

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

November 25, 2016

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 November, 2016
(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 3Q16 results

São Paulo, November 10, 2016 - **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 **3Q16 results**. 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 2015.

SBSP3: R\$ 30.25/share

SBS: US\$ 8.89 (ADR=1 share)

Total shares: 683,509,869

Market value: R\$ 20.7 billion

Closing quote: 11/10/2016

1. Financial highlights

| | <i>R\$ million</i> | | | | | | | |
|--|--------------------|-----------------|---------|---------|-----------------|-----------|---------|-----------|
| | 3 Q16 | 3Q15 Chg. (R\$) | % | 9 M16 | 9M15 Chg. (R\$) | % | | |
| Gross operating revenue | 2,854.1 | 2,327.2 | 526.9 | 22.6 | 8,148.2 | 6,378.9 | 1,769.3 | 27.7 |
| Construction revenue | 1,097.8 | 1,015.2 | 82.6 | 8.1 | 2,620.2 | 2,508.5 | 111.7 | 4.5 |
| COFINS and PASEP taxes | 206.1 | 145.4 | 60.7 | 41.7 | 556.2 | 398.9 | 157.3 | 39.4 |
| (=) Net operating revenue | 3,745.8 | 3,197.0 | 548.8 | 17.2 | 10,212.2 | 8,488.5 | 1,723.7 | 20.3 |
| Costs and expenses | 1,615.5 | 1,570.8 | 44.7 | 2.8 | 5,147.9 | 3,825.1 | 1,322.8 | 34.6 |
| Construction costs | 1,073.5 | 993.0 | 80.5 | 8.1 | 2,563.2 | 2,454.6 | 108.6 | 4.4 |
| Equity result | 0.5 | (1.3) | 1.8 | - | 2.3 | (0.4) | 2.7 | (675.0) |
| Other operating revenue (expenses), net | 6.3 | 54.3 | (48.0) | (88.4) | 27.9 | 98.1 | (70.2) | (71.6) |
| Earnings before financial result, income tax and social contribution | 1,063.6 | 686.2 | 377.4 | 55.0 | 2,531.3 | 2,306.5 | 224.8 | 9.7 |
| Financial result | (176.8) | (1,539.4) | 1,362.6 | (88.5) | 536.1 | (2,369.7) | 2,905.8 | (122.6) |
| Earnings before income tax and social contribution | 886.8 | (853.2) | 1,740.0 | (203.9) | 3,067.4 | (63.2) | 3,130.6 | (4,953.5) |
| Income tax and social contribution | 312.9 | (273.1) | 586.0 | (214.6) | 1,067.2 | (138.5) | 1,205.7 | (870.5) |
| (=) Net income | 573.9 | (580.1) | 1,154.0 | (198.9) | 2,000.2 | 75.3 | 1,924.9 | 2,556.3 |
| Earnings per share* (R\$) | 0.84 | - | 0.85 | | 2.93 | 0.11 | | |

* Total shares = 683,509,869

Adjusted EBITDA Reconciliation (Non-accounting measures)

| | <i>R\$ million</i> | | | | | | | |
|--|--------------------|-----------------|-----------|---------|---------|------------|-----------|---------|
| | 3Q16 | 3Q15 Chg. (R\$) | % | 9M16 | 9M15 | Chg. (R\$) | % | |
| Net income | 573.9 | (580.1) | 1,154.0 | (198.9) | 2,000.2 | 75.3 | 1,924.9 | 2,556.3 |
| Income tax and social contribution | 312.9 | (273.1) | 586.0 | (214.6) | 1,067.2 | (138.5) | 1,205.7 | (870.5) |
| Financial result | 176.8 | 1,539.4 | (1,362.6) | (88.5) | (536.1) | 2,369.7 | (2,905.8) | (122.6) |
| Other operating revenues (expenses), net | (6.3) | (54.3) | 48.0 | (88.4) | (27.9) | (98.1) | 70.2 | (71.6) |
| (=) Adjusted EBIT* | 1,057.3 | 631.9 | 425.4 | 67.3 | 2,503.4 | 2,208.4 | 295.0 | 13.4 |
| Depreciation and amortization | 280.2 | 271.3 | 8.9 | 3.3 | 859.1 | 808.7 | 50.4 | 6.2 |
| (=) Adjusted EBITDA ** | 1,337.5 | 903.2 | 434.3 | 48.1 | 3,362.5 | 3,017.1 | 345.4 | 11.4 |
| (%) Adjusted EBITDA margin | 35.7 | 28.3 | | | 32.9 | 35.5 | | |

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

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

In 3Q16, net operating revenue, including construction revenue, reached R\$ 3.7 billion; a 17.2% increase compared to the same period of 2015.

Costs and expenses, including construction costs, totaled R\$ 2.7 billion, 4.9% higher than 3Q15. Adjusted EBIT, in the amount of R\$ 1,057.3 million, grew 67.3% from R\$ 631.9 million recorded in 3Q15. Adjusted EBITDA, in the amount of R\$ 1,337.5 million, increased 48.1% from R\$ 903.2 million recorded in 3Q15 (R\$ 4,319.6 million in the last 12 months).

The adjusted EBITDA margin was 28.3% in 3Q15 and 35.7% in 3Q16 (32.2% in the last 12 months). Excluding construction revenues and construction costs, the adjusted EBITDA margin was 49.6% in 3Q16 (40.4% in 3Q15 and 42.5% in the last 12 months).

In 3Q16 the Company recorded a net income of R\$ 573.9 million, in comparison to a loss of R\$ 580.1 million in 3Q15.

2. Gross operating revenue

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Gross operating revenue from water and sewage, not including construction revenue, totaled R\$ 2.9 billion, an increase of R\$ 526.9 million or 22.6%, when compared to the R\$ 2.3 billion recorded in 3Q15.

The main factors that led to this variation were:

- Tariff increase of 8.4% since May 2016;
- Increase of 4.7% in the Company's total billed volume (4.5% in water and 4.9% in sewage); and
- In 3Q15 there was the bonus granted within the Water Consumption Reduction Incentive Program, concluded in April 2016, in the amount of R\$ 248.8 million.

The increase resulting from the above factors was partially offset by the suspension in April 2016 of the Contingency Tariff, in the amount of R\$ 144.8 million in 3Q15.

3. Construction revenue

Construction revenue increased R\$ 82.6 million or 8.1%, when compared to the same period of the previous year. The variation was mainly due to higher investments in the municipalities served by the Company.

4. Billed volume

The following tables show the water and sewage billed volume, quarter-on-quarter and 9-month basis, per customer category and region.

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

| Category | Water | | | Sewage | | | Water + Sewage | | |
|--------------------------|----------------|----------------|------------|----------------|----------------|------------|----------------|----------------|------------|
| | 3Q16 | 3Q15 | % | 3Q16 | 3Q15 | % | 3Q16 | 3Q15 | % |
| Residential | 377.6 | 363.1 | 4.0 | 321.0 | 306.1 | 4.9 | 698.6 | 669.2 | 4.4 |
| Commercial | 40.3 | 39.6 | 1.8 | 38.5 | 37.8 | 1.9 | 78.8 | 77.4 | 1.8 |
| Industrial | 8.0 | 8.0 | - | 9.5 | 9.6 | (1.0) | 17.5 | 17.6 | (0.6) |
| Public | 10.2 | 9.6 | 6.3 | 9.0 | 8.4 | 7.1 | 19.2 | 18.0 | 6.7 |
| Total retail | 436.1 | 420.3 | 3.8 | 378.0 | 361.9 | 4.4 | 814.1 | 782.2 | 4.1 |
| Wholesale ⁽³⁾ | 58.4 | 52.8 | 10.6 | 7.9 | 5.8 | 36.2 | 66.3 | 58.6 | 13.1 |
| Total | 494.5 | 473.1 | 4.5 | 385.9 | 367.7 | 4.9 | 880.4 | 840.8 | 4.7 |
| | 9M16 | 9M15 | % | 9M16 | 9M15 | % | 9M16 | 9M15 | % |
| Residential | 1,135.6 | 1,090.1 | 4.2 | 961.4 | 916.0 | 5.0 | 2,097.0 | 2,006.1 | 4.5 |
| Commercial | 121.7 | 119.5 | 1.8 | 115.7 | 113.4 | 2.0 | 237.4 | 232.9 | 1.9 |
| Industrial | 23.7 | 24.5 | (3.3) | 28.8 | 29.2 | (1.4) | 52.5 | 53.7 | (2.2) |
| Public | 30.5 | 30.8 | (1.0) | 26.8 | 24.8 | 8.1 | 57.3 | 55.6 | 3.1 |
| Total retail | 1,311.5 | 1,264.9 | 3.7 | 1,132.7 | 1,083.4 | 4.6 | 2,444.2 | 2,348.3 | 4.1 |
| Wholesale ⁽³⁾ | 167.1 | 164.9 | 1.3 | 21.1 | 18.3 | 15.3 | 188.2 | 183.2 | 2.7 |
| Total | 1,478.6 | 1,429.8 | 3.4 | 1,153.8 | 1,101.7 | 4.7 | 2,632.4 | 2,531.5 | 4.0 |

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

| Region | Water | | | Sewage | | | Water + Sewage | | |
|--------------------------|----------------|----------------|------------|----------------|----------------|------------|----------------|----------------|------------|
| | 3Q16 | 3Q15 | % | 3Q16 | 3Q15 | % | 3Q16 | 3Q15 | % |
| Metropolitan | 283.5 | 271.6 | 4.4 | 246.8 | 235.7 | 4.7 | 530.3 | 507.3 | 4.5 |
| Regional ⁽²⁾ | 152.6 | 148.7 | 2.6 | 131.2 | 126.2 | 4.0 | 283.8 | 274.9 | 3.2 |
| Total retail | 436.1 | 420.3 | 3.8 | 378.0 | 361.9 | 4.4 | 814.1 | 782.2 | 4.1 |
| Wholesale ⁽³⁾ | 58.4 | 52.8 | 10.6 | 7.9 | 5.8 | 36.2 | 66.3 | 58.6 | 13.1 |
| Total | 494.5 | 473.1 | 4.5 | 385.9 | 367.7 | 4.9 | 880.4 | 840.8 | 4.7 |
| | 9M16 | 9M15 | % | 9M16 | 9M15 | % | 9M16 | 9M15 | % |
| Metropolitan | 846.0 | 806.6 | 4.9 | 735.1 | 698.2 | 5.3 | 1,581.1 | 1,504.8 | 5.1 |
| Regional ⁽²⁾ | 465.5 | 458.3 | 1.6 | 397.6 | 385.2 | 3.2 | 863.1 | 843.5 | 2.3 |
| Total retail | 1,311.5 | 1,264.9 | 3.7 | 1,132.7 | 1,083.4 | 4.6 | 2,444.2 | 2,348.3 | 4.1 |
| Wholesale ⁽³⁾ | 167.1 | 164.9 | 1.3 | 21.1 | 18.3 | 15.3 | 188.2 | 183.2 | 2.7 |

| | | | | | | | |
|--------------|----------------|----------------|-------------------|----------------|-------------------|----------------|------------|
| Total | 1,478.6 | 1,429.8 | 3,41,153.8 | 1,101.7 | 4,72,632.4 | 2,531.5 | 4.0 |
|--------------|----------------|----------------|-------------------|----------------|-------------------|----------------|------------|

(1) Unaudited

(2) Including coastal and interior region

(3) Reused water volume and non-domestic sewage are included in

5. Costs, administrative, selling and construction expenses

In 3Q16, costs, administrative, selling and construction expenses, grew 4.9% (R\$ 125.2 million). Excluding construction costs, total costs and expenses increased by 2.8% (R\$ 44.7 million).

As a percentage of net revenue, costs and expenses were 80.2% in 3Q15 and 71.8% in 3Q16.

| | <i>R\$ million</i> | | | | | | | |
|---|--------------------|----------------|---------------|--------------|----------------|----------------|----------------|-------------|
| | 3Q16 | 3Q15 | Chg. (R\$) | % | 1H16 | 1H15 | Chg. (R\$) | % |
| Salaries and payroll charges and Pension plan obligations | 292.3 | 552.0 | (259.7) | (47.0) | 1,488.0 | 1,615.3 | (127.3) | (7.9) |
| General supplies | 45.6 | 42.0 | 3.6 | 8.6 | 124.5 | 133.7 | (9.2) | (6.9) |
| Treatment supplies | 64.0 | 62.9 | 1.1 | 1.7 | 205.3 | 198.8 | 6.5 | 3.3 |
| Services | 347.1 | 296.6 | 50.5 | 17.0 | 945.8 | 862.5 | 83.3 | 9.7 |
| Electricity | 224.7 | 220.0 | 4.7 | 2.1 | 707.9 | 587.4 | 120.5 | 20.5 |
| General expenses | 249.3 | 144.5 | 104.8 | 72.5 | 640.6 | 247.7 | 392.9 | 158.6 |
| Tax expenses | 22.6 | 19.6 | 3.0 | 15.3 | 66.5 | 57.9 | 8.6 | 14.9 |
| São Paulo state government reimbursement | - | - | - | - | - | (696.3) | 696.3 | - |
| Sub-total | 1,245.6 | 1,337.6 | (92.0) | (6.9) | 4,178.6 | 3,007.0 | 1,171.6 | 39.0 |
| Depreciation and amortization | 280.2 | 271.3 | 8.9 | 3.3 | 859.1 | 808.7 | 50.4 | 6.2 |
| Allowance for doubtful accounts | 89.7 | (38.1) | 127.8 | (335.4) | 110.2 | 9.4 | 100.8 | 1,072.3 |
| Sub-total | 369.9 | 233.2 | 136.7 | 58.6 | 969.3 | 818.1 | 151.2 | 18.5 |
| Costs, administrative and selling expenses | 1,615.5 | 1,570.8 | 44.7 | 2.8 | 5,147.9 | 3,825.1 | 1,322.8 | 34.6 |
| Construction costs | 1,073.5 | 993.0 | 80.5 | 8.1 | 2,563.2 | 2,454.6 | 108.6 | 4.4 |
| Costs, adm., selling and construction expenses | 2,689.0 | 2,563.8 | 125.2 | 4.9 | 7,711.1 | 6,279.7 | 1,431.4 | 22.8 |
| % of net revenue | 71.8 | 80.2 | | | 75.5 | 74.0 | | |

5.1. Salaries and payroll charges and Pension plan obligations

There was a decrease of R\$ 259.7 million in 3Q16, mainly due to:

- Decrease of R\$ 307.4 million due to the migration of 3,572 participants from the Defined Benefit Plan (G1) to the Defined Contribution Plan (Sabesprev Mais), generating an advance decrease of R\$ 334.2 million in the actuarial deficit, offset by the extraordinary contribution and incentive of R\$ 26.8 million;

The above decrease was partly compensated by the following factors:

- Increase of R\$ 24.1 million due to the application of a 10.03% salary adjustment in May 2016;
- Increase of R\$ 13.7 million in provision for severance pay (TAC); and
- R\$ 8.8 million rise in provisions for supplementary payments for retirement plans and pensions under the G0 Plan, due to changes in actuarial assumptions.

5.2. Services

Services expenses, in the amount of R\$ 347.1 million, grew R\$ 50.5 million or 17.0%, in comparison to R\$ 296.6 million in 3Q15. The main items that led to this increase were:

- Advertising campaigns amounting to R\$ 14 million;
- Maintenance of networks and sewage connections, amounting to R\$ 11.7 million;
- Cost of leasing power generator machines for transferring water from the Rio Grande to the Taiapuêba reservoir, at a cost of R\$ 6.7 million;
- Reading water meters and delivering bills, R\$ 4.5 million; and
- Surveillance contract, R\$ 3.4 million.

5.3. Electricity

Electricity expenses totaled R\$ 224.7 million in 3Q16, an increase of R\$ 4.7 million or 2.1% in comparison to the R\$ 220.0 million in 3Q15. The main factors that contributed to this increase were:

- Average increase of 12.0% in the free market tariffs, with an 8.5% increase in consumption;
- Average increase of 2.7% in the grid market tariff (TUSD), with a 7.4% decrease in consumption; and
- Average fall of 8.6% in the regulated market tariffs, with consumption remaining stable.

In 3Q16, the regulated market accounted for 37.1% of the total electricity consumed by the Company, the free market accounted for 33.7% and the grid market accounted for 29.2% of total consumption.

5.4. General expenses

General expenses increased R\$ 104.8 million, totaling R\$ 249.3 million in 3Q16, versus the R\$ 144.5 million recorded in 3Q15, mainly due to:

- Provision of R\$ 38.1 million concerning the agreement entered into with EMAE – Empresa Metropolitana de Águas e Energia;
- R\$ 21.1 million increase in provisioning for court proceedings;
- Higher provision for the Municipal Fund for Environmental Sanitation and Infrastructure, in the amount of R\$ 21.8 million, as a result of the increase in revenues with the municipality of São Paulo; and
- Reversal of provision in 3Q15, amounting to R\$ 17.9 million, due to the recovery of money from the São Paulo State Government (GESP), due to employees assignment.

5.5. Tax expenses

Increase of R\$ 3.0 million, largely due to the increase in the Municipal Property Tax (IPTU) in 2016, related to the properties in São Paulo.

5.6. Depreciation and amortization

R\$ 8.9 million increase or 3.3%, reaching R\$ 280.2 million in 3Q16 in comparison to the R\$ 271.3 million recorded in 3Q15, largely due to the beginning of operations of intangible assets, in the amount of R\$ 2.2

5.7. Allowance for doubtful accounts

R\$ 127.8 million increase, due mainly to:

- Increase in the write-offs, net of recoveries, amounting to R\$ 39.5 million;
- Increase in delinquency, generating a supplement of 49.5 million; and
- Reversal of R\$ 70.5 million in the provision for losses with municipalities in 3Q15.

This increase was partially offset by the increased receipt of court-ordered debt payments, especially from the city of Guarulhos, amounting to R\$ 31.6 million.

6. Other operating revenues (expenses), net

Other net operational revenues and expenses reported a negative variation of R\$ 48.0 million, mainly due to the following non-recurring events in 3Q15:

- Receipt of R\$ 22.1 million from REAGUA - Programa Estadual de Apoio à Recuperação de Águas (State Program to Support Water Recovery);
- Sale of properties for R\$ 16.6 million; and
- Sale of surplus electricity for R\$ 4 million.

7. Financial result

| | <i>R\$ million</i> | | | |
|-------------------------------------|--------------------|------------------|----------------|---------------|
| | 3Q16 | 3Q15 | Chg. | % |
| Financial expenses, net of income | (91.7) | (105.6) | 13.9 | (13.2) |
| Net monetary and exchange variation | (85.1) | (1,433.8) | 1,348.7 | (94.1) |
| Financial result | (176.8) | (1,539.4) | 1,362.6 | (88.5) |

7.1. Financial income and expenses

| | <i>R\$ million</i> | | | |
|---|--------------------|----------------|-------------|---------------|
| | 3Q16 | 3Q15 | Chg.% | |
| Financial expenses | | | | |
| Interest and charges on international loans and financing | (28.5) | (39.2) | 10.7 | (27.3) |
| Interest and charges on domestic loans and financing | (80.5) | (80.9) | 0.4 | (0.5) |
| Other financial expenses | (49.2) | (50.4) | 1.2 | (2.4) |
| Total financial expenses | (158.2) | (170.5) | 12.3 | (7.2) |
| Financial income | 66.5 | 64.9 | 1.6 | 2.5 |
| Financial expenses net of income | (91.7) | (105.6) | 13.9 | (13.2) |

Decrease of R\$ 13.9 million, mainly because of lower costs for interest and charges on external loans and financing, which fell by R\$ 10.7 million due to lower debt balances due to the devaluation of the dollar and the yen at the close of 3Q16, against 3Q15 (-18.3% and -3.3%, respectively).

7.2. Monetary and exchange rate variation on assets and liabilities

| | <i>R\$ million</i> | | | |
|--|--------------------|------------------|----------------|---------------|
| | 3Q16 | 3Q15 | Chg. | % |
| Monetary variation on loans and financing | (24.4) | (25.9) | 1.5 | (5.8) |
| Currency exchange variation on loans and financing | (79.2) | (1,448.9) | 1,369.7 | (94.5) |
| Other monetary variations | (9.1) | (18.6) | 9.5 | (51.1) |
| Monetary/exchange rate variation on liabilities | (112.7) | (1,493.4) | 1,380.7 | (92.5) |
| Monetary/exchange rate variation on assets | 27.6 | 59.6 | (32.0) | (53.7) |
| Monetary/exchange rate variation, net | (85.1) | (1,433.8) | 1,348.7 | (94.1) |

7.2.1 Monetary and exchange rate variation on liabilities

The effect of unfavorable monetary and currency variations in 3Q16 was R\$ 1,380.7 million less than in 3Q15, in particular:

- A positive variation of R\$ 1,369.7 million in the cost of currency variations on loans and financing, due to the lower appreciation of the dollar and the yen against the *Real* in 3Q16 (1.1% and 2.7%, respectively), compared with their appreciation in 3Q15 (28.1% and 30.5%, respectively); and
- Decrease in the cost of other monetary variations by R\$ 9.5 million, principally due to lower provisioning for court proceedings in 3Q16.

7.2.2 Monetary and exchange rate variation on assets

A decrease of R\$ 32 million, mainly due to the non-recurring monetary adjustment of the agreement with the municipality of Santos in 3Q15.

8. Income tax and social contribution

Grew R\$ 586.0 million, due to the increase in taxable income in 3Q16, when compared to 3Q15.

9. Indicators

9.1. Operating

The volume of water produced remained with an upward trend in the quarter and had an increase of 9.1%. In the year, the increase was of 9.4%.

Concerning the water losses, it's possible to observe that the loss regarding the micro-measurement (IPM) increased from 28.3% in 3Q15 to 31.4% in 3Q16. The figure of the 3Q15 was influenced not only by loss control initiatives, but also by the demand management, resulting from the water crisis and the consequent need to reduce the pressure on the network. It is worth remembering that this measurement considers the average of the last 12 months.

| Operating indicators * | 3Q16 | 3 Q15 | % |
|---|--------|--------|------|
| Water connections (1) | 8,595 | 8,366 | 2.7 |
| Sewage connections (1) | 7,036 | 6,806 | 3.4 |
| Population directly served - water (2) | 25.7 | 25.5 | 0.8 |
| Population directly served - sewage (2) | 23.2 | 22.7 | 2.2 |
| Number of employees | 14,172 | 14,056 | 0.8 |
| Water volume produced in the quarter(3) | 671 | 615 | 9.1 |
| Water volume produced in 9M (3) | 2,007 | 1,834 | 9.4 |
| IPM - Measured water loss (%) | 31.4 | 28.3 | 11.0 |
| IPDt (liters/connection x day) | 299 | 261 | 14.6 |

(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

(*) Unaudited

9.2. Financial

| Economic Indexes * (quarter end) | 3Q16 | 3Q15 |
|--|---------|---------|
| Accumulated Amplified Consumer Price Index (%) | 1.04 | 1.39 |
| Accumulated Referential Rate (%) | 0.58 | 0.61 |
| Interbank Deposit Certificate (%) | 14.13 | 14.13 |
| US DOLAR (R\$) | 3.2462 | 3.9729 |
| YEN (R\$) | 0.03207 | 0.03316 |

(*) Unaudited

10. Loans and financing

In October 2016, the Company raised a foreign loan of US\$ 150 million, for a term of 3 years, with interest at a margin of 4.5% p.a. over the 3-month LIBOR rate. Interest on the loan will be payable quarterly, and capital repayments will be six-monthly after an 18-month grace period. The proceeds of the loan were used to settle the Eurobond 2016 issue, for a total of US\$ 140 million, and other debts maturing in 2016.

R\$ million

| INSTITUTION | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|----------------------------------|--------------|----------------|----------------|----------------|----------------|--------------|----------------|-----------------|
| | | | | | | | Onwards | |
| Local currency | | | | | | | | |
| Caixa Econômica Federal | 13.8 | 58.2 | 62.2 | 64.0 | 66.2 | 69.6 | 791.7 | 1,125.7 |
| Debentures | 43.2 | 595.3 | 887.7 | 998.3 | 415.4 | 196.5 | 429.2 | 3,565.6 |
| BNDES | 21.3 | 85.3 | 87.3 | 90.0 | 72.2 | 71.7 | 354.0 | 781.8 |
| Leasing | 3.6 | 26.1 | 27.4 | 28.8 | 30.3 | 32.0 | 402.7 | 550.9 |
| Others | 0.2 | 0.7 | 1.4 | 1.4 | 1.4 | 1.4 | 5.3 | 11.8 |
| Interest and other charges | 59.7 | 67.4 | - | - | - | - | - | 127.1 |
| Total in local currency | 141.8 | 833.0 | 1,066.0 | 1,182.5 | 585.5 | 371.2 | 1,982.9 | 6,162.9 |
| Foreign currency | | | | | | | | |
| IADB | 86.0 | 147.2 | 106.4 | 106.4 | 106.4 | 106.4 | 1,143.4 | 1,802.2 |
| IBRD | - | - | - | 8.2 | 16.4 | 16.4 | 205.2 | 246.2 |
| Eurobonds | 454.5 | - | - | - | 1,132.7 | - | - | 1,587.2 |
| JICA | 0.0 | 71.5 | 72.9 | 118.1 | 118.1 | 118.1 | 1,297.1 | 1,795.8 |
| BID 1983AB | - | 77.7 | 77.0 | 57.4 | 55.5 | 25.0 | 47.7 | 340.3 |
| Interest and other charges | 48.3 | 6.0 | - | - | - | - | - | 54.3 |
| Total in foreign currency | 588.8 | 302.4 | 256.3 | 290.1 | 1,429.1 | 265.9 | 2,693.4 | 5,826.0 |
| Total | 730.6 | 1,135.4 | 1,322.3 | 1,472.6 | 2,014.6 | 637.1 | 4,676.3 | 11,988.9 |

11. Capex

In the third quarter of 2016, the Company invested R\$ 1.1 billion, totaling R\$ 2.7 billion in the first nine months of 2016.

12. Conference calls

In Portuguese

November 11, 2016

6:30 am (US EST) / 9:30 am (Brasília)

Dial in: 55 (11) 3127-4971 or

55 (11) 3728-5971

Conference ID: Sabesp

Replay available for 7 days

Dial in: 55 (11) 3127-4999

Replay ID: 53766646

[Click here](#) to access the webcast

In English

November 11, 2016

8:00 am (US EST) / 11:00 am (Brasília)

Dial in: 1 (412) 317-5486

Conference ID: Sabesp

Replay available for 7 days

Dial in: 1(412) 317-0088

Replay ID: 10092615

[Click here](#) to access the webcast

For more information, please contact:

Mario Arruda Sampaio

Head of Capital Markets and Investor Relations

Phone: (55 11) 3388-8664

E-mail: maasampaio@sabesp.com.br

Angela Beatriz Airoidi

Investor Relations Manager

Phone.(55 11) 3388-8793

E-mail: abaioldi@sabesp.com.br

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

Income Statement

| Brazilian Corporate Law | R\$ '000 | |
|---|------------------|------------------|
| | 3Q16 | 3Q15 |
| Net Operating Income | 3,745,807 | 3,196,992 |
| Operating Costs | (2,236,740) | (2,261,459) |
| Gross Profit | 1,509,067 | 935,533 |
| Operating Expenses | | |
| Selling | (234,226) | (109,709) |
| Administrative revenue (expenses) | (218,041) | (192,637) |
| Other operating revenue (expenses), net | 6,264 | 54,315 |
| Operating Income Before Shareholdings | 1,063,064 | 687,502 |
| Equity Result | 525 | (1,375) |
| Earnings Before Financial Results, net | 1,063,589 | 686,127 |
| Financial, net | (97,717) | (90,482) |
| Exchange gain (loss), net | (79,093) | (1,448,928) |
| Earnings before Income Tax and Social Contribution | 886,779 | (853,283) |
| Income Tax and Social Contribution | | |
| Current | (243,481) | (674) |
| Deferred | (69,411) | 273,813 |
| Net Income (loss) for the period | 573,887 | (580,144) |
| Registered common shares ('000) | 683,509 | 683,509 |
| Earnings per shares - R\$ (per share) | 0.84 | (0.85) |
| Depreciation and Amortization | (280,217) | (271,311) |
| Adjusted EBITDA | 1,337,542 | 903,123 |
| % over net revenue | 35.7% | 28.2 |

| Net Operating Income Breakdown | R\$ '000 | |
|---|------------------|------------------|
| | 3Q16 | 3Q15 |
| Gross operating income | 3,951,882 | 3,342,404 |
| Water supply - retail | 1,484,426 | 1,257,278 |
| Water supply - wholesale | 25,138 | 26,644 |
| Sewage collection and treatment | 1,290,092 | 998,435 |
| Sewage collection and treatment - wholesale | 9,783 | 5,615 |
| Construction revenue - water | 770,619 | 732,144 |
| Construction revenue - sewage | 327,180 | 283,094 |
| Other services | 44,644 | 39,194 |
| Gross sales deductions (Cofins/Pasep) | (206,075) | (145,412) |
| Net operating income | 3,745,807 | 3,196,992 |

Balance Sheet

| Brazilian Corporate Law | R\$ ' 000 | |
|---|-------------------|-------------------|
| ASSETS | 09/30/2016 | 12/31/2015 |
| Current assets | | |
| Cash and cash equivalents | 1,415,465 | 1,639,214 |
| Trade receivables | 1,465,317 | 1,326,972 |
| Related parties and transactions | 157,091 | 156,155 |
| Inventories | 51,886 | 64,066 |
| Restricted cash | 18,429 | 29,156 |
| Current recoverable taxes | 12,584 | 77,828 |
| Other receivables | 97,959 | 156,942 |
| Total current assets | 3,218,731 | 3,450,333 |
| Noncurrent assets | | |
| Trade receivables | 163,857 | 182,616 |
| Related parties and transactions | 714,210 | 715,952 |
| Escrow deposits | 75,366 | 76,663 |
| Deferred income tax and social contribution | 149,023 | 128,242 |
| Water National Agency – ANA | 82,895 | 88,368 |
| Other receivables | 123,215 | 140,676 |
| Equity investments | 29,370 | 28,105 |
| Investment properties | 58,534 | 56,957 |
| Intangible assets | 30,366,200 | 28,513,626 |
| Property, plant and equipment | 309,111 | 325,076 |
| Total noncurrent assets | 32,071,781 | 30,256,281 |
| Total assets | 35,290,512 | 33,706,614 |
| LIABILITIES AND EQUITY | 09/30/2016 | 12/31/2015 |
| Current liabilities | | |
| Trade payables | 257,166 | 248,158 |
| Borrowings and financing | 1,714,327 | 1,526,262 |
| Accrued payroll and related charges | 420,020 | 347,976 |
| Taxes and contributions | 169,604 | 107,295 |
| Dividends and interest on capital payable | 99 | 127,441 |
| Provisions | 721,229 | 631,890 |
| Services payable | 378,831 | 387,279 |
| Public-Private Partnership – PPP | 34,939 | 33,255 |
| Program Contract Commitments | 107,180 | 228,659 |
| Other liabilities | 83,938 | 102,101 |
| Total current liabilities | 3,887,333 | 3,740,316 |
| Noncurrent liabilities | | |
| Borrowings and financing | 10,274,629 | 11,595,338 |
| Deferred Cofins and Pasep | 137,041 | 132,921 |

| | | |
|-------------------------------------|-------------------|-------------------|
| Provisions | 436,587 | 450,324 |
| Pension obligations | 2,926,494 | 2,832,216 |
| Public-Private Partnership – PPP | 1,872,794 | 1,001,778 |
| Program Contract Commitments | 67,663 | 92,055 |
| Other liabilities | 163,684 | 145,060 |
| Total noncurrent liabilities | 15,878,892 | 16,249,692 |
| | | |
| Total liabilities | 19,766,225 | 19,990,008 |
| | | |
| Equity | | |
| Paid-up capital | 10,000,000 | 10,000,000 |
| Profit reserve | 4,058,535 | 4,069,988 |
| Other comprehensive income | (534,455) | (353,382) |
| Retained earnings | 2,000,207 | - |
| Total equity | 15,524,287 | 13,716,606 |
| | | |
| Total equity and liabilities | 35,290,512 | 33,706,614 |

Cash Flow

| Brazilian Corporate Law | R\$ '000 | |
|---|------------------|------------------|
| | Jan-Sep | Jan-Sep |
| | 2016 | 2015 |
| Cash flow from operating activities | | |
| Profit before income tax and social contribution | 3,067,389 | (63,187) |
| Adjustment for: | | |
| Depreciation and amortization | 859,055 | 808,706 |
| Residual value of property, plant and equipment and intangible assets written-off | 7,211 | 18,214 |
| Allowance for doubtful accounts | 110,181 | 9,389 |
| Provision and inflation adjustment | 207,313 | (116,292) |
| Pension obligations - curtailment | (334,152) | - |
| Interest calculated on loans and financing payable | 352,665 | 357,306 |
| Inflation adjustment and foreign exchange gains (losses) on loans and financing | (754,853) | 2,247,653 |
| Interest and inflation adjustment losses | 21,434 | 17,469 |
| Interest and inflation adjustment gains | (69,272) | (36,514) |
| Financial charges from customers | (158,219) | (199,994) |
| Margin on intangible assets arising from concession | (57,006) | (53,881) |
| Provision for Consent Decree (TAC) | 12,229 | (17,916) |
| Equity result | (2,278) | 376 |
| Provision from São Paulo agreement | 19,089 | 8,012 |
| Provision for defined contribution plan | 235 | 5,908 |
| Pension obligations | 288,352 | 246,346 |
| Other adjustments | (6,466) | (13,731) |
| GESP Agreement | - | (696,283) |
| | 3,562,907 | 2,521,581 |
| Changes in assets | | |
| Trade accounts receivable | (28,316) | 17,731 |
| Accounts receivable from related parties | (3,597) | 15,364 |
| Inventories | 13,385 | 9,366 |
| Recoverable taxes | 65,244 | 82,671 |
| Escrow deposits | 31,740 | 25,696 |
| Other accounts receivable | 88,705 | (26) |
| Changes in liabilities | | |
| Trade payables and contractors | (9,720) | (31,968) |

| | | |
|---|---------------------|---------------------|
| Services received | (27,537) | 1,296 |
| Accrued payroll and related charges | 59,815 | 27,050 |
| Taxes and contributions payable | (106,825) | 15,776 |
| Deferred Cofins/Pasep | 4,120 | 3,428 |
| Provisions | (131,711) | (97,359) |
| Pension obligations | (134,274) | (126,555) |
| Other liabilities | 5,144 | (71,732) |
| Cash generated from operations | 3,389,080 | 2,392,319 |
| Interest paid | (535,299) | (521,566) |
| Income tax and contribution paid | (824,946) | (17,743) |
| Net cash generated from operating activities | 2,028,835 | 1,853,010 |
| Cash flows from investing activities | | |
| Acquisition of intangibles | (1,432,336) | (1,856,910) |
| Restricted cash | 10,727 | (9,581) |
| Dividends received | - | 1,526 |
| Purchases of tangible assets | (23,313) | (21,902) |
| Net cash used in investing activities | (1,444,922) | (1,886,867) |
| Cash flow from financing activities | | |
| Loans and financing | | |
| Proceeds from loans | 493,863 | 684,586 |
| Repayments of loans | (968,124) | (1,219,588) |
| Payment of interest on shareholders'equity | (139,399) | (202,108) |
| Public-Private Partnership – PPP | (22,865) | (17,169) |
| Program Contract Commitments | (171,137) | (44,922) |
| Net cash generated by (used in) financing activities | (807,662) | (799,201) |
| Cash reduce and cash equivalents | (223,749) | (833,058) |
| Represented by: | | |
| Cash and cash equivalents at beginning of the period | 1,639,214 | 1,722,991 |
| Cash and cash equivalents at end of the period | 1,415,465 | 889,933 |
| Cash reduce and cash equivalents | (223,749) | (833,058) |

