

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

April 02, 2015

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

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**FORM 6-K**

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

**For March 27, 2015**  
**(Commission File No. 1-31317)**

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

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

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

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

Form 20-F  Form 40-F

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

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

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

Yes  No

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

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**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 2014 results**

São Paulo, March 26, 2015 - **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 results for the year **2014 (2014)**. 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 2013.

**R\$ million**

SBSP3: R\$ 17.62/share

SBS: US\$ 5.44 (ADR=1 share)

Total shares: 683,509,869

Market value: R\$ 12 billion

Closing quote: 03/26/2015

## 1 Financial highlights

|  |          |          |           |         |         |
|--|----------|----------|-----------|---------|---------|
| (+) Gross operating revenue  | 8,905.4  | 9,540.0  | (634.6)   | (6.7)   | 2,071.2 |
| (+) Construction revenue   | 2,918.0  | 2,444.8  | 473.2     | 19.4    | 908.3   |
| (-) COFINS and PASEP taxes   | 610.2    | 669.2    | (59.0)    | (8.8)   | 135.9   |
| (=) Net operating revenue  | 11,213.2 | 11,315.6 | (102.4)   | (0.9)   | 2,843.6 |
| (-) Costs and expenses   | 6,441.1  | 5,788.0  | 653.1     | 11.3    | 1,733.7 |
| (-) Construction costs   | 2,855.5  | 2,394.5  | 461.0     | 19.3    | 888.6   |
| (+) Equity result  | (2.4)    | 2.4      | (4.8)     | (200.0) | (1.0)   |
| (+) Other operating revenue/expenses, net                                | (3.5)    | 3.3      | (6.8)     | (206.1) | 40.5    |
| (=) Earnings before financial result, income tax and social contribution | 1,910.7  | 3,138.8  | (1,228.1) | (39.1)  | 260.8   |
| (+) Financial result   | (635.9)  | (483.2)  | (152.7)   | 31.6    | (304.0) |
| (=) Earnings before income tax and social contribution                   | 1,274.8  | 2,655.6  | (1,380.8) | (52.0)  | (43.2)  |
| (+) Income tax and social contribution                                   | (371.8)  | (732.0)  | 360.2     | (49.2)  | 74.6    |
| Net Income   | 903.0    | 1,923.6  | (1,020.6) | (53.1)  | 31.4    |
| Earnings per share* (R\$)  | 1.32     | 2.81     |           |         | 0.05    |

\* Total shares = 683,509,869

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

|  | <i>R\$ million</i> |         |           |         |        |         |         |         |
|--|--------------------|---------|-----------|---------|--------|---------|---------|---------|
| Net income                                 | 903.0              | 1,923.6 | (1,020.6) | (53.1)  | 31.4   | 590.7   | (559.3) | (94.7)  |
| (+) Income tax and social contribution     | 371.8              | 732.0   | (360.2)   | (49.2)  | (74.6) | 68.2    | (142.8) | (209.4) |
| (+) Financial result                       | 635.9              | 483.2   | 152.7     | 31.6    | 304.0  | 183.4   | 120.6   | 65.8    |
| (+) Other operating revenues/expenses, net | 3.5                | (3.3)   | 6.8       | (206.1) | (40.5) | 18.7    | (59.2)  | (316.6) |
| (=) Adjusted EBIT*                         | 1,914.2            | 3,135.5 | (1,221.3) | (39.0)  | 220.3  | 861.0   | (640.7) | (74.4)  |
| (+) Depreciation and amortization          | 1,004.5            | 871.1   | 133.4     | 15.3    | 278.4  | 270.8   | 7.6     | 2.8     |
| (=) Adjusted EBITDA **                     | 2,918.7            | 4,006.6 | (1,087.9) | (27.2)  | 498.7  | 1,131.8 | (633.1) | (55.9)  |
| (%) Adjusted EBITDA margin                 | 26.0               | 35.4    |           |         | 17.5   | 36.5    |         |         |

(\*) Adjusted EBIT is net income before: (i) other operating revenues/expenses; (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 2014, net operating revenue, including construction revenue, reached R\$ 11.2 billion; a 0.9% decrease compared to 2013.

Costs and expenses, including construction costs, totaled R\$ 9.3 billion, up 13.6% compared to R\$ 8.2 billion in 2013.

Adjusted EBIT, in the amount of R\$ 1.9 billion, dropped 39.0% from R\$ 3.1 billion recorded in 2013.

Adjusted EBITDA, in the amount of R\$ 2.9 billion, dropped 27.2% from R\$ 4.0 billion recorded in 2013.

The adjusted EBITDA margin was 26.0% in 2014, versus 35.4% in 2013. Excluding construction revenues and construction costs, the adjusted EBITDA margin was 34.4% in 2014 (44.6% in 2013).

Net income totaled R\$ 903.0 million, 53.1% lower than R\$ 1.9 billion recorded in 2013.

## 2. Gross operating revenue

Gross operating revenue from water and sewage, not including construction revenue, totaled R\$ 8.9 billion, a drop of R\$ 634.6 million or 6.7%, when compared to the R\$ 9.5 billion recorded in 2013.

The main factors that led to this variation were:

- Water Consumption Reduction Incentive Program, with a R\$ 376.4 million impact; and
- Decrease of 2.2% in the Company's total billed volume (3.1% in water and 1.1% in sewage).

The tariff adjustments applied in the period were:

- 3.1% tariff adjustment since December 2013; and
- 6.5% repositioning index since December 2014, with an impact as of January 2015.

### 3. Construction revenue

Construction revenue increased R\$ 473.2 million or 19.4%, when compared to 2013. The variation was mainly due to higher investments in 2014.

### 4. Billed volume

The following tables show the water and sewage billed volume, year-on-year, and quarter-on-quarter, per customer category and region.

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

|                     |                |                |              |                |                |              |                |                |              |
|---------------------|----------------|----------------|--------------|----------------|----------------|--------------|----------------|----------------|--------------|
| Residential         | 1,548.6        | 1,565.6        | (1.1)        | 1,292.7        | 1,299.1        | (0.5)        | 2,841.3        | 2,864.7        | (0.8)        |
| Commercial          | 172.6          | 175.4          | (1.6)        | 162.4          | 163.4          | (0.6)        | 335.0          | 338.8          | (1.1)        |
| Industrial          | 38.9           | 39.4           | (1.3)        | 43.0           | 44.4           | (3.2)        | 81.9           | 83.8           | (2.3)        |
| Public              | 51.7           | 54.6           | (5.3)        | 39.9           | 42.5           | (6.1)        | 91.6           | 97.1           | (5.7)        |
| <b>Total retail</b> | <b>1,811.8</b> | <b>1,835.0</b> | <b>(1.3)</b> | <b>1,538.0</b> | <b>1,549.4</b> | <b>(0.7)</b> | <b>3,349.8</b> | <b>3,384.4</b> | <b>(1.0)</b> |
| Wholesale           | 256.8          | 299.0          | (14.1)       | 24.2           | 29.7           | (18.5)       | 281.0          | 328.7          | (14.5)       |
| <b>Total</b>        | <b>2,068.6</b> | <b>2,134.0</b> | <b>(3.1)</b> | <b>1,562.2</b> | <b>1,579.1</b> | <b>(1.1)</b> | <b>3,630.8</b> | <b>3,713.1</b> | <b>(2.2)</b> |

|                     |              |              |              |              |              |              |              |              |              |
|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Residential         | 376.4        | 405.6        | (7.2)        | 314.9        | 336.9        | (6.5)        | 691.3        | 742.5        | (6.9)        |
| Commercial          | 42.4         | 44.8         | (5.4)        | 40.0         | 41.8         | (4.3)        | 82.4         | 86.6         | (4.8)        |
| Industrial          | 9.3          | 10.2         | (8.8)        | 10.4         | 11.2         | (7.1)        | 19.7         | 21.4         | (7.9)        |
| Public              | 11.8         | 13.9         | (15.1)       | 9.1          | 10.9         | (16.5)       | 20.9         | 24.8         | (15.7)       |
| <b>Total retail</b> | <b>439.9</b> | <b>474.5</b> | <b>(7.3)</b> | <b>374.4</b> | <b>400.8</b> | <b>(6.6)</b> | <b>814.3</b> | <b>875.3</b> | <b>(7.0)</b> |
| Wholesale           | 58.0         | 75.6         | (23.3)       | 5.2          | 6.9          | (24.6)       | 63.2         | 82.5         | (23.4)       |
| <b>Total</b>        | <b>497.9</b> | <b>550.1</b> | <b>(9.5)</b> | <b>379.6</b> | <b>407.7</b> | <b>(6.9)</b> | <b>877.5</b> | <b>957.8</b> | <b>(8.4)</b> |

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

|                         |                |                |              |                |                |              |                |                |              |
|-------------------------|----------------|----------------|--------------|----------------|----------------|--------------|----------------|----------------|--------------|
| Metropolitan            | 1,172.4        | 1,206.9        | (2.9)        | 1,005.4        | 1,029.2        | (2.3)        | 2,177.8        | 2,236.1        | (2.6)        |
| Regional <sup>(2)</sup> | 639.4          | 628.1          | 1.8          | 532.6          | 520.2          | 2.4          | 1,172.0        | 1,148.3        | 2.1          |
| <b>Total retail</b>     | <b>1,811.8</b> | <b>1,835.0</b> | <b>(1.3)</b> | <b>1,538.0</b> | <b>1,549.4</b> | <b>(0.7)</b> | <b>3,349.8</b> | <b>3,384.4</b> | <b>(1.0)</b> |
| Wholesale               | 256.8          | 299.0          | (14.1)       | 24.2           | 29.7           | (18.5)       | 281.0          | 328.7          | (14.5)       |
| <b>Total</b>            | <b>2,068.6</b> | <b>2,134.0</b> | <b>(3.1)</b> | <b>1,562.2</b> | <b>1,579.1</b> | <b>(1.1)</b> | <b>3,630.8</b> | <b>3,713.1</b> | <b>(2.2)</b> |

|                         |              |              |              |              |              |              |              |              |              |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Metropolitan            | 281.2        | 310.3        | (9.4)        | 242.2        | 264.7        | (8.5)        | 523.4        | 575.0        | (9.0)        |
| Regional <sup>(2)</sup> | 158.7        | 164.2        | (3.3)        | 132.2        | 136.1        | (2.9)        | 290.9        | 300.3        | (3.1)        |
| <b>Total retail</b>     | <b>439.9</b> | <b>474.5</b> | <b>(7.3)</b> | <b>374.4</b> | <b>400.8</b> | <b>(6.6)</b> | <b>814.3</b> | <b>875.3</b> | <b>(7.0)</b> |
| Wholesale               | 58.0         | 75.6         | (23.3)       | 5.2          | 6.9          | (24.6)       | 63.2         | 82.5         | (23.4)       |
| <b>Total</b>            | <b>497.9</b> | <b>550.1</b> | <b>(9.5)</b> | <b>379.6</b> | <b>407.7</b> | <b>(6.9)</b> | <b>877.5</b> | <b>957.8</b> | <b>(8.4)</b> |

(1) Unaudited

(2) Including coastal and interior region

Page 3 of 13

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## 5. Costs, administrative and selling expenses

In 2014, costs, administrative and selling expenses, grew 13.6% (R\$ 1,114.1 million). Excluding construction costs, total costs and expenses grew 11.3%. As a percentage of net revenue, cost and expenses was 82.9% in 2014 from 72.3% in 2013.

|   | <i>R\$ m</i>   |                |                |             |                |                |              |
|---|----------------|----------------|----------------|-------------|----------------|----------------|--------------|
| Payroll and benefits                                  | 2,123.3        | 1,927.2        | 196.1          | 10.2        | 539.3          | 484.3          | 55.0         |
| Supplies  | 202.1          | 193.4          | 8.7            | 4.5         | 53.4           | 51.0           | 2.4          |
| Treatment supplies                                    | 261.2          | 240.7          | 20.5           | 8.5         | 61.3           | 57.1           | 4.2          |
| Services  | 1,314.9        | 1,112.2        | 202.7          | 18.2        | 347.6          | 303.3          | 44.3         |
| Electric power  | 599.1          | 552.9          | 46.2           | 8.4         | 158.2          | 141.9          | 16.3         |
| General expenses                                      | 719.7          | 711.0          | 8.7            | 1.2         | 189.4          | 175.2          | 14.2         |
| Tax expenses  | 76.7           | 75.6           | 1.1            | 1.5         | 21.2           | 12.5           | 8.7          |
| <b>Sub-total</b>                                      | <b>5,297.0</b> | <b>4,813.0</b> | <b>484.0</b>   | <b>10.1</b> | <b>1,370.4</b> | <b>1,225.3</b> | <b>145.1</b> |
| Depreciation and amortization                         | 1,004.5        | 871.1          | 133.4          | 15.3        | 278.4          | 270.8          | 7.6          |
| Credit write-offs                                     | 139.6          | 103.9          | 35.7           | 34.4        | 84.9           | 19.9           | 65.0         |
| <b>Sub-total</b>                                      | <b>1,144.1</b> | <b>975.0</b>   | <b>169.1</b>   | <b>17.3</b> | <b>363.3</b>   | <b>290.7</b>   | <b>72.6</b>  |
| <b>Costs and expenses</b>                             | <b>6,441.1</b> | <b>5,788.0</b> | <b>653.1</b>   | <b>11.3</b> | <b>1,733.7</b> | <b>1,516.0</b> | <b>217.7</b> |
| Construction costs                                    | 2,855.5        | 2,394.5        | 461.0          | 19.3        | 888.6          | 725.8          | 162.8        |
| <b>Costs, adm., selling and construction expenses</b> | <b>9,296.6</b> | <b>8,182.5</b> | <b>1,114.1</b> | <b>13.6</b> | <b>2,622.3</b> | <b>2,241.8</b> | <b>380.5</b> |
| % of net revenue                                      | 82.9           | 72.3           |                |             | 92.2           | 72.3           |              |

### 5.1. Payroll and benefits

In 2014 payroll and benefits grew R\$ 196.1 million or 10.2%, from R\$ 1,927.2 million to R\$ 2,123.3 million, due to the following:

- R\$ 89.1 million increase due to the 6.8% increase in average wages since May 2014 and the changes from the career and wage plan;
- R\$ 43.5 million increase in provisions, from the higher number of employees who are entitled to request retirement (TAC), in addition to the wage increase in the period;

- R\$ 25.9 million upturn in the provision for the Pension Plan, arising from changes in actuarial assumptions;
- R\$ 14.6 million increase in overtime pay, mainly due to wage adjustment in the period, and the higher number of hours worked, as a result of the management and intensification of water systems maintenance; and
- R\$ 7.0 million, due to the 7.1% adjustment in healthcare expenses since July 2014.

In 4Q14 payroll and benefits grew R\$ 55.0 million, due to:

- R\$ 22.7 million increase due to the 6.8% average increase in wages since May 2014 and the changes from the career and wage plan;
- R\$ 11.7 million increase in provisions, from the higher number of employees who are entitled to request retirement (TAC), in addition to the pay rise in the period;
- R\$ 8.3 million upturn in the provision for the Pension Plan, arising from changes in actuarial assumptions; and
- R\$ 7.5 million increase in overtime pay, mainly due to wage adjustment in the period, and the higher number of hours worked, as a result of the management and intensification of water systems maintenance.

## **5.2. Supplies**

In 2014, expenses with supplies increased R\$ 8.7 million or 4.5%, from R\$ 193.4 million to R\$ 202.1 million, mostly due to the increase in the consumption of diesel used in generators installed to extract water from the technical reserve at the Cantareira System, in the amount of R\$ 6.5 million.



### 5.3. Treatment supplies

Treatment supplies expenses in 2014 were R\$ 20.5 million or 8.5% higher than in 2013, from R\$ 240.7 million to R\$ 261.2 million, due to the following:

- Consumption increase in aluminum sulfate, with an impact of R\$ 7.0 million, chiefly due to a 14.0% increase in production volume at the Taiaçupeba Water Treatment Station;
- Consumption increase of several treatment supplies, with an impact of R\$ 5.9 million, chiefly due to the beginning of the use of products that reduce the algae bloom in the São Paulo metropolitan region's water sources since April 2014; and
- Consumption increase of sodium hypochlorite, used to replace chlorine gas in several water treatment stations in the Regional Systems, due to higher efficiency and safety with an impact of R\$5.5 million.

### 5.4. Services

Services, in the amount of R\$ 1,314.9 million, grew R\$ 202.7 million or 18.2%, in comparison to the R\$ 1,112.2 million in 2013. The main factors were:

- Advertising campaigns, in the amount of R\$ 58.7 million, mainly due to the intensification of the 'Rational Use of Water' campaign;
- Reversal of the provision for expenses, totaling R\$41.4 million, due to the end of the agreement with the São Paulo Municipal Government; non-recurring;
- Hired Services in the amount of R\$ 34.7 million, mainly due to the beginning of operations in the municipality of Diadema, in March of 2014, in the amount of R\$ 28.2 million;
- Higher expenses with the Corporate Program for Reduction of Water Loss, in the amount of R\$ 19.7 million; and
- Water metering and billing, totaling R\$11.4 million, due to the expansion of services and increased information availability, pursuant to ARSESP Resolution N<sup>o</sup> 106/09.

In 4Q14 services expenses grew R\$ 44.3 million, due to:

- Advertising campaigns, in the amount of R\$ 27.1 million, mainly due to the intensification of the 'Rational Use of Water' campaign;
- Higher expenses with the Corporate Program for Reduction of Water Loss, in the amount of R\$ 9.0 million; and
- Hired services, in the amount of R\$ 8.0 million, due to the beginning of operations in the municipality of Diadema, in March of 2014, in the amount of R\$ 5.8 million.

### 5.5. Electric power

This item totaled R\$ 599.1 million, an increase of R\$ 46.2 million or 8.4% in comparison to the R\$ 552.9 million in 2013, due to the average increase of 19.8% in free market tariffs and of 7.8% in regulated market tariffs.

These increases were partially offset by the average decrease of 14.5% in the Tariff for the Use of Distribution System (TUSD).

### 5.6. General expenses

General expenses grew R\$ 8.7 million or 1.2%, totaling R\$ 719.7 million, versus the R\$ 711.0 million recorded in 2013 mainly due to:

- R\$ 37.1 million increase in the provision for lawsuits; and
- Higher provision for sundry losses, in the amount of R\$ 16.3 million.

The increases above were partially offset by the R\$ 43.3 million drop in the provision for the Municipal Fund for Environmental Sanitation and Infrastructure, as a result of the decrease in revenues with the municipality of São Paulo.

### 5.7. Depreciation and amortization

R\$ 133.4 million increase or 15.3%, reaching R\$ 1,004.5 million in comparison to the R\$ 871.1 million recorded in 2013, largely due to the beginning of operations of intangible assets, in the amount of R\$ 4,1 billion.

### 5.8. Credit write-offs

Credit write-offs increased R\$ 35.7 million, chiefly due to the higher provision for losses with municipalities served by the Company on the wholesale basis during 2014.

## 6. Other operating revenues and expenses, net

Other operating revenues/expenses, net, recorded a R\$ 6.8 million decrease, mainly due to:

R\$ 51.9 million increase in other operating revenue, as follows:

- Increase in fines to suppliers and service providers, totaling R\$ 25.8 million; and
- Upturn in revenue from the Program for the Rational Use of Water -PURA, totaling R\$ 20.9 million. R\$ 58.7 million increase in other operating expenses, as follows:
  - Provision for the write-off of construction works and projects, totaling R\$ 21.3 million;
  - Provision for losses with contractual payments, as a result of the agreement with the municipality of Diadema, totaling R\$15.0 million;
  - Write-off of obsolete goods, in the amount of R\$ 11.4 million; and
  - Provision for the write-off of hydrometers, in the amount of R\$ 11.4 million.

## 7. Financial result

|                                     | <i>R\$ million</i> |                |                |             |
|-------------------------------------|--------------------|----------------|----------------|-------------|
| Financial expenses, net of revenues | (212.0)            | (200.9)        | (11.1)         | 5.5         |
| Net monetary and exchange variation | (423.9)            | (282.3)        | (141.6)        | 50.2        |
| <b>Financial result</b>             | <b>(635.9)</b>     | <b>(483.2)</b> | <b>(152.7)</b> | <b>31.6</b> |

### 7.1. Financial revenues and expenses

*R\$ million*

|   |                |                |               |            |
|---|----------------|----------------|---------------|------------|
| Financial expenses  |                |                |               |            |
| Interest and charges on domestic loans and financing      | (272.9)        | (294.7)        | 21.8          | (7.4)      |
| Interest and charges on international loans and financing | (92.2)         | (84.6)         | (7.6)         | 9.0        |
| Other financial expenses                                  | (177.7)        | (122.5)        | (55.2)        | 45.1       |
| <b>Total financial expenses</b>                           | <b>(542.8)</b> | <b>(501.8)</b> | <b>(41.0)</b> | <b>8.2</b> |
| Financial revenues  | 330.8          | 300.9          | 29.9          | 9.9        |
| <b>Financial expenses net of revenues</b>                 | <b>(212.0)</b> | <b>(200.9)</b> | <b>(11.1)</b> | <b>5.5</b> |

**7.1.1. Financial expenses**

Financial expenses grew R\$ 41.0 million. The main reasons were:

- R\$ 21.8 million decrease in interest and charges on domestic loans and financing, mainly due to the higher interest capitalization occurred in 2014, versus 2013;
- R\$ 7.6 million increase in interest and charges on international loans and financing, due to the increase in total debt, as a result of new fundings, in the amount of R\$ 458.7 million; and
- Other financial expenses increased R\$ 55.2 million, largely due to the greater recognition of interest arising from the beginning of operation of two sewage treatment plants financed through leases, in the amount of R\$ 47.9 million.

**7.1.2. Financial revenues**

Financial revenues increased R\$ 29.9 million or 9.9%, due to financial investments indexed to CDI, held in the period, as a result of the increase in the Interbank Deposit Certificate (CDI) in 2014 (10.8%), versus 2013 (8.2%).

**7.2. Monetary and exchange rate variation on assets and liabilities**

|  | <i>R\$ million</i> |                |                |             |
|--|--------------------|----------------|----------------|-------------|
| Monetary variation on loans and financing              | (98.3)             | (72.7)         | (25.6)         | 35.2        |
| Exchange rate variation on loans and financing         | (345.7)            | (267.8)        | (77.9)         | 29.1        |
| Other monetary variations                              | (71.2)             | (28.4)         | (42.8)         | 150.7       |
| <b>Monetary/exchange rate variation on liabilities</b> | <b>(515.2)</b>     | <b>(368.9)</b> | <b>(146.3)</b> | <b>39.7</b> |
| Monetary/exchange rate variation on assets             | 91.3               | 86.6           | 4.7            | 5.4         |
| <b>Monetary/exchange rate variation, net</b>           | <b>(423.9)</b>     | <b>(282.3)</b> | <b>(141.6)</b> | <b>50.2</b> |

**7.2.1. Monetary/exchange rate variation on liabilities**

The effect on the monetary/currency exchange variation on liabilities in 2014 was R\$ 146.3 million, higher than in 2013, especially due to:

- An increase of R\$ 25.6 million in expenses with monetary variation on domestic loans and financing, chiefly due to the increase in the IPCA and TR (6.4% and 0.9%, respectively) compared to 2013 (5.9% and 0.2%, respectively);
- An upturn of R\$ 77.9 million in expenses, considering exchange variation on loans and financing, due to the increase in the debt balance, as a result of new fundings, totaling R\$458.7 million; and
- Other monetary variations, with an increase of R\$42.8 million, chiefly due to the monetary restatement of lawsuits, totaling R\$38.0 million.

The US dollar appreciation recorded in 2014 and 2013 was 13.4% and 14.6%, respectively.

**7.2.2. Monetary/Exchange rate variation on assets**

R\$ 4.7 million increase, mainly due to the monetary updates on judicial deposits.

**8. Income tax and social contribution**

Income tax and social contribution expenses decreased by R\$ 360.2 million, due to the drop in taxable income in the period.

## 9. Indicators

### 9.1. Operating

The water loss ratio has continued decreasing, closing 2014 at 21.3%. The same occurred with the measured water loss ratio which dropped from 31.2% in 2013 to 29.8% in 2014.

It is worth noting that the reduction in the water loss indicators in 2014 was influenced by the intensification in pressure management in the operation of the supply systems, an operational practice designed to manage the current water shortage, reducing its impacts on the supply of the population. This operational practice has an effect in the calculation of loss indicators in the period in which it is adopted, resulting in lower loss indicators, which should not be interpreted only as the result of initiatives to reduce losses, but as the result of an atypical and temporary situation.

Regarding the water volume produced there was a 7% decline, despite the 2,8% increase in the population served.

|  |        |        |        |
|--|--------|--------|--------|
| Water connections <sup>(1)</sup>                   | 8,210  | 7,880  | 4.2    |
| Sewage connections <sup>(1)</sup>                  | 6,660  | 6,340  | 5.0    |
| Population directly served - water <sup>(2)</sup>  | 25.3   | 24.6   | 2.8    |
| Population directly served - sewage <sup>(2)</sup> | 22.4   | 21.5   | 4.2    |
| Number of employees                                | 14,753 | 15,015 | (1.7)  |
| Water volume produced <sup>(3)</sup>               | 2,840  | 3,053  | (7.0)  |
| IPF - Non-revenue water loss (%)                   | 21.3   | 24.4   | (12.7) |
| IPM - Micro-measured water loss (%)                | 29.8   | 31.2   | (4.5)  |

(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

### 9.2. Financial

|   |         |         |
|---|---------|---------|
| Amplified Consumer Price Index (IPCA) - % | 6.41    | 5.91    |
| Referential Rate (TR) - %                 | 0.86    | 0.19    |
| Interbank Deposit Certificate (CDI) - %   | 10.83   | 8.18    |
| US DOLAR (R\$)                            | 2.6562  | 2.3426  |
| YEN (R\$)                                 | 0.02223 | 0.02233 |





## 10. Loans and financing

*R\$ million*

### Local market

|                                   |                |                |                |              |                |                |                |                 |
|-----------------------------------|----------------|----------------|----------------|--------------|----------------|----------------|----------------|-----------------|
| Caixa Econômica Federal           | 67.1           | 67.9           | 71.8           | 75.7         | 79.0           | 82.7           | 654.3          | 1,098.5         |
| Debentures                        | 639.1          | 282.9          | 805.8          | 499.8        | 576.5          | 291.6          | 504.2          | 3,599.9         |
| Debentures BNDES                  | 38.0           | 38.0           | 38.0           | 38.0         | 38.0           | 35.2           | -              | 225.2           |
| Debentures FI FGTS                | 37.0           | 37.0           | 37.0           | 37.0         | 37.0           | 37.0           | 54.0           | 276.0           |
| BNDES                             | 52.5           | 65.1           | 69.0           | 69.0         | 69.0           | 51.4           | 253.9          | 629.9           |
| Commercial Leasing                | 9.0            | 21.9           | 22.7           | 23.6         | 24.5           | 26.3           | 354.6          | 482.6           |
| Others                            | 0.7            | 0.6            | 0.7            | 0.5          | -              | -              | -              | 2.5             |
| Interest and charges              | 125.0          | -              | -              | -            | -              | -              | -              | 125.0           |
| <b>Local market total</b>         | <b>968.4</b>   | <b>513.4</b>   | <b>1,045.0</b> | <b>743.6</b> | <b>824.0</b>   | <b>524.2</b>   | <b>1,821.0</b> | <b>6,439.6</b>  |
| <b>International market</b>       |                |                |                |              |                |                |                |                 |
| BID                               | 101.3          | 101.3          | 142.5          | 75.8         | 75.8           | 75.9           | 856.6          | 1,429.2         |
| BIRD                              | -              | -              | -              | -            | 4.0            | 8.1            | 109.3          | 121.4           |
| Eurobonds                         | -              | 371.7          | -              | -            | -              | 924.7          | -              | 1,296.4         |
| JICA                              | 48.7           | 48.6           | 49.2           | 49.9         | 67.0           | 67.0           | 736.0          | 1,066.4         |
| BID 1983AB                        | 63.6           | 63.6           | 63.6           | 63.3         | 47.0           | 46.2           | 60.4           | 407.7           |
| Interest and charges              | 25.1           | -              | -              | -            | -              | -              | -              | 25.1            |
| <b>International market total</b> | <b>238.7</b>   | <b>585.2</b>   | <b>255.3</b>   | <b>189.0</b> | <b>193.8</b>   | <b>1,121.9</b> | <b>1,762.3</b> | <b>4,346.2</b>  |
| <b>Total</b>                      | <b>1,207.1</b> | <b>1,098.6</b> | <b>1,300.3</b> | <b>932.6</b> | <b>1,017.8</b> | <b>1,646.1</b> | <b>3,583.3</b> | <b>10,785.8</b> |

## 11. Capex

In 2014 the Company invested R\$ 3.2 billion, R\$ 2.0 billion in the São Paulo Metropolitan Region and R\$ 1.2 billion in the Regional Systems.

### 2014 Capex

*R\$ million*

|                     |  |  |                |                |                |
|---------------------|--|--|----------------|----------------|----------------|
| Metropolitan Region |  |  | 833.8          | 1,174.2        | 2,008.0        |
| Regional Systems    |  |  | 472.9          | 729.7          | 1,202.6        |
| <b>Total</b>        |  |  | <b>1,306.7</b> | <b>1,903.9</b> | <b>3,210.6</b> |

### Capex Plan 2015 -2019: R\$ 13.5 billion

The Capex Plan for 2015 to 2019 is R\$ 13.5 billion of which R\$ 5.6 billion in water and R\$ 7.9 billion in sewage.

*R\$ million*

|       |       |       |     |     |     |       |
|-------|-------|-------|-----|-----|-----|-------|
| Water | 1,518 | 1,919 | 907 | 711 | 563 | 5,618 |
|-------|-------|-------|-----|-----|-----|-------|

|                   |              |              |              |              |              |               |
|-------------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Sewage Collection | 587          | 544          | 1,255        | 1,255        | 1,427        | 5,068         |
| Sewage Treatment  | 256          | 437          | 662          | 760          | 717          | 2,832         |
| <b>Total</b>      | <b>2,361</b> | <b>2,900</b> | <b>2,824</b> | <b>2,726</b> | <b>2,707</b> | <b>13,518</b> |

## 12. Conference calls

### In Portuguese

**March 31, 2015**

9:30 am (US EST) / 10:30 am (Brasília)

Dial in: 55 (11) 3728-5971 ou

55 (11) 3127-4971

Code: Sabesp

[Replay available for 7 days](#)

Dial in: 55 (11) 3127-4999

Code: 50456607

[Click here](#) to access the webcast

### In English

**March 31, 2015**

2:00 pm (Brasília) / 1:00 pm (US EST)

Dial in: 1 (412) 317-6776

Code: Sabesp

[Replay available for 7 days](#)

Dial in: 1(412) 317-0088

Code: 10056737

[Click here](#) to access the webcast

### **For more information, please contact:**

Mario Arruda Sampaio

Phone.(55 11) 3388-8664

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

Angela Beatriz Airoidi

Phone.(55 11) 3388-8793

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

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## Income Statement

| <b>Brazilian Corporate Law</b>                            |                    | <b>R\$ '000</b>   |
|---|--------------------|-------------------|
| <b>Gross Operating Revenue</b>                            | <b>11,823,371</b>  | <b>11,984,756</b> |
| Water Supply - Retail                                     | 4,654,719          | 4,972,870         |
| Water Supply - Wholesale                                  | 146,848            | 208,651           |
| Sewage Collection and Treatment                           | 3,936,454          | 4,187,274         |
| Sewage Collection and Treatment - Wholesale               | 21,765             | 26,137            |
| Construction Revenue - Water                              | 1,204,380          | 1,011,412         |
| Construction Revenue - Sewage                             | 1,713,656          | 1,433,323         |
| Other Services  | 145,549            | 145,089           |
| Taxes on Sales and Services - COFINS and PASEP            | (610,155)          | (669,189)         |
| <b>Net Operating Revenue</b>                              | <b>11,213,216</b>  | <b>11,315,567</b> |
| Operating Costs   | (7,635,599)        | (6,816,263)       |
| <b>Gross Profit</b>                                       | <b>3,577,617</b>   | <b>4,499,304</b>  |
| <b>Operating Expenses</b>                                 |                    |                   |
| Selling   | (736,608)          | (637,103)         |
| Administrative  | (924,359)          | (729,117)         |
| Other operating revenue (expenses), net                   | (3,488)            | 3,296             |
| <b>Operating Income Before Shareholdings</b>              | <b>1,913,162</b>   | <b>3,136,380</b>  |
| Equity Result   | (2,453)            | 2,465             |
| <b>Earnings Before Financial Results, net</b>             | <b>1,910,709</b>   | <b>3,138,845</b>  |
| Financial, net  | (289,561)          | (216,800)         |
| Exchange gain (loss), net                                 | (346,305)          | (266,446)         |
| <b>Earnings before Income Tax and Social Contribution</b> | <b>1,274,843</b>   | <b>2,655,599</b>  |
| <b>Income Tax and Social Contribution</b>                 |                    |                   |
| Current   | (437,417)          | (742,578)         |
| Deferred  | 65,557             | 10,538            |
| <b>Net Income (loss) for the period</b>                   | <b>902,983</b>     | <b>1,923,559</b>  |
| <b>Registered common shares ('000)</b>                    | <b>683,509</b>     | <b>683,509</b>    |
| <b>Earnings per shares - R\$ (per share)</b>              | <b>1.32</b>        | <b>2.81</b>       |
| <b>Depreciation and Amortization</b>                      | <b>(1,004,471)</b> | <b>(871,073)</b>  |
| <b>Adjusted EBITDA</b>                                    | <b>2,918,668</b>   | <b>4,006,622</b>  |
| % over net revenue  | 26.0%              | 35.4%             |

## Balance Sheet

| <b>Brazilian Corporate Law</b>                   | <b>R\$ '000</b>   |                   |
|--|-------------------|-------------------|
| <b>Current assets</b>                            |                   |                   |
| Cash and cash equivalents                        | 1,722,991         | 1,782,001         |
| Trade accounts receivable                        | 1,034,820         | 1,120,053         |
| Accounts receivable from related parties         | 121,965           | 134,855           |
| Inventories                                      | 66,487            | 58,401            |
| Restricted cash                                  | 19,750            | 10,333            |
| Recoverable taxes                                | 148,768           | 87,405            |
| Other accounts receivable                        | 100,664           | 61,039            |
| <b>Total current assets</b>                      | <b>3,215,445</b>  | <b>3,254,087</b>  |
| <b>Noncurrent assets</b>                         |                   |                   |
| Trade accounts receivable                        | 189,458           | 395,512           |
| Accounts receivable from related parties         | 102,018           | 130,457           |
| Escrow deposits                                  | 69,488            | 54,827            |
| Deferred income tax and social contribution      | 209,478           | 114,030           |
| Water National Agency – ANA                      | 122,634           | 107,003           |
| Other accounts receivable                        | 87,286            | 94,952            |
| Investments                                      | 21,223            | 23,660            |
| Investment properties                            | 54,039            | 54,039            |
| Intangible assets                                | 25,979,526        | 23,846,231        |
| Property, plant and equipment                    | 304,845           | 199,496           |
| <b>Total noncurrent assets</b>                   | <b>27,139,995</b> | <b>25,020,207</b> |
| <b>Total assets</b>                              | <b>30,355,440</b> | <b>28,274,294</b> |
| <b>Current liabilities</b>                       |                   |                   |
| Trade payables and contractors                   | 323,513           | 275,051           |
| Current portion of long-term loans and financing | 1,207,126         | 640,940           |
| Accrued payroll and related charges              | 387,971           | 314,926           |
| Taxes and contributions                          | 74,138            | 115,382           |
| Interest on shareholders' equity payable         | 214,523           | 456,975           |
| Provisions                                       | 625,092           | 631,374           |
| Services payable                                 | 318,973           | 323,208           |
| Public-Private Partnership – PPP                 | 38,047            | 20,241            |
| Program Contract Commitments                     | 189,551           | 77,360            |
| Other liabilities                                | 101,642           | 116,924           |
| <b>Total current liabilities</b>                 | <b>3,480,576</b>  | <b>2,972,381</b>  |
| <b>Noncurrent liabilities</b>                    |                   |                   |
| Loans and financing                              | 9,578,641         | 8,809,134         |
| Deferred Cofins and Pasep                        | 129,351           | 129,849           |

|                                     |                   |                   |
|-------------------------------------|-------------------|-------------------|
| Provisions                          | 595,255           | 549,008           |
| Pension obligations                 | 2,729,598         | 2,327,016         |
| Public-Private Partnership – PPP    | 330,236           | 322,267           |
| Program Contract Commitments        | 18,208            | 88,678            |
| Other liabilities                   | 189,172           | 145,160           |
| <b>Total noncurrent liabilities</b> | <b>13,570,461</b> | <b>12,371,112</b> |
| <b>Total Liabilities</b>            | <b>17,051,037</b> | <b>15,343,493</b> |
| <b>Equity</b>                       |                   |                   |
| Capital stock                       | 10,000,000        | 6,203,688         |
| Capital reserve                     | -                 | 124,255           |
| Earnings reserves                   | 3,694,151         | 6,736,389         |
| Other comprehensive income          | (389,748)         | (133,531)         |
| <b>Total equity</b>                 | <b>13,304,403</b> | <b>12,930,801</b> |
| <b>Total equity and liabilities</b> | <b>30,355,440</b> | <b>28,274,294</b> |

| <b>Brazilian Corporate Law</b>  | <b>R\$ '000</b>  |                  |
|---|------------------|------------------|
| <b>Cash flow from operating activities</b>  |                  |                  |
| <b>Profit before income tax and social contribution</b>                           | <b>1,274,843</b> | <b>2,655,599</b> |
| <b>Adjustment for:</b>  |                  |                  |
| Depreciation and amortization   | 1,004,471        | 871,073          |
| Residual value of property, plant and equipment and intangible assets written-off | 48,248           | 28,498           |
| Allowance for doubtful accounts   | 139,589          | 103,864          |
| Provision and inflation adjustment  | 236,122          | 202,730          |
| Interest calculated on loans and financing payable                                | 379,489          | 390,039          |
| Inflation adjustment and foreign exchange gains (losses) on loans and financing   | 443,414          | 340,492          |
| Interest and inflation adjustment losses  | 17,900           | 18,401           |
| Interest and inflation adjustment gains   | (36,227)         | (7,671)          |
| Financial charges from customers  | (195,948)        | (234,138)        |
| Margin on intangible assets arising from concession                               | (62,520)         | (50,248)         |
| Provision for Consent Decree (TAC)  | 52,008           | 22,518           |
| Equity result   | 2,453            | (2,465)          |
| Provision from São Paulo agreement  | (23,306)         | 3,168            |
| Provision for defined contribution plan   | 8,395            | 9,167            |
| Pension obligations   | 289,294          | 260,003          |
| Other adjustments   | 43,543           | (33,576)         |
|   | <b>3,621,768</b> | <b>4,577,454</b> |
| <b>Changes in assets</b>  |                  |                  |
| Trade accounts receivable   | 363,343          | (11,515)         |
| Accounts receivable from related parties  | 42,670           | 5,586            |
| Inventories   | (8,699)          | (6,133)          |
| Recoverable taxes   | (148,578)        | 31,016           |
| Escrow deposits   | 4,528            | (1,669)          |
| Other accounts receivable   | (47,590)         | (13,868)         |
| <b>Changes in liabilities</b>   |                  |                  |
| Trade payables and contractors  | (85)             | (15,454)         |
| Services received   | 19,071           | (65,883)         |
| Accrued payroll and related charges   | 21,037           | 47,594           |
| Taxes and contributions payable   | 28,383           | (146,664)        |
| Deferred Cofins/Pasep   | (498)            | 6,118            |
| Provisions  | (196,157)        | (211,502)        |
| Pension obligations   | (172,820)        | (158,442)        |
| Other liabilities   | (6,946)          | (59,211)         |
| <b>Cash generated from operations</b>   | <b>3,519,427</b> | <b>3,977,427</b> |
| Interest paid   | (603,563)        | (533,362)        |
| Income tax and contribution paid  | (435,612)        | (666,883)        |
| <b>Net cash generated from operating activities</b>                               | <b>2,480,252</b> | <b>2,777,182</b> |
| <b>Cash flows from investing activities</b>                                       |                  |                  |
| Acquisition of intangibles  | (2,658,857)      | (2,305,031)      |



|  |                    |                    |
|--|--------------------|--------------------|
| Restricted cash                                      | (9,417)            | 54,644             |
| Investment increase                                  | (16)               | (369)              |
| Purchases of tangible assets                         | (89,451)           | (30,743)           |
| <b>Net cash used in investing activities</b>         | <b>(2,757,741)</b> | <b>(2,281,499)</b> |
| <b>Cash flow from financing activities</b>           |                    |                    |
| Loans and financing                                  |                    |                    |
| Proceeds from loans                                  | 1,258,101          | 1,779,529          |
| Repayments of loans                                  | (529,535)          | (1,780,673)        |
| Payment of interest on shareholders' equity          | (467,469)          | (498,669)          |
| Public-Private Partnership – PPP                     | (4,189)            | (13,809)           |
| Program Contract Commitments                         | (38,429)           | (116,034)          |
| <b>Net cash generated by financing activities</b>    | <b>218,479</b>     | <b>(629,656)</b>   |
| <b>Cash reduce and cash equivalents</b>              | <b>(59,010)</b>    | <b>(133,973)</b>   |
| <b>Represented by:</b>                               |                    |                    |
| Cash and cash equivalents at beginning of the period | 1,782,001          | 1,915,974          |
| Cash and cash equivalents at end of the period       | 1,722,991          | 1,782,001          |
| <b>Cash reduce and cash equivalents</b>              | <b>(59,010)</b>    | <b>(133,973)</b>   |

