

CIA. DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO - SABESP
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SABESP announces 1Q18 results

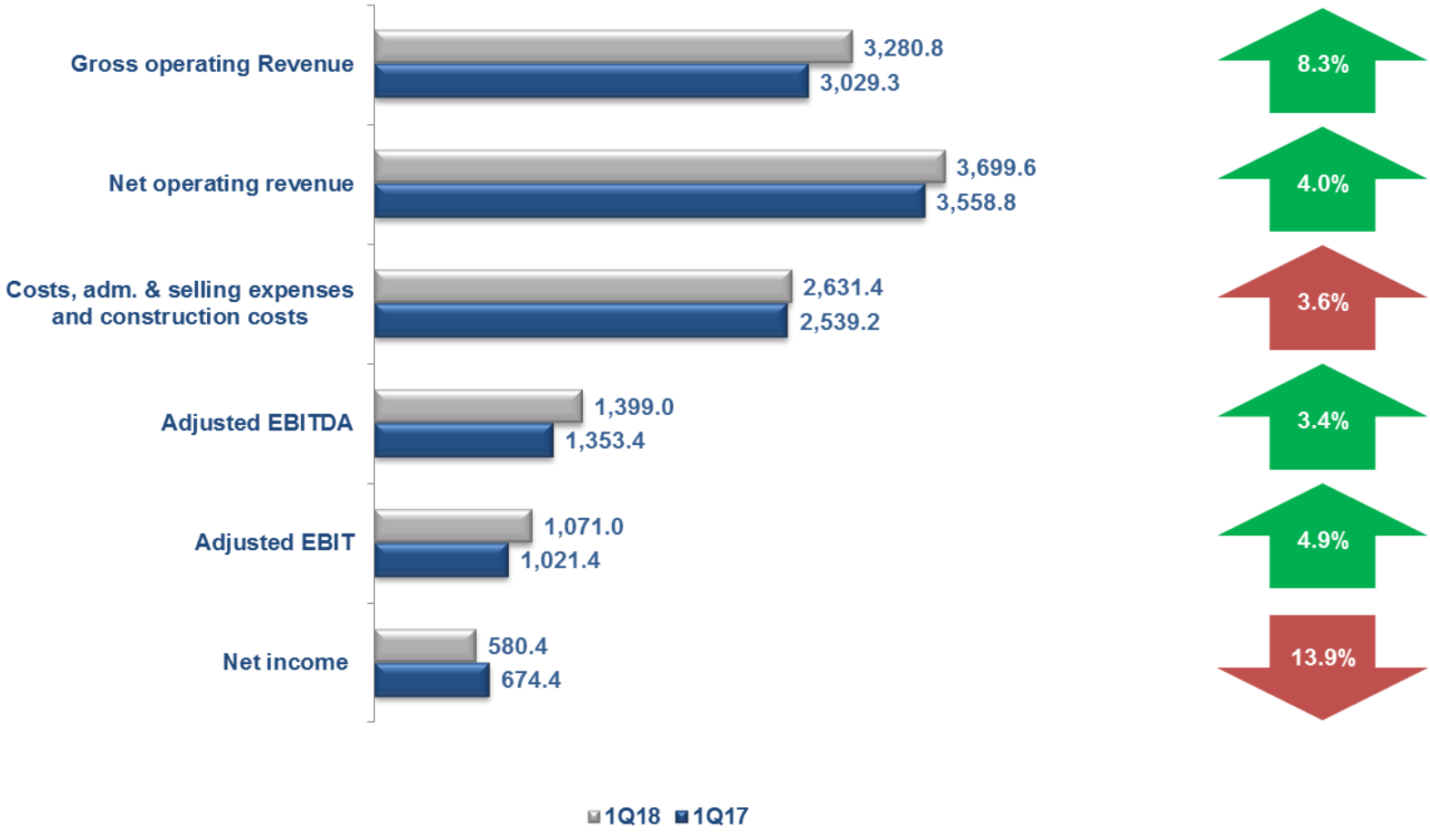
São Paulo, May 10, 2018 - **Companhia de Saneamento Básico do Estado de São Paulo - SABESP** (B3: SBSP3; NYSE: SBS), one of the largest water and sewage services providers in the world based on the number of costumers, announces today its **1Q18 results**. The Company's operating and financial information, 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$ 30.73/share
SBS: US$ 8.58 (ADR=1 share)
Total shares: 683,509,869
Market value: R$ 20.04 billion
Closing quote: 05/10/2018

SBSP3 NOVO MERCADO BM&FBOVESPA

SBS LISTED NYSE

R$ million





1. Financial highlights

R$ million

		1Q18	1Q17	Chg. (R$)	%
	Gross operating revenue [1]	3,280.8	3,029.3	251.5	8.3
	Construction revenue	647.2	722.9	(75.7)	(10.5)
	COFINS and PASEP and TRCF taxes [2]	(228.4)	(193.4)	(35.0)	18.1
(=)	Net operating revenue	3,699.6	3,558.8	140.8	4.0
	Costs and expenses	(1,998.7)	(1,832.0)	(166.7)	9.1
	Construction costs	(632.7)	(707.2)	74.5	(10.5)
	Equity result	2.8	1.8	1.0	55.6
	Other operating revenue (expenses), net	11.5	10.6	0.9	8.5
(=)	Earnings before financial result, income tax and social contribution	1,082.5	1,032.0	50.5	4.9
	Financial result	(193.9)	3.8	(197.7)	(5,202.6)
(=)	Earnings before income tax and social contribution	888.6	1,035.8	(147.2)	(14.2)
	Income tax and social contribution	(308.2)	(361.4)	53.2	(14.7)
(=)	Net income	580.4	674.4	(94.0)	(13.9)
	Earnings per share* (R$)	0.85	0.99		

[1] Includes Revenue from Regulatory, Control and Inspection Fee (TRCF - Taxa de Regulação, Controle e Fiscalização), in the amount of R$ 15.5 million.

[2] Includes TRCF transfers in the amount of R$ 13.5 million.

* Total shares = 683,509,869

Adjusted EBITDA Reconciliation (Non-accounting measures)

R$ million

		1Q18	1Q17	Chg. (R$)	%
	Net income	580.4	674.4	(94.0)	(13.9)
	Income tax and social contribution	308.2	361.4	(53.2)	(14.7)
	Financial result	193.9	(3.8)	197.7	(5,202.6)
	Other operating revenues (expenses), net	(11.5)	(10.6)	(0.9)	8.5
(=)	Adjusted EBIT*	1,071.0	1,021.4	49.6	4.9
	Depreciation and amortization	328.0	332.0	(4.0)	(1.2)
(=)	Adjusted EBITDA **	1,399.0	1,353.4	45.6	3.4
	(%) Adjusted EBITDA margin	37.8	38.0		

* 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 1Q18, net operating revenue, which considers construction revenue, totaled R$ 3,699.6 million, a growth of 4% over the same period of last year.

Costs and expenses, which include construction costs, totaled R$ 2,631.4 million, 3.6% up on 1Q17.

Adjusted EBIT, in the amount of R$ 1,071.0 million, increased 4.9% when compared to the R$ 1,021.4 million reported in 1Q17.

Adjusted EBITDA, in the amount of R$ 1,399.0 million, increased 3.4% when compared to the R$ 1,353.4 million reported in 1Q17 (R$ 5,314.8 million in the last 12 months).

Adjusted EBITDA margin in 1Q18 was 37.8%, against 38.0% in 1Q17 (36.0% in the last 12 months).

Excluding the effects of revenue and construction costs, adjusted EBITDA margin resulted in 45.4% in 1Q18 (47.2% in 1Q17 and 44.9% in the last 12 months).

In 1Q18 the company recorded a net income of R$ 580.4 million, compared to a net income of R$ 674.4 million in 1Q17.

2. Gross operating revenue

The gross operating revenue related to the sanitation services, in the amount of R$ 3,280.8 million, which does not consider construction revenue, increased by R$ 251.5 million or 8.3%, when compared to R$ 3,029.3 million in 1Q17.

The main factors that led to this increase were:

- Tariff repositioning index of 7.9% since November 2017; and
- 2.1% increase in total billed volume, 2.1% in water and 2.0% in sewage.

The increase caused by the above-mentioned facts was offset by the recognition of higher estimated losses on wholesale revenue in 1Q18, in the amount of R$ 36.1 million, due to lower payment received in the period, mainly from the municipality of Guarulhos.

3. Construction revenue

Construction revenue decreased by R$ 75.7 million or 10.5%, when compared to the previous year. The variation is mainly due to the lower investments in the municipalities served by the Company.

4. Billed volume

The tables below show the water and sewage billed volume in quarterly terms, per customer category and region.

WATER AND SEWAGE BILLED VOLUME[1] PER CUSTOMER CATEGORY - million m³

	Water			Sewage			Water + Sewage		
Category	1Q18	1Q17	%	1Q18	1Q17	%	1Q18	1Q17	%
Residential	406.8	398.9	2.0	346.5	338.1	2.5	753.3	737.0	2.2
Commercial	42.0	41.5	1.2	40.0	39.5	1.3	82.0	81.0	1.2
Industrial	7.8	7.8	-	9.7	9.3	4.3	17.5	17.1	2.3
Public	9.7	9.9	(2.0)	8.7	8.7	-	18.4	18.6	(1.1)
Total retail	**466.3**	**458.1**	**1.8**	**404.9**	**395.6**	**2.4**	**871.2**	**853.7**	**2.0**
Wholesale [3]	64.7	61.9	4.5	7.7	9.0	(14.4)	72.4	70.9	2.1
Total	**531.0**	**520.0**	**2.1**	**412.6**	**404.6**	**2.0**	**943.6**	**924.6**	**2.1**

WATER AND SEWAGE BILLED VOLUME[1] PER REGION - million m³

	Water			Sewage			Water + Sewage		
Region	1Q18	1Q17	%	1Q18	1Q17	%	1Q18	1Q17	%
Metropolitan	299.7	292.9	2.3	260.7	254.0	2.6	560.4	546.9	2.5
Regional [2]	166.6	165.2	0.8	144.2	141.6	1.8	310.8	306.8	1.3
Total retail	**466.3**	**458.1**	**1.8**	**404.9**	**395.6**	**2.4**	**871.2**	**853.7**	**2.0**
Wholesale [3]	64.7	61.9	4.5	7.7	9.0	(14.4)	72.4	70.9	2.1
Total	**531.0**	**520.0**	**2.1**	**412.6**	**404.6**	**2.0**	**943.6**	**924.6**	**2.1**

(1) Unaudited
(2) Including coastal and interior region
(3) Reused water volume and non-domestic sewage are included in



5. Costs, administrative & selling expenses and construction costs

Costs, administrative and selling expenses and construction costs increased by R$ 92.2 million in 1Q18 (3.6%). Excluding construction costs, there was an increase of R$ 166.7 million (9.1%).

As a percentage of net revenue, costs, administrative and selling expenses and construction costs represented 71.1% in 1Q18, against 71.3% in 1Q17.

R$ million

	1Q18	1Q17	Chg. (R$)	%
Salaries and payroll charges and Pension plan obligations	630.0	588.4	41.6	7.1
General supplies	55.0	36.0	19.0	52.8
Treatment supplies	75.9	71.3	4.6	6.5
Services	377.1	282.8	94.3	33.3
Electricity	221.9	199.7	22.2	11.1
General expenses	246.2	209.9	36.3	17.3
Tax expenses	16.0	25.8	(9.8)	(38.0)
Sub-total	**1,622.1**	**1,413.9**	**208.2**	**14.7**
Depreciation and amortization	328.0	332.0	(4.0)	(1.2)
Allowance for doubtful accounts	48.6	86.1	(37.5)	(43.6)
Sub-total	**376.6**	**418.1**	**(41.5)**	**(9.9)**
Costs, administrative and selling expenses	**1,998.7**	**1,832.0**	**166.7**	**9.1**
Construction costs	632.7	707.2	(74.5)	(10.5)
Costs, adm & selling expenses and construction costs	**2,631.4**	**2,539.2**	**92.2**	**3.6**
% of net revenue	71.1	71.3		

5.1. Salaries and payroll charges and Pension plan obligations

In 1Q18, there was an increase of R$ 41.6 million or 7.1%, chiefly due to the following factors:

- Increase of R$ 22.2 million, mainly due to the salary increase of 3.71%, in May 2017 and the application of 1.7% referring to the Carrier and Salary Plan, in February 2018;
- Increase of R$ 7.4 million in provision referring to TAC (Conduct Adjustment Term) of retirees;
- Increase of R$ 5.7 million in overtime expenses; and
- Increase of R$ 4.7 million in health care.

5.2. General Supplies

Increase of R$ 19.0 million or 52.8%, due to the following factors:

- Increase of R$ 8.1 million, resulting from the greater application of materials for maintenance in networks and connections of water and sewage; and
- Greater application of materials for conservation of properties, furniture and equipment, in the amount of R$ 6.7 million.



5.3 Services

Growth of R$ 94.3 million or 33.3%, due to the following factors:

- Higher estimate of expenses, in the amount of R$ 47.5 million, due to an increase in several services contracted in 1Q18, mainly in water and sewage connections and network maintenance;
- Increase of R$ 15.8 million in advertising campaigns; and
- Increase in expenses with credit recovery, in the amount of R$ 7.3 million.

5.4. Electricity

Electricity expenses totaled R$ 221.9 million in 1Q18, an increase of R$ 22.2 million or 11.1% compared to R$ 199.7 million in 1Q17. This variation was mainly due to:

- Average increase of 0.8% in the free market tariffs (*ACL - Ambiente de Contratação Livre*), with an increase of 13.4% in consumption;
- Average reduction of 9.9% in the grid market tariff (*TUSD - Tarifas de Uso do Sistema de Distribuição*), with a 12.3% increase in consumption; and
- Average increase of 1.7% in the regulated market tariffs (*ACR - Ambiente de Contratação Regulada*), with a decrease of 6.9% in consumption.

In 1Q18, the ACL accounted for 36.2% of the total electricity consumed by the Company, TUSD accounted for 35.9% and ACR represented 27.9% of that amount.

5.5. General expenses

Increase of R$ 36.3 million or 17.3%, totaling R$ 246.2 million in 1Q18, against R$ 209.9 million in 1Q17, due to the following factors:

- Higher provision for transfer to the Municipal Fund of Environmental Sanitation and Infrastructure, in the amount of R$ 17.2 million, due to the increase in revenue obtained with the municipality of São Paulo;
- Increase in expenses related to water use, in the amount of R$ 4.9 million; and
- Greater provisioning for lawsuits in 1Q18, in the amount of R$ 4.1 million.

5.6. Allowance for doubtful accounts

Decrease of R$ 37.5 million, mainly due to higher recovery of unpaid amounts in 1Q18.

6. Financial result

R$ million

	1Q18	1Q17	Chg. R$	%
Financial expenses, net of income	(67.2)	(68.9)	1.7	(2.5)
Net monetary and exchange variation	(126.7)	72.7	(199.4)	(274.3)
Financial result	**(193.9)**	**3.8**	**(197.7)**	**(5,202.6)**

6.1. Financial expenses, net of income

R$ million

	1Q18	1Q17	Chg. R$	%
Financial expenses				
Interest and charges on international loans and financing	(78.2)	(64.8)	(13.4)	20.7
Interest and charges on domestic loans and financing	(36.6)	(22.2)	(14.4)	64.9
Other financial expenses	(14.9)	(42.1)	27.2	(64.6)
Total financial expenses	**(129.7)**	**(129.1)**	**(0.6)**	**0.5**
Financial income	62.5	60.2	2.3	3.8
Financial expenses net of income	**(67.2)**	**(68.9)**	**1.7**	**(2.5)**

Decrease of R$ 1.7 million, mainly due to the following factors:

- Increase of R$ 13.4 million in interest and charges on domestic loans and financing, mainly due to the lower capitalization of interest in works in progress in 1Q18, when compared to the capitalization recorded in 1Q17;
- Increase of R$ 14.4 million in interest and charges on international loans and financing, mainly due to the appreciation of the US dollar against the real in 1Q18, compared to the devaluation in 1Q17 (0.5% and -2.8% respectively), and higher appreciation of the yen against the real in 1Q18, when compared to the appreciation in 1Q17 (6.3% and 1.9%, respectively); and
- Decrease of R$ 27.2 million in other financial expenses, largely due to the lower provisioning of interest on lawsuits in 1Q18.

6.2. Monetary and exchange variation, net

R$ million

	1Q18	1Q17	Chg. R$	%
Monetary variation on loans and financing	(19.6)	(21.8)	2.2	(10.1)
Currency exchange variation on loans and financing	(112.0)	89.3	(201.3)	(225.4)
Other monetary variations	(9.7)	(15.5)	5.8	(37.4)
Monetary/exchange rate variation on liabilities	**(141.3)**	**52.0**	**(193.3)**	**(371.7)**
Monetary/exchange rate variation on assets	14.6	20.7	(6.1)	(29.5)
Monetary/exchange rate variation, net	**(126.7)**	**72.7**	**(199.4)**	**(274.3)**

The effect on the net monetary/exchange rate variation 1Q18 was R$ 199.4 million higher than in 1Q17, with highlight to the R$ 201.3 million increase in the exchange rate variation on loans and financing, due to the appreciation of the dollar against the real in 1Q18, compared to the devaluation in 1Q17 (0.5% and -2.8%, respectively), and higher appreciation of the yen against the real in 1Q18, when compared to the appreciation registered in 1Q17 (6.3% and 1.9%, respectively).



7. Income tax and Social contribution

The Company recorded a decrease of R$ 53.2 million, due to the lower taxable result presented in 1Q18, mainly resulting from the appreciation of the US dollar against the real, compared to the devaluation in 1Q17 and the higher appreciation of the yen against the real, when compared to the appreciation registered in 1Q17.

8. Indicators

8.1. Operating

Operating indicators *	1Q18	1Q17	%
Water connections (1)	8,908	8,703	2.4
Sewage connections (1)	7,345	7,140	2.9
Population directly served - water (2)	24.9	24.8	0.4
Population directly served - sewage (2)	21.6	21.3	1.4
Number of Employees	13,610	14,086	(3.4)
Water volume produced in the quarter (3)	702	700	0.3
IPM - Measured water loss (%)	30.4	31.5	(3.5)
IPDt (liters/connection x day)	298	308	(3.2)

(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*	1Q18	1Q17
Amplified Consumer Price Index (%)(1)	0.70	0.96
National Consumer Price Index(1)	0.48	0.98
Consumer Price Index (1)	0.04	0.38
Referential Rate (1)	0.0000	0.3525
Interbank Deposit Certificate (%)(2)	6.39	12.13
US DOLAR (R$)(3)	3.3238	3.1684
YEN (R$)(3)	0.03126	0.02844

(1) Year-to-date in %
(2) Last day average
(3) R$/ sell rate previous day price
(*) Unaudited

9. Loans and financing

R$ million

INSTITUTION	DEBT PROFILE 2018	2019	2020	2021	2022	2023	2024 Onwards	Total
Local currency								
Caixa Econômica Federal	52,063	71,159	73,743	77,573	81,709	73,856	832,949	**1,263,052**
Debentures	366,754	1,029,909	579,963	476,635	556,106	359,749	347,850	3,716,966
BNDES	78,478	117,441	99,282	98,833	98,833	93,145	505,791	1,091,803
Leasing	13,013	32,900	34,553	36,350	38,304	41,035	369,999	566,154
Others	1,266	1,373	1,373	1,373	1,373	1,373	2,628	10,759
Interest and other charges	48,227	11,878	-	-	-	-	-	60,105
Total Local Currency	**559,801**	**1,264,660**	**788,914**	**690,764**	**776,325**	**569,158**	**2,059,217**	**6,708,839**
Foreign currency								
IADB	59,111	118,223	118,223	118,223	118,223	118,224	1,061,600	1,711,827
IBRD	-	10,104	20,208	20,208	20,208	20,209	212,175	303,112
Deutsche Bank 350	249,285	244,432	-	-	-	-	-	493,717
Eurobond	-	-	1,161,066	-	-	-	-	1,161,066
JICA	36,970	122,884	122,884	122,884	122,884	122,884	1,138,558	1,789,948
IDB 1983AB	79,504	58,806	57,632	25,568	25,568	23,750	-	270,828
Interest and other charges	43,139	-	-	-	-	-	-	43,139
Total in foreign currency	**468,009**	**554,449**	**1,480,013**	**286,883**	**286,883**	**285,067**	**2,412,333**	**5,773,637**
Total	**1,027,810**	**1,819,109**	**2,268,927**	**977,647**	**1,063,208**	**854,225**	**4,471,550**	**12,482,476**

10. Capex

1Q18 investments totaled R$ 689.2 million, including R$ 172.9 million related to the São Lourenço PPP.

11. Conference calls

In English
May 15, 2018 - Tuesday
01:00 pm US EST / 02:00 pm (Brasília)
Dial in: + 1 (412) 317-5486
Conference ID: Sabesp

Replay available for 7 days
Dial in: +1 (412) 317-0088
Replay ID: 10116593

Click here for the webcast

In Portuguese
May 15, 2018 - Tuesday
9:30 am US EST / 10:30 am (Brasília)
Dial in: +55 (11) 2188-0155
Conference ID: Sabesp

Replay available for 7 days
Dial in: +55 (11) 3127-4999
Replay ID: 43846523

Click here for the webcast



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Income Statement

Brazilian Corporate Law		R$ '000
	1Q18	1Q17
Net Operating Income	**3,699,668**	**3,558,825**
Operating Costs	(2,139,237)	(2,061,416)
Gross Profit	**1,560,431**	**1,497,409**
Operating Expenses		
Selling	(224,155)	(238,680)
Administrative revenue (expenses)	(267,980)	(239,134)
Other operating revenue (expenses), net	11,492	10,564
Operating Income Before Shareholdings	**1,079,788**	**1,030,159**
Equity Result	2,817	1,870
Earnings Before Financial Results, net	**1,082,605**	**1,032,029**
Financial, net	(81,784)	(85,869)
Exchange gain (loss), net	(112,149)	89,667
Earnings before Income Tax and Social Contribution	**888,672**	**1,035,827**
Income Tax and Social Contribution		
Current	(325,870)	(350,440)
Deferred	17,629	(11,025)
Net Income for the period	**580,431**	**674,362**
Registered common shares ('000)	**683,509**	**683,509**
Earnings per shares - R$ (per share)	**0.85**	**0.99**
Depreciation and Amortization	**(327,899)**	**(331,948)**
Adjusted EBITDA	**1,399,012**	**1,353,413**
% over net revenue	37.8%	38.0%

Balance Sheet



Brazilian Corporate Law		R$ '000
ASSETS	**03/31/2018**	**12/31/2017**
Current assets		
Cash and cash equivalents	2,963,862	2,283,047
Trade receivables	1,762,793	1,672,595
Related parties and transactions	166,053	180,773
Inventories	75,492	85,671
Restricted cash	14,064	18,822
Currrent recoverable taxes	190,516	276,585
Other receivables	167,897	56,592
Total current assets	**5,340,677**	**4,574,085**
Noncurrent assets		
Trade receivables	217,271	215,910
Related parties and transactions	619,465	634,387
Escrow deposits	147,646	122,686
Water National Agency – ANA	71,552	70,487
Other receivables	112,774	113,123
Equity investments	40,404	36,932
Investment properties	57,640	57,652
Intangible assets	33,830,713	33,466,132
Property, plant and equipment	247,472	255,050
Total noncurrent assets	**35,344,937**	**34,972,359**
Total assets	**40,685,614**	**39,546,444**

LIABILITIES AND EQUITY	**03/31/2018**	**12/31/2017**
Current liabilities		
Trade payables	310,685	344,947
Borrowings and financing	1,876,775	1,746,755
Accrued payroll and related charges	633,146	588,073
Taxes and contributions	126,977	183,965
Dividends and interest on capital payable	598,612	598,612
Provisions	584,948	607,959
Services payable	515,852	408,275
Public-Private Partnership – PPP	76,151	60,007
Program Contract Commitments	138,591	128,802
Other liabilities	106,988	104,485
Total current liabilities	**4,968,725**	**4,771,880**
Noncurrent liabilities		
Borrowings and financing	10,605,701	10,354,211
Deferred income tax and social contribution	19,125	36,754
Deferred Cofins and Pasep	128,769	130,182
Provisions	449,172	470,245
Pension obligations	2,939,958	2,932,338
Public-Private Partnership – PPP	3,155,812	3,011,409
Program Contract Commitments	105,201	110,698
Other liabilities	219,711	215,718
Total noncurrent liabilities	**17,623,449**	**17,261,555**
Total liabilities	**22,592,174**	**22,033,435**
Equity		
Paid-up capital	10,000,000	10,000,000
Profit reserve	8,051,110	8,051,110
Other comprehensive income	(538,101)	(538,101)
Retained earnings	580,431	-
Total equity	**18,093,440**	**17,513,009**
Total equity and liabilities	**40,685,614**	**39,546,444**



Cash Flow

Brazilian Corporate Law		R$ '000
	Jan-Mar 2018	Jan-Mar 2017
Cash flow from operating activities		
Profit before income tax and social contribution	**888,672**	**1,035,827**
Adjustment for:		
Depreciation and amortization	327,899	331,948
Residual value of property, plant and equipment and intangible assets written-off	4,282	11,314
Allowance for doubtful accounts	48,631	86,136
Provision and inflation adjustment	36,513	62,657
Interest calculated on loans and financing payable	119,242	90,640
Inflation adjustment and foreign exchange gains (losses) on loans and financing	131,664	(67,648)
Interest and inflation adjustment losses	8,099	2,950
Interest and inflation adjustment gains	(3,929)	(10,569)
Financial charges from customers	(60,324)	(60,716)
Margin on intangible assets arising from concession	(14,551)	(15,699)
Provision for Consent Decree (TAC)	7,387	2,314
Equity result	(2,817)	(1,870)
Provision from São Paulo agreement	-	104,360
Pension obligations	59,948	77,268
Other adjustments	6,303	(12,295)
	1,557,019	**1,636,617**
Changes in assets		
Trade accounts receivable	(77,646)	(49,660)
Accounts receivable from related parties	28,282	16,050
Inventories	10,179	(6,047)
Recoverable taxes	86,069	28,438
Escrow deposits	(21,891)	16,047
Other accounts receivable	(112,021)	(71,154)
Changes in liabilities		
Trade payables and contractors	(244,286)	(29,084)
Services payable	107,577	(127,199)
Accrued payroll and related charges	37,686	(5,959)
Taxes and contributions payable	(160,978)	(78,771)
Deferred Cofins/Pasep	(1,413)	(300)
Provisions	(80,597)	(49,923)
Pension obligations	(52,328)	(54,489)
Other liabilities	4,304	24,542
Cash generated from operations	**1,079,956**	**1,249,108**
Interest paid	(196,060)	(213,824)
Income tax and contribution paid	(221,880)	(271,672)
Net cash generated from operating activities	**662,016**	**763,612**
Cash flows from investing activities		
Acquisition of intangibles	(229,976)	(520,886)
Restricted cash	4,758	2,079
Purchases of tangible assets	(2,786)	(10,601)
	(655)	-
Net cash used in investing activities	**(228,659)**	**(529,408)**
Cash flow from financing activities		
Loans and financing		
Proceeds from loans	943,048	275,208
Repayments of loans	(681,698)	(403,698)
Public-Private Partnership – PPP	(13,892)	(7,741)
Program Contract Commitments	-	(372)
Net cash generated by (used in) financing activities	**247,458**	**(136,603)**
Cash reduce and cash equivalents	**680,815**	**97,601**
Represented by:		
Cash and cash equivalents at beginning of the year	2,283,047	1,886,221
Cash and cash equivalents at end of the year	2,963,862	1,983,822
Cash reduce and cash equivalents	**680,815**	**97,601**