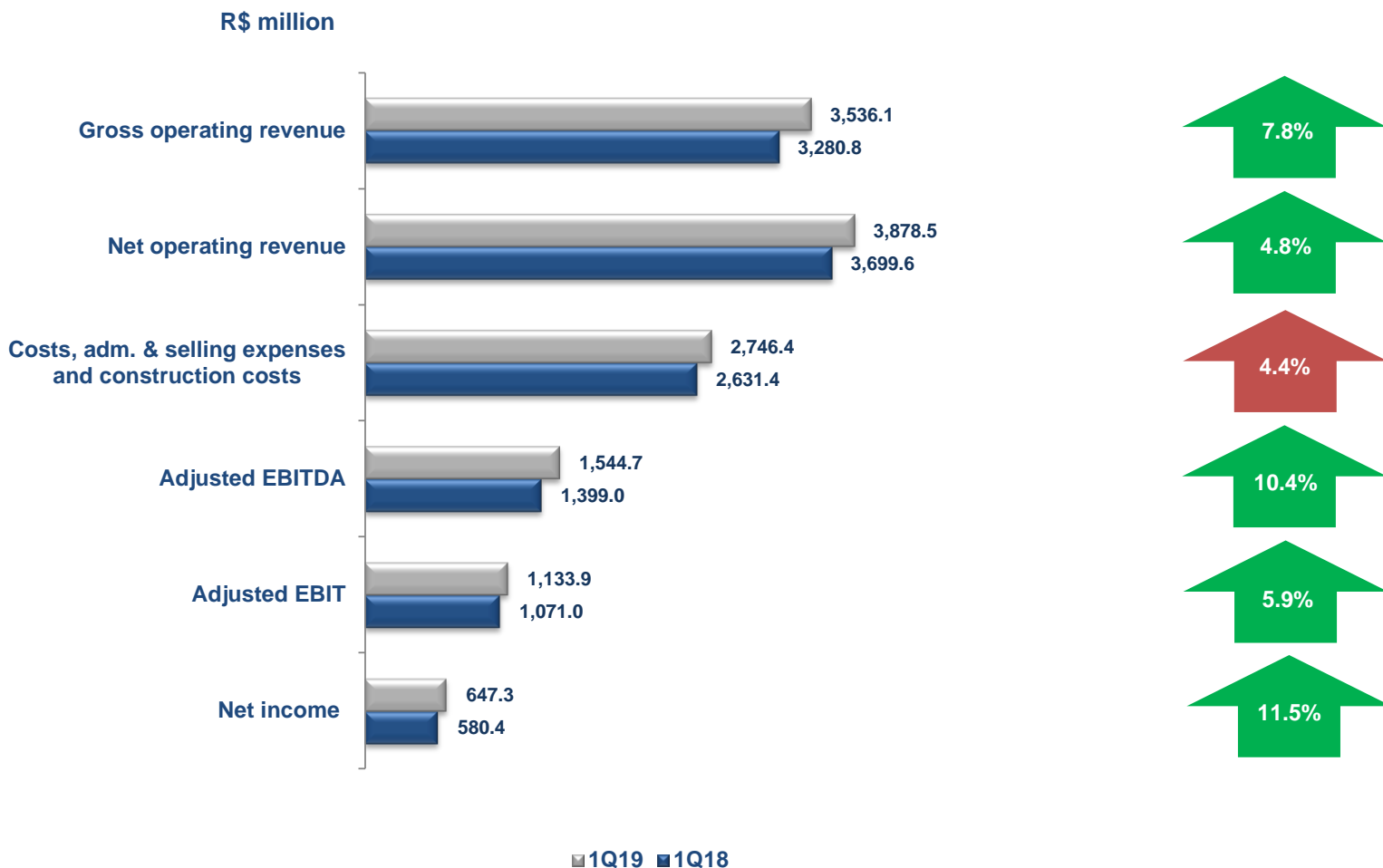


SABESP announces 1Q19 results

São Paulo, May 9, 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 **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 2018.

SBSP3: R\$ 47.80/share
SBS: US\$ 12.11 (ADR=1 share)
Total shares: 683,509,869
Market value: R\$ 32.672 billion
Closing quote: 05/09/2019



1. Financial highlights

	<i>R\$ million</i>			
	1Q19	1Q18	Var. (R\$)	%
Gross operating revenue ¹	3,536.1	3,280.8	255.3	7.8
Construction revenue	603.5	647.2	(43.7)	(6.8)
COFINS and PASEP and TRCF taxes ²	(261.1)	(228.4)	(32.7)	14.3
(=) Net operating revenue	3,878.5	3,699.6	178.9	4.8
Costs and expenses	(2,156.4)	(1,998.7)	(157.7)	7.9
Construction costs	(590.0)	(632.7)	42.7	(6.7)
Equity result	1.8	2.8	(1.0)	(35.7)
Other operating revenue (expenses), net	7.8	11.5	(3.7)	(32.2)
(=) Earnings before financial result, income tax and social contribution	1,141.7	1,082.5	59.2	5.5
Financial result	(150.5)	(193.9)	43.4	(22.4)
(=) Earnings before income tax and social contribution	991.2	888.6	102.6	11.5
Income tax and social contribution	(343.9)	(308.2)	(35.7)	11.6
(=) Net income	647.3	580.4	66.9	11.5
Earnings per share* (R\$)	0.95	0.85		

(1) Includes Regulation, Control and Inspection Fee (TRCF), totaling R\$16.7 million in 1Q19 and R\$15.5 million in 1Q18.

(2) Includes TRCF transfer, totaling R\$14.6 million in 1Q19 and R\$13.5 million in 1Q18.

(*) Total shares = 683,509,869

Adjusted EBITDA Reconciliation (Non-accounting measures)

	<i>R\$ million</i>			
	1Q19	1Q18	Var. (R\$)	%
Net income	647.3	580.4	66.9	11.5
Income tax and social contribution	343.9	308.2	35.7	11.6
Financial result	150.5	193.9	(43.4)	(22.4)
Other operating revenues (expenses), net	(7.8)	(11.5)	3.7	(32.2)
(=) Adjusted EBIT*	1,133.9	1,071.0	62.9	5.9
Depreciation and amortization	410.8	328.0	82.8	25.2
(=) Adjusted EBITDA **	1,544.7	1,399.0	145.7	10.4
(%) Adjusted EBITDA margin	39.8	37.8		

* 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 1Q19, net operating revenue, which considers construction revenue, totaled R\$3,878.5 million, up 4.8% year-over-year.

Costs and expenses, which consider construction costs, totaled R\$2,746.4 million, up 4.4% year-over-year.

Adjusted EBIT, totaling R\$1,133.9 million, up 5.9% over the R\$1,071.0 million reported in 1Q18.

Adjusted EBITDA, totaling R\$1,544.7 million, up 10.4% over the R\$1,399.0 million reported in 1Q18 (R\$6,686.3 million in the last 12 months).

The adjusted EBITDA margin in 1Q19 was of 39.8%, over 37.8% in 1Q18 (41.1% in the last 12 months).

Excluding the effects of revenue and construction costs, adjusted EBITDA margin reached 46.8% in 1Q19, over 45.4% in 1Q18 (49.1% in the last 12 months).

In 1Q19, net income reached R\$647.3 million, over a net income of R\$580.4 million in 1Q18.

2. Gross operating revenue

The gross operating revenue related to the sanitation services, totaling R\$3,536.1 million, which does not consider construction revenue, had an increase of R\$255.3 million or 7.8%, when compared to the R\$3,280.8 million in 1Q18.

The main factors that led to the increase were:

- 3.5% tariff repositioning index since June 2018;
- 3.1% increase in total billed volume: 0.3% in water and 6.6% in sewage; and
- Beginning of operations in the municipality of Guarulhos in January 2019, generating an increase of R\$70.2 million in operating revenue.

3. Construction revenue

Construction revenue decreased by R\$43.7 million or 6.8% year-over-year. This variation was mainly due to the increase in asset investments carried out in 1Q18, mostly in São Lourenço Production System (PPP).

4. Billed volume

The tables below show billed volumes of water and sewage, quarter-over-quarter, according to the consumer category and region.

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

Category	Water			Sewage			Water + Sewage		
	1Q19	1Q18	%	1Q19	1Q18	%	1Q19	1Q18	%
Residential	432.1	406.8	6.2	369.7	346.5	6.7	801.8	753.3	6.4
Commercial	43.6	42.0	3.8	42.3	40.0	5.7	85.9	82.0	4.8
Industrial	8.2	7.8	5.1	9.9	9.7	2.1	18.1	17.5	3.4
Public	10.4	9.7	7.2	9.3	8.7	6.9	19.7	18.4	7.1
Total retail	494.3	466.3	6.0	431.2	404.9	6.5	925.5	871.2	6.2
Wholesale ⁽³⁾	38.3	64.7	(40.8)	8.6	7.7	11.7	46.9	72.4	(35.2)
Total	532.6	531.0	0.3	439.8	412.6	6.6	972.4	943.6	3.1

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

Region	Water			Sewage			Water + Sewage		
	1Q19	1Q18	%	1Q19	1Q18	%	1Q19	1Q18	%
Metropolitan	322.2	299.7	7.5	281.3	260.7	7.9	603.7	560.4	7.7
Regional ⁽²⁾	172.1	166.6	3.3	149.9	144.2	4.0	322.0	310.8	3.6
Total retail	494.3	466.3	6.0	431.2	404.9	6.5	925.5	871.2	6.2
Wholesale ⁽³⁾	38.3	64.7	(40.8)	8.6	7.7	11.7	46.9	72.4	(35.2)
Total	532.6	531.0	0.3	439.8	412.6	6.6	972.4	943.6	3.1

(1) Unaudited.

(2) Including costal and interior regions.

(3) Wholesale volumes of reuse water and non-domestic sewage are included.

5. Costs, administrative & selling expenses and construction costs

Costs, administrative and commercial expenses and construction costs increased by R\$115.0 million in 1Q19 (4.4%). Excluding construction costs, there was an increase of R\$157.7 million (7.9%).

As a participation of net revenue, administrative and selling expenses and construction costs accounted for 70.8% in 1Q19, versus 71.1% in 1Q18.

	<i>R\$ million</i>			
	1Q19	1Q18	Var. (R\$)	%
Salaries and payroll charges and Pension plan obligations	681.0	630.0	51.0	8.1
General supplies	57.4	55.0	2.4	4.4
Treatment supplies	86.7	75.9	10.8	14.2
Services	422.2	377.1	45.1	12.0
Electricity	283.0	221.9	61.1	27.5
General expenses	191.7	246.2	(54.5)	(22.1)
Tax expenses	15.8	16.0	(0.2)	(1.3)
Sub-total	1,737.8	1,622.1	115.7	7.1
Depreciation and amortization	410.8	328.0	82.8	25.2
Allowance for doubtful accounts	7.8	48.6	(40.8)	(84.0)
Sub-total	418.6	376.6	42.0	11.2
Costs, administrative and selling expenses	2,156.4	1,998.7	157.7	7.9
Construction costs	590.9	632.7	(42.7)	(6.7)
Costs, adm & selling expenses and construction costs	2,746.4	2,631.4	115.0	4.4
% of net revenue	70.8	71.1		

5.1. Salaries and payroll charges and Pension plan obligations

In 1Q19, there was an increase of R\$51.0 million or 8.1%, due to the following:

- Increase of R\$53.3 million in medical expenses;
- Increase of R\$13.3 million in salaries, mainly due to the salary increase of 1.3% in May 2018, the hiring of 1,019 employees in 2018 and the application of 1.0% referring to the Career and Salaries Plan (*Plano de Cargos e Salários*) in February 2019;
- Higher overtime expense, reaching R\$7.5 million; and
- Increase in expenses with meal voucher and food supplies basket, reaching R\$5.0 million.

The above increases were partially offset due to:

- Decrease of R\$25.5 million in the provision for the Profit-Sharing Program; and
- Lower provision for retired Consent Decree (*Termo de Ajustamento de Conduta – TAC*) expenses, reaching R\$5.3 million.

5.2. Treatment materials

Increase of R\$10.8 million or 14.2%, mainly due to the greater need to use coagulants and disinfectants in the water treatment, mainly in Water Treatment Station ABV.

5.3. Services

Expenses with services, totaling R\$422.2 million, increased by R\$45.1 million or 12.0% over the R\$377.1 million in 1Q18. The increase was mainly due the:

- Increase of hiring of technical and professional services in 1Q19, totaling R\$20.4 million, mainly related to: (i) the start of operations in the municipality of Guarulhos in January 2019, totaling R\$7.6 million; (ii) services of management and operation of call centers, totaling R\$3.1 million; and (iii) maintenance services and IT technical support, totaling R\$2.9 million; and
- Greater use of maintenance services in water and sewage networks and systems, totaling R\$16.2 million.

5.4. Electricity

Electricity expenses totaled R\$283.0 million in 1Q19, up R\$ 61.1 million or 27.5% over R\$221.9 million in 1Q18. The key factors that influenced this variation were:

- Average decrease of 2.2% in energy prices of the Free market tariffs (*Ambiente de Contratação Livre - ACL*), down 5.3% in consumption;
- Average increase of 34.6% in the Grid market tariffs (*Tarifas de Uso do Sistema de Distribuição - TUSD*), down 26.2% in consumption; and
- Average increase of 16.1% in Regulated market tariffs (*Ambiente de Contratação Regulada - ACR*), up 43.8% in consumption.

In 1Q19, of total electricity expenses, the free market accounted for 22%, while TUSD corresponded to 11% and the regulated market accounted for 67% of this total.

5.5. General expenses

A decrease of R\$54.5 million or 22.1%, totaling R\$191.7 million in 1Q19, over R\$246.2 million in 1Q18, mainly due to reversals of lawsuits, totaling R\$45.9 million, due to changes in expected loss.

5.6. Depreciation and Amortization

Depreciation and amortization expenses increased R\$82.8 million or 25.2%, due to the start-up of intangible assets, totaling R\$6.1 billion, of which R\$3.2 billion referring to the São Lourenço Production System.

5.7. Allowance for doubtful accounts

Decrease of R\$40.8 million, mainly due to the lower delinquency rate in 1Q19, of which R\$29.9 million is related to the provisioning of revenue losses with the municipality of Guarulhos in 1Q18.

6. Financial result

	<i>R\$ million</i>			
	1Q19	1Q18	Var.	%
Financial expenses, net of income	(150.7)	(67.2)	(83.5)	124.3
Net monetary and exchange variation	0.2	(126.7)	126.9	(100.2)
Financial result	(150.5)	(193.9)	43.4	(22.4)

6.1. Financial expenses, net of income

	<i>R\$ million</i>			
	1Q19	1Q18	Var.	%
Financial expenses				
Interest and charges on domestic loans and financing	(81.2)	(78.2)	(3.0)	3.8
Interest and charges on international loans and financing	(42.4)	(36.6)	(5.8)	15.8
Other financial expenses	(104.2)	(14.9)	(89.3)	599.3
Total financial expenses	(227.8)	(129.7)	(98.1)	75.6
Financial income	77.1	62.5	14.6	23.4
Financial expenses net of income	(150.7)	(67.2)	(83.5)	124.3

6.1.1. Financial expenses

Increase of R\$98.1 million, mainly due to:

- Increase of R\$5.8 million in interest and charges on foreign loans and financing, mainly due to the higher US Dollar appreciation in 1Q19 (0.6%), when compared to the appreciation in 1Q18 (0.5%); and
- Increase of R\$89.3 million in other financial expenses, mainly due to: (i) higher recognition of interest related to the Public-Private Partnership contracts in 1Q19, reaching R\$53.4 million, due to the full start-up of operations of the São Lourenço Production System, in July 2018; and (ii) higher recognition of interest on lawsuits, totaling R\$32.4 million.

6.1.2. Financial income

Increase of R\$14.6 million, mainly due to the higher recognition of interest on installment agreements in 1Q19.

6.2. Monetary and exchange variation, net

	<i>R\$ million</i>			
	1Q19	1Q18	Var.	%
Monetary variation on loans and financing	(16.7)	(19.6)	2.9	(14.8)
Currency exchange variation on loans and financing	(0.2)	(112.0)	111.8	(99.8)
Other monetary variations	(8.0)	(9.7)	1.7	(17.5)
Monetary/exchange rate variation on liabilities	(24.9)	(141.3)	116.4	(82.4)
Monetary/exchange rate variation on assets	25.1	14.6	10.5	71.9
Monetary/exchange rate variation, net	0.2	(126.7)	126.9	(100.2)

The effect of the net monetary and exchange rate variations in 1Q19 decreased R\$126.9 over 1Q18, mainly due to the decrease of R\$111.8 million in exchange rate changes on loans and financing due to the depreciation of the yen versus the real in 1Q19 (-0.2%), when compared to the appreciation in 1Q18 (6.3%), and the fact that the US dollar had no significant variation in the comparison period.

7. Income tax and Social contribution

The increase of R\$35.7 million was due to the higher taxable income in 1Q19, mainly affected by the increase in operating revenue, mostly due to the beginning of the operation in the city of Guarulhos; and mitigated by the increase in costs with electricity and salaries.

8. Indicators

8.1. Operating

Operating indicators *	1Q19	1Q18	%
Water connections ⁽¹⁾	9,484	8,908	6.5
Sewage connections ⁽¹⁾	7,893	7,345	7.5
Population directly served - water ⁽²⁾	26.2	24.9	5.2
Population directly served - sewage ⁽²⁾	22.8	21.6	5.6
Number of employees	14,213	13,610	4.4
Water volume produced in the year ⁽³⁾	719	702	2.5
IPM - Measured water loss (%) ⁽⁴⁾	29.9	30.4	(1.6)
IPDt (liters/connection x day) ⁽⁴⁾	291	298	(2.3)

⁽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

(*) Unaudited.

8.2. Economic

Economic Variables at the close of the period*	1Q19	1Q18
Amplified Consumer Price Index ⁽¹⁾	1.51	0.7
National Consumer Price Index ⁽¹⁾	1.68	0.48
Consumer Price Index ⁽¹⁾	1.64	0.04
Referential Rate (1)	0.0000	0.0000
Interbank Deposit Certificate ⁽²⁾	6.40	6.39
US DOLAR ⁽³⁾	3.8967	3.3238
YEN ⁽³⁾	0.03521	0.03126

⁽¹⁾ Annual accrual, in %

⁽²⁾ Annual average

⁽³⁾ Ptax sale rate on the last day

^(*) Unaudited

9. Loans and financing

INSTITUTION	DEBT PROFILE							Total
	2019	2020	2021	2022	2023	2024	2025 onwards	
Local currency								
Banco do Brasil	-	-	-	-	-	-	-	-
Caixa Econômica Federal	57,078	78,813	82,956	87,424	79,923	78,310	883,200	1,347,704
Debentures	117,925	593,632	481,515	560,631	363,834	206,601	151,884	2,476,022
BNDES	91,289	103,423	102,970	102,970	97,298	91,803	451,497	1,041,250
Leasing	13,823	36,481	38,348	40,378	43,175	45,055	352,503	569,763
Leasing (IFRS 16)	32,703	41,414	18,885	302	63	-	-	93,367
Others	1,037	1,383	1,383	1,383	1,383	1,383	1,268	9,220
Interest and other charges	27,237	6,826	-	-	-	-	-	34,063
Total Local Currency	341,092	861,972	726,057	793,088	585,676	423,152	1,840,352	5,571,389
Foreign currency								
IADB	82,199	164,397	164,397	164,397	164,397	164,397	1,392,108	2,296,292
IBRD	11,845	23,691	23,691	23,691	23,691	23,691	225,130	355,430
Deutsche Bank 350	291,032	-	-	-	-	-	-	291,032
Eurobond	-	1,362,403	-	-	-	-	-	1,362,403
JICA	82,305	144,795	144,795	144,795	144,795	144,795	1,222,629	2,028,909
IDB 1983AB	68,942	68,309	29,975	29,975	28,507	-	-	225,708
Interest and other charges	49,597	-	-	-	-	-	-	49,597
Total in foreign currency	585,920	1,763,595	362,858	362,858	361,390	332,883	2,839,867	6,609,371
Total	927,012	2,625,567	1,088,915	1,155,946	947,066	756,035	4,680,219	12,180,760

10. Capex

A total of R\$ 787.5 million was invested in the first quarter of 2019.

11. Conference calls

In English

May 14, 2019 - Tuesday

1:00 pm US ET / 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: 10130641

[Click here](#) for the webcast

In Portuguese

May 14, 2019 – Tuesday

9:30 am US ET / 10:30 am (Brasília)

Dial in: +55 (11) 4210-1803

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	
	1Q19	1Q18
Net Operating Income	3,878,504	3,699,668
Operating Costs	(2,337,103)	(2,139,237)
Gross Profit	1,541,401	1,560,431
Operating Expenses		
Selling	(191,195)	(175,524)
Estimated losses with doubtful accounts	(7,760)	(48,631)
Administrative expenses	(210,381)	(267,980)
Other operating revenue (expenses), net	7,827	11,492
Operating Income Before Shareholdings	1,139,892	1,079,788
Equity Result	1,764	2,817
Earnings Before Financial Results, net	1,141,656	1,082,605
Financial, net	(149,546)	(81,784)
Exchange gain (loss), net	(910)	(112,149)
Earnings before Income Tax and Social Contribution	991,200	888,672
Income Tax and Social Contribution		
Current	(310,485)	(325,870)
Deferred	(33,424)	17,629
Net Income for the period	647,291	580,431
Registered common shares ('000)	683,509	683,509
Earnings per shares - R\$ (per share)	0.95	0.85
Depreciation and Amortization	(410,863)	(327,899)
Adjusted EBITDA	1,544,692	1,399,012
% over net revenue	39.8%	37.8%

Balance Sheet

Brazilian Corporate Law		R\$ '000	
ASSETS	03/31/2019	12/31/2018	
Current assets			
Cash and cash equivalents	2,205,083	3,029,191	
Trade receivables	1,974,708	1,843,333	
Related parties and transactions	169,052	174,148	
Inventories	70,572	65,596	
Restricted cash	25,993	31,900	
Current recoverable taxes	336,079	380,703	
Other receivables	146,274	77,371	
Total current assets	4,927,761	5,602,242	
Noncurrent assets			
Trade receivables	197,170	209,083	
Related parties and transactions	670,019	669,102	
Escrow deposits	201,645	152,018	
Water National Agency – ANA	43,965	49,136	
Other receivables	111,053	103,310	
Equity investments	57,053	44,587	
Investment properties	47,608	47,620	
Contract assets	7,837,583	7,407,948	
Intangible assets	28,940,478	29,012,460	
Property, plant and equipment	279,120	267,612	
Total noncurrent assets	38,385,694	37,962,876	
Total assets	43,313,455	43,565,118	
LIABILITIES AND EQUITY	03/31/2019	12/31/2018	
Current liabilities			
Trade payables	427,383	465,993	
Borrowings and financing	1,488,194	2,103,612	
Accrued payroll and related charges	510,708	564,830	
Taxes and contributions	168,037	200,563	
Dividends and interest on capital payable	673,744	673,765	
Provisions	504,394	458,387	
Services payable	580,377	454,022	
Public-Private Partnership – PPP	122,431	137,827	
Program Contract Commitments	260,017	230,695	
Other liabilities	139,486	108,938	
Total current liabilities	4,874,771	5,398,632	
Noncurrent liabilities			
Borrowings and financing	10,692,566	11,049,184	
Deferred income tax and social contribution	294,666	261,242	
Deferred Cofins and Pasesp	140,007	140,830	
Provisions	365,921	434,475	
Pension obligations	2,986,813	2,970,009	
Public-Private Partnership – PPP	3,279,258	3,275,297	
Program Contract Commitments	117,471	142,314	
Other liabilities	363,003	341,447	
Total noncurrent liabilities	18,239,705	18,614,798	
Total liabilities	23,114,476	24,013,430	
Equity			
Paid-up capital	15,000,000	15,000,000	
Profit reserve	5,100,783	5,100,783	
Other comprehensive income	(549,095)	(549,095)	
Retained earnings	647,291	-	
Total equity	20,198,979	19,551,688	
Total equity and liabilities	43,313,455	43,565,118	

Cash Flow

Brazilian Corporate Law	R\$ '000	
	Jan-Mar 2019	Jan-Mar 2018
Cash flow from operating activities		
Profit before income tax and social contribution	991,200	888,672
Adjustment for:		
Depreciation and amortization	410,863	327,899
Residual value of property, plant and equipment and intangible assets written-off	3,143	4,282
Allowance for doubtful accounts	11,070	48,631
Provision and inflation adjustment	46,101	36,513
Interest calculated on loans and financing payable	138,978	119,242
Inflation adjustment and foreign exchange gains (losses) on loans and financing	17,207	131,664
Interest and inflation adjustment losses	9,524	8,099
Interest and inflation adjustment gains	(75,621)	(3,929)
Financial charges from customers	(197,962)	(60,324)
Margin on intangible assets arising from concession	(13,569)	(14,551)
Provision for Consent Decree (TAC) and Knowledge retention program (KRP)	(19,313)	7,387
Equity result	(1,764)	(2,817)
Provision from São Paulo agreement	119,920	-
Pension obligations	66,860	59,948
Other adjustments	(13,163)	6,303
	1,493,474	1,557,019
Changes in assets		
Trade accounts receivable	98,414	(77,646)
Accounts receivable from related parties	11,513	28,282
Inventories	(4,976)	10,179
Recoverable taxes	44,624	86,069
Escrow deposits	(12,324)	(21,891)
Other accounts receivable	(36,159)	(112,021)
Changes in liabilities		
Trade payables and contractors	(328,719)	(244,286)
Services payable	6,435	107,577
Accrued payroll and related charges	(34,809)	37,686
Taxes and contributions payable	(92,543)	(160,978)
Deferred Cofins/Pasep	(823)	(1,413)
Provisions	(68,648)	(80,597)
Pension obligations	(50,056)	(52,328)
Other liabilities	56,069	4,304
Cash generated from operations	1,081,472	1,079,956
Interest paid	(241,164)	(196,060)
Income tax and contribution paid	(250,468)	(221,880)
Net cash generated from operating activities	589,840	662,016
Cash flows from investing activities		
Acquisition of contract assets and intangible assets	(209,552)	(229,976)
Restricted cash	5,907	4,758
Purchases of tangible assets	(18,796)	(2,786)
Increase in investment	(10,702)	(655)
Net cash used in investing activities	(233,143)	(228,659)
Cash flow from financing activities		
Loans and financing		
Proceeds from loans	103,815	943,048
Repayments of loans	(1,154,042)	(681,698)
Payment of interest on shareholders' equity	(21)	-
Public-Private Partnership – PPP	(129,157)	(13,892)
Program Contract Commitments	(1,400)	-
Net cash used in financing activities	(1,180,805)	247,458
Cash reduce and cash equivalents	(824,108)	680,815
Represented by:		
Cash and cash equivalents at beginning of the year	3,029,191	2,283,047
Cash and cash equivalents at end of the year	2,205,083	2,963,862
Cash reduce and cash equivalents	(824,108)	680,815