilian Real in 1Q14 of 1.6%, when compared to the 9.7% depreciation in 1Q13; partially offset by the depreciation of the US Dollar versus Brazilian Real of 3.4% in 1Q14, compared to a 1.5% depreciation in 1Q13; and
- R\$ 8.9 million increase in monetary variation expenses over domestic loans and financing, especially the series restated by the IPCA rate of the 17th and 18th debenture issues in February and December 2013, respectively; and
- R\$ 13.5 million decrease in other monetary variation from the lower need for provision for lawsuits.

7.2.2. Monetary variation on assets

Monetary variation on assets decreased by R\$ 4.0 million in 1Q14, chiefly due to monetary adjustment in 1Q13, for the period between the date the 17th issue debenture was issued (January 2013) and the date it was settled (February 2013).

8. Income tax and social contribution

Income tax and social contribution expenses decreased by R\$ 3.8 million, due to the drop in taxable income in the period.

9. Indicators

9.1. Operating

The Company continues to expand its water and sewage connection to serve the population of its operating area, as shown in the chart below.

Regarding the non-revenue water, with the progress of the Corporate Program for Water Loss Reduction the results are already noticeable, with a decrease of the loss ratio to 24.1% this quarter. The Company expects even better results along 2014 and 2015, due to the Program's progress.

Water connections ⁽¹⁾	7,726	7,938	2.7
Sewage connections ⁽¹⁾	6,172	6,386	3.5
Population directly served - water ⁽²⁾	24.3	24.6	1.2
Population directly served - sewage ⁽²⁾	21.1	21.6	2.4
Number of employees	15,065	14,920	(1.0)
Water volume produced ⁽³⁾	762	778	2.1
Non-revenue water (%)	25.5	24.1	(5.5)

(1) Total connections, active and inactive, in thousand units at the end of the period

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

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

(*) Unaudited

9.2. Financial

Amplified Consumer Price Index (IPCA)	1.94%	2.18%
Referential Rate (TR)	0.00%	0.19%
Interbank Deposit Certificate (CDI)	7.01%	10.55%
US DOLAR (R\$)	2.0138	2.2630

YEN (R\$)

0.0214

0.02197

(*) Unaudited

10. Loans and financing

R\$ million

Local market

Banco do Brasil	-	-	-	-	-	-	-	-
Caixa Econômica Federal	58.2	64.7	64.7	67.8	71.7	75.0	664.4	1,066.5
Debentures	0.0	594.4	236.5	257.4	437.7	505.3	505.2	2,536.5
Debentures BNDES	49.5	74.0	74.0					