

### 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 2Q20 results

**São Paulo, August 13, 2020** - 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 customers, announces today its **second quarter 2020 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 2019.

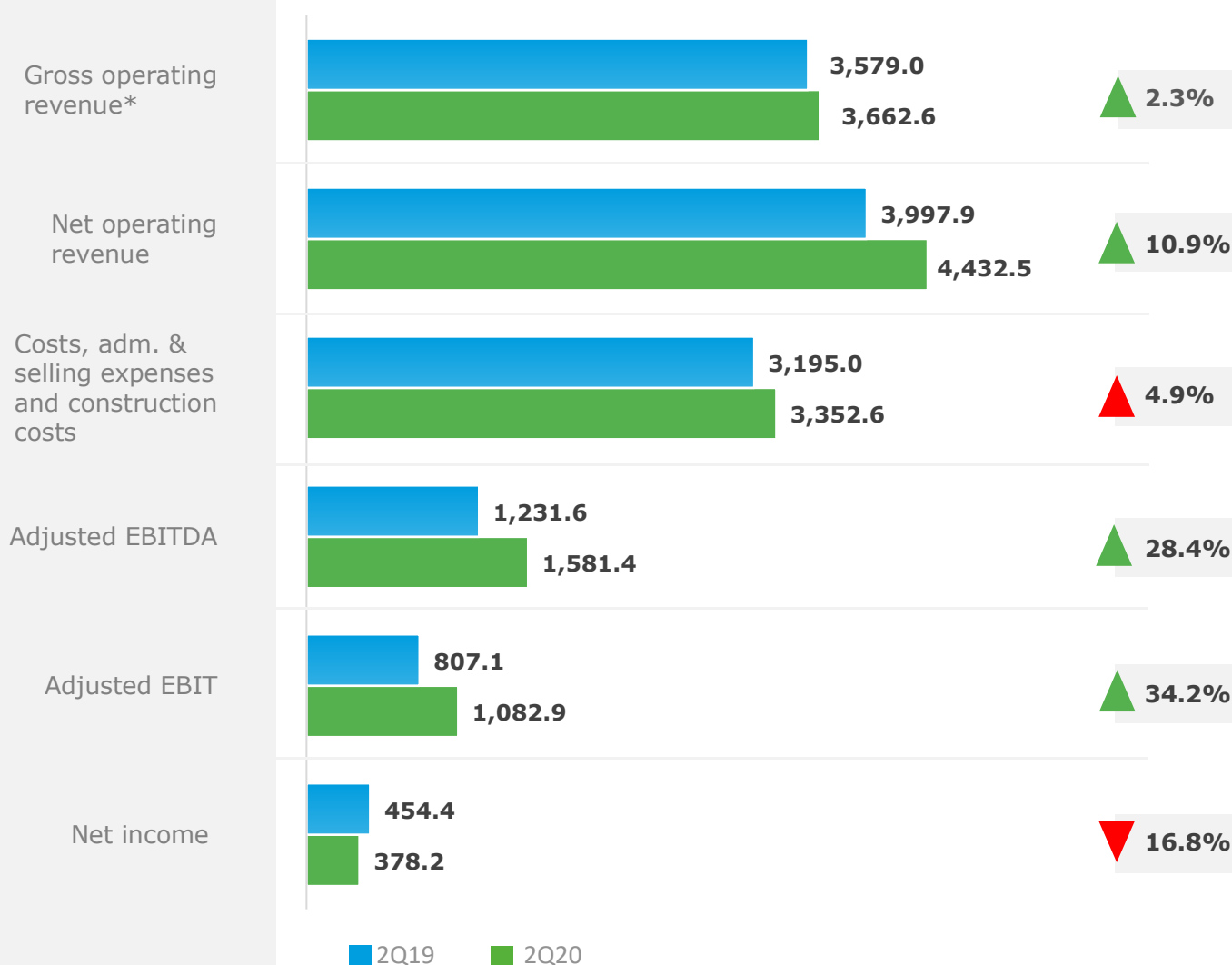


**SBSP3: R\$ 56.10/share**  
**SBS: US\$ 10.40 (ADR=1 share)**  
**Total shares: 683,509,869**  
**Market value: R\$ 38.3 billion**  
**Closing quote: 08/13/2020**

**SBSP**  
B3 LISTED NM

**SBS**  
LISTED  
NYSE

### R\$ million



(\*) Does not include construction revenue

## 1. Quarter Highlights

In 2Q20 the Company recorded a net income of R\$378.2 million, compared to a net income of R\$454.4 million in 2Q19, amounting to a decrease of R\$76.2 million.

Adjusted EBITDA totaled R\$1,581.4 million, with an increase of R\$349.8 million over the R\$1,231.6 million reported in 2Q19.

The main highlights of the 2Q20 result were:

### a) Agreement with the municipality of Mauá

On June 16, 2020, the Company signed an agreement with the municipality of Mauá, the operation will begin on August 16. The impact of this agreement resulted in an increase of R\$193.6 million in operating income and a reversion of R\$85.9 million in 2Q20 expenses, as shown below:

	<i>R\$ million</i>		
Impacts of Mauá	2Q20	2Q19	Var.
Revenue - Wholesale <sup>(1)</sup>	195.0	1.4	193.6
<b>(=) Total Revenue</b>	<b>195.0</b>	<b>1.4</b>	<b>193.6</b>
Allowance for doubtful accounts <sup>(2)</sup>	85.9	-	85.9
<b>(=) Total Expenses</b>	<b>85.9</b>	<b>-</b>	<b>85.9</b>
<b>(=) Net effect</b>	<b>280.9</b>	<b>1.4</b>	<b>279.5</b>

1. Revenue from 2Q20, non-recurring, resulting from the agreement signed with the municipality.
2. Reversal of estimated losses, non-recurring, resulting from the agreement signed with the municipality.

### b) Economic instability worsened by COVID-19

The economic instability, worsened by COVID-19, brought adverse reflexes to the Company, especially:

- (i) reduction in revenues from commercial and industrial customers in the amount of approximately R\$323.1 million, partially offset by the increase in residential category;
- (ii) postponement of the tariff readjustment, with an estimated impact of R\$28.0 million in the operation revenue;
- (iii) payment exemption for customers in the "Residencial Social" and "Residencial Favela" categories, in the approximate amount of R\$65.3 million;
- (iv) increase in the level of delinquency and an expectation of increase of future losses, due to the decrease in the revenue of the municipalities and the increase in bankruptcy petitions, with an impact of R\$36.4 million; and
- (v) exchange rate volatility, increasing expenses with exchange variation of R\$560.8 million.

### c) Operation in the municipality of Santo André

The operation in the municipality of Santo André, started in August 2019, represented an increase of R\$73.4 million in gross operating revenues and R\$36.9 million in expenses in 2Q20, when compared to 2Q19, as follows:

<i>R\$ million</i>			
Impacts of Santo André	2Q20	2Q19	Var.
Revenue - Wholesale <sup>(1)</sup>	-	10.0	(10.0)
Revenue - Retail <sup>(2)</sup>	83.4	-	83.4
<b>(=) Total Revenue</b>	<b>83.4</b>	<b>10.0</b>	<b>73.4</b>
COFINS and PASEP	(5.3)	(0.7)	(4.6)
<b>(=) Net Revenue</b>	<b>78.1</b>	<b>9.3</b>	<b>68.8</b>
Costs and Expenses <sup>(3)</sup>	(33.2)	-	(33.2)
Allowance for doubtful accounts	(3.7)	-	(3.7)
<b>(=) Total Expenses</b>	<b>(36.9)</b>	<b>-</b>	<b>(36.9)</b>
<b>(=) Net effect</b>	<b>41.2</b>	<b>9.3</b>	<b>31.9</b>

1. Revenue from 2Q19, referring to wholesale billing.
2. Revenue from 2Q20, referring to the billing by the retail operation.
3. Costs and Expenses from 2Q20, related to the operation (does not include costs and indirect expenses).

#### d) New healthcare plan entered into with Fundação Cesp - FUNCESP

With the start of the health plan administered by the CESP Foundation in August 2019, expenses with medical assistance in 2Q20 decreased by R\$38.6 million, as shown below:

<i>R\$ million</i>			
	2T20	2T19	Var.
<b>Expenses with Health Care</b>	<b>35.9</b>	<b>74.5</b>	<b>(38.6)</b>

## 2. Financial Highlights

<i>R\$ million</i>								
	2Q20	2Q19	Var. (R\$)	%	1H20	1H19	Var. (R\$)	%
Gross operating revenue	3,662.6	3,579.0	83.6	2.3	7,466.5	7,115.2	351.3	4.9
Construction revenue	1,019.6	688.5	331.1	48.1	1,541.0	1,292.0	249.0	19.3
COFINS and PASEP/TRCF taxes	(249.7)	(269.6)	19.9	(7.4)	(532.6)	(530.8)	(1.8)	0.3
<b>(=) Net operating revenue</b>	<b>4,432.5</b>	<b>3,997.9</b>	<b>434.6</b>	<b>10.9</b>	<b>8,474.9</b>	<b>7,876.4</b>	<b>598.5</b>	<b>7.6</b>
Costs and expenses	(2,355.9)	(2,522.0)	166.1	(6.6)	(4,892.8)	(4,678.5)	(214.3)	4.6
Construction costs	(996.7)	(673.0)	(323.7)	48.1	(1,505.4)	(1,263.0)	(242.4)	19.2
Equity result	3.0	4.2	(1.2)	(28.6)	6.5	6.0	0.5	8.3
Other operating revenue (expenses), net	109.7	(2.7)	112.4	-	112.4	5.1	107.3	-
<b>(=) Earnings before financial result, income tax and social contribution</b>	<b>1,192.6</b>	<b>804.4</b>	<b>388.2</b>	<b>48.3</b>	<b>2,195.6</b>	<b>1,946.0</b>	<b>249.6</b>	<b>12.8</b>
Financial result	(675.5)	(155.6)	(519.9)	334.1	(2,655.8)	(306.0)	(2,349.8)	767.9
<b>(=) Earnings before income tax and social contribution</b>	<b>517.1</b>	<b>648.8</b>	<b>(131.7)</b>	<b>(20.3)</b>	<b>(460.2)</b>	<b>1,640.0</b>	<b>(2,100.2)</b>	<b>(128.1)</b>
Income tax and social contribution	(138.9)	(194.4)	55.5	(28.5)	180.4	(538.3)	718.7	(133.5)
<b>(=) Net income/(loss)</b>	<b>378.2</b>	<b>454.4</b>	<b>(76.2)</b>	<b>(16.8)</b>	<b>(279.8)</b>	<b>1,101.7</b>	<b>(1,381.5)</b>	<b>(125.4)</b>
Earnings/(loss) per share* (R\$)	0.55	0.66			(0.41)	1.61		

\* Total shares = 683,509,869

## Adjusted EBITDA Reconciliation (Non-accounting measures)

	<i>R\$ million</i>							
	2Q20	2Q19	Var. (R\$)	%	1H20	1H19	Var. (R\$)	%
Net income/loss	378.2	454.4	(76.2)	(16.8)	(279.8)	1,101.7	(1,381.5)	(125.4)
Income tax and social contribution	138.9	194.4	(55.5)	(28.5)	(180.4)	538.3	(718.7)	(133.5)
Financial result	675.5	155.6	519.9	334.1	2,655.8	306.0	2,349.8	767.9
Other operating revenues (expenses), net	(109.7)	2.7	(112.4)	(4,163.0)	(112.4)	(5.1)	(107.3)	2,103.9
<b>(=) Adjusted EBIT*</b>	<b>1,082.9</b>	<b>807.1</b>	<b>275.8</b>	<b>34.2</b>	<b>2,083.2</b>	<b>1,940.9</b>	<b>142.3</b>	<b>7.3</b>
Depreciation and amortization	498.5	424.5	74.0	17.4	982.0	835.4	146.6	17.5
<b>(=) Adjusted EBITDA **</b>	<b>1,581.4</b>	<b>1,231.6</b>	<b>349.8</b>	<b>28.4</b>	<b>3,065.2</b>	<b>2,776.3</b>	<b>288.9</b>	<b>10.4</b>
(%) Adjusted EBITDA margin	35.7	30.8			36.2	35.2		

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

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

In 2Q20, net operating revenue, which considers construction revenue, totaled R\$4,432.5 million, a growth of 10.9% over the same period of last year.

Costs and expenses, which consider construction costs, totaled R\$3,352.6 million, up 4.9% over 2019.

Adjusted EBIT totaled R\$1,082.9 million, up 34.2% from the R\$807.1 million recorded in 2Q19.

Adjusted EBITDA, in the amount of R\$1,581.4 million, increased 28.4% when compared to the R\$1,231.6 million reported in 2Q19 (R\$7,799.4 million in the last 12 months).

Adjusted EBITDA margin in 2Q20 was 35.7%, against 30.8% in 2Q19 (42.0% in the last 12 months).

Excluding the effects of revenue and construction costs, adjusted EBITDA margin resulted in 45.7% in 2Q20, over 36.7% in 2Q19 (50.2% in the last 12 months).

In 2Q20, the Company recorded a net income of R\$378.2 million, compared to R\$454.4 million in 2Q19.

### 3. Gross operating revenue

The gross operating revenue related to the sanitation services, in the amount of R\$3,662.6 million, which does not consider construction revenue, increased by R\$83.6 million or 2.3%, when compared to R\$3,579.0 million in 2Q19.

The main factors that led to this variation were:

- Tariff adjustment index of 4.7% since May 2019;
- Increase of R\$73.4 million in operating revenues, resulting from the operation in the municipality of Santo André, which began in August 2019; and
- Increase of R\$193.6 million in operating revenues, resulting from the agreement with the municipality of Mauá.

The increase in operating revenue was offset by:

- Reduction of 2.0% in the total billed volume, of which 2.1% in water and 2.0% in sewage, excluding the volumes of Santo André, Mauá and customers of the "Residencial Social" and "Residencial Favela" categories, exempt from the water and sewage bill payment;
- Exemption of water and sewage bills for customers in the "Residencial Social" and "Residencial Favela" categories, generating a decrease of R\$38.6 million; and

- Lower billed volume in the Commercial, Industrial and Public categories, resulting in a decrease of approximately R\$323.1 million, when compared to 2Q19.

## 4. Construction revenue

Construction revenue increased by R\$331.1 million, or 48.1%, from 2Q19. The variation was mainly due to higher asset investments.

## 5. Billed volume

The following tables show the water and sewage billed volume, on quarter-on-quarter and year-to-date basis, per customer category and region. The volumes of Santo André, Mauá and categories exempt from payment are presented individually.

WATER AND SEWAGE BILLED VOLUME <sup>(1)</sup> PER CUSTOMER CATEGORY - million m <sup>3</sup>									
Category	Water			Sewage			Water + Sewage		
	2Q20	2Q19	%	2Q20	2Q19	%	2Q20	2Q19	%
Residential	420.8	420.4	0.1	366.8	362.0	1.3	787.6	782.4	0.7
Commercial	36.4	43.7	(16.7)	34.1	42.7	(20.1)	70.5	86.4	(18.4)
Industrial	6.9	8.1	(14.8)	8.1	9.9	(18.2)	15.0	18.0	(16.7)
Public	8.6	11.4	(24.6)	7.7	10.2	(24.5)	16.3	21.6	(24.5)
<b>Total retail</b>	<b>472.7</b>	<b>483.6</b>	<b>(2.3)</b>	<b>416.7</b>	<b>424.8</b>	<b>(1.9)</b>	<b>889.4</b>	<b>908.4</b>	<b>(2.1)</b>
Wholesale <sup>(3)</sup>	12.4	11.9	4.2	3.5	3.9	(10.3)	15.9	15.8	0.6
<b>Subtotal</b>	<b>485.1</b>	<b>495.5</b>	<b>(2.1)</b>	<b>420.2</b>	<b>428.7</b>	<b>(2.0)</b>	<b>905.3</b>	<b>924.2</b>	<b>(2.0)</b>
Santo André <sup>(4)</sup>	13.5	18.0	(25.0)	13.3	4.5	195.6	26.8	22.5	19.1
Mauá <sup>(5)</sup>	9.3	8.7	6.9	-	-	-	9.3	8.7	6.9
"Residencial Social/Favela" <sup>(6)</sup>	25.9	-	-	19.1	-	-	45.0	-	-
<b>Total</b>	<b>533.8</b>	<b>522.2</b>	<b>2.2</b>	<b>452.6</b>	<b>433.2</b>	<b>4.5</b>	<b>986.4</b>	<b>955.4</b>	<b>3.2</b>

Category	Water			Sewage			Water + Sewage		
	1H20	1H19	%	1H20	1H19	%	1H20	1H19	%
Residential	860.3	852.5	0.9	746.0	731.8	1.9	1,606.3	1,584.3	1.4
Commercial	80.1	87.4	(8.4)	76.5	84.9	(9.9)	156.6	172.3	(9.1)
Industrial	14.9	16.4	(9.1)	17.9	19.8	(9.6)	32.8	36.2	(9.4)
Public	18.9	21.8	(13.3)	16.8	19.5	(13.8)	35.7	41.3	(13.6)
<b>Total retail</b>	<b>974.2</b>	<b>978.1</b>	<b>(0.4)</b>	<b>857.2</b>	<b>856.0</b>	<b>0.1</b>	<b>1,831.4</b>	<b>1,834.1</b>	<b>(0.1)</b>
Wholesale <sup>(3)</sup>	24.8	23.8	4.2	7.5	8.2	(8.5)	32.3	32.0	0.9
<b>Subtotal</b>	<b>999.0</b>	<b>1,001.9</b>	<b>(0.3)</b>	<b>864.7</b>	<b>864.2</b>	<b>0.1</b>	<b>1,863.7</b>	<b>1,866.1</b>	<b>(0.1)</b>
Santo André <sup>(5)</sup>	26.7	35.8	(25.4)	26.5	8.8	201.1	53.2	44.6	19.3
Mauá <sup>(5)</sup>	9.3	17.2	(45.9)	-	-	-	9.3	17.2	(45.9)
"Residencial Social/Favela" <sup>(6)</sup>	28.5	-	-	21.0	-	-	49.5	-	-
<b>Total</b>	<b>1,063.5</b>	<b>1,054.9</b>	<b>0.8</b>	<b>912.2</b>	<b>873.0</b>	<b>4.5</b>	<b>1,975.7</b>	<b>1,927.9</b>	<b>2.5</b>

WATER AND SEWAGE BILLED VOLUME <sup>(1)</sup> PER REGION - million m <sup>3</sup>									
Region	Water			Sewage			Water + Sewage		
	2Q20	2Q19	%	2Q20	2Q19	%	2Q20	2Q19	%
Metropolitan	306.3	322.0	(4.9)	270.8	282.8	(4.2)	577.1	604.8	(4.6)
Regional <sup>(2)</sup>	166.4	161.6	3.0	145.9	142.0	2.7	312.3	303.6	2.9
<b>Total retail</b>	<b>472.7</b>	<b>483.6</b>	<b>(2.3)</b>	<b>416.7</b>	<b>424.8</b>	<b>(1.9)</b>	<b>889.4</b>	<b>908.4</b>	<b>(2.1)</b>
Wholesale <sup>(3)</sup>	12.4	11.9	4.2	3.5	3.9	(10.3)	15.9	15.8	0.6
<b>Subtotal</b>	<b>485.1</b>	<b>495.5</b>	<b>(2.1)</b>	<b>420.2</b>	<b>428.7</b>	<b>(2.0)</b>	<b>905.3</b>	<b>924.2</b>	<b>(2.0)</b>
Santo André <sup>(4)</sup>	13.5	18.0	(25.0)	13.3	4.5	195.6	26.8	22.5	19.1
Mauá <sup>(5)</sup>	9.3	8.7	6.9	-	-	-	9.3	8.7	6.9
"Residencial Social/Favela" <sup>(6)</sup>	25.9	-	-	19.1	-	-	45.0	-	-
<b>Total</b>	<b>533.8</b>	<b>522.2</b>	<b>2.2</b>	<b>452.6</b>	<b>433.2</b>	<b>4.5</b>	<b>986.4</b>	<b>955.4</b>	<b>3.2</b>

Region	Water			Sewage			Water + Sewage		
	1H20	1H19	%	1H20	1H19	%	1H20	1H19	%
Metropolitan	635.6	644.4	(1.4)	560.3	564.1	(0.7)	1,195.9	1,208.5	(1.0)
Regional <sup>(2)</sup>	338.6	333.7	1.5	296.9	291.9	1.7	635.5	625.6	1.6
<b>Total retail</b>	<b>974.2</b>	<b>978.1</b>	<b>(0.4)</b>	<b>857.2</b>	<b>856.0</b>	<b>0.1</b>	<b>1,831.4</b>	<b>1,834.1</b>	<b>(0.1)</b>
Wholesale <sup>(3)</sup>	24.8	23.8	4.2	7.5	8.2	(8.5)	32.3	32.0	0.9
<b>Subtotal</b>	<b>999.0</b>	<b>1,001.9</b>	<b>(0.3)</b>	<b>864.7</b>	<b>864.2</b>	<b>0.1</b>	<b>1,863.7</b>	<b>1,866.1</b>	<b>(0.1)</b>
Santo André <sup>(4)</sup>	26.7	35.8	(25.4)	26.5	8.8	201.1	53.2	44.6	19.3
Mauá <sup>(5)</sup>	9.3	17.2	(45.9)	-	-	-	9.3	17.2	(45.9)
"Residencial Social/Favela" <sup>(6)</sup>	28.5	-	-	21.0	-	-	49.5	-	-
<b>Total</b>	<b>1,063.5</b>	<b>1,054.9</b>	<b>0.8</b>	<b>912.2</b>	<b>873.0</b>	<b>4.5</b>	<b>1,975.7</b>	<b>1,927.9</b>	<b>2.5</b>

1. Unaudited
2. Including coastal and interior regions
3. Wholesale includes volumes of reuse water and non-domestic sewage
4. Billed volume in the retail in 2Q20/1H20 and in the wholesale segment in 2Q19/1H19
5. Billed volume in the wholesale segment
6. Volume billed in the categories exempt from the water and sewage bill payment

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

Costs, administrative and selling expenses and construction costs increased by R\$157.6 million in 2Q20 (4.9%). Excluding construction costs, the decrease was R\$166.1 million (6.6%).

Costs, administrative & selling expenses and construction costs represented as a percentage of net revenue was 75.6% in 2Q20, compared to 79.9% in 2Q19.

	<i>R\$ million</i>							
	2Q20	2Q19	Var. (R\$)	%	1H20	1H19	Var. (R\$)	%
Salaries and payroll charges and Pension plan obligations	658.3	771.6	(113.3)	(14.7)	1,336.1	1,452.6	(116.5)	(8.0)
General supplies	57.5	71.4	(13.9)	(19.5)	123.2	128.8	(5.6)	(4.3)
Treatment materials	81.2	75.7	5.5	7.3	175.0	162.4	12.6	7.8
Services	442.0	454.4	(12.4)	(2.7)	866.1	876.5	(10.4)	(1.2)
Electricity	278.5	279.5	(1.0)	(0.4)	605.0	562.6	42.4	7.5
General expenses	204.5	339.2	(134.7)	(39.7)	496.9	530.9	(34.0)	(6.4)
Tax expenses	18.2	24.9	(6.7)	(26.9)	33.7	40.7	(7.0)	(17.2)
<b>Sub-total</b>	<b>1,740.2</b>	<b>2,016.7</b>	<b>(276.5)</b>	<b>(13.7)</b>	<b>3,636.0</b>	<b>3,754.5</b>	<b>(118.5)</b>	<b>(3.2)</b>
Depreciation and amortization	498.5	424.5	74.0	17.4	982.0	835.4	146.6	17.5
Allowance for doubtful accounts	117.2	80.8	36.4	45.0	274.8	88.6	186.2	210.2
<b>Sub-total</b>	<b>615.7</b>	<b>505.3</b>	<b>110.4</b>	<b>21.8</b>	<b>1,256.8</b>	<b>924.0</b>	<b>332.8</b>	<b>36.0</b>
<b>Costs, administrative and selling expenses</b>	<b>2,355.9</b>	<b>2,522.0</b>	<b>(166.1)</b>	<b>(6.6)</b>	<b>4,892.8</b>	<b>4,678.5</b>	<b>214.3</b>	<b>4.6</b>
Construction costs	996.7	673.0	323.7	48.1	1,505.4	1,263.0	242.4	19.2
<b>Costs, adm &amp; selling expenses and construction costs</b>	<b>3,352.6</b>	<b>3,195.0</b>	<b>157.6</b>	<b>4.9</b>	<b>6,398.2</b>	<b>5,941.5</b>	<b>456.7</b>	<b>7.7</b>
% of net revenue	75.6	79.9			75.5	75.4		

### Salaries and payroll charges and Pension plan obligations

In 2Q20, the R\$113.3 million decrease was due to:

- R\$38.6 million in health care expenses;
- R\$37.4 million in Conduct Adjustment Agreement - Retirees (*Termo de Ajuste de Conduta*) expenses; and
- R\$22.7 million, mainly for the payroll adjustment of 4.99% in May 2019, resulting in an adjustment of provisions for payroll expenses for that period (vacation, 13th salary, among others). In 2Q20, there was no payroll readjustment.

### Supplies

Decrease of R\$13.9 million or 19.5%, mainly due to reduced use of materials for network maintenance and water and sewage connections in 2Q20.

### Services

Expenses with services, in the total of R\$442.0 million, decreased by R\$12.4 million or 2.7% compared to R\$454.4 million in 2Q19. The main changes were:

- Decrease of R\$14.3 million with employees assigned by the municipality of Guarulhos;
- Decrease of R\$7.5 million due to higher recovery of credits in 2Q19; and
- Reduction of R\$5.9 million with maintenance and IT technical support.

The above-mentioned reductions were offset by an increase of R\$12.7 million in customer services.

### General expenses

General expenses decreased R\$134.7 million or 39.7%, totaling R\$204.5 million in 2Q20 versus the R\$339.2 million recorded in 2Q19 mainly due to:

- Expenses related to the conclusion of legal proceedings in 2Q19, non-recurring, due to the agreement with the municipality of São Bernardo do Campo, in the amount of R\$39.0 million;
- Lower provisioning for lawsuits in 2Q20, in the amount of R\$54.0 million; and
- Lower provision for transfer to the São Paulo Municipal Fund for Environmental Sanitation and Infrastructure, in the amount of R\$14.0 million, as a result of the decrease in revenues with the municipality.

### Depreciation and amortization

Increase of R\$74.0 million or 17.4%, due to the entry into the intangible asset's operation, in the total of R\$3.2 billion.

### Allowance for doubtful accounts

An increase of R\$36.4 million, due to the economic instability worsened by COVID-19, mainly due to: (i) an increase in the level of delinquency; and (ii) the expectation of an increase in future losses, resulting from the decrease in the collection of funds from municipalities and the increase in bankruptcy petitions.

### Other operating income (expenses), net

Other net operating income and expenses registered a positive variation of R\$112.4 million, mainly due to the reversal of losses estimated with indemnification of assets of the municipality of Mauá, in the amount of R\$85.9 million, as a result of the signing of an agreement.

## 7. Financial result

	<i>R\$ million</i>			
	2Q20	2Q19	Var.	%
Financial expenses, net of income	(173.0)	(176.1)	3.1	(1.8)
Net monetary and exchange variation	(502.5)	20.5	(523.0)	-
<b>Financial result</b>	<b>(675.5)</b>	<b>(155.6)</b>	<b>(519.9)</b>	<b>334.1</b>

### Financial expenses, net of income

	<i>R\$ million</i>			
	2Q20	2Q19	Var.	%
Financial expenses				
Interest and charges on domestic loans and financing	(89.3)	(77.8)	(11.5)	14.8
Interest and charges on international loans and financing	(35.2)	(41.1)	5.9	(14.4)
Other financial expenses	(94.3)	(125.0)	30.7	(24.6)
<b>Total financial expenses</b>	<b>(218.8)</b>	<b>(243.9)</b>	<b>25.1</b>	<b>(10.3)</b>
Financial income	45.8	67.8	(22.0)	(32.4)
<b>Financial expenses net of income</b>	<b>(173.0)</b>	<b>(176.1)</b>	<b>3.1</b>	<b>(1.8)</b>

Decrease of R\$3.0 million, mainly due to:

- Increase of R\$11.5 million in interest and charges on domestic loans and financings, mainly due to the partial exchange of the debt in foreign currency for local currency;
- Decrease of R\$5.9 million in interest and charges on international loans and financing, caused mainly by the exchange of US\$494.6 million of the debt for R\$2,810.9 million with the Inter-American Development Bank (IDB);
- Decrease of R\$30.7 million in other financial expenses, due to the lower recognition of interest on lawsuits, in the amount of R\$24.5 million; and
- Decrease of R\$22.0 million in financial revenues, mainly due to the lower income obtained on financial investments, as a result of the reduction in the DI (Interbank Deposit) rate remuneration.

## Monetary and exchange variation, net

	<i>R\$ million</i>			
	2Q20	2Q19	Var.	%
Monetary exchange rate variation on liabilities				
Monetary variation on loans and financing	10.1	(13.3)	23.4	(175.9)
Currency exchange variation on loans and financing	(502.0)	58.8	(560.8)	(953.7)
Other monetary variations	(34.3)	(51.1)	16.8	(32.9)
<b>Total monetary and exchange rate variation on liabilities</b>	<b>(526.2)</b>	<b>(5.6)</b>	<b>(520.6)</b>	<b>9,296.4</b>
Monetary/exchange rate variation on assets	23.7	26.1	(2.4)	(9.2)
<b>Monetary/exchange rate variation, net</b>	<b>(502.5)</b>	<b>20.5</b>	<b>(523.0)</b>	<b>(2,551.2)</b>

The effect on net monetary and exchange rate variations in 2Q20 was R\$523.0 million higher than in 2Q19, highlighting:

- Increase of R\$560.8 million in exchange rate variations on loans and financing, due to the: (i) appreciation of the US dollar against the real in 2Q20, compared to a depreciation in 2Q19 (5.3% and -1.7%, respectively); and (ii) higher appreciation of the yen against the real in 2Q20, over the appreciation in 2Q19 (5.1% and 0.9%, respectively);
- Decrease of R\$23.4 million in monetary variations on loans and financing, due to the reduction in the IPCA (Amplified Consumer Price Index); and
- Decrease of R\$16.8 million in other monetary variations, due to lower monetary variation on lawsuits in 2Q20, in the amount of R\$20.0 million.

## 8. Income tax and Social contribution

The lower taxable income recorded in 2Q20, mainly due to the increase in foreign exchange expenses, mitigated by the impacts from the agreement with the municipality of Mauá, resulted in a decrease of R\$55.5 million.

## 9. Indicators

### a) Operating

Operating indicators *	2Q20	2Q19	%
Water connections <sup>(1)</sup>	10,022	9,546	5.0
Sewage connections <sup>(1)</sup>	8,426	7,961	5.8
Population directly served - water <sup>(2)</sup>	27.2	26.3	3.4
Population directly served - sewage <sup>(2)</sup>	24.0	22.9	4.8
Number of employees	13,881	14,156	(1.9)
Water volume produced in the quarter <sup>(3)</sup>	714	719	2.5
Water volume produced in the semester <sup>(3)</sup>	1,445	1,430	1.0
IPM - Micromeasured water loss (%) <sup>(4)</sup>	28.3	29.8	(5.0)
IPDt (liters/connection x day) <sup>(4)</sup>	277.0	291.0	(4.8)

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
  4. Does not include Guarulhos and Santo André
- \* Unaudited

### b) Management's Indicators

The following performance Management Indicators show: Gross Revenue, Operating Expenses and EBITDA, all measured based on billed cubic meter.

The historical series is presented since 2014, based on quarterly financial data disclosed by the Company, disregarding some non-recurring and material events that would distort the result.

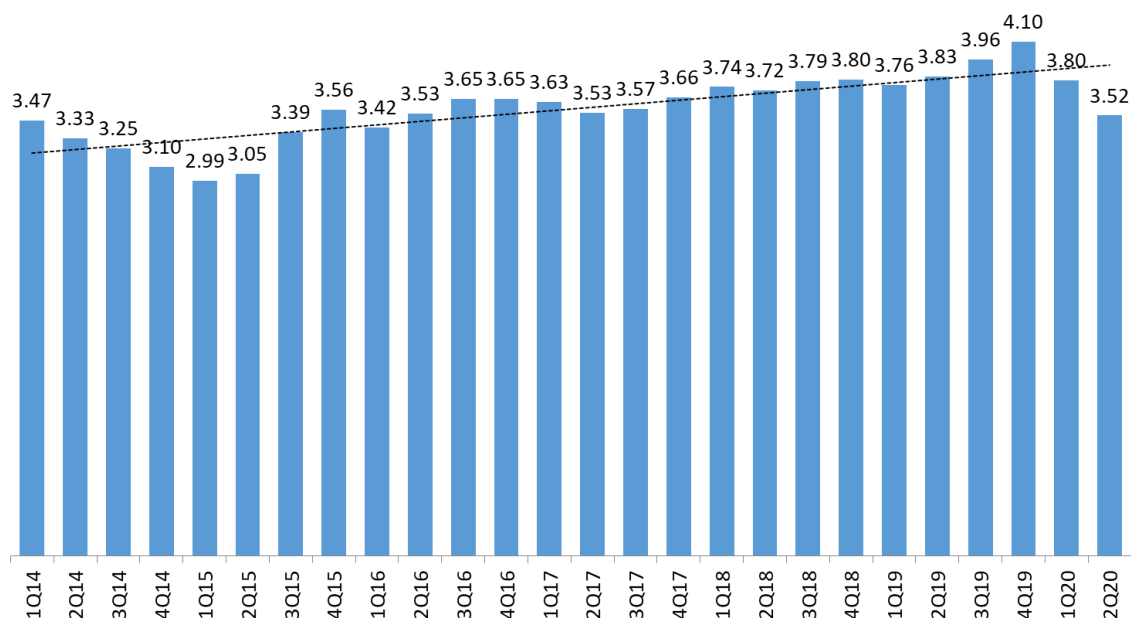
All indicators were calculated based on average values of 2Q20, adjusted by variations in the IPCA consumer price index, to determine the behavior on a same-price base in the period.

Gross Revenue per billed cubic meter shows increasing average evolution, especially after the third quarter of 2015. In 2Q20 result fell by 8% year-over-year, influenced by the lower consumption of non-residential customers, payment exemption for customers in the "Residencial Social" and "Residencial Favela" categories and postponement of the tariff adjustment.

Operating Expenses per billed cubic meter increased on a quarterly basis in a controlled manner, being compatible with the expansion of operations showing a stable average performance and reflecting disciplined cost management. 2Q20 is the fourth quarter with consecutive decrease.

Finally, the EBITDA per cubic meter increased in the period, basically due to the performance of Gross Revenue and Operating Expenses.

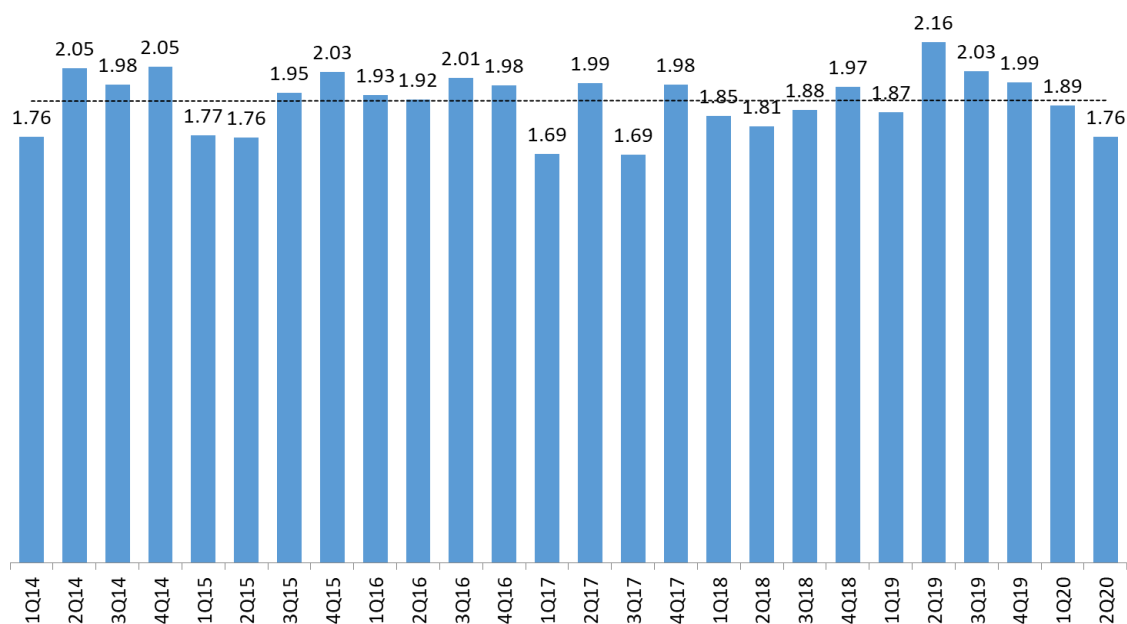
**Total Gross Revenue per m<sup>3</sup> Billed - R\$/m<sup>3</sup>**  
Figures at 2Q20 average prices, updated by IPCA



The following were not considered:

- Construction revenue
- R\$928 million referring to the agreement with Guarulhos in 4Q18
- R\$1,254 million referring to agreement with Santo André in 3Q19
- R\$ 194.9 million referring to agreement with Mauá in 2Q20

**Operating Expense per m<sup>3</sup> Billed - R\$/m<sup>3</sup>**  
Figures at 2Q20 average prices, updated by IPCA

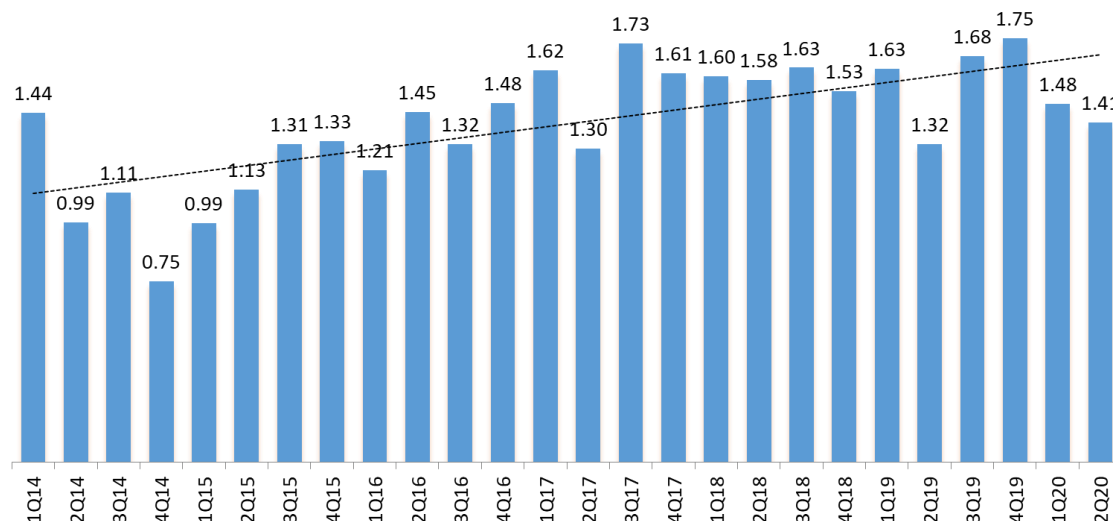


Expenses considered: personnel, general supplies, treatment materials, services, electricity, general expenses and tax

Reversals excluded:

- R\$696 million referring to agreement with the State Government in 1Q15
- R\$307 million referring to the migration of the additional pension plan in 3Q16
- R\$173 million referring to the TAC Retirees in 3Q19

**EBITDA per m<sup>3</sup> Billed - R\$/m<sup>3</sup>**  
Figures at 2Q20 average prices, updated by IPCA



The following were not considered:

Revenue:

- R\$928 million referring to the agreement with Guarulhos in 4Q18
- R\$1,254 million referring to agreement with Santo André in 3Q19
- R\$194.9 million referring to agreement with Mauá in 2Q20

Reversal of expenses:

- R\$696 million referring to agreement with the State Government in 1Q15
- R\$307 million referring to the migration of the additional pension plan in 3Q16
- R\$173 million referring to the end of the TAC Retirees in 3Q19

**c) Economic**

Economic Variables at the close of the period*	2Q20	2Q19
Amplified Consumer Price Index <sup>(1)</sup>	(0.43)	0.71
National Consumer Price Index <sup>(1)</sup>	(0.18)	0.76
Consumer Price Index <sup>(1)</sup>	(0.15)	0.42
Interbank Deposit Certificate <sup>(2)</sup>	2.15	6.40
US DOLAR <sup>(3)</sup>	5.4760	3.8322
YEN <sup>(3)</sup>	0.05081	0.03554

1. Quarterly rate (%)
  2. Quarterly average
  3. Ptax sale rate on the last day
- \* Unaudited

**10. Loans and financing**

On July 10, 2020, it was issued the twenty-sixth debentures in the amount of R\$1.045 billion, maturing in July 2030, in two series, the 1<sup>st</sup> of which was for R\$600.0 million with interest at the IPCA rate + 4.65% p.a. and the 2<sup>nd</sup> for R\$445.0 million with interest at the IPCA rate + 4.95% p.a.

R\$ thousand

INSTITUTION	DEBT PROFILE							TOTAL	% of total
	2020	2021	2022	2023	2024	2025	2026 onwards		
<b>Local Currency</b>									
Debentures	89,816	1,926,442	566,742	369,819	703,791	280,825	647,518	4,584,953	28
Caixa Econômica Federal	43,111	89,474	94,344	87,270	86,111	91,504	924,963	1,416,777	9
BNDES	80,841	161,682	161,682	155,995	150,497	132,572	496,981	1,340,250	8
BID 2202	90,674	181,349	181,349	181,349	181,349	181,349	1,798,924	2,796,343	17
Leasing	59,145	62,890	39,843	36,298	39,446	42,942	233,139	513,703	3
Others	1,043	3,004	3,188	3,130	1,384	1,268	-	13,017	0
Interest and other charges	80,957	12,089	-	-	-	-	-	93,046	1
<b>Total Local Currency</b>	<b>445,587</b>	<b>2,436,930</b>	<b>1,047,148</b>	<b>833,861</b>	<b>1,162,578</b>	<b>730,460</b>	<b>4,101,525</b>	<b>10,758,089</b>	<b>66</b>
<b>Foreign Currency</b>									
IDB 1212	28,141	56,283	56,283	56,283	56,283	56,283	-	309,556	2
IBRD	16,646	33,292	33,292	33,292	33,292	33,292	283,810	466,916	3
Eurobond	1,916,188	-	-	-	-	-	-	1,916,188	12
JICA	106,490	213,338	213,697	213,697	213,697	213,697	1,605,683	2,780,299	17
IDB 1983AB	-	42,123	42,123	40,910	-	-	-	125,156	1
Interest and other charges	31,157	-	-	-	-	-	-	31,157	0
<b>Total in Foreign Currency</b>	<b>2,098,622</b>	<b>345,036</b>	<b>345,395</b>	<b>344,182</b>	<b>303,272</b>	<b>303,272</b>	<b>1,889,493</b>	<b>5,629,272</b>	<b>34</b>
<b>Total</b>	<b>2,544,209</b>	<b>2,781,966</b>	<b>1,392,543</b>	<b>1,178,043</b>	<b>1,465,850</b>	<b>1,033,732</b>	<b>5,991,018</b>	<b>16,387,361</b>	<b>100</b>

## Covenants

The following table shows the most restrictive covenants in 2Q20:

	Covenants
Adjusted EBITDA / Adjusted Financial Expense	Equal to or higher than 2.80
Adjusted Net Debt / Adjusted EBITDA	Equal to or lower than 3.80
Total Adjusted Debt / Adjusted EBITDA	Lower than 3.65
Other Onerous Debt <sup>(1)</sup> / Adjusted EBITDA	Equal to or lower than 1.30
Adjusted Current Liquidity	Higher than 1.00
EBITDA / Financial Expense Paid	Equal to or higher than 2.35
Net Debt / Adjusted EBITDA	Equal to or lower than 3.50

1. "Other Onerous Debt" correspond to the sum of social security liabilities, health care plan installment payment of tax debts and installment payment of debts with the Electricity supplier.

On June 30, 2020, the Company complied with the requirements in force in its loan and financing agreements.

## 11. CAPEX

The investment in 2Q20 was R\$1,328.8 million. Of this total, R\$514.3 million correspond to investments that did not affect cash. The investment in 1H20 was R\$2,044.8 million, with R\$827.1 million did not affect cash.

## 12. New Sanitation Legal Framework

On July 15, 2020, the new sanitation Law 14,026/2020 was sanctioned by the President with 11 vetoes. Even if these vetoes are overturned by Congress, by extinguishing the figure of program contract, the Law changes the scenario for operations in the sector, as it guarantees competition.

Additionally, the Law establishes service goals to be achieved, encouraging the sector's service providers to act more efficiently and providing conditions for Water National Agency (ANA - *Agência Nacional de Águas*) to set parameters and guidelines aimed at minimizing regulatory uncertainties, therefore, creating a more stable and attractive environment for investments in the sector.

In this context, the Company understands it already has competitive advantages, such as: i) contracts already include goals that meet, or even anticipate, the ones contained in the new regulatory framework, ii) access to public and private capital, iii) high level of corporate governance standards; and iv) great market exposure to the market, in this way it is prepared to compete in expanding its market share.



## Conference calls

### In English

**August 18, 2020 - Tuesday**  
01:00 pm US ET / 2:00 pm (Brasília)

### In Portuguese

**August 18, 2020 - Tuesday**  
09:30 am US ET / 10:30 am (Brasília)

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](mailto:maasampaio@sabesp.com.br)

**Angela Beatriz Airoidi**

Investor Relations Manager

Phone: (55 11) 3388-8793

E-mail: [abairoidi@sabesp.com.br](mailto:abairoidi@sabesp.com.br)

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## Income Statement

Brazilian Corporate Law		R\$ '000
	2Q20	2Q19
<b>Net Operating Income</b>	<b>4,432,546</b>	<b>3,997,910</b>
Operating Costs	(2,818,900)	(2,563,979)
<b>Gross Profit</b>	<b>1,613,646</b>	<b>1,433,931</b>
<b>Operating Expenses</b>		
Selling	(191,523)	(203,169)
Estimated losses with doubtful accounts	(117,177)	(80,815)
Administrative expenses	(224,976)	(347,097)
Other operating revenue (expenses), net	109,684	(2,701)
<b>Operating Income Before Shareholdings</b>	<b>1,189,654</b>	<b>800,149</b>
Equity Result	2,905	4,221
<b>Earnings Before Financial Results, net</b>	<b>1,192,559</b>	<b>804,370</b>
Financial, net	(173,834)	(215,705)
Exchange gain (loss), net	(501,634)	60,128
<b>Earnings before Income Tax and Social Contribution</b>	<b>517,091</b>	<b>648,793</b>
<b>Income Tax and Social Contribution</b>		
Current	(107,351)	(246,124)
Deferred	(31,580)	51,706
<b>Net Income for the period</b>	<b>378,160</b>	<b>454,375</b>
<b>Registered common shares ('000)</b>	<b>683,509</b>	<b>683,509</b>
<b>Earnings per shares - R\$ (per share)</b>	<b>0.55</b>	<b>0.66</b>
<b>Depreciation and Amortization</b>	<b>(498,546)</b>	<b>(424,538)</b>
<b>Adjusted EBITDA</b>	<b>1,581,421</b>	<b>1,231,608</b>
% over net revenue	35.7%	30.8%

## Balance Sheet

Brazilian Corporate Law		R\$ '000	
ASSETS			
	06/30/2020	12/31/2019	
<b>Current assets</b>			
Cash and cash equivalents	3,366,405	2,253,210	
Trade receivables	1,927,175	2,137,752	
Related parties and transactions	174,274	192,906	
Inventories	84,745	70,454	
Restricted cash	28,595	26,018	
Current recoverable taxes	295,656	141,266	
Other assets	104,151	74,532	
<b>Total current assets</b>	<b>5,981,001</b>	<b>4,896,138</b>	
<b>Noncurrent assets</b>			
Trade receivables	266,098	215,275	
Related parties and transactions	636,137	657,990	
Escrow deposits	176,681	177,982	
Water National Agency – ANA	32,798	32,466	
Other assets	166,651	119,646	
Equity investments	59,667	53,187	
Investment properties	47,549	47,562	
Contract assets	7,711,747	7,617,714	
Intangible assets	33,342,487	32,325,447	
Property, plant and equipment	318,586	314,393	
<b>Total noncurrent assets</b>	<b>42,758,401</b>	<b>41,561,662</b>	
<b>Total assets</b>	<b>48,739,402</b>	<b>46,457,800</b>	
<b>LIABILITIES AND EQUITY</b>			
	06/30/2020	12/31/2019	
<b>Current liabilities</b>			
Trade payables	396,951	369,631	
Borrowings and financing	3,415,864	2,859,843	
Accrued payroll and related charges	581,792	594,279	
Taxes and contributions	490,206	250,318	
Dividends and interest on capital payable	767	800,352	
Provisions	597,176	550,247	
Services payable	580,139	474,078	
Public-Private Partnership – PPP	177,267	110,291	
Program Contract Commitments	252,704	273,932	
Other liabilities	187,944	170,453	
<b>Total current liabilities</b>	<b>6,680,810</b>	<b>6,453,424</b>	
<b>Noncurrent liabilities</b>			
Borrowings and financing	12,971,497	10,384,866	
Deferred income tax and social contribution	378,989	433,996	

# Earnings Results

## 2Q20



Deferred Cofins and Pasep	143,907	143,693
Provisions	407,600	485,561
Pension obligations	3,373,098	3,360,932
Public-Private Partnership – PPP	3,087,888	3,183,689
Program Contract Commitments	77,547	103,321
Other liabilities	343,042	272,535
<b>Total noncurrent liabilities</b>	<b>20,783,568</b>	<b>18,368,593</b>
<b>Total liabilities</b>	<b>27,464,378</b>	<b>24,822,017</b>
<b>Equity</b>		
Paid-up capital	15,000,000	15,000,000
Profit reserve	7,466,981	7,547,954
Other comprehensive income	(912,171)	(912,171)
Retained earnings/accumulated losses	(279,786)	-
<b>Total equity</b>	<b>21,275,024</b>	<b>21,635,783</b>
<b>Total equity and liabilities</b>	<b>48,739,402</b>	<b>46,457,800</b>

## Cash Flow

Brazilian Corporate Law	R\$ '000	
	Jan-Jun 2020	Jan-Jun 2019
<b>Cash flow from operating activities</b>		
<b>Profit before income tax and social contribution</b>	<b>(460,166)</b>	<b>1,639,993</b>
<b>Adjustment for:</b>		
Depreciation and amortization	982,115	835,401
Residual value of property, plant and equipment and intangible assets written-off	5,757	14,192
Allowance for doubtful accounts	274,666	88,575
Mauá agreement	(280,774)	-
Provision and inflation adjustment	122,039	159,872
Interest calculated on loans and financing payable	285,680	273,784
Inflation adjustment and foreign exchange gains (losses) on loans and financing	2,307,083	(28,631)
Interest and inflation adjustment losses	13,118	21,874
Interest and inflation adjustment gains	(12,335)	(21,076)
Financial charges from customers	(438,406)	(152,075)
Margin on intangible assets arising from concession	(35,579)	(29,049)
Provision for Consent Decree (TAC) and Knowledge retention program (KRP)	1,744	15,426
Equity result	(6,480)	(5,985)
Interest and inflation adjustment (Public-Private Partnership)	200,749	-
Provision from São Paulo agreement	114,473	(1,076)
Pension obligations	115,613	133,720
Other Provisions/Reversal	(3,263)	119,421
	<b>3,186,034</b>	<b>3,064,366</b>
<b>Changes in assets</b>		
Trade accounts receivable	314,234	(40,291)
Accounts receivable from related parties	50,217	19,411
Inventories	(14,291)	(54,797)
Recoverable taxes	(29,017)	176,149
Escrow deposits	13,164	(6,906)
Other accounts receivable	(76,931)	9,197
<b>Changes in liabilities</b>		
Trade payables and contractors	(169,547)	(331,681)
Services payable	(8,412)	42,448
Accrued payroll and related charges	(14,231)	(32,233)
Taxes and contributions payable	249,381	(109,030)
Deferred Cofins/Pasep	214	(208)
Provisions	(153,071)	(119,904)
Pension obligations	(103,447)	(102,250)

# Earnings Results

## 2Q20



Other liabilities	(1,980)	80,499
<b>Cash generated from operations</b>	<b>3,242,317</b>	<b>2,594,770</b>
Interest paid	(368,056)	(390,247)
Income tax and contribution paid	-	(369,156)
<b>Net cash generated from operating activities</b>	<b>2,874,261</b>	<b>1,835,367</b>
<b>Cash flows from investing activities</b>		
Acquisition of contract assets and intangible assets	(1,255,386)	(901,495)
Restricted cash	(2,577)	7,230
Increase/(decrease) in investment	-	223
Purchases of tangible assets	(20,666)	(28,614)
<b>Net cash used in investing activities</b>	<b>(1,278,629)</b>	<b>(922,656)</b>
<b>Cash flow from financing activities</b>		
Loans and financing		
Proceeds from loans	1,718,412	1,150,807
Repayments of loans	(968,179)	(1,476,152)
Payment of interest on shareholders'equity	(890,051)	(739,990)
Public-Private Partnership – PPP	(229,574)	(211,253)
Program Contract Commitments	(113,045)	(1,422)
<b>Net cash used in financing activities</b>	<b>(482,437)</b>	<b>(1,278,010)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>1,113,195</b>	<b>(365,299)</b>
<b>Represented by:</b>		
Cash and cash equivalents at beginning of the year	2,253,210	3,029,191
Cash and cash equivalents at end of the year	3,366,405	2,663,892
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>1,113,195</b>	<b>(365,299)</b>