

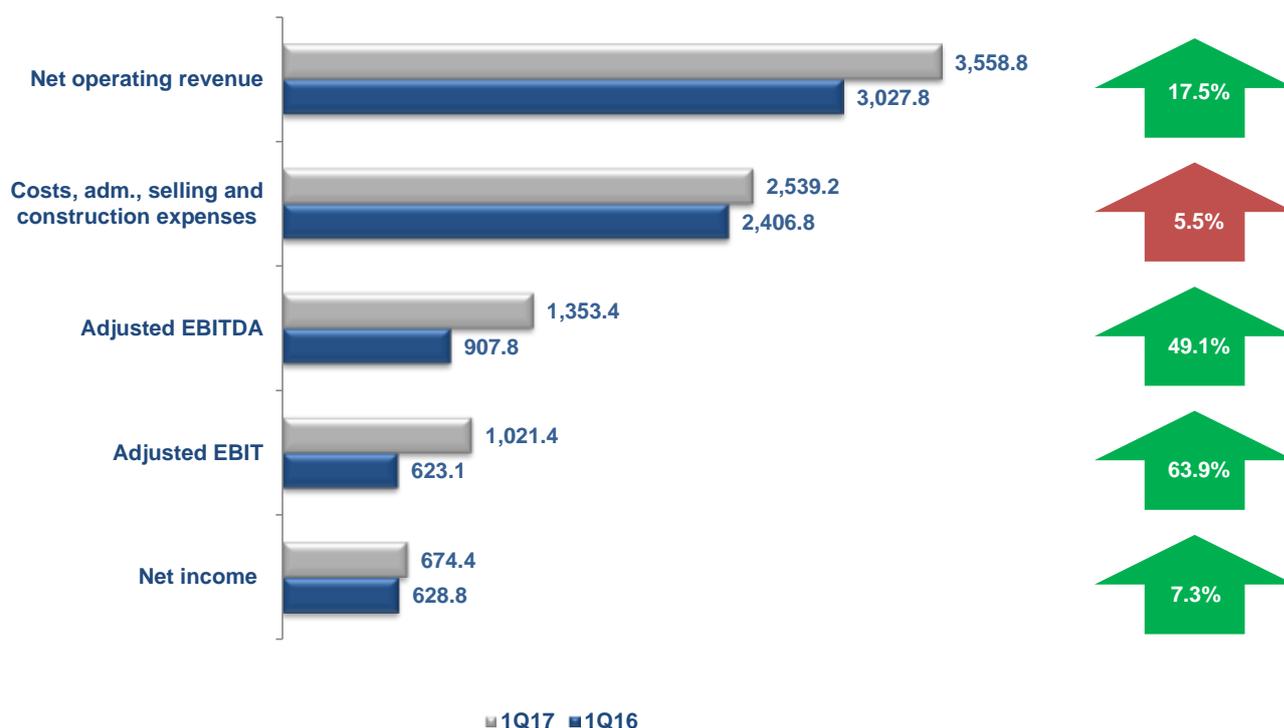
## SABESP announces 1Q17 results

São Paulo, May 12, 2017 - **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 **1Q17 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 2016.

SBSP3: R\$ 30.98/share  
SBS: US\$ 9.92 (ADR=1 share)  
Total shares: 683,509,869  
Market value: R\$ 21.2 billion  
Closing quote: 05/12/2017



R\$ million



## 1. Financial highlights

	<i>R\$ million</i>			
	1Q17	1Q16	Chg. (R\$)	%
Gross operating revenue	3,029.3	2,570.6	458.7	17.8
Construction revenue	722.9	625.3	97.6	15.6
COFINS and PASEP taxes	(193.4)	(168.1)	(25.3)	15.1
(=) Net operating revenue	3,558.8	3,027.8	531.0	17.5
Costs and expenses	(1,832.0)	(1,794.4)	(37.6)	2.1
Construction costs	(707.2)	(612.4)	(94.8)	15.5
Equity result	1.8	2.1	(0.3)	(14.3)
Other operating revenue (expenses), net	10.6	5.5	5.1	92.7
(=) Earnings before financial result, income tax and social contribution	1,032.0	628.6	403.4	64.2
Financial result	3.8	340.2	(336.4)	(98.9)
(=) Earnings before income tax and social contribution	1,035.8	968.8	67.0	6.9
Income tax and social contribution	(361.4)	(340.0)	(21.4)	6.3
(=) Net income	674.4	628.8	45.6	7.3
Earnings per share* (R\$)	0.99	0.92		

\* Total shares = 683,509,869

### Adjusted EBITDA Reconciliation (Non-accounting measures)

	<i>R\$ million</i>			
	1Q17	1Q16	Chg. (R\$)	%
Net income	674.4	628.8	45.6	7.3
Income tax and social contribution	361.4	340.0	21.4	6.3
Financial result	(3.8)	(340.2)	336.4	(98.9)
Other operating revenues (expenses), net	(10.6)	(5.5)	(5.1)	92.7
(=) Adjusted EBIT*	1,021.4	623.1	398.3	63.9
Depreciation and amortization	332.0	284.7	47.3	16.6
(=) Adjusted EBITDA **	1,353.4	907.8	445.6	49.1
(%) Adjusted EBITDA margin	38.0	30.0		

(\*) 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 1Q17, net operating revenue, including construction revenue, reached R\$ 3,558.8 million; a 17.5% increase compared to the same period in 2016.

Costs and expenses, including construction costs, totaled R\$ 2,539.2 million, 5.5% higher than in 1Q16.

Adjusted EBIT, in the amount of R\$ 1,021.4 million, grew 63.9% from R\$ 623.1 million recorded in 1Q16.

Adjusted EBITDA, in the amount of R\$ 1,353.4 million, increased 49.1% from R\$ 907.8 million recorded in 1Q16.

The adjusted EBITDA margin was 38.0% in 1Q17 against 30.0% in 1Q16. Excluding construction revenues and construction costs, the adjusted EBITDA margin was 47.2% in 1Q17 (37.2% in 1Q16).

In 1Q17 the Company recorded a net income of R\$ 674.4 million, in comparison to a net income of R\$ 628.8 million in 1T16.

## 2. Gross operating revenue

Gross operating revenue from sanitation services, not including construction revenue, totaled R\$ 3,029.3 million, an increase of R\$ 458.7 million or 17.8%, when compared to the R\$ 2,570.6 million recorded in 1Q16.

The main factors that led to this variation were:

- Tariff increase of 8.4% since May 2016;
- Increase of 6.0% in the Company's total billed volume (6.1% in water and 5.9% in sewage); and

- Bonus granted in 1Q16 amounting to R\$ 153.8 million, within the Water Consumption Reduction Incentive Program ended in April 2016.

The increase resulting from the above mentioned factors was partially offset by the suspension of the Contingency Tariff in April 2016, in the amount of R\$ 160.6 million in 1Q16.

### 3. Construction revenue

Construction revenue increased R\$ 97.6 million or 15.6%, when compared to 1Q16. 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, on quarter-on-quarter basis, per customer category and region.

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

Category	Water			Sewage			Water + Sewage		
	1Q17	1Q16	%	1Q17	1Q16	%	1Q17	1Q16	%
Residential	398.9	380.4	4.9	338.1	320.3	5.6	737.0	700.7	5.2
Commercial	41.5	40.4	2.7	39.5	38.2	3.4	81.0	78.6	3.1
Industrial	7.8	7.7	1.3	9.3	9.5	(2.1)	17.1	17.2	(0.6)
Public	9.9	9.5	4.2	8.7	8.4	3.6	18.6	17.9	3.9
<b>Total retail</b>	<b>458.1</b>	<b>438.0</b>	<b>4.6</b>	<b>395.6</b>	<b>376.4</b>	<b>5.1</b>	<b>853.7</b>	<b>814.4</b>	<b>4.8</b>
Wholesale <sup>(3)</sup>	61.9	52.0	19.0	9.0	5.7	57.9	70.9	57.7	22.9
<b>Total</b>	<b>520.0</b>	<b>490.0</b>	<b>6.1</b>	<b>404.6</b>	<b>382.1</b>	<b>5.9</b>	<b>924.6</b>	<b>872.1</b>	<b>6.0</b>

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

Region	Water			Sewage			Water + Sewage		
	1Q17	1Q16	%	1Q17	1Q16	%	1Q17	1Q16	%
Metropolitan	292.9	279.0	5.0	254.0	241.5	5.2	546.9	520.5	5.1
Regional <sup>(2)</sup>	165.2	159.0	3.9	141.6	134.9	5.0	306.8	293.9	4.4
<b>Total retail</b>	<b>458.1</b>	<b>438.0</b>	<b>4.6</b>	<b>395.6</b>	<b>376.4</b>	<b>5.1</b>	<b>853.7</b>	<b>814.4</b>	<b>4.8</b>
Wholesale <sup>(3)</sup>	61.9	52.0	19.0	9.0	5.7	57.9	70.9	57.7	22.9
<b>Total</b>	<b>520.0</b>	<b>490.0</b>	<b>6.1</b>	<b>404.6</b>	<b>382.1</b>	<b>5.9</b>	<b>924.6</b>	<b>872.1</b>	<b>6.0</b>

(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 1Q17, costs, administrative, selling and construction expenses, grew 5.5% (R\$ 132.4 million). Excluding construction costs, total costs and expenses increased by 2.1% (R\$ 37.6 million).

As a percentage of net revenue, costs and expenses were 71.3% in 1Q17 compared to 79.5% in 1Q16.

	<i>R\$ million</i>			
	1Q17	1Q16	Chg. (R\$)	%
Salaries and payroll charges and Pension plan obligations	588.4	574.3	14.1	2.5
General supplies	36.0	36.2	(0.2)	(0.6)
Treatment supplies	71.3	75.1	(3.8)	(5.1)
Services	282.8	282.4	0.4	0.1
Electricity	199.7	240.4	(40.7)	(16.9)
General expenses	209.9	224.6	(14.7)	(6.5)
Tax expenses	25.8	20.6	5.2	25.2
<b>Sub-total</b>	<b>1,413.9</b>	<b>1,453.6</b>	<b>(39.7)</b>	<b>(2.7)</b>
Depreciation and amortization	332.0	284.7	47.3	16.6
Allowance for doubtful accounts	86.1	56.1	30.0	53.5
<b>Sub-total</b>	<b>418.1</b>	<b>340.8</b>	<b>77.3</b>	<b>22.7</b>
<b>Costs, administrative and selling expenses</b>	<b>1,832.0</b>	<b>1,794.4</b>	<b>37.6</b>	<b>2.1</b>
Construction costs	707.2	612.4	94.8	15.5
<b>Costs, adm., selling and construction expenses</b>	<b>2,539.2</b>	<b>2,406.8</b>	<b>132.4</b>	<b>5.5</b>
% of net revenue	71.3	79.5		

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

There was an increase of R\$ 14.1 million in 1Q17, mainly due to:

- Increase of R\$ 36.1 million, mostly due to the 10.3% pay rise in May 2016 and the 1% impact related to the Career and Salary Plan since December 2016; and
- Increase of R\$ 2.2 million in expenses related to the Defined Contribution Plan (Sabesprev Mais), as a result of the migration of 3,572 participants of the Defined Benefit Plan (G1) in August 2016.

The above-mentioned increases were partially offset by the R\$ 27.2 million decline in G0 Pension Plan and Defined Benefit Plan (G1) expenses, due to: (i) changes in the actuarial assumptions (interest rate); (ii) the migration of employees from the Defined Benefit Plan to the Defined Contribution Plan (in August 2016); and (iii) the beginning of payment of the actuarial deficit by employees as of December 2016, reducing the Company's expenses.

### 5.2. Electricity

Electricity expenses totaled R\$ 199.7 million in 1Q17, a decrease of R\$ 40.7 million or 16.9% in comparison to the R\$ 240.4 million in 1Q16. The main factors that contributed to this increase were:

- Average reduction of 17.4% in the free market tariffs, with an 21.2% increase in consumption;
- Average reduction of 27.3% in the grid market tariff (TUSD), with a 21.7% rise in consumption; and
- Average reduction of 14.0% in the regulated market tariffs, with a 10.2%.decrease in consumption.

In 1Q17, the regulated market accounted for 32.3% of the total electricity consumed by the Company, the free market accounted for 34.4% and the grid market accounted for 33.3% of total consumption.

### 5.3. General expenses

General expenses decreased R\$ 14.7 million, or 6.5%, totaling R\$ 209.9 million in 1Q17, versus the R\$ 224.6 million recorded in 1Q16, mainly due to the reduction of R\$ 23.4 million in provisions for court proceedings in 1Q17, partially offset by a higher provision for the Municipal Fund for Environmental Sanitation and Infrastructure, in the amount of R\$ 10.9 million, as a result of the increase in revenues with the municipality of São Paulo.

## 5.4. Depreciation and amortization

Depreciation and amortization increased R\$ 47.3 million or 16.6%, reaching R\$ 332.0 million in 1Q17 in comparison to the R\$ 284.7 million recorded in 1Q16, largely due to the beginning of operations of intangible assets, in the amount of R\$ 2.1 billion.

## 5.5. Allowance for doubtful accounts

Increase of R\$ 30.0 million, mainly resulting from:

- Increase in default, causing a R\$ 26.5 million impact; and
- Receipt of non-recurring court-ordered debt payments amounting to R\$ 14.4 million in 1Q16, especially from the city of Guarulhos.

This increase was partially offset by an upturn of R\$ 10.8 million in the recovery of funds through agreements in 1Q17.

## 6. Financial result

	<i>R\$ million</i>			
	1Q17	1Q16	Chg.	%
Financial expenses, net of income	(68.9)	(99.8)	30.9	(31.0)
Net monetary and exchange variation	72.7	440.0	(367.3)	(83.5)
<b>Financial result</b>	<b>3.8</b>	<b>340.2</b>	<b>(336.4)</b>	<b>(98.9)</b>

### 6.1. Financial income and expenses

	<i>R\$ million</i>			
	1Q17	1Q16	Chg.	%
Financial expenses				
Interest and charges on domestic loans and financing	(64.8)	(95.2)	30.4	(31.9)
Interest and charges on international loans and financing	(22.2)	(37.6)	15.4	(41.0)
Other financial expenses	(42.1)	(52.5)	10.4	(19.8)
<b>Total financial expenses</b>	<b>(129.1)</b>	<b>(185.3)</b>	<b>56.2</b>	<b>(30.3)</b>
Financial income	60.2	85.5	(25.3)	(29.6)
<b>Financial expenses net of income</b>	<b>(68.9)</b>	<b>(99.8)</b>	<b>30.9</b>	<b>(31.0)</b>

#### 6.1.1. Financial expenses

Decrease of R\$ 56.2 million, mainly due to the following events:

- Interest and charges on domestic loans and financing: reduction of R\$ 30.4 million, mainly due to a decline in the debt balance following the early amortization of the 19th debenture issue in March 2016, the 10th issue in January 2017 and the 15th issue in February 2017;
- Interest and charges on international loans and financing: decrease of R\$ 15.4 million, mainly due to the 11% depreciation of the dollar against the real at the close of 1Q17 compared with the close of 1Q16; and
- Other financial expenses: reduction of R\$ 10.4 million, due to lower provisioning for interest on court proceedings in 1Q17.

## 6.1.2. Financial income

Decrease of R\$ 25.3 million, mainly due to the lower recognition of interest on installment agreements in 1Q17 compared with 1Q16.

## 6.2. Monetary and exchange rate variation on assets and liabilities

	<i>R\$ million</i>			
	1Q17	1Q16	Chg.	%
Monetary variation on loans and financing	(21.8)	(52.9)	31.1	(58.8)
Currency exchange variation on loans and financing	89.3	483.3	(394.0)	(81.5)
Other monetary variations	(15.5)	(45.1)	29.6	(65.6)
<b>Monetary/exchange rate variation on liabilities</b>	<b>52.0</b>	<b>385.3</b>	<b>(333.3)</b>	<b>(86.5)</b>
Monetary/exchange rate variation on assets	20.7	54.7	(34.0)	(62.2)
<b>Monetary/exchange rate variation, net</b>	<b>72.7</b>	<b>440.0</b>	<b>(367.3)</b>	<b>(83.5)</b>

### 6.2.1 Monetary and exchange rate variation on liabilities

The effect of monetary and currency variations in 1Q17 was R\$ 333.3 million less than in 1Q16, mainly due to:

- Reduction of R\$ 31.1 million in expenses with monetary variation on loans and financing, due to the lower variation in the IPCA in 1Q17 compared with 1Q16 (0.96% and 7.62%, respectively).
- Decrease of R\$ 394.0 million in exchange variation on loans and financing, as a result of the lower depreciation of the dollar and the appreciation of the yen against the real in 1Q17 (-2.8% and +1.9%, respectively), versus devaluation of both currencies in 1Q16 (-8.9% and -2.4%, respectively); and
- Decline of R\$ 29.6 million in other monetary variation expenses, chiefly due to the reduction in the provision for court proceedings in 1Q17.

### 6.2.2 Monetary and exchange rate variation on assets

Decrease of R\$ 34.0 million, mainly due to the lower monetary restatement of judicial deposits in 1Q17.

## 7. Income tax and social contribution

Increase of R\$ 21.4 million, mainly due to the upturn in operating revenue. This increase was partially offset by the worse financial result reported in the period, which was impacted by exchange rate oscillations.

## 8. Indicators

### 8.1. Operating

Operating indicators *	1Q17	1Q16	%
Water connections <sup>(1)</sup>	8,703	8,477	2.7
Sewage connections <sup>(1)</sup>	7,140	6,917	3.2
Population directly served - water <sup>(2)</sup>	24.8	24.5	1.2
Population directly served - sewage <sup>(2)</sup>	21.3	21.0	1.4
Number of Employees	14,086	13,816	2.0
Water volume produced <sup>(3)</sup>	700	667	4.9
IPM - Measured water loss (%)	31.5	29.9	5.4
IPDt (liters/connection x day)	308	275	12.0

(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. Not including wholesale

(3) In millions of cubic meters

(\*) Unaudited

### 8.2. Financial

Economic Variables at the close of the quarter*	1Q17	1Q16
Amplified Consumer Price Index Variation (%)	0.96	2.62
Referential Rate Variation (%)	0.35	0.45
Interbank Deposit Certificate (%)	12.13	14.13
US DOLAR (R\$)	3.1684	3.5589
YEN (R\$)	0.02844	0.03166

(\*) Unaudited

## 9. Loans and financing

INSTITUTION	R\$ million							Total
	2017	2018	2019	2020	2021	2022	2023 Onwards	
<b>Local currency</b>								
Caixa Econômica Federal	45.4	64.6	66.6	68.9	72.4	76.2	773.3	1,167.4
Debentures	315.2	894.3	1,009.3	420.2	198.4	177.9	254.9	3,270.2
BNDES	66.0	98.0	111.9	93.9	93.5	93.5	535.5	1,092.3
Leasing	11.2	28.2	29.7	31.3	33.1	35.0	385.7	554.2
Others	0.6	1.4	1.3	1.4	1.4	1.4	3.9	11.4
Interest and other charges	57.3	12.4	-	-	-	-	-	69.7
<b>Total in local currency</b>	<b>495.7</b>	<b>1,098.9</b>	<b>1,218.8</b>	<b>615.7</b>	<b>398.8</b>	<b>384.0</b>	<b>1,953.3</b>	<b>6,165.2</b>
<b>Foreign currency</b>								
IADB	132.9	106.9	106.9	106.8	106.8	106.9	1,049.5	1,716.7
IBRD	-	-	8.6	17.2	17.2	17.2	197.8	258.0
Deutsche Bank 350	-	237.6	229.4	-	-	-	-	467.0
Eurobond	-	-	-	1,105.9	-	-	-	1,105.9
JICA	32.4	64.7	109.8	109.8	109.8	109.8	1,118.6	1,654.9
IDB 1983AB	75.9	75.4	56.1	54.4	24.4	24.3	22.2	332.7
Interest and other charges	41.1	-	-	-	-	-	-	41.1
<b>Total in foreign currency</b>	<b>282.3</b>	<b>484.6</b>	<b>510.8</b>	<b>1,394.1</b>	<b>258.2</b>	<b>258.2</b>	<b>2,388.1</b>	<b>5,576.3</b>
<b>Total</b>	<b>778.0</b>	<b>1,583.5</b>	<b>1,729.6</b>	<b>2,009.8</b>	<b>657.0</b>	<b>642.2</b>	<b>4,341.4</b>	<b>11,741.5</b>

## 10. Capex

In 2017, investments are expected to reach R\$ 2.3 billion, R\$ 745.4 million of which were invested in the first quarter of the year, including R\$ 189.8 million related to the São Lourenço PPP.

## 11. Conference calls

### In English

#### **May 15, 2017 - Monday**

8:30 am (US EST) / 9:30 am (Brasília)

Dial in: 1 (412) 317-5486

Conference ID: Sabesp

#### Replay available for 7 days

Dial in: +1 (412) 317-0088

Replay ID: 10104335

[Click here](#) for the webcast

### In Portuguese

#### **May 15, 2017 - Monday**

10:00 am (US EST) / 11:00 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: 29788047

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## Income Statement

Brazilian Corporate Law	R\$ '000	
	1Q17	1Q16
<b>Net Operating Income</b>	<b>3,558,825</b>	<b>3,027,842</b>
Operating Costs	(2,061,416)	(1,941,276)
<b>Gross Profit</b>	<b>1,497,409</b>	<b>1,086,566</b>
<b>Operating Expenses</b>		
Selling	(238,680)	(205,278)
Administrative revenue (expenses)	(239,134)	(260,194)
Other operating revenue (expenses), net	10,564	5,482
<b>Operating Income Before Shareholdings</b>	<b>1,030,159</b>	<b>626,576</b>
Equity Result	1,870	2,087
<b>Earnings Before Financial Results, net</b>	<b>1,032,029</b>	<b>628,663</b>
Financial, net	(85,869)	(143,159)
Exchange gain (loss), net	89,667	483,319
<b>Earnings before Income Tax and Social Contribution</b>	<b>1,035,827</b>	<b>968,823</b>
<b>Income Tax and Social Contribution</b>		
Current	(350,440)	(338,989)
Deferred	(11,025)	(1,045)
<b>Net Income for the period</b>	<b>674,362</b>	<b>628,789</b>
<b>Registered common shares ('000)</b>	<b>683,509</b>	<b>683,509</b>
<b>Earnings per shares - R\$ (per share)</b>	<b>0.99</b>	<b>0.92</b>
<b>Depreciation and Amortization</b>	<b>(331,948)</b>	<b>(284,656)</b>
<b>Adjusted EBITDA</b>	<b>1,353,413</b>	<b>907,837</b>
% over net revenue	38.0%	30.0%

Net Operating Income Breakdown	R\$ '000	
	1Q17	1Q16
<b>Gross operating income</b>	<b>3,752,219</b>	<b>3,195,908</b>
Water supply - retail	1,558,496	1,409,269
Water supply - wholesale	81,858	21,443
Sewage collection and treatment	1,335,438	1,095,489
Sewage collection and treatment - wholesale	10,991	6,656
Construction revenue - water	476,696	428,136
Construction revenue - sewage	246,232	197,144
Other services	42,508	37,771
Gross sales deductions (Cofins/Pasep)	(193,394)	(168,066)
<b>Net operating income</b>	<b>3,558,825</b>	<b>3,027,842</b>

## Balance Sheet

Brazilian Corporate Law	R\$ '000	
ASSETS	03/31/2017	12/31/2016
<b>Current assets</b>		
Cash and cash equivalents	1,983,822	1,886,221
Trade receivables	1,580,821	1,557,472
Related parties and transactions	208,055	202,553
Inventories	64,085	58,002
Restricted cash	21,999	24,078
Current recoverable taxes	14,195	42,633
Other receivables	115,065	52,676
<b>Total current assets</b>	<b>3,988,042</b>	<b>3,823,635</b>
<b>Noncurrent assets</b>		
Trade receivables	161,786	153,834
Related parties and transactions	647,891	669,156
Escrow deposits	65,089	77,915
Deferred income tax and social contribution	175,320	186,345
Water National Agency – ANA	82,676	81,221
Other receivables	122,003	114,693
Equity investments	32,966	31,096
Investment properties	57,938	57,968
Intangible assets	31,680,567	31,246,788
Property, plant and equipment	284,180	302,383
<b>Total noncurrent assets</b>	<b>33,310,416</b>	<b>32,921,399</b>
<b>Total assets</b>	<b>37,298,458</b>	<b>36,745,034</b>
LIABILITIES AND EQUITY	03/31/2017	12/31/2016
<b>Current liabilities</b>		
Trade payables	201,694	311,960
Borrowings and financing	1,444,967	1,246,567
Accrued payroll and related charges	454,654	458,299
Taxes and contributions	168,754	168,757
Dividends and interest on capital payable	700,034	700,034
Provisions	712,963	730,334
Services payable	437,215	460,054
Public-Private Partnership – PPP	32,533	31,898
Program Contract Commitments	110,098	109,042
Other liabilities	106,505	85,563
<b>Total current liabilities</b>	<b>4,369,417</b>	<b>4,302,508</b>
<b>Noncurrent liabilities</b>		
Borrowings and financing	10,296,502	10,717,576
Deferred Cofins and Pasesp	137,771	138,071
Provisions	472,846	442,741
Pension obligations	3,288,029	3,265,250
Public-Private Partnership – PPP	2,394,656	2,217,520
Program Contract Commitments	70,573	69,051
Other liabilities	175,091	173,106
<b>Total noncurrent liabilities</b>	<b>16,835,468</b>	<b>17,023,315</b>
<b>Total liabilities</b>	<b>21,204,885</b>	<b>21,325,823</b>
<b>Equity</b>		
Paid-up capital	10,000,000	10,000,000
Profit reserve	6,244,859	6,244,859
Other comprehensive income	(825,648)	(825,648)
Retained earnings	674,362	-
<b>Total equity</b>	<b>16,093,573</b>	<b>15,419,211</b>
<b>Total equity and liabilities</b>	<b>37,298,458</b>	<b>36,745,034</b>

## Cash Flow

R\$ '000

	1Q17	1Q16
<b>Cash flow from operating activities</b>		
<b>Profit before income tax and social contribution</b>	<b>1,035,827</b>	<b>968,823</b>
<b>Adjustment for:</b>		
Depreciation and amortization	331,948	284,656
Residual value of property, plant and equipment and intangible assets written-off	11,314	339
Allowance for doubtful accounts	86,136	56,078
Provision and inflation adjustment	62,657	122,301
Interest calculated on loans and financing payable	90,640	136,821
Inflation adjustment and foreign exchange gains (losses) on loans and financing	(67,648)	(430,351)
Interest and inflation adjustment losses	2,950	9,967
Interest and inflation adjustment gains	(10,569)	(50,977)
Financial charges from customers	(60,716)	(67,055)
Fair value margin on intangible assets arising from concession	(15,699)	(12,894)
Provision for Consent Decree (TAC)	2,314	1,073
Equity result	(1,870)	(2,087)
Provision from São Paulo agreement	104,360	97,402
Provision for defined contribution plan	-	2,277
Pension obligations	77,268	102,972
Other adjustments	(12,295)	(6,900)
	<b>1,636,617</b>	<b>1,212,445</b>
<b>Changes in assets</b>		
Trade accounts receivable	(49,660)	(90,341)
Accounts receivable from related parties	16,050	17,534
Inventories	(6,047)	7,242
Recoverable taxes	28,438	61,897
Escrow deposits	16,047	9,422
Other accounts receivable	(71,154)	(32,345)
<b>Changes in liabilities</b>		
Trade payables and contractors	(29,084)	(5,380)
Services received	(127,199)	(1,705)
Accrued payroll and related charges	(5,959)	19,538
Taxes and contributions payable	(78,771)	(85,300)
Deferred Cofins/Pasep	(300)	1,356
Provisions	(49,923)	(52,287)
Pension obligations	(54,489)	(42,827)
Other liabilities	24,542	(12,079)
	<b>1,249,108</b>	<b>1,007,170</b>
<b>Cash generated from operations</b>		
Interest paid	(213,824)	(228,369)
Income tax and contribution paid	(271,672)	(46,154)
	<b>763,612</b>	<b>732,647</b>
<b>Net cash generated from operating activities</b>		
<b>Cash flows from investing activities</b>		
Acquisition of intangibles	(520,886)	(400,978)
Restricted cash	2,079	2,597
Purchases of tangible assets	(10,601)	(12,906)
<b>Net cash used in investing activities</b>	<b>(529,408)</b>	<b>(411,287)</b>
<b>Cash flow from financing activities</b>		
Loans and financing		
Proceeds from loans	275,208	174,708
Repayments of loans	(403,698)	(662,193)
Public-Private Partnership – PPP	(7,741)	(8,111)
Program Contract Commitments	(372)	(33,102)
<b>Net cash generated by (used in) financing activities</b>	<b>(136,603)</b>	<b>(528,698)</b>
<b>Increase/(reduction) of cash and cash equivalents</b>	<b>97,601</b>	<b>(207,338)</b>
<b>Represented by:</b>		
Cash and cash equivalents at beginning of the period	1,886,221	1,639,214
Cash and cash equivalents at end of the period	<u>1,983,822</u>	<u>1,431,876</u>
<b>Increase/(reduction) of cash and cash equivalents</b>	<b>97,601</b>	<b>(207,338)</b>