

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

April 08, 2019

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

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**FORM 6-K**

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

**For March, 2019**  
**(Commission File No. 1-31317)**

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

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

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

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

Form 20-F  Form 40-F

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

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

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

Yes  No

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

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**SABESP announces 2018 results**

São Paulo, March 28, 2019 - **Companhia de Saneamento Básico do Estado de São Paulo - SABESP** (B3: SBSP3; NYSE: SBS), one of the largest water and sewage services providers in the world based on the number of costumers, announces today its **fourth quarter and 2018 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 2017.

SBSP3: R\$ 41.00/share

SBS: US\$ 10.42 (ADR=1 share)

Total shares: 683,509,869

Market value: R\$ 28.024 billion

Closing quote: 03/28/2019

## 1. Financial highlights

|  | <b>R\$<br/>million</b> |           |            |         |           |           |            |         |
|--|------------------------|-----------|------------|---------|-----------|-----------|------------|---------|
|  | 2018                   | 2017      | Var. (R\$) | %       | 4Q18      | 4Q17      | Var. (R\$) | %       |
| Gross operating revenue <sup>1</sup>             | 14,253.6               | 12,223.7  | 2,029.9    | 16.6    | 4,391.4   | 3,293.1   | 1,098.3    | 33.4    |
| Construction revenue                             | 2,802.7                | 3,150.9   | (348.2)    | (11.1)  | 764.3     | 935.7     | (171.4)    | (18.3)  |
| COFINS and PASEP and TRCF taxes <sup>2</sup>     | (971.2)                | (766.4)   | (204.8)    | 26.7    | (253.3)   | (210.5)   | (42.8)     | 20.3    |
| (=) Net operating revenue                        | 16,085.1               | 14,608.2  | 1,476.9    | 10.1    | 4,902.4   | 4,018.3   | 884.1      | 22.0    |
| Costs and expenses                               | (8,203.9)              | (7,566.1) | (637.8)    | 8.4     | (2,228.4) | (2,038.1) | (190.3)    | 9.3     |
| Construction costs                               | (2,739.7)              | (3,080.5) | 340.8      | (11.1)  | (747.1)   | (914.6)   | 167.5      | (18.3)  |
| Equity result                                    | 6.5                    | 5.8       | 0.7        | 12.1    | 2.3       | 1.0       | 1.3        | 130.0   |
| Other operating revenue (expenses), net          | 28.7                   | (5.7)     | 34.4       | (603.5) | (33.4)    | (43.4)    | 10.0       | (23.0)  |
| Earnings before financial result, income tax and |                        |           |            |         |           |           |            |         |
| (=) social contrib                               | 5,176.7                | 3,961.7   | 1,215.0    | 30.7    | 1,895.8   | 1,023.2   | 872.6      | 85.3    |
| Financial result                                 | (1,264.3)              | (458.1)   | (806.2)    | 176.0   | 29.6      | (403.5)   | 433.1      | (107.3) |
| Earnings before income tax and social            |                        |           |            |         |           |           |            |         |
| (=) contribution                                 | 3,912.4                | 3,503.6   | 408.8      | 11.7    | 1,925.4   | 619.7     | 1,305.7    | 210.7   |
| Income tax and social contribution               | (1,077.3)              | (984.3)   | (93.0)     | 9.4     | (417.8)   | (7.1)     | (410.7)    | 5,784.5 |
| (=) Net income                                   | 2,835.1                | 2,519.3   | 315.8      | 12.5    | 1,507.6   | 612.6     | 895.0      | 146.1   |
| Earnings per share* (R\$)                        | 4.15                   | 3.69      | -          | -       | 2.21      | 0.90      |            |         |

(1) Includes Revenue from Regulatory, Control and Inspection Fee (*Taxa de Regulação, Controle e Fiscalização* - TRCF) in the amount of R\$ 63.9 million in 2018 and R\$ 8.8 million in 2017 (since November 2017).

(2) Includes TRCF transfers in the amount of R\$ 54.4 million in 2018 and R\$ 8.8 million in 2017 (since November 2017).

(\*) Total shares = 683,509,869

## Adjusted EBITDA Reconciliation (Non-accounting measures)

**R\$  
million**

|  | 2018    | 2017    | Var. (R\$) | %       | 4Q18    | 4Q17    | Var. (R\$) | %       |
|--|---------|---------|------------|---------|---------|---------|------------|---------|
| Net income                               | 2,835.1 | 2,519.3 | 315.8      | 12.5    | 1,507.6 | 612.6   | 895.0      | 146.1   |
| Income tax and social contribution       | 1,077.3 | 984.3   | 93.0       | 9.4     | 417.8   | 7.1     | 410.7      | 5,784.5 |
| Financial result                         | 1,264.3 | 458.1   | 806.2      | 176.0   | (29.6)  | 403.5   | (433.1)    | (107.3) |
| Other operating revenues (expenses), net | (28.7)  | 5.7     | (34.4)     | (603.5) | 33.4    | 43.4    | (10.0)     | (23.0)  |
| (=) Adjusted EBIT*                       | 5,148.0 | 3,967.4 | 1,180.6    | 29.8    | 1,929.2 | 1,066.6 | 862.6      | 80.9    |
| Depreciation and amortization            | 1,392.6 | 1,301.9 | 90.7       | 7.0     | 395.1   | 327.4   | 67.7       | 20.7    |
| (=) Adjusted EBITDA **                   | 6,540.6 | 5,269.3 | 1,271.3    | 24.1    | 2,324.3 | 1,394.0 | 930.3      | 66.7    |
| (%) Adjusted EBITDA margin               | 40.7    | 36.1    |            |         | 47.4    | 34.7    |            |         |

\* 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 2018, the net operating revenue, which considers construction revenue, totaled R\$ 16,085.1 million, an increase of 10.1% over the same period of the previous year.

Costs and expenses, which include construction costs, totaled R\$ 10,943.6 million, a 2.8% increase when compared to 2017.

Adjusted EBIT, in the amount of R\$ 5,148.0 million in 2018, increased 29.8% compared to the R\$ 3,967.4 million recorded in 2017.

Adjusted EBITDA, in the amount of R\$ 6,540.6 million in 2018, increased 24.1% versus the R\$ 5,269.3 million recorded in 2017.

The adjusted EBITDA margin was 40.7% in 2018, against 36.1% in 2017.

Excluding the effects of revenue and construction costs, the adjusted EBITDA margin was 48.8% in 2018 versus 45.4% in 2017.

In 2018, the Company recorded a net income of R\$ 2,835.1 million compared to a net income of R\$ 2,519.3 million in 2017.

## 2. Gross operating revenue

In 2018, gross operating revenue related to sanitation services, in the amount of R\$ 14,253.6 million, which does not consider the construction revenue, increased by R\$ 2,029.9 million, or 16.6%, when compared to the R\$ 12,223.7 million recorded in 2017.

The main factors that led to the increase were:

- Tariff repositioning index of 7.9% since November 2017;
- Tariff repositioning index of 3.5% since June 2018;
- Increase of 1.5% in billed volume, 1.5% in water and 1.5% in sewage; and
- Formalization of the agreement with the municipality of Guarulhos in 2018, in the amount of R\$ 928.0 million, representing an increase of R\$ 800.0 million in operating revenue.

## 3. Construction revenue

Construction revenue decreased by R\$ 348.2 million in 2018, or 11.1%, when compared to the previous year. This variation was mainly due to the increase in asset investments carried out in 2017 in the municipalities served by the Company, particularly in the São Lourenço Production System (*Sistema Produtor São Lourenço*).

#### 4. Billed volume

The tables below show the billed volumes of water and sewage, in the quarterly and annual comparisons, per consumer category and region.

#### WATER AND SEWAGE BILLED VOLUME<sup>(1)</sup> PER CUSTOMER CATEGORY - million m<sup>3</sup>

| Category                 | Water          |                |            | Sewage         |                |            | Water + Sewage |                |            |
|--------------------------|----------------|----------------|------------|----------------|----------------|------------|----------------|----------------|------------|
|                          | 2018           | 2017           | %          | 2018           | 2017           | %          | 2018           | 2017           | %          |
| Residential              | 1,607.0        | 1,580.9        | 1.7        | 1,374.6        | 1,346.5        | 2.1        | 2,981.6        | 2,927.4        | 1.9        |
| Commercial               | 166.8          | 166.1          | 0.4        | 161.3          | 159.3          | 1.3        | 328.1          | 325.4          | 0.8        |
| Industrial               | 31.0           | 31.4           | (1.3)      | 37.7           | 37.5           | 0.5        | 68.7           | 68.9           | (0.3)      |
| Public                   | 40.4           | 40.8           | (1.0)      | 36.4           | 36.3           | 0.3        | 76.8           | 77.1           | (0.4)      |
| <b>Total retail</b>      | <b>1,845.2</b> | <b>1,819.2</b> | <b>1.4</b> | <b>1,610.0</b> | <b>1,579.6</b> | <b>1.9</b> | <b>3,455.2</b> | <b>3,398.8</b> | <b>1.7</b> |
| Wholesale <sup>(3)</sup> | 262.7          | 256.7          | 2.3        | 31.1           | 37.6           | (17.3)     | 293.8          | 294.3          | (0.2)      |
| <b>Total</b>             | <b>2,107.9</b> | <b>2,075.9</b> | <b>1.5</b> | <b>1,641.1</b> | <b>1,617.2</b> | <b>1.5</b> | <b>3,749.0</b> | <b>3,693.1</b> | <b>1.5</b> |

  

| Category                 | Water        |              |            | Sewage       |              |            | Water + Sewage |              |            |
|--------------------------|--------------|--------------|------------|--------------|--------------|------------|----------------|--------------|------------|
|                          | 4Q18         | 4Q17         | %          | 4Q18         | 4Q17         | %          | 4Q18           | 4Q17         | %          |
| Residential              | 407.4        | 403.0        | 1.1        | 349.0        | 343.9        | 1.5        | 756.4          | 746.9        | 1.3        |
| Commercial               | 42.0         | 42.2         | (0.5)      | 40.7         | 40.4         | 0.7        | 82.7           | 82.6         | 0.1        |
| Industrial               | 7.8          | 7.8          | -          | 9.5          | 9.3          | 2.2        | 17.3           | 17.1         | 1.2        |
| Public                   | 10.2         | 10.2         | -          | 9.2          | 9.2          | -          | 19.4           | 19.4         | -          |
| <b>Total retail</b>      | <b>467.4</b> | <b>463.2</b> | <b>0.9</b> | <b>408.4</b> | <b>402.8</b> | <b>1.4</b> | <b>875.8</b>   | <b>866.0</b> | <b>1.1</b> |
| Wholesale <sup>(3)</sup> | 66.6         | 65.1         | 2.3        | 7.7          | 11.1         | (30.6)     | 74.3           | 76.2         | (2.5)      |
| <b>Total</b>             | <b>534.0</b> | <b>528.3</b> | <b>1.1</b> | <b>416.1</b> | <b>413.9</b> | <b>0.5</b> | <b>950.1</b>   | <b>942.2</b> | <b>0.8</b> |

**WATER AND SEWAGE BILLED VOLUME(1) PER REGION - million m<sup>3</sup>**

| Region              | Water          |                |            | Sewage         |                |            | Water + Sewage |                |            |
|---------------------|----------------|----------------|------------|----------------|----------------|------------|----------------|----------------|------------|
|                     | 2018           | 2017           | %          | 2018           | 2017           | %          | 2018           | 2017           | %          |
| Metropolitan        | 1,194.5        | 1,175.8        | 1.6        | 1,043.8        | 1,024.1        | 1.9        | 2,238.3        | 2,199.9        | 1.7        |
| Regional (2)        | 650.7          | 643.4          | 1.1        | 566.2          | 555.5          | 1.9        | 1,216.9        | 1,198.9        | 1.5        |
| <b>Total retail</b> | <b>1,845.2</b> | <b>1,819.2</b> | <b>1.4</b> | <b>1,610.0</b> | <b>1,579.6</b> | <b>1.9</b> | <b>3,455.2</b> | <b>3,398.8</b> | <b>1.7</b> |
| Wholesale (3)       | 262.7          | 256.7          | 2.3        | 31.1           | 37.6           | (17.3)     | 293.8          | 294.3          | (0.2)      |
| <b>Total</b>        | <b>2,107.9</b> | <b>2,075.9</b> | <b>1.5</b> | <b>1,641.1</b> | <b>1,617.2</b> | <b>1.5</b> | <b>3,749.0</b> | <b>3,693.1</b> | <b>1.5</b> |

  

| Region              | Water        |              |            | Sewage       |              |            | Water + Sewage |              |            |
|---------------------|--------------|--------------|------------|--------------|--------------|------------|----------------|--------------|------------|
|                     | 4Q18         | 4Q17         | %          | 4Q18         | 4Q17         | %          | 4Q18           | 4Q17         | %          |
| Metropolitan        | 301.3        | 298.3        | 1.0        | 263.7        | 260.2        | 1.3        | 565.0          | 558.5        | 1.2        |
| Regional (2)        | 166.1        | 164.9        | 0.7        | 144.7        | 142.6        | 1.5        | 310.8          | 307.5        | 1.1        |
| <b>Total retail</b> | <b>467.4</b> | <b>463.2</b> | <b>0.9</b> | <b>408.4</b> | <b>402.8</b> | <b>1.4</b> | <b>875.8</b>   | <b>866.0</b> | <b>1.1</b> |
| Wholesale (3)       | 66.6         | 65.1         | 2.3        | 7.7          | 11.1         | (30.6)     | 74.3           | 76.2         | (2.5)      |
| <b>Total</b>        | <b>534.0</b> | <b>528.3</b> | <b>1.1</b> | <b>416.1</b> | <b>413.9</b> | <b>0.5</b> | <b>950.1</b>   | <b>942.2</b> | <b>0.8</b> |

(1) Unaudited.

(2) Including costal and interior regions.

(3) Wholesale amounts include reused water and non-domestic sewage volumes.

## 5. Costs, administrative & selling expenses and construction costs

Costs, administrative and selling expenses and construction costs increased by R\$ 297.0 million in 2018 (2.8%). Excluding construction costs, there was an increase of R\$ 637.8 million (8.4%).

As a participation of net revenue, administrative and selling expenses and construction costs accounted for 68.0% in 2018, versus 72.9% in 2017.



|   | <b>R\$<br/>million</b> |                 |              |             |                |                |              |             |
|---|------------------------|-----------------|--------------|-------------|----------------|----------------|--------------|-------------|
|   | 2018                   | 2017            | Var. (R\$)   | %           | 4Q18           | 4Q17           | Var. (R\$)   | %           |
| Salaries and payroll charges and Pension plan obligations       | 2,673.6                | 2,604.3         | 69.3         | 2.7         | 671.3          | 676.3          | (5.0)        | (0.7)       |
| General supplies  | 249.3                  | 173.8           | 75.5         | 43.4        | 79.3           | 56.5           | 22.8         | 40.4        |
| Treatment supplies  | 265.1                  | 287.6           | (22.5)       | (7.8)       | 69.7           | 88.7           | (19.0)       | (21.4)      |
| Services  | 1,474.7                | 1,299.1         | 175.6        | 13.5        | 411.4          | 378.2          | 33.2         | 8.8         |
| Electricity   | 959.4                  | 796.1           | 163.3        | 20.5        | 267.3          | 204.9          | 62.4         | 30.5        |
| General expenses  | 963.8                  | 928.2           | 35.6         | 3.8         | 278.8          | 294.3          | (15.5)       | (5.3)       |
| Tax expenses  | 58.7                   | 92.4            | (33.7)       | (36.5)      | 14.8           | 16.6           | (1.8)        | (10.8)      |
| <b>Sub-total</b>  | <b>6,644.6</b>         | <b>6,181.5</b>  | <b>463.1</b> | <b>7.5</b>  | <b>1,792.6</b> | <b>1,715.5</b> | <b>77.1</b>  | <b>4.5</b>  |
| Depreciation and amortization                                   | 1,392.6                | 1,301.9         | 90.7         | 7.0         | 395.1          | 327.4          | 67.7         | 20.7        |
| Allowance for doubtful accounts                                 | 166.7                  | 82.7            | 84.0         | 101.6       | 40.7           | (4.8)          | 45.5         | (947.9)     |
| <b>Sub-total</b>  | <b>1,559.3</b>         | <b>1,384.6</b>  | <b>174.7</b> | <b>12.6</b> | <b>435.8</b>   | <b>322.6</b>   | <b>113.2</b> | <b>35.1</b> |
| <b>Costs, administrative and selling expenses</b>               | <b>8,203.9</b>         | <b>7,566.1</b>  | <b>637.8</b> | <b>8.4</b>  | <b>2,228.4</b> | <b>2,038.1</b> | <b>190.3</b> | <b>9.3</b>  |
| Construction costs  | 2,739.7                | 3,080.5         | (340.8)      | (11.1)      | 747.1          | 914.6          | (167.5)      | (18.3)      |
| <b>Costs, adm &amp; selling expenses and construction costs</b> | <b>10,943.6</b>        | <b>10,646.6</b> | <b>297.0</b> | <b>2.8</b>  | <b>2,975.5</b> | <b>2,952.7</b> | <b>22.8</b>  | <b>0.8</b>  |
| % of net revenue  | 68.0                   | 72.9            |              |             | 60.7           | 73.5           |              |             |

## 5.1. Salaries and payroll charges and Pension plan obligations

In 2018, there was an increase of R\$ 69.3 million, or 2.7%, due to the following factors:

- Increase of R\$ 196.5 million due to the provision for 1,567 employees who joined the Knowledge Retention Program (*Programa de Retenção do Conhecimento – PRC*), launched by the Company in 2018, aiming to mitigate the impact of the exit of employees who possess strategic knowledge acquired throughout their career, through the transfer of intellectual capital;
- Increase of R\$ 95.0 million in expenses related to health insurance; and
- Increase of R\$ 32.8 million, mainly due to the 1.7% increase related to the Career and Salary Plan (*Plano de Cargos e Salários*) in February 2018, salary increases of 1.3% in May 2018 and the hiring of 1,019 employees in 2018.



The increases above were partially offset by:

- A reversal of R\$ 188.4 million in the Provision for Consent Decree (*Termo de Ajustamento de Conduta* – TAC), related to the employees who joined the PRC; and
- A decrease of R\$ 57.1 million in provisions for pension plans, due to changes in the actuarial assumptions, mainly with the reduction of G0 and G1 interest rate from 5.71% to 5.30% and 5.74% to 5.35%, respectively.

## 5.2. General Materials

Increase of R\$ 75.5 million, or 43.4%, mainly due to:

- Increase of R\$ 33.7 million in the use of materials for maintenance of real estate, facilities and equipment, mainly due to several prevention and corrective actions in several Sewage Treatment Stations (*Estações de Tratamento de Esgoto*) in the metropolitan region of São Paulo; and
- Greater use of materials in the maintenance in water and sewage networks in several regions, in the amount of R\$ 33.1 million.

## 5.3. Treatment materials

Decrease of R\$ 22.5 million, or 7.8%, mainly due to reduction in coagulant costs in the main Water Treatment Stations (*Estações de Tratamento de Água*), due to the strategic substitution for more financially

viable products.

## 5.4 Services

Service expenses, which totaled R\$ 1,474.7 million in 2018, increased by R\$ 175.6 million, or 13.5%, versus the R\$ 1,299.1 million recorded in 2017. The increase in this line was distributed in several items, the main ones were:

- Greater services execution in maintenance, in the water and sewage systems, in the amount of R\$ 34.9 million;
- Increased hiring of technical services in 2018, in the amount of R\$ 33.3 million, mainly related to: (i) maintenance services and IT technical support, in the amount of R\$ 10.6 million; (ii) operational management services in the São Lourenço Production System (*Sistema Produtor São Lourenço*), in the amount of R\$ 5.5 million; and (iii) nautical services for the application of chemicals in water springs, in the amount of R\$ 4.6 million;
- Maintenance of properties and facilities, in the amount of R\$ 17.1 million; and
- Increase in surveillance expenses, in the amount of R\$ 14.2 million.

## 5.5. Electricity

Electricity expenses totaled R\$ 959.4 million in 2018, an increase of R\$ 163.3 million, or 20.5%, when compared to the R\$ 796.1 million recorded in 2017. The key factors that influenced this variation were:

- Average increase of 7.3% in the free market tariffs (*Ambiente de Contratação Livre - ACL*), with an increase of 3.6% in consumption;

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- Average increase of 4.9% in the grid market tariffs (*Tarifas de Uso do Sistema de Distribuição - TUSD*), with a 13.5% increase in consumption; and
- Average increase of 10.4% in the regulated market tariffs (*Ambiente de Contratação Regulada - ACR*), without relevant consumption variations.

In 2018, ACL represented 34.1% of the total amount of electricity consumed by the Company, TUSD 35.6% and ACR accounted for 30.3% of this amount.

## **5.6. General expenses**

An increase of R\$ 35.6 million, or 3.8%, totaling R\$ 963.8 million in 2018, versus the R\$ 928.2 million recorded in 2017, mainly due to higher provision for transfer to the São Paulo Municipal Fund for Environmental Sanitation and Infrastructure (*Fundo Municipal de Saneamento Ambiental e Infraestrutura de São Paulo*), in the amount of R\$ 47.0 million, resulting from the higher revenue from the municipality.

## **5.7. Depreciation and Amortization**

The expenses with depreciation and amortization increased by R\$ 90.7 million, or 7.0%, mainly due to the start-up of intangible assets, in the amount of R\$ 6.1 billion, of which R\$ 3.2 billion related to the São Lourenço Production System (*Sistema Produtor São Lourenço*).

## **5.8. Allowance for doubtful accounts**

Increase of R\$ 84.0 million, mainly due to the higher recoveries in 2017, in the amount of R\$ 77.8 million.

## 6. Other Operating Revenues (Expenses), Net

Increase in other operating revenues by R\$ 28.7 million in 2018, versus expenses of R\$ 5.7 million in 2017, resulting in a positive variation of R\$ 34.4 million. This result was mainly due to the following factors:

- Write-off of obsolete items in 2017, in the amount of R\$ 15.1 million; and
- Higher revenues from the Water Basin Decontamination Program (*Programa de Despoluição de Bacias Hidrográficas*) in 2018, in the amount of R\$ 11.2 million, due to the achievement of the goals set for such program.

## 7. Financial result

|                                     | <i>R\$ million</i> |                |                |              |
|-------------------------------------|--------------------|----------------|----------------|--------------|
|                                     | 2018               | 2017           | Var.           | %            |
| Financial expenses, net of income   | (364.3)            | (338.6)        | (25.7)         | 7.6          |
| Net monetary and exchange variation | (900.0)            | (119.5)        | (780.5)        | 653.1        |
| <b>Financial result</b>             | <b>(1,264.3)</b>   | <b>(458.1)</b> | <b>(806.2)</b> | <b>176.0</b> |

## 7.1. Financial expenses, net of income

|   | <i>R\$ million</i> |                |                |             |
|---|--------------------|----------------|----------------|-------------|
|   | 2018               | 2017           | Var.           | %           |
| Financial expenses  |                    |                |                |             |
| Interest and charges on domestic loans and financing      | (332.1)            | (289.7)        | (42.4)         | 14.6        |
| Interest and charges on international loans and financing | (171.8)            | (119.1)        | (52.7)         | 44.2        |
| Other financial expenses                                  | (200.8)            | (167.0)        | (33.8)         | 20.2        |
| <b>Total financial expenses</b>                           | <b>(704.7)</b>     | <b>(575.8)</b> | <b>(128.9)</b> | <b>22.4</b> |
| Financial income  | 340.4              | 237.2          | 103.2          | 43.5        |
| <b>Financial expenses net of income</b>                   | <b>(364.3)</b>     | <b>(338.6)</b> | <b>(25.7)</b>  | <b>7.6</b>  |

### 7.1.1. Financial expenses

Increase of R\$ 128.9 million, mainly due to:

- Increase of R\$ 42.4 million in interest and charges on domestic loans and financings, mainly due to the lower capitalized amount to intangible assets in 2018;
- Increase of R\$ 52.7 million in interest and charges on international loans and financings, mainly due to the higher average outstanding amounts in 2018 when compared to the previous year, caused by the appreciation of the dollar and yen against the real; and
- Increase of R\$ 33.8 million in other financial expenses, mainly due to: (i) greater recognition of



interest related to the Public-Private Partnership contracts in 2018, in the amount of R\$ 87.8 million, due to the full start-up of the São Lourenço Production System (*Sistema Produtor São Lourenço*) in July 2018; and (ii) as a counterpart, there was a lower recognition of interests related to lawsuits, in the amount of R\$ 58.0 million.

### 7.1.2. Financial income

Increase of R\$ 103.2 million, mainly due to the recognition of interest on installment agreements in 2018.

### 7.2. Monetary and exchange variation, net

|  | <i>R\$ million</i> |                |                |              |
|--|--------------------|----------------|----------------|--------------|
|  | 2018               | 2017           | Var.           | %            |
| Monetary variation on loans and financing              | (66.2)             | (62.8)         | (3.4)          | 5.4          |
| Currency exchange variation on loans and financing     | (915.9)            | (96.4)         | (819.5)        | 850.1        |
| Other monetary variations                              | (37.1)             | (49.6)         | 12.5           | (25.2)       |
| <b>Monetary/exchange rate variation on liabilities</b> | <b>(1,019.2)</b>   | <b>(208.8)</b> | <b>(810.4)</b> | <b>388.1</b> |
| Monetary/exchange rate variation on assets             | 119.2              | 89.3           | 29.9           | 33.5         |
| <b>Monetary/exchange rate variation, net</b>           | <b>(900.0)</b>     | <b>(119.5)</b> | <b>(780.5)</b> | <b>653.1</b> |

The effect of net monetary and exchange variations in 2018 was R\$ 780.5 million higher than the amount recorded in 2017, with highlights to the increase of R\$ 819.5 million in exchange variation on loans and financing, due to the appreciation of the dollar and the yen against the real in 2018 (17.1% and 20.0%, respectively), when compared to the appreciation in 2017 (1.5% and 5.3%, respectively).



## 8. Income tax and Social contribution

Increased by R\$ 93.0 million due to higher taxable results recorded in 2018, mainly impacted by the increase in operating revenue and offset by the increase in costs with electricity and services, in addition to the increase in expenses with monetary variations caused by the appreciation of the dollar and the yen against the real in 2018.

## 9. Indicators

### 9.1. Operating

The Company presented improvements in all operational indicators when compared to 2017, highlighting the 2.1% increase in the number of water connections and 2.6% in the number of sewage connections and the reduction in the water loss to 293 liters / connection per day compared to 302 in 2017.

The water volume produced had a discrete increase of 0.6%. In the metropolitan region of São Paulo, the Company's largest market, average monthly production reached 60.9 m<sup>3</sup> / s in 2018 vs. 60.6 m<sup>3</sup> / s in 2017.

The population directly served by the water supply and sewage collection services was increased by 0.8% and 0.5% respectively.

The number of employees of the Company increased by 5.7% compared to 2017 due to the hiring of 1,019 employees in 2018.

| Operating indicators * | 2018 | 2017 | % |
|------------------------|------|------|---|
|------------------------|------|------|---|

|   |        |        |       |
|---|--------|--------|-------|
| Water connections (1)                   | 9,053  | 8,863  | 2.1   |
| Sewage connections (1)                  | 7,495  | 7,302  | 2.6   |
| Population directly served - water (2)  | 25.1   | 24.9   | 0.8   |
| Population directly served - sewage (2) | 21.7   | 21.6   | 0.5   |
| Number of employees                     | 14,449 | 13,672 | 5.7   |
| Water volume produced in the year (3)   | 2,800  | 2,783  | 0.6   |
| IPM - Measured water loss (%)           | 30.1   | 30.7   | (2.0) |
| IPDt (liters/connection x day)          | 293    | 302    | (3.0) |

(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. Does not include wholesale.

(3) In millions of cubic meters.

(\*) Unaudited.

## 9.2. Financial

| Economic Variables at the close of the period* | 2018   | 2017   |
|--|--------|--------|
| Amplified Consumer Price Index (1)             | 3.75   | 2.95   |
| National Consumer Price Index(1)               | 3.43   | 2.07   |
| Consumer Price Index (1)                       | 2.99   | 2.28   |
| Referential Rate (1)                           | 0.0000 | 0.6171 |
| Interbank Deposit Certificate (2)              | 6.40   | 6.89   |
| US DOLAR (3)                                   | 3.8748 | 3.3080 |
| YEN (3)  | 0.0353 | 0.0294 |

(1) Annual accrual, in %

(2) Annual average

(3) Ptax sale rate on the last day

(\* Unaudited

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## 10. Loans and financing

In February, 2019, the final installment of the 15th Debenture Issue was settled and, in March, the total early redemption of the balance of R\$ 250 million of the 20th issue of debentures was realized.

| INSTITUTION                          | DEBT PROFILE     |                  |                  |                  |                |                |                    | R\$<br>thousand   |
|--------------------------------------|------------------|------------------|------------------|------------------|----------------|----------------|--------------------|-------------------|
|                                      | 2019             | 2020             | 2021             | 2022             | 2023           | 2024           | 2025 up to<br>2039 | Total             |
| <b>Local currency</b>                |                  |                  |                  |                  |                |                |                    |                   |
| Caixa Econômica Federal              | 75,223           | 78,072           | 82,169           | 86,589           | 79,037         | 77,369         | 863,356            | 1,341,815         |
| Debentures                           | 1,049,510        | 589,190          | 479,995          | 559,184          | 362,555        | 204,832        | 150,294            | 3,395,560         |
| BNDES                                | 121,512          | 103,260          | 102,809          | 102,809          | 97,069         | 91,581         | 450,353            | 1,069,393         |
| Leasing                              | 19,077           | 36,903           | 38,700           | 40,654           | 43,416         | 45,153         | 344,763            | 568,666           |
| Others                               | 1,380            | 1,380            | 1,380            | 1,380            | 1,380          | 1,380          | 1,263              | 9,543             |
| Interest and other charges           | 98,410           | -                | -                | -                | -              | -              | -                  | 98,410            |
| <b>Total Local Currency</b>          | <b>1,365,112</b> | <b>808,805</b>   | <b>705,053</b>   | <b>790,616</b>   | <b>583,457</b> | <b>420,315</b> | <b>1,810,029</b>   | <b>6,483,387</b>  |
| <b>Foreign currency</b>              |                  |                  |                  |                  |                |                |                    |                   |
| IADB                                 | 163,923          | 163,923          | 163,923          | 163,923          | 163,923        | 163,923        | 1,388,905          | 2,372,443         |
| IBRD                                 | 11,779           | 23,557           | 23,557           | 23,557           | 23,557         | 23,557         | 223,861            | 353,425           |
| Deutsche Bank 350                    | 288,479          | -                | -                | -                | -              | -              | -                  | 288,479           |
| Eurobond                             | -                | 1,354,532        | -                | -                | -              | -              | -                  | 1,354,532         |
| JICA                                 | 153,055          | 140,431          | 140,431          | 140,431          | 140,431        | 140,431        | 1,168,403          | 2,023,613         |
| IDB 1983AB                           | 68,554           | 67,786           | 29,806           | 29,806           | 28,255         | -              | -                  | 224,207           |
| Interest and other charges           | 52,710           | -                | -                | -                | -              | -              | -                  | 52,710            |
| <b>Total in foreign<br/>currency</b> | <b>738,500</b>   | <b>1,750,229</b> | <b>357,717</b>   | <b>357,717</b>   | <b>356,166</b> | <b>327,911</b> | <b>2,781,169</b>   | <b>6,669,409</b>  |
| <b>Total</b>                         | <b>2,103,612</b> | <b>2,559,034</b> | <b>1,062,770</b> | <b>1,148,333</b> | <b>939,623</b> | <b>748,226</b> | <b>4,591,198</b>   | <b>13,152,796</b> |

## 11. Capex

In 2018, investments totaled R\$ 4.2 billion, of which R\$ 2.3 billion in water and R\$ 1.8 billion in sewage. Of this amount, R\$ 2.1 billion are non-cash investments.

The table below provides additional information on investments carried out, with a breakdown of water and sewage by region:

| Investments by segment | R\$ million    |                |                |
|------------------------|----------------|----------------|----------------|
|                        | Water          | Sewage         | Total          |
| Metropolitan Region    | 1,986.3        | 1,495.7        | 3,482.0        |
| Regional Systems       | 338.0          | 357.4          | 695.4          |
| <b>Total</b>           | <b>2,324.3</b> | <b>1,853.1</b> | <b>4,177.4</b> |

### Investment Plans 2019 – 2023: R\$ 18.7 billion

For the 2019 - 2023 period, the Company plans to directly invest approximately R\$18.7 billion, of which R\$ 7.7 billion in water and R\$ 11.0 billion in sewage collection and treatment services.

|                   | R\$ million  |              |              |              |              |               |
|-------------------|--------------|--------------|--------------|--------------|--------------|---------------|
|                   | 2019         | 2020         | 2021         | 2022         | 2023         | Total         |
| Water             | 1,669        | 1,492        | 1,636        | 1,507        | 1,453        | 7,757         |
| Sewage Collection | 1,366        | 1,524        | 1,777        | 1,766        | 1,878        | 8,311         |
| Sewage Treatment  | 470          | 607          | 471          | 576          | 539          | 2,663         |
| <b>Total</b>      | <b>3,505</b> | <b>3,623</b> | <b>3,884</b> | <b>3,849</b> | <b>3,870</b> | <b>18,731</b> |

## 12. Conference calls

### In English

**April 2, 2019 - Tuesday**

1:00 pm US EST / 2:00 pm (Brasília)

Dial in: + 1 (412) 317-6399

Conference ID: Sabesp

Replay available for 7 days

Dial in: +1 (412) 317-0088

Replay ID: 10127824

[Click here for the webcast](#)

### In Portuguese

**April 2, 2019 – Tuesday**

9:30 am US EST / 10:30 am (Brasília)

Dial in: +55 (11) 3181-8565

Conference ID: Sabesp

Replay available for 7 days

Dial in: +55 (11) 3193-1012

Replay ID: 10000894#

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## Income Statement

| Brazilian Corporate Law                                   | R\$ '000           |                    |
|---|--------------------|--------------------|
|   | 2018               | 2017               |
| <b>Net Operating Income</b>                               | <b>16,085,094</b>  | <b>14,608,233</b>  |
| Operating Costs   | (9,086,456)        | (8,778,963)        |
| <b>Gross Profit</b>                                       | <b>6,998,638</b>   | <b>5,829,270</b>   |
| <b>Operating Expenses</b>                                 |                    |                    |
| Selling   | (693,480)          | (686,012)          |
| Estimated losses with doubtful accounts                   | (166,727)          | (82,681)           |
| Administrative expenses                                   | (996,877)          | (1,098,990)        |
| Other operating revenue (expenses), net                   | 28,591             | (5,679)            |
| <b>Operating Income Before Shareholdings</b>              | <b>5,170,145</b>   | <b>3,955,908</b>   |
| Equity Result   | 6,510              | 5,760              |
| <b>Earnings Before Financial Results, net</b>             | <b>5,176,655</b>   | <b>3,961,668</b>   |
| Financial, net  | (361,665)          | (362,036)          |
| Exchange gain (loss), net                                 | (902,671)          | (96,018)           |
| <b>Earnings before Income Tax and Social Contribution</b> | <b>3,912,319</b>   | <b>3,503,614</b>   |
| <b>Income Tax and Social Contribution</b>                 |                    |                    |
| Current   | (852,655)          | (882,787)          |
| Deferred  | (224,596)          | (101,517)          |
| <b>Net Income for the period</b>                          | <b>2,835,068</b>   | <b>2,519,310</b>   |
| <b>Registered common shares ('000)</b>                    | <b>683,509</b>     | <b>683,509</b>     |
| <b>Earnings per shares - R\$ (per share)</b>              | <b>4.15</b>        | <b>3.69</b>        |
| <b>Depreciation and Amortization</b>                      | <b>(1,392,541)</b> | <b>(1,301,897)</b> |
| <b>Adjusted EBITDA</b>                                    | <b>6,540,605</b>   | <b>5,269,244</b>   |
| % over net revenue  | 40.7%              | 36.1%              |

## Balance Sheet

| Brazilian Corporate Law             | R\$ '000          |                   |
|-------------------------------------|-------------------|-------------------|
| ASSETS                              | 12/31/2018        | 12/31/2017        |
| <b>Current assets</b>               |                   |                   |
| Cash and cash equivalents           | 3,029,191         | 2,283,047         |
| Trade receivables                   | 1,843,333         | 1,672,595         |
| Related parties and transactions    | 174,148           | 180,773           |
| Inventories                         | 65,596            | 85,671            |
| Restricted cash                     | 31,900            | 18,822            |
| Current recoverable taxes           | 380,703           | 276,585           |
| Other receivables                   | 77,371            | 56,592            |
| <b>Total current assets</b>         | <b>5,602,242</b>  | <b>4,574,085</b>  |
| <b>Noncurrent assets</b>            |                   |                   |
| Trade receivables                   | 209,083           | 215,910           |
| Related parties and transactions    | 669,102           | 634,387           |
| Escrow deposits                     | 152,018           | 122,686           |
| Water National Agency – ANA         | 49,136            | 70,487            |
| Other receivables                   | 103,310           | 113,123           |
| Equity investments                  | 44,587            | 36,932            |
| Investment properties               | 47,620            | 57,652            |
| Contract assets                     | 7,407,948         | -                 |
| Intangible assets                   | 29,012,460        | 33,466,132        |
| Property, plant and equipment       | 267,612           | 255,050           |
| <b>Total noncurrent assets</b>      | <b>37,962,876</b> | <b>34,972,359</b> |
| <b>Total assets</b>                 | <b>43,565,118</b> | <b>39,546,444</b> |
| LIABILITIES AND EQUITY              | 12/31/2018        | 12/31/2017        |
| <b>Current liabilities</b>          |                   |                   |
| Trade payables                      | 465,993           | 344,947           |
| Borrowings and financing            | 2,103,612         | 1,746,755         |
| Accrued payroll and related charges | 564,830           | 588,073           |
| Taxes and contributions             | 200,563           | 183,965           |

|   |                   |                   |
|---|-------------------|-------------------|
| Dividends and interest on capital payable   | 673,765           | 598,612           |
| Provisions                                  | 458,387           | 607,959           |
| Services payable                            | 454,022           | 408,275           |
| Public-Private Partnership – PPP            | 137,827           | 60,007            |
| Program Contract Commitments                | 230,695           | 128,802           |
| Other liabilities                           | 108,938           | 104,485           |
| <b>Total current liabilities</b>            | <b>5,398,632</b>  | <b>4,771,880</b>  |
| <b>Noncurrent liabilities</b>               |                   |                   |
| Borrowings and financing                    | 11,049,184        | 10,354,211        |
| Deferred income tax and social contribution | 261,242           | 36,754            |
| Deferred Cofins and Pasep                   | 140,830           | 130,182           |
| Provisions                                  | 434,475           | 470,245           |
| Pension obligations                         | 2,970,009         | 2,932,338         |
| Public-Private Partnership – PPP            | 3,275,297         | 3,011,409         |
| Program Contract Commitments                | 142,314           | 110,698           |
| Other liabilities                           | 341,447           | 215,718           |
| <b>Total noncurrent liabilities</b>         | <b>18,614,798</b> | <b>17,261,555</b> |
| <b>Total liabilities</b>                    | <b>24,013,430</b> | <b>22,033,435</b> |
| <b>Equity</b>                               |                   |                   |
| Paid-up capital                             | 15,000,000        | 10,000,000        |
| Profit reserve                              | 5,100,783         | 8,051,110         |
| Other comprehensive income                  | (549,095)         | (538,101)         |
| <b>Total equity</b>                         | <b>19,551,688</b> | <b>17,513,009</b> |
| <b>Total equity and liabilities</b>         | <b>43,565,118</b> | <b>39,546,444</b> |

## Cash Flow

| Brazilian Corporate Law   | R\$ '000         |                  |
|---|------------------|------------------|
|   | Jan-Dec<br>2018  | Jan-Dec<br>2017  |
| <b>Cash flow from operating activities</b>  |                  |                  |
| <b>Profit before income tax and social contribution</b>                           | <b>3,912,319</b> | <b>3,503,614</b> |
| <b>Adjustment for:</b>  |                  |                  |
| Depreciation and amortization   | 1,392,541        | 1,301,897        |
| Residual value of property, plant and equipment and intangible assets written-off | 24,974           | 24,935           |
| Allowance for doubtful accounts   | 165,433          | 82,681           |
| Guarulhos agreement   | (928,014)        | -                |
| Provision and inflation adjustment  | 111,940          | 185,080          |
| Interest calculated on loans and financing payable                                | 563,902          | 426,781          |
| Inflation adjustment and foreign exchange gains (losses) on loans and financing   | 982,072          | 159,087          |
| Interest and inflation adjustment losses  | 30,103           | 25,751           |
| Interest and inflation adjustment gains   | (64,046)         | (31,619)         |
| Financial charges from customers  | (289,321)        | (193,683)        |
| Margin on intangible assets arising from concession                               | (63,013)         | (70,335)         |
| Provision for Consent Decree (TAC) and Knowledge retention program (KRP)          | 80,245           | 72,933           |
| Equity result   | (6,510)          | (5,760)          |
| Provision from São Paulo agreement  | 135,735          | -                |
| Pension obligations   | 243,569          | 304,500          |
| Other adjustments   | 33,349           | 92,461           |
|   | <b>6,325,278</b> | <b>5,878,323</b> |
| <b>Changes in assets</b>  |                  |                  |
| Trade accounts receivable   | -                | -                |
| Accounts receivable from related parties  | 39,919           | 51,594           |
| Inventories   | 20,075           | (27,633)         |
| Recoverable taxes   | (104,118)        | (233,952)        |
| Escrow deposits   | (1,639)          | (32,200)         |
| Other accounts receivable   | 11,760           | 8,312            |
| <b>Changes in liabilities</b>   |                  |                  |
| Trade payables and contractors  | (176,826)        | (180,353)        |

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|  |                    |                    |
|--|--------------------|--------------------|
| Services payable                                     | (89,988)           | (51,779)           |
| Accrued payroll and related charges                  | (103,488)          | 56,841             |
| Taxes and contributions payable                      | (4,829)            | 15,983             |
| Deferred Cofins/Pasep                                | 10,648             | (7,889)            |
| Provisions   | (297,282)          | (279,951)          |
| Pension obligations                                  | (217,000)          | (228,282)          |
| Other liabilities                                    | 122,214            | (16,741)           |
| <b>Cash generated from operations</b>                | <b>5,463,045</b>   | <b>4,910,079</b>   |
| Interest paid  | (732,048)          | (676,087)          |
| Income tax and contribution paid                     | (888,077)          | (932,110)          |
| <b>Net cash generated from operating activities</b>  | <b>3,842,920</b>   | <b>3,301,882</b>   |
| <b>Cash flows from investing activities</b>          |                    |                    |
| Acquisition of contract assets and intangible assets | (2,132,559)        | (1,957,780)        |
| Restricted cash                                      | (13,078)           | 5,256              |
| Purchases of tangible assets                         | (50,645)           | (18,920)           |
| Increase in investment                               | (1,136)            | -                  |
| Cash receipts from the sale of assets                | 8,131              | -                  |
| <b>Net cash used in investing activities</b>         | <b>(2,189,287)</b> | <b>(1,971,444)</b> |
| <b>Cash flow from financing activities</b>           |                    |                    |
| Loans and financing                                  |                    |                    |
| Proceeds from loans                                  | 1,634,553          | 1,007,572          |
| Repayments of loans                                  | (1,678,748)        | (1,098,558)        |
| Payment of interest on shareholders'equity           | (653,393)          | (765,933)          |
| Public-Private Partnership – PPP                     | (178,333)          | (31,758)           |
| Program Contract Commitments                         | (31,568)           | (44,935)           |
| <b>Net cash used in financing activities</b>         | <b>(907,489)</b>   | <b>(933,612)</b>   |
| <b>Cash reduce and cash equivalents</b>              | <b>746,144</b>     | <b>396,826</b>     |
| <b>Represented by:</b>                               |                    |                    |
| Cash and cash equivalents at beginning of the year   | 2,283,047          | 1,886,221          |
| Cash and cash equivalents at end of the year         | 3,029,191          | 2,283,047          |
| <b>Cash reduce and cash equivalents</b>              | <b>746,144</b>     | <b>396,826</b>     |

