

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

December 28, 2018

---

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

---

**FORM 6-K**

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

**For December 7, 2018**  
**(Commission File No. 1-31317)**

---

**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)*

---

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

---

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):

---

## Table of Contents

### Company Information

Capital Breakdown 1

Cash Proceeds 2

### Parent Company's Financial Statements

Statement of Financial Position - Assets 3

Statement of Financial Position - Liabilities 4

Income Statement 6

Statement of Comprehensive Income 8

Statement of Cash Flows 9

### Statement of Changes in Equity

1/01/2018 to 9/30/2018 11

1/01/2017 to 9/30/2017 12

Statement of Value Added 13

Comments on the Company's Performance 14

Notes to the Interim Financial Information 22

Comments on the Company's Projections 81

Other Information Deemed as Relevant by the Company 82

### Reports and Statements

Unqualified Reports on Special Review 84

Executive Officers' Statement on the Financial Statements 85

Executive Officers' Statement on the Report of Independent Registered Public Accounting Firm 86

## Company Information / Capital Breakdown

<b>Number of Shares (Units)</b>	<b>Current Quarter 9/30/2018</b>
<b>Paid-in Capital</b>	
<b>Common</b>	683,509,869
<b>Preferred</b>	0
<b>Total</b>	683,509,869
<b>Treasury Shares</b>	
<b>Common</b>	0
<b>Preferred</b>	0
<b>Total</b>	0

## Company Information / Cash Proceeds

<b>Event</b>	<b>Approval</b>	<b>Proceeds</b>	<b>Date of Payment</b>	<b>Type of Share</b>	<b>Class of Share</b>	<b>Proceeds per Share (Reais / Share)</b>
Board of Directors' Meeting	3/27/2018	Interest on Equity	6/26/2018	Common		1.02980

## Parent Company's Financial Statements / Statement of Financial Position - Assets

(R\$ thousand)

Code	Description	Current Quarter 9/30/2018	Previous Year 12/31/2017
1	Total Assets	42,246,075	39,546,444
1.01	Current Assets	5,954,364	4,574,085
1.01.01	Cash and Cash Equivalents	3,619,253	2,283,047
1.01.03	Accounts Receivable	1,891,895	1,853,368
1.01.03.01	Trade Receivables	1,739,377	1,672,595
1.01.03.02	Other Receivables	152,518	180,773
1.01.03.02.01	Related-Party Balances	152,518	180,773
1.01.04	Inventories	66,946	85,671
1.01.06	Recoverable Taxes	238,713	276,585
1.01.06.01	Current Recoverable Taxes	238,713	276,585
1.01.08	Other Current Assets	137,557	75,414
1.01.08.03	Other	137,557	75,414
1.01.08.03.01	Restricted Cash	25,017	18,822
1.01.08.03.20	Other Receivables	112,540	56,592
1.02	Noncurrent Assets	36,291,711	34,972,359
1.02.01	Long-Term Assets	1,222,194	1,156,593
1.02.01.04	Accounts Receivable	221,408	215,910
1.02.01.04.01	Trade Receivables	221,408	215,910
1.02.01.09	Receivables from Related Parties	674,876	634,387
1.02.01.09.03	Receivables from Controlling Shareholders	674,876	634,387
1.02.01.10	Other Noncurrent Assets	325,910	306,296
1.02.01.10.04	Escrow Deposits	163,980	122,686
1.02.01.10.05	ANA – Water National Agency	50,454	70,487
1.02.01.10.20	Other Receivables	111,476	113,123
1.02.02	Investments	89,415	94,584
1.02.02.01	Equity Investments	41,783	36,932
1.02.02.01.03	Equity Investments in Jointly-Owned Subsidiaries	41,783	36,932
1.02.02.02	Investment Properties	47,632	57,652
1.02.03	Property, Plant and Equipment	246,648	255,050
1.02.04	Intangible Assets	34,733,454	33,466,132
1.02.04.01	Intangible Assets	34,733,454	33,466,132
1.02.04.01.01	Concession Contracts	6,793,963	8,575,551
1.02.04.01.02	Program Contracts	10,638,394	8,505,442

1.02.04.01.03 Services Contracts	16,844,735	15,917,014
1.02.04.01.04 Software License of Use	456,362	468,125

PAGE: 3 of 86

---

**Parent Company's Financial Statements / Statement of Financial Position - Liabilities****(R\$ thousand)**

<b>Code</b>	<b>Description</b>	<b>Current Quarter 9/30/2018</b>	<b>Previous Year 12/31/2017</b>
2	Total Liabilities	42,246,075	39,546,444
2.01	Current Liabilities	4,484,101	4,771,880
2.01.01	Labor and Pension Plan Liabilities	609,295	588,073
2.01.01.01	Social Security Liabilities	25,018	40,631
2.01.01.02	Labor Liabilities	584,277	547,442
2.01.02	Trade Payable	384,482	344,947
2.01.02.01	Domestic Suppliers	384,473	344,947
2.01.02.02	Foreign Suppliers	9	0
2.01.03	Tax Liabilities	109,114	183,965
2.01.03.01	Federal Tax Liabilities	108,002	176,202
2.01.03.01.02	PIS-Pasep and Cofins Payable	66,704	74,034
2.01.03.01.03	INSS (social security contribution) Payable	35,976	35,365
2.01.03.01.20	Other Federal Taxes	5,322	66,803
2.01.03.03	Municipal Tax Liabilities	1,112	7,763
2.01.04	Borrowings and Financing	2,104,480	1,746,755
2.01.04.01	Borrowings and Financing	1,040,980	827,702
2.01.04.01.01	In Local Currency	297,677	280,331
2.01.04.01.02	In Foreign Currency	743,303	547,371
2.01.04.02	Debentures	1,046,339	901,480
2.01.04.03	Financing through Finance Lease	17,161	17,573
2.01.05	Other Liabilities	767,043	1,300,181
2.01.05.01	Payables to Related Parties	1,402	1,367
2.01.05.01.03	Payables to Controlling Shareholders	1,402	1,367
2.01.05.02	Other	765,641	1,298,814
2.01.05.02.01	Dividends and Interest on Equity Payable	436	598,612
2.01.05.02.04	Services Payable	399,590	408,275
2.01.05.02.05	Refundable Amounts	12,251	11,598
2.01.05.02.06	Program Contract Commitments	175,405	128,802
2.01.05.02.07	Public-Private Partnership - PPP	78,832	60,007
2.01.05.02.09	Indemnities	11,230	10,368
2.01.05.02.20	Other Liabilities	87,897	81,152
2.01.06	Provisions	509,687	607,959
2.01.06.01	Tax, Social Security, Labor and Civil Provisions	170,866	170,012
2.01.06.01.01	Tax Provisions	33,040	32,712
2.01.06.01.02	Social Security and Labor Provisions	55,894	45,881
2.01.06.01.04	Civil Provisions	81,932	91,419
2.01.06.02	Other Provisions	338,821	437,947

**(R\$ thousand)**

2.01.06.02.03	Provisions for Environmental Liabilities and Decommissioning	19,031	16,472
2.01.06.02.04	Provisions for Customers	279,037	373,747
2.01.06.02.05	Provisions for Suppliers	40,753	47,728
2.02	Noncurrent Liabilities	18,975,023	17,261,555
2.02.01	Borrowings and Financing	11,622,488	10,354,211
2.02.01.01	Borrowings and Financing	8,424,596	7,224,061
2.02.01.01.01	In Local Currency	2,233,458	2,098,611
2.02.01.01.02	In Foreign Currency	6,191,138	5,125,450
2.02.01.02	Debentures	2,647,461	2,586,106

PAGE: 4 of 86

---



**Parent Company's Financial Statements / Statement of Financial Position - Liabilities****(R\$ thousand)**

<b>Code</b>	<b>Description</b>	<b>Current Quarter 9/30/2018</b>	<b>Previous Year 12/31/2017</b>
2.02.01.03	Financing through Finance Lease	550,431	544,044
2.02.02	Other Liabilities	6,835,084	6,400,345
2.02.02.02	Other	6,835,084	6,400,345
2.02.02.02.04	Pension Plan Liabilities	2,962,815	2,932,338
2.02.02.02.05	Program Contract Commitments	66,552	110,698
2.02.02.02.06	Public-Private Partnership - PPP	3,312,730	3,011,409
2.02.02.02.07	Indemnities	31,146	30,179
2.02.02.02.08	Labor Liabilities	139,042	6,494
2.02.02.02.09	Deferred Cofins/Pasep	136,493	130,182
2.02.02.02.20	Other Liabilities	186,306	179,045
2.02.03	Deferred Taxes	91,944	36,754
2.02.03.01	Deferred Income Tax and Social Contribution	91,944	36,754
2.02.03.01.01	Deferred Income Tax and Social Contribution	91,944	36,754
2.02.04	Provisions	425,507	470,245
2.02.04.01	Tax, Social Security, Labor and Civil Provisions	258,499	292,999
2.02.04.01.01	Tax Provisions	21,320	38,881
2.02.04.01.02	Social Security and Labor Provisions	232,471	247,220
2.02.04.01.04	Civil Provisions	4,708	6,898
2.02.04.02	Other Provisions	167,008	177,246
2.02.04.02.03	Provisions for Environmental Liabilities and Decommissioning	145,901	143,974
2.02.04.02.04	Provisions for Customers	19,567	8,571
2.02.04.02.05	Provisions for Suppliers	1,540	24,701
2.03	Equity	18,786,951	17,513,009
2.03.01	Paid-Up Capital	10,000,000	10,000,000
2.03.04	Profit Reserve	7,997,571	8,051,110
2.03.04.01	Legal Reserve	1,058,275	1,058,275
2.03.04.08	Additional Dividend Proposed	0	53,539
2.03.04.10	Reserve for Investments	6,939,296	6,939,296
2.03.05	Retained Earnings/Accumulated Losses	1,327,481	0
2.03.06	Equity Valuation Adjustments	-538,101	-538,101

PAGE: 5 of 86

**(R\$ thousand)**

ITR - Quarterly Financial Form - 9/30/2018 - CIA SANEAMENTO BASICO EST SAO PAULO

Version : 1

**Parent Company's Financial Statements / Income Statement****(R\$ thousand)**

Code	Description	Current Quarter	YTD Current	Same	YTD
		7/01/2018 to 9/30/2018	Year 1/01/2018 to 9/30/2018	Quarter Previous Year 7/01/2017 to 9/30/2017	Previous Year 1/01/2017 to 9/30/2017
3.01	Revenue from Sales and/or Services	3,810,781	11,182,683	3,536,444	10,589,904
3.02	Cost of Sales and/or Services	-2,313,289	-6,604,890	-2,047,318	-6,350,177
3.02.01	Cost of Sales and/or Services	-1,605,412	-4,612,313	-1,352,848	-4,184,251
3.02.02	Construction Cost	-707,877	-1,992,577	-694,470	-2,165,926
3.03	Gross Profit	1,497,492	4,577,793	1,489,126	4,239,727
3.04	Operating Income/Expenses	-371,211	-1,296,981	-342,671	-1,301,297
3.04.01	Selling Expenses	-189,329	-638,890	-124,619	-576,737
3.04.02	General and Administrative Expenses	-216,543	-724,258	-233,926	-766,974
3.04.04	Other Operating Income	44,424	98,845	22,852	46,135
3.04.04.01	Other Operating Income	48,760	108,177	27,601	56,884
3.04.04.02	Cofins and Pasep	-4,336	-9,332	-4,749	-10,749
3.04.05	Other Operating Expenses	-10,265	-36,874	-8,210	-8,420
3.04.06	Equity Results	502	4,196	1,232	4,699
3.05	Income before Financial Result and Taxes	1,126,281	3,280,812	1,146,455	2,938,430
3.06	Financial Result	-262,770	-1,293,937	222,869	-54,549
3.06.01	Financial Income	123,237	344,536	105,842	284,960
3.06.01.01	Financial Income	117,519	348,235	109,762	297,251
3.06.01.02	Exchange Gains	11,183	13,245	0	347
3.06.01.03	Cofins and Pasep	-5,465	-16,944	-3,920	-12,638
3.06.02	Financial Expenses	-386,007	-1,638,473	117,027	-339,509
3.06.02.01	Financial Expenses	-195,195	-538,307	-136,131	-469,978
3.06.02.02	Exchange Losses	-190,812	-1,100,166	253,158	130,469
3.07	Earnings before Income Tax	863,511	1,986,875	1,369,324	2,883,881
3.08	Income Tax and Social Contribution	-298,347	-659,394	-468,799	-977,186
3.08.01	Current	-303,572	-604,204	-406,548	-899,391
3.08.02	Deferred	5,225	-55,190	-62,251	-77,795
3.09	Net Result from Continued Operations	565,164	1,327,481	900,525	1,906,695
3.11	Profit/Loss for the Period	565,164	1,327,481	900,525	1,906,695

**(R\$ thousand)**

10



ITR - Quarterly Financial Form - 9/30/2018 - CIA SANEAMENTO BASICO EST SAO PAULO

Version : 1

**Parent Company's Financial Statements / Income Statement****(R\$ thousand)**

<b>Code</b>	<b>Description</b>	<b>Current Quarter 7/01/2018 to 9/30/2018</b>	<b>YTD Current Year 1/01/2018 to 9/30/2018</b>	<b>Same Quarter Previous Year 7/01/2017 to 9/30/2017</b>	<b>YTD Previous Year 1/01/2017 to 9/30/2017</b>
3.99	Earnings per Share - (Reais/Share)				
3.99.01	Basic Earnings per Share				
3.99.01.01	Common Share	0.82686	1.94216	1.31750	2.78957
3.99.02	Diluted Earnings per Share				
3.99.02.01	Common Share	0.82686	1.94216	1.31750	2.78957

PAGE: 7 of 86

(R\$ thousand)

**Parent Company's Financial Statements / Statement of Comprehensive Income**

(R\$ thousand)

Code	Description	Current	YTD Current	Same Quarter	YTD Previous
		Quarter	Year	Previous Year	Year
		7/01/2018 to 9/30/2018	1/01/2018 to 9/30/2018	7/01/2017 to 30/09/2017	1/01/2017 to 9/30/2017
4.01	Net Income for the Period	565,164	1,327,481	900,525	1,906,695
4.03	Comprehensive Income for the Period	565,164	1,327,481	900,525	1,906,695

PAGE: 8 of 86

(R\$ thousand)

## Parent Company's Financial Statements / Statement of Cash Flows - Indirect Method

(R\$ thousand)

Code	Description	YTD Current Year 1/01/2018 to 9/30/2018	YTD Previous Year 1/01/2017 to 9/30/2017
6.01	Net Cash from Operating Activities	3,088,023	2,339,196
6.01.01	Cash from Operations	4,553,602	4,659,239
6.01.01.01	Profit before Income Tax and Social Contribution	1,986,875	2,883,881
6.01.01.02	Provision and Inflation Adjustments on Provisions	50,794	138,571
6.01.01.04	Finance Charges from Customers	-219,514	-169,194
6.01.01.05	Residual Value of Property, Plant and Equipment, Intangible Assets and Investment Properties Written-off	16,893	11,528
6.01.01.06	Depreciation and Amortization	997,406	974,487
6.01.01.07	Interest on Borrowings and Financing Payable	391,455	296,665
6.01.01.08	Monetary and Exchange Change on Borrowings and Financing	1,153,748	-86,081
6.01.01.09	Interest and Monetary Changes on Liabilities	20,886	6,948
6.01.01.10	Interest and Monetary Changes on Assets	-55,069	-28,710
6.01.01.11	Allowance for Doubtful Accounts	126,005	87,480
6.01.01.12	Provision for Consent Decree (TAC)	-75,450	60,670
6.01.01.13	Equity Results	-4,196	-4,699
6.01.01.15	Other Adjustments	20,002	-10,332
6.01.01.16	Transfer of Funds to São Paulo Municipal Government	7,601	318,920
6.01.01.17	Construction Margin over Intangible Assets Resulting from Concession Contracts	-45,829	-49,299
6.01.01.18	Pension Plan Liabilities	181,995	228,404
6.01.02	Changes in Assets and Liabilities	-437,746	-1,040,984
6.01.02.01	Trade Receivables	555	49,471
6.01.02.02	Related-Party Balances and Transactions	45,175	68,390
6.01.02.03	Inventories	18,725	-65,200
6.01.02.04	Recoverable Taxes	37,872	31,586
6.01.02.05	Other Receivables	-32,403	-56,751
6.01.02.06	Escrow Deposits	-22,960	-17,678
6.01.02.08	Contractors and Suppliers	-206,041	-217,200
6.01.02.09	Payroll, Provisions and Social Contribution	96,672	79,361
6.01.02.10	Pension Plan Liabilities	-151,518	-160,699

6.01.02.11 Taxes and Contributions Payable	-162,720	-151,611
6.01.02.12 Services Payable	-16,286	-392,765
6.01.02.13 Other Liabilities	142,676	7,805
6.01.02.14 Provisions	-193,804	-209,865
6.01.02.15 Deferred Cofins/Pasep	6,311	-5,828
6.01.03 Other	-1,027,833	-1,279,059
6.01.03.01 Interest Paid	-513,176	-494,094
6.01.03.02 Income Tax and Social Contribution Paid	-514,657	-784,965
6.02 Net Cash from Investing Activities	-1,388,446	-1,237,362
6.02.01 Acquisition of Intangible Assets	-1,366,684	-1,233,769
6.02.02 Acquisition of Property, Plant and Equipment	-23,043	-12,442
6.02.03 Increase in Investments	-655	0
6.02.04 Restricted Cash	-6,195	8,849
6.02.06 Receipt from the Sale of Assets	8,131	0

PAGE: 9 of 86

---

**Parent Company's Financial Statements / Statement of Cash Flows - Indirect Method****(R\$ thousand)**

<b>Code</b>	<b>Description</b>	<b>YTD Current Year 1/01/2018 to 9/30/2018</b>	<b>YTD Previous Year 1/01/2017 to 9/30/2017</b>
6.03	Net Cash from Financing Activities	-363,371	-887,055
6.03.01	Funding	1,555,670	893,178
6.03.02	Amortization	-1,170,632	-953,482
6.03.03	Payment of Interest on Equity	-653,393	-765,933
6.03.04	Public-Private Partnership - PPP	-63,469	-23,528
6.03.05	Program Contract Commitments	-31,547	-37,290
6.05	Increase (Decrease) in Cash and Cash Equivalents	1,336,206	214,779
6.05.01	Opening Cash and Cash Equivalents	2,283,047	1,886,221
6.05.02	Closing Cash and Cash Equivalents	3,619,253	2,101,000

PAGE: 10 of 86



**Parent Company's Financial Statements / Statement of Changes in Equity / 1/01/2018 to 9/30/2018****(R\$ thousand)**

Code	Description	Paid-up Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Earnings/Accumulated	Retained Losses	Other Income	Equity
5.01	Opening Balances	10,000,000	0	8,051,110		0	-538,101	17,513,009
5.03	Restated Opening Balances	10,000,000	0	8,051,110		0	-538,101	17,513,009
5.04	Capital Transactions with Shareholders	0	0	-53,539		0	0	-53,539
5.04.08	Additional Approved Dividends	0	0	-53,539		0	0	-53,539
5.05	Total Comprehensive Income	0	0	0		1,327,481	0	1,327,481
5.05.01	Net Income for the Period	0	0	0		1,327,481	0	1,327,481
5.07	Closing Balances	10,000,000	0	7,997,571		1,327,481	-538,101	18,786,951

PAGE: 11 of 86

(R\$ thousand)

ITR - Quarterly Financial Form - 9/30/2018 - CIA SANEAMENTO BASICO EST SAO PAULO

Version : 1

**Parent Company's Financial Statements / Statement of Changes in Equity / 1/01/2017 to 9/30/2017****(R\$ thousand)**

Code	Description	Paid-up Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Earnings/Accumulated	Retained Losses	Other Income	Equity
5.01	Opening Balances	10,000,000	0	6,244,859		0	-825,648	15,419,211
5.03	Restated Opening Balances	10,000,000	0	6,244,859		0	-825,648	15,419,211
5.04	Capital Transactions with Shareholders	0	0	-62,719		0	0	-62,719
5.04.08	Additional Approved Dividends	0	0	-62,719		0	0	-62,719
5.05	Total Comprehensive Income	0	0	0		1,906,695	0	1,906,695
5.05.01	Net Income for the Period	0	0	0		1,906,695	0	1,906,695
5.07	Closing Balances	10,000,000	0	6,182,140		1,906,695	-825,648	17,263,187

PAGE: 12 of 86

(R\$ thousand)

18

ITR - Quarterly Financial Form - 9/30/2018 - CIA SANEAMENTO BASICO EST SAO PAULO

Version : 1

**Parent Company's Financial Statements / Statement of Value Added****(R\$ thousand)**

<b>Cod</b>	<b>Description</b>	<b>YTD Current Year 1/01/2018 to 9/30/2018</b>	<b>YTD Previous Year 1/01/2017 to 9/30/2017</b>
7.01	Revenue	11,882,836	11,115,257
7.01.01	Goods, Products and Services Sold	9,862,258	8,930,628
7.01.02	Other Revenue	108,177	56,884
7.01.03	Revenue from Construction of own Assets	2,038,406	2,215,225
7.01.04	Allowance for/Reversal of Doubtful Accounts	-126,005	-87,480
7.02	Inputs Acquired from Third Parties	-4,162,975	-3,921,047
7.02.01	Costs of Sales and Services	-3,444,258	-3,259,707
7.02.02	Materials, Electricity, Outside Services and Others	-681,826	-652,920
7.02.04	Other	-36,891	-8,420
7.03	Gross Value Added	7,719,861	7,194,210
7.04	Retentions	-997,406	-974,487
7.04.01	Depreciation, Amortization and Depletion	-997,406	-974,487
7.05	Net Value Added Produced	6,722,455	6,219,723
7.06	Wealth Received in Transfer	365,676	302,297
7.06.01	Equity Results	4,196	4,699
7.06.02	Financial Income	361,480	297,598
7.07	Total Value Added to Distribute	7,088,131	6,522,020
7.08	Value Added Distribution	7,088,131	6,522,020
7.08.01	Personnel	1,826,249	1,779,458
7.08.01.01	Salaries and Wages	1,339,636	1,160,465
7.08.01.02	Benefits	476,250	457,107
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	10,363	161,886
7.08.02	Taxes and Contributions	1,835,740	1,964,668
7.08.02.01	Federal	1,691,116	1,859,833
7.08.02.02	State	108,688	73,653
7.08.02.03	Municipal	35,936	31,182
7.08.03	Value Distributed to Providers of Capital	2,098,661	871,199
7.08.03.01	Interest	2,036,509	816,233
7.08.03.02	Rental	62,152	54,966
7.08.04	Value Distributed to Shareholders	1,327,481	1,906,695
7.08.04.03	Retained Earnings/Accumulated Loss for the Period	1,327,481	1,906,695

**(R\$ thousand)**



## 1. Financial highlights

					<i>R\$ million</i>			
	3Q18	3Q17	Chg. R\$	%	9M18	9M17	Chg. R\$	%
Gross operating revenue (1)	3,331.6	2,999.7	331.9	11.1	9,862.3	8,930.6	931.7	10.4
Construction revenue	724.1	712.9	11.2	1.6	2,038.4	2,215.2	(176.8)	(8.0)
Cofins and Pasep/TRCF taxes (2)	(244.9)	(176.1)	(68.8)	39.1	(718.0)	(555.9)	(162.1)	29.2
<b>(=) Net operating revenue</b>	<b>3,810.8</b>	<b>3,536.5</b>	<b>274.3</b>	<b>7.8</b>	<b>11,182.7</b>	<b>10,589.9</b>	<b>592.8</b>	<b>5.6</b>
Costs and expenses	(2,011.3)	(1,711.4)	(299.9)	17.5	(5,975.5)	(5,528.0)	(447.5)	8.1
Construction costs	(707.9)	(694.5)	(13.4)	1.9	(1,992.6)	(2,165.9)	173.3	(8.0)
Equity result	0.5	1.2	(0.7)	(58.3)	4.2	4.7	(0.5)	(10.6)
Other operating revenue (expenses), net	34.2	14.6	19.6	134.2	62.0	37.7	24.3	64.5
<b>(=) Earnings before financial result, income tax and social contribution</b>	<b>1,126.3</b>	<b>1,146.4</b>	<b>(20.1)</b>	<b>(1.8)</b>	<b>3,280.8</b>	<b>2,938.4</b>	<b>342.4</b>	<b>11.7</b>
Financial result	(262.8)	222.9	(485.7)	(217.9)	(1,293.9)	(54.5)	(1,239.4)	2,274.1
<b>(=) Earnings before income tax and social contribution</b>	<b>863.5</b>	<b>1,369.3</b>	<b>(505.8)</b>	<b>(36.9)</b>	<b>1,986.9</b>	<b>2,883.9</b>	<b>(897.0)</b>	<b>(31.1)</b>
Income tax and social contribution	(298.3)	(468.8)	170.5	(36.4)	(659.4)	(977.2)	317.8	(32.5)
<b>(=) Net income</b>	<b>565.2</b>	<b>900.5</b>	<b>(335.3)</b>	<b>(37.2)</b>	<b>1,327.5</b>	<b>1,906.7</b>	<b>(579.2)</b>	<b>(30.4)</b>
Earnings per share (R\$) *	0.83	1.32			1.94	2.79		

(1) Includes Revenue from Regulatory, Control and Inspection Fee (TRCF - Taxa de Regulação, Controle e Fiscalização) since November 2017, in the amount of R\$ 15.8 million in the quarter and R\$ 47.2 in the 9M.

(2) Includes TRCF transfers in the amount of R\$ 13.5 million in the quarter and R\$ 40.4 in the 9M.

(\*) Total shares = 683,509,869

## Adjusted EBITDA Reconciliation (Non-accounting measures)

			Chg.				R\$ million	
	3Q18	3Q17	R\$	%	9M18	9M17	R\$	%
Net income	565.2	900.5	(335.3)	(37.2)	1,327.51	906.7	(579.2)	(30.4)
Income tax and social contribution	298.3	468.8	(170.5)	(36.4)	659.4	977.2	(317.8)	(32.5)
Financial result	262.8	(222.9)	485.7	(217.9)	1,293.9	54.5	1,239.4	2,274.1
Other operating revenues (expenses), net	(34.2)	(14.6)	(19.6)	134.2	(62.0)	(37.7)	(24.3)	64.5
<b>(=) Adjusted EBIT*</b>	<b>1,092.1</b>	<b>1,131.8</b>	<b>(39.7)</b>	<b>(3.5)</b>	<b>3,218.82</b>	<b>2,900.7</b>	<b>318.1</b>	<b>11.0</b>
Depreciation and amortization	342.5	324.5	18.0	5.5	997.4	974.5	22.9	2.3
<b>(=) Adjusted EBITDA**</b>	<b>1,434.6</b>	<b>1,456.3</b>	<b>(21.7)</b>	<b>(1.5)</b>	<b>4,216.23</b>	<b>3,875.2</b>	<b>341.0</b>	<b>8.8</b>
(%) Adjusted EBITDA margin	37.6	41.2			37.7	36.6		

\* 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 3Q18, the net operating revenue, which considers construction revenue, totaled R\$ 3,810.8 million, an increase of 7.8% over the same period of the previous year.

Costs and expenses, which include construction costs, totaled R\$ 2,719.2 million, a 13.0% increase when compared to the same period of 2017.

Adjusted EBIT, in the amount of R\$ 1,092.1 million, decreased 3.5% compared to the R\$ 1,131.8 million presented in 3Q17.

Adjusted EBITDA, in the amount of R\$ 1,434.6 million, decreased 1.5% when compared to the R\$ 1,456.3 million presented in 3Q17 (R\$ 5,610.3 million in the last 12 months).

Adjusted EBITDA margin in 3Q18 was 37.6%, against 41.2% in 3Q17 (36.9% in the last 12 months).

Excluding the effects of revenue and construction costs, the adjusted EBITDA margin was 46.0% in 3Q18 (50.9% in 3Q17 and 45.3% in the last 12 months).

In 3Q18 the Company recorded a net income of R\$ 565.2 million, compared to a net income of R\$ 900.5 million in 3Q17.

PAGE: 14 of 86

## **2. Gross operating revenue**

The gross operating revenue related to sanitation services, in the amount of R\$ 3,331.6 million, which does not consider the construction revenue, increased by R\$ 331.9 million or 11.1%, when compared to R\$ 2,999.7 million in 3Q17.

The main factors that led to the increase were:

- Tariff repositioning index of 7.9% since November 2017; and
- Tariff repositioning index of 3.5% since June 2018.

The increase caused by the above-mentioned factors was partially offset by the higher recognition with allowance for doubtful accounts regarding the wholesale sales in 3Q18, in the amount of R\$ 42.7 million, due to the lower revenue in the period, mainly from the municipality of Guarulhos.

There was no relevant variation in the total billed volume in the related period.

## **3. Construction revenue**

Construction revenue increased by R\$ 11.2 million or 1.6%, when compared to the same period of 2017. The variation is mainly due to the higher investment in the municipalities served by the Company.

PAGE: 15 of 86

---

#### 4. Billed volume

The tables below show the billed volumes of water and sewage, in the quarter and year-to-date comparison, per consumer category and region.

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

Category	Water			Sewage			Water + Sewage		
	3Q18	3Q17	%	3Q18	3Q17	%3Q18	3Q17	%	
Residential	394.6	394.2	0.1	338.4	336.3	0.6	733.0	730.5	0.3
Commercial	41.0	41.6	(1.4)	40.0	40.1	(0.2)	81.0	81.7	(0.9)
Industrial	7.7	7.8	(1.3)	9.2	9.4	(2.1)	16.9	17.2	(1.7)
Public	10.1	10.2	(1.0)	9.1	9.2	(1.1)	19.2	19.4	(1.0)
<b>Total retail</b>	<b>453.4</b>	<b>453.8</b>	<b>(0.1)</b>	<b>396.7</b>	<b>395.0</b>	<b>0.4</b>	<b>850.1</b>	<b>848.8</b>	<b>0.2</b>
Wholesale <sup>(3)</sup>	66.6	65.4	1.8	7.2	8.6	(16.3)	73.8	74.0	(0.3)
<b>Total</b>	<b>520.0</b>	<b>519.2</b>	<b>0.2</b>	<b>403.9</b>	<b>403.6</b>	<b>0.1</b>	<b>923.9</b>	<b>922.8</b>	<b>0.1</b>

Category	Water			Sewage			Water + Sewage		
	9M18	9M17	%	9M18	9M17	%9M18	9M17	%	
Residential	1,199.5	1,177.9	1.8	1,025.7	1,002.7	2.3	2,225.2	2,180.6	2.0
Commercial	124.8	123.9	0.7	120.5	118.9	1.3	245.3	242.8	1.0
Industrial	23.3	23.6	(1.3)	28.2	28.1	0.4	51.5	51.7	(0.4)
Public	30.3	30.6	(1.0)	27.2	27.1	0.4	57.5	57.7	(0.3)
<b>Total retail</b>	<b>1,377.9</b>	<b>1,356.0</b>	<b>1.6</b>	<b>1,201.6</b>	<b>1,176.8</b>	<b>2.1</b>	<b>2,579.5</b>	<b>2,532.8</b>	<b>1.8</b>
Wholesale <sup>(3)</sup>	196.1	191.6	2.3	23.4	26.5	(11.7)	219.5	218.1	0.6
<b>Total</b>	<b>1,574.0</b>	<b>1,547.6</b>	<b>1.7</b>	<b>1,225.0</b>	<b>1,203.3</b>	<b>1.8</b>	<b>2,799.0</b>	<b>2,750.9</b>	<b>1.7</b>

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

Region	Water			Sewage			Water + Sewage			Var. %
	3Q18	3Q17	%	3Q18	3Q17	%3Q18	3Q17	%		
Metropolitan	295,2	295,1	-	258,6	257,6	0,4	553,8	552,7	0,2	
Regional <sup>(2)</sup>	158,2	158,7	(0,3)	138,1	137,4	0,5	296,3	296,1	0,1	
<b>Total retail</b>	<b>453,4</b>	<b>453,8</b>	<b>(0,1)</b>	<b>396,7</b>	<b>395,0</b>	<b>0,4</b>	<b>850,1</b>	<b>848,8</b>	<b>0,2</b>	
Wholesale <sup>(3)</sup>	66,6	65,4	1,8	7,2	8,6	(16,3)	73,8	74,0	(0,3)	
<b>Total</b>	<b>520,0</b>	<b>519,2</b>	<b>0,2</b>	<b>403,9</b>	<b>403,6</b>	<b>0,1</b>	<b>923,9</b>	<b>922,8</b>	<b>0,1</b>	

Region	Water			Sewage			Water + Sewage			%
	9M18	9M17	%	9M18	9M17	%9M18	9M17	%		
Metropolitan	893.3	877.5	1.8	780.2	763.9	2.1	1,673.5	1,641.4	2.0	
Regional <sup>(2)</sup>	484.6	478.5	1.3	421.4	412.9	2.1	906.0	891.4	1.6	
<b>Total retail</b>	<b>1,377.9</b>	<b>1,356.0</b>	<b>1.6</b>	<b>1,201.6</b>	<b>1,176.8</b>	<b>2.1</b>	<b>2,579.5</b>	<b>2,532.8</b>	<b>1.8</b>	
Wholesale <sup>(3)</sup>	196.1	191.6	2.3	23.4	26.5	(11.7)	219.5	218.1	0.6	
<b>Total</b>	<b>1,574.0</b>	<b>1,547.6</b>	<b>1.7</b>	<b>1,225.0</b>	<b>1,203.3</b>	<b>1.8</b>	<b>2,799.0</b>	<b>2,750.9</b>	<b>1.7</b>	

(1) Unaudited



(2) Including coastal and interior regions

(3) Reused water volume and non-domestic sewage are included

PAGE: 16 of 86

---

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

Costs, administrative and selling expenses and construction costs increased by R\$ 313.3 million in 3Q18 (13.0%). Excluding construction costs, there was an increase of R\$ 299.9 million (17.5%).

As a percentage of net revenue, costs, administrative and selling expenses and construction costs represented 71.4% in 3Q18, against 68.0% in 3Q17.

	<i>R\$ million</i>							
	3Q18	3Q17	Chg.		9M18	9M17	Chg.	
	R\$	R\$	R\$	%	R\$	R\$	R\$	%
Salaries, payroll charges and pension plan obligations	692.2	623.4	68.8	11.0	2,002.3	1,927.8	74.5	3.9
General supplies	61.0	39.8	21.2	53.3	169.9	117.4	52.5	44.7
Treatment supplies	58.1	60.1	(2.0)	(3.3)	195.5	198.9	(3.4)	(1.7)
Services	366.5	288.4	78.1	27.1	1,063.2	920.9	142.3	15.5
Electricity	241.5	203.6	37.9	18.6	692.1	591.2	100.9	17.1
General expenses	216.7	184.4	32.3	17.5	685.0	633.9	51.1	8.1
Tax expenses	13.5	21.6	(8.1)	(37.5)	44.1	75.9	(31.8)	(41.9)
<b>Sub-total</b>	<b>1,649.5</b>	<b>1,421.3</b>	<b>228.2</b>	<b>16.1</b>	<b>4,852.1</b>	<b>4,466.0</b>	<b>386.1</b>	<b>8.6</b>
Depreciation and amortization	342.5	324.5	18.0	5.5	997.4	974.5	22.9	2.3
Allowance for doubtful accounts	19.3	(34.4)	53.7	(156.1)	126.0	87.5	38.5	44.0
<b>Sub-total</b>	<b>361.8</b>	<b>290.1</b>	<b>71.7</b>	<b>24.7</b>	<b>1,123.4</b>	<b>1,062.0</b>	<b>61.4</b>	<b>5.8</b>
<b>Costs, administrative and selling expenses</b>	<b>2,011.3</b>	<b>1,711.4</b>	<b>299.9</b>	<b>17.5</b>	<b>5,975.5</b>	<b>5,528.0</b>	<b>447.5</b>	<b>8.1</b>
Construction costs	707.9	694.5	13.4	1.9	1,992.6	2,165.9	(173.3)	(8.0)
<b>Costs, adm &amp; selling expenses and construction costs</b>	<b>2,719.2</b>	<b>2,405.9</b>	<b>313.3</b>	<b>13.0</b>	<b>7,968.1</b>	<b>7,693.9</b>	<b>274.2</b>	<b>3.6</b>
% of net revenue	71.4	68.0			71.3	72.7		

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

In 3Q18, there was an increase of R\$ 68.8 million or 11.0%, due to the following factors:

- Increase of R\$ 61.5 million due to the provision for employees who joined the Knowledge Retention Program (*Programa de Retenção de Conhecimento* - PRC) launched by the Company in 2Q18, aiming to mitigate the impact of the exit of employees who possess strategic knowledge acquired throughout their career, through the transfer of intellectual capital;
- Increase of R\$ 43.7 million in expenses related to health insurance; and
- Increase of R\$ 16.7 million, mainly due to the 1.7% increase related to the Career and Salary Plan (*Plano de Cargos e Salários*) in February 2018, salary increases of 1.3% in May 2018 and the hiring of 675 new employees in 3Q18.

The increases above were partially offset by the reversal of R\$ 56.2 million in the provision for the Provision for Consent Decree (*Termo de Ajuste de Conduta* - TAC), related to the employees who joined the PRC.

## 5.2. General Materials

Increase of R\$ 21.2 million, or 53.3%, mainly due to the greater use of materials in the maintenance in water and sewage networks and in the maintenance of real estate and facilities, in the amount of R\$ 8.0 million and R\$ 5.9 million, respectively.

PAGE: 17 of 86

---

### 5.3. Services

Service expenses in the amount of R\$ 366.5 million increased by R\$ 78.1 million, or 27.1%, compared to the R\$ 288.4 million recorded in 3Q17. The increase in this line was distributed in several items, the main ones were:

- Increased hiring of technical services in 3Q18, in the amount of R\$ 27.9 million, mainly related to: (i) customer service, in the amount of R\$ 3.7 million; and (ii) IT technical support, in the amount of R\$ 3.5 million;
- Greater services execution in maintenance, in the water and sewage systems, in the amount of R\$ 7.8 million;
- Increased surveillance expenses, in the amount of R\$ 6.1 million; and
- Maintenance of properties and facilities, in the amount of R\$ 5.4 million.

### 5.4. Electricity

Electricity expenses totaled R\$ 241.5 million in 3Q18, an increase of R\$ 37.9 million or 18.6% when compared to the R\$ 203.6 million in 3Q17. This variation was mainly due to:

- Average increase of 10.1% in free market tariffs (*Ambiente de Contratação Livre - ACL*), with a decrease of 1.3% in consumption;
- Average increase of 11.4% in the grid market tariffs (*Tarifas de Uso do Sistema de Distribuição - TUSD*), with a 10.5% increase in consumption; and
- Average increase of 20.4% in regulated market tariffs (*Ambiente de Contratação Regulada - ACR*), with a decrease of 0.9% in consumption.

In 3Q18, ACL represented 34.3% of the total amount of electricity consumed by the Company, TUSD 34.1% and ACR represented 31.6% of this amount.

## 5.5. General expenses

An increase of R\$ 32.3 million or 17.5%, totaling R\$ 216.7 million in 3Q18, compared to R\$ 184.4 million in 3Q17, mainly due to the following factors:

- Higher expenses related to charging for use of water, in the amount of R\$ 23.0 million, related to an additional payment made to Foundation Agency of Alto Tietê Water Basin (*Fundação Agência Bacia Hidrográfica Alto Tietê - FABHAT*) from 2014 to 2016; due to the signature of a Recognition of Obligations Term (*Termo de Reconhecimento de Obrigações*) between the Company and FABHAT in 3Q18; and
- Higher provision for transfer to the São Paulo Municipal Fund for Environmental Sanitation and Infrastructure (*Fundo Municipal de Saneamento Ambiental e Infraestrutura de São Paulo*), in the amount of R\$ 15.2 million.

The above-mentioned increases were partially offset by the lower provisioning for lawsuits in 3Q18, in the amount of R\$ 8.7 million.

## 5.6. Depreciation and Amortization

The expenses with depreciation and amortization increased by R\$ 18.0 million or 5.5%, mainly due to the start-up of intangible assets, in the amount of R\$ 3.7 billion.

PAGE: 18 of 86

---

## 5.7. Allowance for doubtful accounts

Increase of R\$ 53.7 million, mainly due to:

- Lower recovery of unpaid amounts of R\$ 30.1 million in 3Q18; and
- Increase in delinquency rates, with an impact of R\$ 23.6 million.

## 6. Other Operating Revenues (Expenses), Net

Increase of R\$ 19.6 million, mainly related to the higher receipt of resources from the Water Basin Decontamination Program (*Programa de Despoluição de Bacias Hidrográficas*) in 3Q18, in the amount of R\$ 12.8 million.

## 7. Financial result

	3Q18	3Q17	Chg.	R\$ Million %
Financial expenses, net of income	(95.1)	(44.5)	(50.6)	113.7
Net monetary and exchange variation	(167.7)	267.4	(435.1)	(162.7)
<b>Financial result</b>	<b>(262.8)</b>	<b>222.9</b>	<b>(485.7)</b>	<b>(217.9)</b>

### 7.1. Financial expenses, net of income

	3Q18	3Q17	Chg.	R\$ million %
--	------	------	------	------------------

5. Costs, administrative & selling expenses and construction costs

30

Financial expenses				
Interest and charges on domestic loans and financing	(84.2)	(72.4)	(11.8)	16.3
Interest and charges on international loans and financing	(45.7)	(28.7)	(17.0)	59.2
Other financial expenses	(46.3)	(30.6)	(15.7)	51.3
<b>Total financial expenses</b>	<b>(176.2)</b>	<b>(131.7)</b>	<b>(44.5)</b>	<b>33.8</b>
Financial income	81.1	87.2	(6.1)	(7.0)
<b>Financial expenses, net of income</b>	<b>(95.1)</b>	<b>(44.5)</b>	<b>(50.6)</b>	<b>113.7</b>

Increase of R\$ 50.6 million, mainly due to the following factors:

- Increase of R\$ 11.8 million in interest and charges on domestic loans and financings, mainly due to the lower capitalized amount to intangible assets in 3Q18 when compared to 3Q17;
- Increase of R\$ 17.0 million in interest and charges on foreign loans and financings, mainly due to the higher outstanding amounts in 3Q18 when compared to 3Q17, resulting from the appreciation of the dollar and yen against the real; and
- Increase of R\$ 15.7 million in other financial expenses, mainly due to: (i) recognition of interest on investment related to the Public-Private Partnership - PPP, in 3Q18, in the amount of R\$ 36.1 million, due to the full startup of the São Lourenço Production System (*Sistema Produtor São Lourenço*) in July 2018; and (ii) lower recognition of interest in lawsuits, in the amount of R\$ 16.8 million.

PAGE: 19 of 86

---

## 7.2. Monetary and exchange variation, net

	<i>R\$ Million</i>			
	<b>3Q18</b>	<b>3Q17</b>	<b>Chg.</b>	<b>%</b>
Monetary variation on loans and financing	(21.3)	(3.6)	(17.7)	491.7
Currency Exchange variation on loans and financing	(190.8)	253.2	(444.0)	(175.4)
Other monetary variations	2.3	(0.9)	3.2	(355.6)
<b>Monetary/exchange rate variation on liabilities</b>	<b>(209.8)</b>	<b>248.7</b>	<b>(458.5)</b>	<b>(184.4)</b>
Monetary/exchange rate variation on assets	42.1	18.7	23.4	125.1
<b>Monetary/exchange rate variation, net</b>	<b>(167.7)</b>	<b>267.4</b>	<b>(435.1)</b>	<b>(162.7)</b>

The effect of net monetary and exchange variations in 3Q18 was R\$ 435.1 million higher than in 3Q17, highlighting the increase of R\$ 444.0 million in exchange variation on loans and financing, due to the appreciation of the dollar and the yen against the real in 3Q18 (3.8% and 1.3%, respectively) when compared to the depreciation occurred in 3Q17 (-4.2% and -4.5%, respectively).

## 8. Income tax and social contribution

The Company recorded a decrease of R\$ 170.5 million, due to the lower taxable result presented in 3Q18, mainly due to the appreciation of the dollar and yen against the real in 3Q18, when compared to the depreciation in 3Q17.

## 9. Indicators

### 9.1. Operating



<b>Operating indicators (*)</b>	<b>3Q18</b>	<b>3Q17</b>	<b>%</b>
Water connections (1)	9,010	8,807	2.3
Sewage connections (1)	7,449	7,247	2.8
Population directly served - water (2)	25.0	24.9	0.4
Population directly served - sewage (2)	21.7	21.5	0.9
Number of employees	14,170	13,901	1.9
Water volume produced in the quarter (3)	693	695	(0.3)
Water volume produced in the year (3)	2,087	2,082	0.2
IPM – Measured water loss (%)	30.0	31.1	(3.5)
IPDt (liters/connections x day)	292	306	(4.6)

(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

PAGE: 20 of 86

---

## 9.2. Financial

Economic Variables at the close of the quarter (*)	3Q18	3Q17	
Amplified Consumer Price Index (1)		0.72	0.59
National Consumer Price Index (1)		0.55	0.12
Consumer Price Index (1)		1.03	0.11
Referential Rate (1)	0.0000		0.1132
Interbank Deposit Certificate (2)		6.39	8.14
US DOLLAR (3)	4.0039		3.1680
YEN (3)	0.03528		0.02813

(1) Accrued in the quarter (%)

(2) Quarterly average

(3) Ptax sales on the last day

(\*) Unaudited

## 10. Loans and financing

INSTITUTION	DEBT PROFILE (R\$ thousand)							TOTAL
	2018	2019	2020	2021	2022	2023	2024 onwards	
<b>Local currency</b>								
Brazilian Federal Savings Bank	18,270	74,079	76,853	80,875	85,215	77,578	909,839	1,322,709
Debentures	309,883	1,044,297	587,169	479,076	558,337	361,791	353,247	3,693,800
BNDES	30,307	121,229	103,019	102,569	102,569	96,837	540,620	1,097,150
Leasing	4,527	33,924	35,577	37,374	39,328	42,091	374,771	567,592
Others	344	1,376	1,376	1,376	1,376	1,376	2,640	9,864

Interest and other charges	43,231	58,181	-	-	-	-	-	101,412
<b>Total Local Currency</b>	<b>406,562</b>	<b>1,333,086</b>	<b>803,994</b>	<b>701,270</b>	<b>786,825</b>	<b>579,673</b>	<b>2,181,117</b>	<b>6,792,527</b>
<b>Foreign currency</b>								
IADB	-	169,385	169,385	169,385	169,385	169,385	1,604,859	2,451,784
IBRD	-	12,171	24,342	24,342	24,342	24,342	255,666	365,205
Deutsche Bank 350	150,146	297,253	-	-	-	-	-	447,399
Eurobonds	-	-	1,399,512	-	-	-	-	1,399,512
JICA	1,489	139,060	139,060	139,060	139,060	139,060	1,290,668	1,987,457
BID 1983AB	-	70,838	69,935	30,799	30,799	29,158	-	231,529
Interest and other charges	41,972	9,583	-	-	-	-	-	51,555
<b>Total Foreign Currency</b>	<b>193,607</b>	<b>698,290</b>	<b>1,802,234</b>	<b>363,586</b>	<b>363,586</b>	<b>361,945</b>	<b>3,151,193</b>	<b>6,934,441</b>
<b>Total</b>	<b>600,169</b>	<b>2,031,376</b>	<b>2,606,228</b>	<b>1,064,856</b>	<b>1,150,411</b>	<b>941,618</b>	<b>5,332,310</b>	<b>13,726,968</b>

## 11. Capex

3Q18 investments totaled R\$ 795.6 million, including R\$ 61.6 million related to the São Lourenço PPP.

PAGE: 21 of 86

---

## 1 Operations

Companhia de Saneamento Básico do Estado de São Paulo ("SABESP" or the "Company") is a mixed-capital company headquartered in São Paulo, at Rua Costa Carvalho, 300, CEP 05429-900, controlled by the São Paulo State Government. The Company is engaged in the provision of basic and environmental sanitation services in the State of São Paulo, as well as it supplies treated water and sewage services on a wholesale basis.

In addition to providing basic sanitation services in the State of São Paulo, SABESP may perform these activities in other states and countries, and can operate in drainage, urban cleaning, solid waste handling and energy markets. SABESP aims to be a world reference in the provision of sanitation services, in a sustainable, competitive and innovative manner, with a focus on customers.

As of September 30, 2018, the Company operated water and sewage services in 369 municipalities of the State of São Paulo. Most of these municipalities operations are based on 30-year concession, program and services contracts. The Company has two partial contracts with the municipality of Mogi das Cruzes, however, since most of the municipality is serviced by wholesale, it was not included in the 369 municipalities. As of September 30, 2018, the Company had 371 contracts.

SABESP is not temporarily operating in the municipalities of Macatuba and Cajobi due to judicial orders. The lawsuits are in progress and the carrying amount of these municipalities' intangible assets was R\$ 4,345 as of September 30, 2018 (R\$ 4,345 as of December 31, 2017).

As of September 30, 2018, 42 concession agreements (51 as of December 31, 2017) had expired and are being negotiated. From October 1, 2018 to 2030, 31 concession agreements will expire. Management believes that concession agreements expired and not yet renewed will result in new contracts, disregarding the risk of discontinuity in the provision of municipal water supply and sewage services. By September 30, 2018, 298 program and services contracts were signed (287 contracts as of December 31, 2017).

As of September 30, 2018, the carrying amount of the underlying assets used in the 42 concessions of the municipalities under negotiation totaled R\$ 4,827,224, accounting for 13.90% of the total intangible assets, and the related gross revenue for the nine-month period ended September 30, 2018 totaled R\$ 918,677, accounting for 7.72%

of total revenue.

The Company's operations are concentrated in the municipality of São Paulo, which represents 54.86% of the gross revenues on September 30, 2018 (53.64% on September 30, 2017) and 48.24% of intangible assets (46.92% on December 31, 2017).

As of June 23, 2010, the State of São Paulo, the Municipality of São Paulo, the Company and the regulatory agency "Sanitation and Energy Regulatory Agency – ARSESP" signed an agreement to share the responsibility for water supply and sewage services to the Municipality of São Paulo based on a 30-year concession agreement. This agreement is extendable for another 30 years, pursuant to the law. This agreement sets forth SABESP as the exclusive service provider and designates ARSESP as regulator, establishing prices, controlling and monitoring services. On the same date, the State of São Paulo, the Municipality of São Paulo and SABESP signed the "Public service provision agreement of water supply and sewage services", a 30-year concession agreement which is extendable for another 30 years. This agreement involves the following activities:

- i. protection of the sources of water in collaboration with other agencies of the State and the City;
- ii. capture, transport and treatment of water;
- iii. collect, transport, treatment and final dispose of sanitary sewage; and
- iv. adoption of other actions of basic and environmental sanitation.

PAGE: 22 of 86

---

The Company operates under an authorization by public deed in some municipalities in the Santos coast region and in the Ribeira Valley, where the Company started to operate after the merger of the companies that formed it. In September 2015, the Company entered into a water supply and sewage public utility services agreement with the municipality of Santos; the gross revenue calculated in the nine-month period ended September 30, 2018 totaled R\$ 240,571 (R\$ 251,212 in the nine-month period ended September 30, 2017) and the intangible asset was R\$ 500,965 on September 30, 2018 (R\$ 310,577 on December 31, 2017).

Article 58 of Law 11,445/07 determines that precarious and overdue concessions, as well as those effective for an undetermined period, including those that do not have an instrument formalizing them, will be valid until December 31, 2010. However, Article 2 of Law 12,693 of July 24, 2012, which amended Article 7-A of Law 11,578, of November 26, 2007, allowed the provision of public basic sanitation services to be executed until December 31, 2016. The Company's Management understands that in the municipalities where the concession agreements were not yet renewed, the operation is governed by Laws 8,987/95 and 11,445/07, including those municipalities served without an agreement.

Public deeds are valid and governed by the Brazilian Civil Code.

The Company's shares have been listed in the Novo Mercado segment of B3 under the ticker symbol SBSP3 since April 2002 and on the New York Stock Exchange (NYSE) as American Depositary Receipts ("ADRs") Level III, under the SBS code, since May 2002.

Since 2008, the Company has been setting up partnerships with other companies, which resulted in the following companies: Sesamm, Águas de Andradina, Saneaqua Mairinque, Aquapolo Ambiental, Águas de Castilho, Attend Ambiental and Paulista Geradora de Energia. Although SABESP has no majority interest in the capital stock of these companies, the shareholders' agreements provide for the power of veto and casting vote in certain issues jointly with associates, indicating the shared control in the management of investees.

In March 2018, the Jaguari-Atibainha interconnection was inaugurated; this interconnection allows the transfer of an average annual outflow of 5.13 cubic meters per second (m<sup>3</sup>/s) and a maximum outflow of 8.5 m<sup>3</sup>/s from the Paraíba do Sul Basin to the Cantareira System. In April 2018, the São Lourenço Production System was inaugurated and expands water production and capacity by 6.4 m<sup>3</sup>/s. With the completion of the construction, the Company has nine

large production systems available to supply the São Paulo Metropolitan Region. These two important works aim at expanding water security in the São Paulo Metropolitan Region.

Management expects that with improved water security, due to the works carried out, the generation of operating cash and the credit lines available for investment, the Company will have sufficient funds to meet its commitments and not compromise its necessary investments.

Corporate reorganization

On May 12, 2017, the Board of the State Privatization Program approved:

(i) the conducting of studies for SABESP's Capitalization (as defined below);

(ii) the hiring, by SABESP, of the International Finance Corporation, which is associated with the World Bank;

PAGE: 23 of 86

---

(iii) the execution of an agreement between SABESP and the State Government through the Water Resources and Sanitation Department and the Treasury Department, in order to define the scope of the contract and control the relationship between the parties, including a proportional expense reimbursement.

The proposed Capitalization provides for the creation of a corporation to directly control SABESP through the transfer of the shares held by the São Paulo State to the capital stock of the new corporation. The São Paulo State will continue holding a sufficient number of shares to ensure SABESP's control, as provided for in law. The objective of the Capitalization is to overcome a situation that restricts investments designed to preserve the expansion of activities to ensure the universalization of basic sanitation services offered by the Company.

The Capitalization may provide for the admission of institutional investors to contribute financial resources to the capital stock of the new company, strengthening SABESP's corporate governance and business efficiency in order to promote and accelerate the universalization of sanitation services in the State of São Paulo.

On September 15, 2017, Law 16,525 was sanctioned, enacted and published; it provides for the corporate reorganization of Companhia de Saneamento Básico de São Paulo - SABESP and sets forth other provisions.

The interim financial information was approved by the Board of Directors on November 8, 2018.

## **2 Basis of preparation and presentation of the interim information**

### Presentation of the interim information

The interim information as of September 30, 2018, was prepared based on the provisions of CPC 21 (R1) – Interim Financial Information and the international standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), applicable to the preparation of Quarterly Information Form– ITR and they are fairly presented consistent with the rules issued by the Brazilian Securities and Exchange Commission (CVM). Therefore, this interim information takes into consideration the official letter CVM/SNC/SEP 003 of April 28, 2011, which allows the entities to present selected notes to the financial statements, in cases of redundant information



already disclosed in the Annual Financial Statements. The interim information for September 30, 2018, therefore, does not include all the notes and reporting required by the annual financial statements, and accordingly, shall be read jointly with the Annual Financial Statements as of December 31, 2017, prepared pursuant to the International Financial Reporting Standards – IFRS, issued by the International Accounting Standards Board – IASB and pursuant to the accounting practices adopted in Brazil which observe the pronouncements issued by the Brazilian Accounting Pronouncements Committee - CPC. Therefore, the interim information as of September 30, 2018 was not fully completed due to redundancies with the information presented in the annual financial statements of December 31, 2017 and, as provided for in Official Letter/CVM/SNC/SEP 003/2011. In this interim information, the notes below were either not presented or are not as detailed as those in the annual financial statements:

- i. Summary of significant accounting policies (Note 3);
- ii. Changes in accounting practices and disclosures (Note 4);
- iii. Risk Management – Financial Instruments (Note 5.4);
- iv. Key Accounting Estimates and Judgments (Note 6);
- v. Related-Party Balances and Transactions (Note 10);
- vi. Investments (Note 12);

PAGE: 24 of 86

---

- vii. Intangible Assets (Note 14);
- viii. Borrowings and Financing (Note 16);
- ix. Deferred Taxes and Contributions (Note 18);
- x. Provisions (Note 19);
- xi. Employees Benefits 20);
- xii. Equity (Note 22);
- xiii. Insurance (Note 25);
- xiv. Financial Income (Expenses) (Note 28).

All material information related to the interim information, and this information alone, is being disclosed and corresponds to the information used by the Company's Management in its administration.

The amounts disclosed in the Notes to the interim financial information are in thousands of reais, unless otherwise stated.

### **3 Summary of significant accounting policies**

Except for the amendments introduced by CPC 47/IFRS 15 (Revenue from Contracts with Customers) and CPC 48/IFRS 9 (Financial Instruments) pursuant to the accounting policies described below, the other policies used in the preparation of the interim financial information for the period ended September 30, 2018 are consistent with those used to prepare the Annual Financial Statements for the year ended December 31, 2017:

### 3.1 Operating income

#### (a) Revenue from sanitation services

Revenue from water supply and sanitation services are recognized as the water is consumed and services are provided. Revenues, including revenues unbilled, are recognized at the fair value of the consideration received or receivable for the sale of those services. Revenue is shown net of value-added tax, rebates and discounts. Unbilled revenues represent incurred revenues in which the services were provided, but not yet billed until the end of the each period and are recorded as trade receivables based on monthly estimates of the completed services. Concerning revenues of wholesale municipal governments, which do not pay the full invoice, the Company records allowance for doubtful accounts upon invoicing in revenue reduction account.

The Company recognizes revenue when: i) it identifies the contracts with customers; ii) it identifies the different obligations in the contract; iii) it determines the transaction price; iv) it allocates the transaction price to the performance obligations in the contracts; and (v) it satisfies all performance obligations. Amounts in dispute are recognized as revenue when collected.

PAGE: 25 of 86

---

**(b) Construction revenue**

Revenue from concession construction contracts is recognized in accordance with ICPC 01 (R1)/IFRIC 12 (Concession Contracts) and CPC 47 (R1)/IFRS 15 (Revenue from Contracts with Customers), as all performance obligations are satisfied over time. During the construction of the contract, an asset is classified as intangible, as the Company estimates that the fair value of its consideration is equivalent to expected construction costs plus margin. The fee represents the additional margin related to the work performed by the Company in relation to such construction contracts and it is added to construction costs, resulting in the construction revenue.

**3.2 Financial assets and liabilities****Financial Asset - Classification**

The Company classifies its financial assets according to the following categories: measured at amortized cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at inception. As of September 30, 2018, the Company did not have financial assets classified as fair value through other comprehensive income and fair value through profit or loss.

- Amortized cost

This comprises financial assets that meet the following conditions: (i) it is held within the business model whose objective is to hold financial assets to collect contractual cash flows; and (ii) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Presented as current assets, except for those with maturity of more than 12 months after the reporting date (these are classified as noncurrent assets). The Company's financial assets measured at amortized cost include cash and cash

equivalents, restricted cash, balances of trade receivables, accounts receivable from related parties, other receivables, receivables from the Water National Agency – ANA. Financial assets measured at amortized cost are recorded at fair value and subsequently at amortized cost, under the effective interest rate method.

### **Financial Liabilities - Classification**

The Company classifies its financial liabilities measured at amortized cost. Classification depends on the purpose to which the financial liabilities were assumed. This category comprises balances payable to contractors and suppliers, borrowings and financing, services payable, balances payable from public-private partnership (PPP), and program contract commitments.

The effective interest rate method is adopted to calculate the amortized cost of a financial liability and allocate its interest expense under the respective period. The effective interest rate exactly deducts the estimated future cash flows (including fees, transaction costs and other issue costs) throughout the financial liability's estimated life or, when appropriate, during a shorter period, for initial recognition of the net carrying amount.

PAGE: 26 of 86

---

### **3.3 Trade receivables and allowance for doubtful accounts**

Trade receivables are amounts due from customers for services performed in the ordinary course of business. These are classified as current assets, except when maturity exceeds 12 months after the end of the reporting period. In these cases, they are presented as noncurrent assets.

The Company records allowance for doubtful accounts for receivable balances at an amount that Management considers to be sufficient to cover eventual losses. The analysis is carried out based on objective “accounts receivable” data, past receipts, existing guarantees and expected future losses.

## **4 Risk management**

### **4.1 Financial Risk Management Financial risk factors**

The Company's activities are affected by Brazilian economic scenario, making it exposed to market risk (exchange rate and interest rate), credit risk and liquidity risk. The Company's financial risk management is focused on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Company has not utilized derivative instruments in any of the reported periods.

#### **(a) Market risk Foreign currency risk**

SABESP's foreign exchange exposure implies market risks associated with currency fluctuations, since the Company has foreign currency-denominated liabilities, mainly US dollar and yen-denominated short and long-term borrowings.

The management of SABESP's foreign currency exposure considers several current and projected economic factors, besides market conditions.

This risk arises from the possibility that the Company may incur in losses due to exchange rate fluctuations that would impact liability balances of foreign currency-denominated borrowings and financing raised in the market and related financial expenses. The Company does not maintain hedge or swap contracts or any derivative financial instrument to hedge against this risk.

PAGE: 27 of 86

---

A significant amount of the Company's financial debt is indexed to the US dollar and Yen, in the total amount of R\$ 6,961,495 as of September 30, 2018 (R\$ 5,702,375 as of December 31, 2017). Below, the Company's exposure to exchange risk:

	<b>September 30, 2018</b>		<b>December 31, 2017</b>	
	<b>Foreign currency</b>	<b>R\$</b>	<b>Foreign currency</b>	<b>R\$</b>
Borrowings and financing – US\$	1,228,652	4,919,400	1,200,786	3,972,200
Borrowings and financing – Yen	56,421,190	1,990,540	57,575,271	1,692,713
Interest and charges from borrowings and financing – US\$		47,542		26,628
Interest and charges from borrowings and financing – Yen		4,013		10,834
Total exposure		6,961,495		5,702,375
Borrowing cost – US\$		(23,970)		(26,454)
Borrowing cost – Yen		(3,084)		(3,100)
Total foreign currency-denominated borrowings (Note 15)		6,934,441		5,672,821

1) The 22.2% increase in foreign-currency denominated debt from December 31, 2017 to September 30, 2018 was mainly due to exchange rate changes, as a result of the 21.0% increase of the US dollar against the Real, from R\$ 3.3080 on December 31, 2017, to R\$ 4.0039 on September 30, 2018, and the 20.0% increase of the Yen versus the Real, from R\$ 0.02940 on December 31, 2017, to R\$ 0.03528 on September 30, 2018.

As of September 30, 2018, if the Brazilian real had depreciated or appreciated by 10 percentage points, in addition to the impacts mentioned above, against the US dollar and Yen with all other variables held constant, the effects on results before taxes on the nine-month period ended September 30, 2018 would have been R\$ 696,150 (R\$ 570,238 for the year ended December 31, 2017), lower or higher, mainly as a result of exchange losses or gains on the translation of foreign currency-denominated loans.

Scenario I below presents the effect in income statements for the next 12 months, considering the projected rates of the US dollar and the Yen. Considering the other variables as remaining constant, the impacts for the next 12 months are shown in scenarios II and III with possible depreciations of 25% and 50%, respectively, in the Brazilian real.



	Scenario I (Probable) (*)	Scenario II (+25%)	Scenario III (+50%)
<b>Net currency exposure as of September 30, 2018 (Liabilities) in US\$</b>	1,228,652	1,228,652	1,228,652
US\$ rate as of September 30, 2018	4.0039	4.0039	4.0039
Exchange rate estimated according to the scenario	3.8300	4.7875	5.7450
Differences between the rates	0.1739	(0.7836)	(1.7411)
Effect on net financial result R\$ - gain/(loss)	213,663	(962,772)	(2,139,206)
<b>Net currency exposure as of September 30, 2018 (Liabilities) in Yen</b>	56,421,190	56,421,190	56,421,190
Yen rate as of September 30, 2018	0.03528	0.03528	0.03528
Exchange rate estimated according to the scenario	0.03657	0.04572	0.05486
Difference between the rates	(0.00129)	(0.01044)	(0.01958)
Effect on net financial result R\$ - (loss)	(72,783)	(589,037)	(1,104,727)
Total effect on net financial result in R\$ - gain/(loss)	140,880	(1,551,809)	(3,243,933)

(\*) For the probable scenario in US dollar, the exchange rate estimated for September 30, 2019 was used, pursuant to the Focus Report-BACEN of September 30, 2018, while for the Yen, the average exchange rate was considered for the 12-month period after September 30, 2018, according to B3's Reference Rates report of September 30, 2018.

## Interest rate risk

This risk arises from the possibility that the Company could incur losses due to fluctuations in interest rates, increasing the financial expenses related to borrowings and financing.

The Company has not entered into any derivative contract to hedge against this risk; however, it continually monitors market interest rates, in order to evaluate the possible need to replace its debt.

PAGE: 29 of 86

---

The table below provides the Company's borrowings and financing subject to variable interest rate:

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
CDI <sup>(i)</sup>	1,500,000	1,144,391
TR <sup>(ii)</sup>	1,629,546	1,574,564
IPCA <sup>(iii)</sup>	1,635,360	1,699,747
TJLP <sup>(iv)</sup>	1,367,770	1,354,987
LIBOR <sup>(v)</sup>	3,518,034	2,814,399
Interest and charges	119,187	125,172
Total	9,769,897	8,713,260

(i) CDI - (*Certificado de Depósito Interbancário*), an interbank deposit certificate

(ii) TR – Interest Benchmark Rate

(iii) IPCA - (*Índice Nacional de Preços ao Consumidor Amplo*), a consumer price index

(iv) TJLP - (*Taxa de Juros a Longo Prazo*), a long-term interest rate index

(v) LIBOR - London Interbank Offered Rate

Another risk to which the Company is exposed, is the mismatch of the monetary restatement indices of its debts with those of its service revenues. Tariff adjustments of services provided by the Company do not necessarily follow the increases in the inflation indexes to adjust loans, financing and interest rates affecting indebtedness.

As of September 30, 2018, if interest rates on borrowings and financing had been 1 percentage point higher or lower with all other variables held constant, the effects on profit before taxes for the nine-month period ended September 30, 2018 would have been R\$ 97,699 (R\$ 87,133 as of December 31, 2017), lower or higher, mainly as a result of lower or higher interest expense on floating rate borrowings and financing.

**(b) Credit risk**

Credit risk arises from cash and cash equivalents, deposits in banks and financial institutions, as well as credit exposures to wholesale basis and retail customers, including outstanding accounts receivable, restricted cash and accounts receivable from related parties. Credit risk exposure to customers is mitigated by sales to a dispersed base.

The maximum exposures to credit risk as of September 30, 2018 are the carrying amounts of instruments classified as cash equivalents, deposits in banks and financial institutions, restricted cash, trade receivables and accounts receivable from related parties at the reporting period. See additional information in Notes 6, 7, 8 and 9.

Regarding the financial assets held with financial institutions, the credit quality that is not past due or subject to impairment can be assessed by reference to external credit ratings (if available) or to historical information about the bank's default rates. The credit quality of the banks, such as deposits and financial investments, the Company considers the lower rating published by three main international rating agencies (Fitch, Moody's and S&P), according to internal policy of market risk management:

PAGE: 30 of 86

---

ITR - Quarterly Financial Form - 9/30/2018 - CIA SANEAMENTO BASICO EST SAO PAULO

Version : 1

	September 30, 2018	December 31, 2017
Cash at banks and short-term bank deposits		
AA(bra)	3,561,932	2,222,001
AAA(bra)	38,494	43,978
Other (*)	18,827	17,068
	3,619,253	2,283,047

(\*) This category includes current accounts and investment funds in banks whose balances were not significant.

The available credit rating information of the banks, as of September 30, 2018, in which the Company made deposit transactions and financial investments in local currency (R\$ - local rating) during the period is as follows:

Banks	Fitch	Moody's	Standard Poor's
Banco do Brasil S/A	AA(bra)	Aa1.br	-
Banco Santander Brasil S/A	-	Aaa.br	brAAA
Brazilian Federal Savings Bank	AA(bra)	Aa1.br	brAAA
Banco Bradesco S/A	AAA(bra)	Aa1.br	brAAA
Itaú Unibanco Holding S/A	AAA(bra)	Aa1.br	brAAA

### (c) Liquidity risk

The Company's liquidity is primarily reliant upon cash provided by operating activities, loans from Brazilian Federal and State governmental financial institutions, and financing in the local and international capital markets. The liquidity risk management considers the assessment of its liquidity requirements to ensure it has sufficient cash to meet its operating and capital expenditures needs, as well as the payment of debts.

The funds held by the Company are invested in interest-bearing current accounts, time deposits and securities, selecting instruments with appropriate maturity or liquidity sufficient to provide margin as determined by projections mentioned above.

The table below shows the Company's financial liabilities, into relevant maturities, including the installments of principal and future interest to be paid according to the agreement.

PAGE: 31 of 86

---

<b>As of September 30, 2018</b>	<b>October to December 2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023 onward</b>
<b>Liabilities</b>						
Borrowings and financing	687,459	2,655,179	3,104,589	1,424,749	1,467,962	7,536,127
Accounts payables to suppliers and contractors	384,482	-	-	-	-	-
Services payable	399,590	-	-	-	-	-
Public-Private Partnership – PPP (*)	138,302	375,258	375,258	375,258	375,258	5,264,343
Program contract commitments	94,185	120,719	15,604	15,737	987	15,377

(\*) The Company also considered future commitments (construction not yet performed) still not recognized in the financial statements related to São Lourenço PPP, due to the relevance of future cash flows, the impacts on its operations and the fact the Company already has formalized this commitment through an agreement signed by the parties.

#### Future interest

Future interest was calculated based on the contractual clauses for all agreements. For agreements with floating interest rate, the interest rates used correspond to the base dates above.

#### Cross default

The Company has borrowings and financing agreements including cross default clauses, i.e., the early maturity of any debt, may imply the early maturity of these agreements. The indicators are continuously monitored in order to avoid the execution of these clauses.

**(d) Sensitivity analysis on interest rate risk**

The table below shows the sensitivity analysis of the financial instruments, prepared in accordance with CVM Rule 475/2008 in order to evidence the balances of main financial assets and liabilities, calculated at a rate projected for the twelve-month period after September 30, 2018, or until the final settlement of each contract, whichever is shorter, considering a probable scenario (scenario I), appreciation of 25% (scenario II) and 50% (scenario III).

The purpose of the sensitivity analysis is to measure the impact of changes in the market over the financial instruments of the Company, considering constant all other variables. In the time of settlement the amounts can be different from those presented, due to the estimates used in the measurement.

PAGE: 32 of 86

---



ITR - Quarterly Financial Form - 9/30/2018 - CIA SANEAMENTO BASICO EST SAO PAULO

Version : 1

Indicators	September 30, 2018			
	Exposure	Scenario I (Probable) (i)	Scenario II 25%	Scenario III 50%
<b>Assets</b>				
CDI	3,520,269	8.0000% (*)	6.0000%	4.0000%
Financial income		281,622	211,216	140,811
<b>Liabilities</b>				
CDI	(1,500,000)	8.0000% (*)	6.0000%	4.0000%
Interest to be incurred		(120,000)	(90,000)	(60,000)
CDI net exposure	2,020,269	161,622	121,216	80,811
<b>Liabilities</b>				
TR	(1,629,546)	0.0001% (***)	0.0001%	0.0002%
Expenses to be incurred		(2)	(2)	(3)
IPCA	(1,635,360)	4.2000% (*)	5.2500%	6.3000%
Expenses to be incurred		(68,685)	(85,856)	(103,028)
TJLP	(1,367,770)	6.5600% (*)	8.2000%	9.8400%
Interest to be incurred		(89,726)	(112,157)	(134,589)
LIBOR	(3,518,034)	2.7823% (**)	3.4779%	4.1735%
Interest to be incurred		(97,883)	(122,353)	(146,824)
Total net expenses to be incurred		(94,674)	(199,152)	(303,633)

(\*) Source: CDI and IPCA rates (Focus Report – BACEN, September 30, 2018) and long-term interest rate at September 30, 2018 (BACEN).

(\*\*) Source: Bloomberg

(\*\*\*) Source: B3 (previously BM&FBovespa)

(i) Refers to the scenario of interest to be incurred for the 12 months as of September 30, 2018 or until the maturity of the agreements, whichever is shorter.

## 4.2 Capital management

The Company's objectives when managing capital are ensure its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital based on the leverage ratio. This ratio corresponds to net debt divided by total capital. Net debt corresponds to total borrowings and financing less cash and cash equivalents. Total capital is calculated as total equity as shown in the balance sheet plus net debt.

PAGE: 33 of 86

---

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Total borrowings and financing (Note 15)	13,726,968	12,100,966
(-) Cash and cash equivalents (Note 6)	(3,619,253)	(2,283,047)
Net debt	10,107,715	9,817,919
Total equity	18,786,951	17,513,009
Total capital	28,894,666	27,330,928
Leverage ratio	35%	36%

As of September 30, 2018, the leverage ratio fell to 35% on the 36% reported on December 31, 2017, chiefly due to the increase of equity arising from the profit calculated in the nine-month period ended September 30, 2018 and the increase of cash and cash equivalents, mitigated by higher borrowings and financing due to the appreciation of the US dollar and the Yen against the Real.

### **4.3 Fair value estimates**

It is assumed that balances from trade receivables (current) and accounts payable to suppliers by carrying amount, less impairment approximate their fair values, considering the short maturity. Long-term trade receivables also approximate their fair values, as they will be adjusted by inflation and/or will bear contractual interest rates over time.

### **4.4 Financial instruments**

With the changes introduced by CPC 48/IFRS 9 (Financial Instruments), as of September 30, 2018, the Company did not have financial assets classified as fair value through other comprehensive income and fair value through profit or loss. The Company's financial instruments included in the amortized cost category comprise cash and cash equivalents, restricted cash, trade receivables, balances with related parties, other receivables, and balances receivable from the Water National Agency – ANA, accounts payable to contractors and suppliers, borrowings and financing, services payable, balances payable deriving from the Public Private Partnership-PPP and program contract commitments, which are non-derivative financial assets and liabilities with fixed or determinable payments, not quoted in an active

Edgar Filing: COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP - Form 6-K  
market.

The estimated fair values of financial instruments are as follows:

PAGE: 34 of 86

---

## Financial Assets

	<b>September 30, 2018</b>		<b>December 31, 2017</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Cash and cash equivalents	3,619,253	3,619,253	2,283,047	2,283,047
Restricted cash	25,017	25,017	18,822	18,822
Trade receivables	1,960,785	1,960,785	1,888,505	1,888,505
Water National Agency– ANA	50,454	50,454	70,487	70,487
Other receivables	224,016	224,016	169,715	169,715

Additionally, SABESP has financial instrument assets receivable from related parties, in the amount of R\$ 827,394 as of September 30, 2018 (R\$ 815,160 as of December 31, 2017), which were calculated in accordance with the conditions negotiated between related parties. Part of this balance, totaling R\$ 732,626 (R\$ 709,208 as of December 31, 2017), refers to reimbursement of additional retirement and pension plan – G0 and is indexed by the IPCA plus simple interest of 0.5% p.m. This interest rate approximates that one practiced by federal government bonds (NTN-b) with terms similar to those of related-party transactions.

## Financial Liabilities

	<b>September 30, 2018</b>		<b>December 31, 2017</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Borrowings and financing	13,726,968	13,643,799	12,100,966	11,967,909
Accounts payable to suppliers and contractors	384,482	384,482	344,947	344,947
Services payable	399,590	399,590	408,275	408,275
Program contract commitments	241,957	241,957	239,500	239,500
Public-Private Partnership - PPP	3,391,562	3,391,562	3,071,416	3,071,416

The criteria adopted to obtain the fair values of borrowings and financing, in preparing the interim financial information as of September 30, 2018, are consistent with those adopted in the Annual Financial Statements for the fiscal year ended December 31, 2017.

Considering the nature of other financial instruments, assets and liabilities of the Company, the balances recognized in the balance sheet approximate the fair values, taking into account the maturities close to the end of the reporting period, comparison of contractual interest rates with market rates in similar operations at the end of the reporting period, their nature and maturity terms.



## 5 Key accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and on other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key accounting estimates and judgments are: (i) allowance for doubtful accounts, (ii) intangible assets resulting from concession agreements and program contracts, (iii) pension benefits, (iv) deferred income tax and social contribution, and (v) provisions.

## 6 Cash and cash equivalents

	September 30, 2018	December 31, 2017
Cash and banks	98,984	171,951
Cash equivalents	3,520,269	2,111,096
	3,619,253	2,283,047

Cash and cash equivalents include cash, bank deposits and high-liquidity short-term financial investments, mainly represented by repurchase agreements (remunerated based on the variation of the Interbank Deposit Certificates (CDI) rates), entered into with Banco do Brasil, whose original maturities are lower than three months, which are convertible into a cash amount and subject to an insignificant risk of change in value.

As of September 30, 2018, the average yield of financial investments corresponds to 98.55% of CDI (98.88% as of December 31, 2017).

**7 Restricted cash**

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Current		
Agreement with the São Paulo municipal government (i)	14,181	12,055
Brazilian Federal Savings Bank – escrow deposits (ii)	4,857	1,209
Other	5,979	5,558
	25,017	18,822

(i) Refers to the amount deducted from the 7.5% of Municipal revenue transferred to the Municipal Fund, corresponding to eventual amounts unpaid by direct management bodies, foundations and government agencies, as established in the agreement entered into with the municipal government of São Paulo; and

(ii) Refers to savings account for receiving escrow deposits regarding lawsuits with final and unappealable decisions in favor of the Company, which are blocked as per contractual clause.

PAGE: 36 of 86

---



**8 Trade receivables****(a) Statement of financial position details**

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Private sector:		
General and special customers (i) (ii)	1,261,308	1,248,979
Agreements (iii)	327,213	320,032
	1,588,521	1,569,011
Government entities:		
Municipal	568,514	532,320
Federal	4,022	3,547
Agreements (iii)	292,327	285,614
	864,863	821,481
Wholesale customers – Municipal governments: (iv)		
Guarulhos	870,305	760,598
Mauá	583,783	530,830
Mogi das Cruzes	3,114	2,670
Santo André	1,135,177	1,048,832
São Caetano do Sul	5,831	2,604
Diadema	222,671	222,671
Total wholesale customers – Municipal governments	2,820,881	2,568,205
Unbilled supply	612,359	580,006
Subtotal	5,886,624	5,538,703
Allowance for doubtful accounts	(3,925,839)	(3,650,198)
Total	1,960,785	1,888,505
Current	1,739,377	1,672,595
Noncurrent	221,408	215,910
	1,960,785	1,888,505

(i) General customers - residential and small and mid-sized companies;

(ii) Special customers – large consumers, commercial industries, condominiums and special billing consumers (fixed demand agreements, industrial waste, wells, etc.);

(iii) Agreements - installment payments of past-due receivables, plus monetary restatement and interest, as provided for in the agreements; and

PAGE: 37 of 86

---

(iv) Wholesale basis customers - municipal governments - This balance refers to the sale of treated water to municipalities, which are responsible for distributing to, billing and charging final customers. Some of these municipalities are questioning in court the tariffs charged by SABESP, which have full allowance for doubtful accounts. Additionally, the overdue amounts are included in the allowance for doubtful accounts.

**(b) The aging of trade receivables is as follows**

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Current	1,481,881	1,471,668
Past-due:		
Up to 30 days	320,766	287,173
From 31 to 60 days	136,027	118,179
From 61 to 90 days	106,490	73,989
From 91 to 120 days	90,038	52,477
From 121 to 180 days	171,604	105,952
From 181 to 360 days	174,132	147,699
Over 360 days	3,405,686	3,281,566
Total past-due	4,404,743	4,067,035
Total	5,886,624	5,538,703

The increase in the overdue balance was mainly due to wholesale receivables, where the municipalities challenge the tariffs charged by SABESP in court, and the increase in default of amounts overdue, related to private customers.

**(c) Allowance for doubtful accounts**

	<b>January to September 2018</b>	<b>January to September 2017</b>
Balance at the beginning of the period	3,650,198	3,514,240

(b) The aging of trade receivables is as follows

Private sector/government entities	35,804	57,170
Recoveries	(76,872)	(99,197)
Wholesale customers	316,709	182,149
Net additions for the period	275,641	140,122
Write-offs in the period referring to accounts receivable	-	(6,583)
Balance at the end of the period	3,925,839	3,647,779

PAGE: 38 of 86

---

ITR - Quarterly Financial Form - 9/30/2018 - CIA SANEAMENTO BASICO EST SAO PAULO

Version : 1

<b>Reconciliation of estimated losses in profit or loss</b>	<b>July to September 2018</b>	<b>January to September 2018</b>	<b>July to September 2017</b>	<b>January to September 2017</b>
Write-offs	(57,070)	(138,575)	(31,065)	(133,035)
(Losses)/reversal with state entities – related parties	(155)	960	23,082	23,211
(Losses) with private sector/government entities	(16,211)	(35,804)	(8,889)	(57,170)
(Losses) with wholesale customers	-	(29,458)	(18,456)	(19,683)
Recoveries	54,129	76,872	69,708	99,197
Amount recorded as selling expenses	(19,307)	(126,005)	34,380	(87,480)

Wholesale sales losses, amounting to R\$ 109,627 from July to September 2018 and R\$ 287,251 from January to September 2018 (R\$ 66,776 from July to September 2017 and R\$ 162,466 from January to September 2017) were also recorded as revenue reduction.

The Company does not have customers representing 10% or more of its total revenues.

PAGE: 39 of 86

---

## 9 Related-Party Balances and Transactions

The Company is a party to transactions with its controlling shareholder, the State Government, and companies/entities related to it.

### (a) Accounts receivable, interest on capital payable, revenue and expenses with the São Paulo State Government

	September 30, 2018	December 31, 2017
Accounts receivable		
Current:		
Sanitation services	110,384	118,441
Allowance for losses	(34,154)	(35,114)
Reimbursement for retirement and pension benefits paid (G0):		
- monthly flow (payments)	15,417	22,968
- GESP Agreement – 2008	-	20,099
- GESP Agreement – 2015	60,871	54,379
Total current	152,518	180,773
Noncurrent:		
Agreement for the installment payment of sanitation services	18,538	22,625
Reimbursement for retirement and pension benefits paid (G0):		
- GESP Agreement – 2015	656,338	611,762
Total noncurrent	674,876	634,387
Total receivables from shareholders	827,394	815,160
Assets:		
Sanitation services	94,768	105,952
Reimbursement of additional retirement and pension benefits (G0)	732,626	709,208
Total	827,394	815,160
Liabilities:		
Interest on capital payable to related parties	-	300,717

Other (f)

1,402

1,367

PAGE: 40 of 86

---

ITR - Quarterly Financial Form - 9/30/2018 - CIA SANEAMENTO BASICO EST SAO PAULO

Version : 1

	<b>July to September</b>	<b>January to September</b>	<b>July to September</b>	<b>January to September</b>
	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
Revenue from sanitation services	119,386	366,608	110,927	341,789
Payments received from related parties	(127,638)	(384,902)	(116,267)	(351,764)
Receipt of GESP reimbursement referring to Law 4,819/58	(36,948)	(136,714)	(42,038)	(127,942)

**(b) Disputed amounts - GESP**

As of September 30, 2018 and December 31, 2017, the disputed amounts between SABESP and GESP, corresponding to the private retirement and pension plan paid (Law 4,819/58), totaled R\$ 1,080,960 and R\$ 1,021,657, respectively. The Company created allowances for doubtful accounts for such amounts.

**(c) Use of reservoirs – EMAE**

Empresa Metropolitana de Águas e Energia S.A. - EMAE planned to receive for the credit and obtain financial compensation for alleged past and future losses in electricity generation, due to water collection, and compensation for costs already incurred and to be incurred with the operation, maintenance and inspection of the Guarapiranga and Billings reservoirs used by SABESP in its operations.

Several lawsuits were filed by EMAE, an arbitration proceeding was in progress related to the Guarapiranga reservoir and a lawsuit related to the Billings reservoir, both pleading for financial compensation due to SABESP's water collect for public supply, alleging that this conduct has been causing financial losses due to the permanent and growing loss in the capacity of generating electricity of Henry Borden hydroelectric power plant with financial losses.



As of October 28, 2016, the Company entered into an agreement based on a Private Transaction Agreement and Other Adjustments aimed to fully and completely settle the disputes involving the two companies, and involves the payment by SABESP to EMAE of the following amounts:

- R\$ 6,610 annually, adjusted for inflation, as of the execution date of this instrument, by the IPCA or any other index that may replace it, by the last business day of October of each fiscal year, with (i) the first of such annual payments due up to the last business day of October 2017 and (ii) the last payment due up to the last business day of October 2042; and

- R\$ 46,270, in five annual and successive installments, adjusted for inflation by the IPCA or any other index that may replace it, with the first installment of R\$ 9,254 due on April 30, 2017 and the subsequent ones in 04 (four) installments of same amount, due on every April 30 of the subsequent years, or on the first subsequent business day.

On October 19, 2017, the contractual conditions precedent were complied with and the agreement came into effect.

As of September 30, 2018, the balance of the agreement totaled R\$ 16,068 and R\$ 92,244 (R\$ 15,668 and R\$ 92,894 on December 31, 2017), recorded under other liabilities, in current and noncurrent liabilities, respectively.

PAGE: 41 of 86

---

**(d) Agreements with reduced tariffs with State and Municipal Government Entities that joined the Rational Water Use Program (PURA)**

The Company has signed agreements with government entities related to the State Government and municipalities where it operates that benefit from a reduction of 25% in the tariff of water supply and sewage services when they are not in default. These agreements provide for the implementation of the rational water use program, which takes into consideration the reduction in water consumption.

**(e) Guarantees**

The State Government provides guarantees for some borrowings and financing of the Company and does not charge any fee with respect to such guarantees.

**(f) Personnel assignment agreement among entities related to the State Government**

The Company has personnel assignment agreements with entities related to the State Government, whose expenses are fully passed on and monetarily reimbursed. From July to September 2018 and in the same period in 2017, the expenses related to employees assigned by SABESP to other state government entities amounted to R\$ 1,868 and R\$ 2,102, respectively, and from January to September 2018 and 2017 amounted to R\$ 6,396 and R\$ 7,237, respectively.

From July to September 2018, expenses with employees from other entities at the disposal of the Company totaled R\$ 53. From January to June 2018 and from January to September 2017, there were no expenses related to personnel assigned by other entities to the Company.

**(g) Services obtained from state government entities**

(d) Agreements with reduced tariffs with State and Municipal Government Entities that joined the Rational Water

As of September 30, 2018 and December 31, 2017, SABESP had an outstanding amount payable of R\$ 1,402 and R\$ 1,367, respectively, for services rendered by São Paulo State Government entities.

**(h) Non-operating assets**

As of September 30, 2018 and December 31, 2017, the Company had an amount of R\$ 969 related to a free land lent to DAEE (Department of Water and Electricity).

**(i) Sabesprev**

The Company sponsors a private defined benefit pension plan, which is operated and administered by Sabesprev. The net actuarial liability recognized as of September 30, 2018 amounted to R\$ 369,906 (R\$ 388,461 as of December 31, 2017), according to Note 19 (b).

**(j) Compensation of Management Key Personnel**

Expenses related to the compensation to the members of its Board of Directors, Fiscal Council and Board of Executive Officers amounted to R\$ 1,080 from July to September 2018 (R\$ 989 from July to September 2017). From January to September 2018, these expenses amounted to R\$ 3,014 (R\$ 2,884 from January to September 2017). An additional amount of R\$ 192, related to the Officers' bonus program, was recorded from July to September 2018 (R\$ 124 from July to September 2017). From January to September 2018, these bonuses amounted to R\$ 536 (R\$ 432 from January to September 2017).

PAGE: 42 of 86

---

**(k) Loan agreement through credit facility**

The Company holds interest in certain Special Purpose Entities (SPEs), not holding the majority interest but with cast vote and power of veto in some issues, with no ability to use such power of veto in a way to affect returns over investments. Therefore, these SPEs are considered for accounting purposes as jointly owned subsidiaries.

The Company entered into a loan agreement through credit facility with the SPEs Aquapolo Ambiental S.A. on March 30, 2012, and with Attend Ambiental S.A. on May 9, 2014, to finance the operations of these companies, until the borrowings and financing requested with financial institutions is cleared.

Two agreements were entered into with Aquapolo, according to the table below:

<b>SPE</b>	<b>Value of the agreement</b>	<b>Interest rate</b>	<b>Maturity</b>
Aquapolo Ambiental	5,629	CDI + 1.2% p.a.	(i)
Aquapolo Ambiental	19,000	CDI + 1.2% p.a.	(ii)
<b>Total</b>	<b>24,629</b>		

(i) The R\$ 5,629 loan agreement originally expired on April 30, 2016; however, on February 10, 2016, an amendment to the agreement changed the payment schedule for four annual installments, the first of which maturing on December 30, 2018 and the last on December 30, 2021; and

(ii) The loan agreement totaling R\$ 19,000 originally expired on April 30, 2015, but was extended to October 30, 2015. On November 25, 2015, a new amendment changed the payment schedule for three annual installments, the first of which maturing on December 30, 2021 and the last on December 30, 2023.

The amount disbursed referring to the agreements entered into with Aquapolo Ambiental S/A is recognized under “Other Receivables”, of which R\$ 1,397 was classified in Current Assets and R\$ 35,075 in Noncurrent Assets. As of September 30, 2018, the balance of principal and interest rates of these agreements was R\$ 36,472 (R\$ 50,617 as of December 31, 2017). From January to September 2018, the financial income recognized was R\$ 2,227 (R\$ 3,881 from January to September 2017).

**(j) Compensation of Management Key Personnel**

The Company entered into an agreement with Attend, in the amount of R\$ 5,400, which was overdue since June 2015. As of March 31, 2018, the Company created allowance for doubtful accounts in the amount of R\$ 9,596 related to this loan agreement, as a renegotiation agreement was not reached.

**(l) “Se Liga na Rede” (Connect to the Network Program)**

The State Government enacted the State Law 14,687/12, creating the pro-connection program, destined to financially subsidize the execution of household branches necessary to connect to the sewage collecting networks, in low-income households, which agreed to adhere to the program. The program expenditures, except for indirect costs, construction margin and borrowing costs are financed with 80% of funds deriving from the State Government and the remaining 20% invested by SABESP, which is also liable for the execution of works. Until September 30, 2018, the program total amount was R\$ 97,184 (R\$ 82,697 as of December 31, 2017); as of September 30, 2018 and December 31, 2017, there was no balance receivable from related parties. As of September 30, 2018, R\$ 49,312 (R\$ 35,068 as of December 31, 2017) was recorded under intangible assets.

R\$ 47,872 was reimbursed by GESP (R\$ 47,629 as of December 31, 2017) from the beginning of the program until September 30, 2018.

## **10 Water National Agency - ANA**

The Company has agreements executed within the scope of the Hydrographic Basin Depollution Program (PRODES), also known as "Treated Sewage Purchase Program".

This program does not finance works or equipment, remunerates by results achieved, i.e., by effectively treated sewage. In this program, the Water National Agency (ANA) makes available funds, which are restricted to a specific current account and applied in investment funds at the Brazilian Federal Savings Banks (CEF), until the fulfillment of treated sewage volume is evidenced, as well as the reduction of polluting cargoes of each agreement.

When resources are made available, liabilities are recorded until funds are released by ANA. After the evidence of targets stipulated in each contract, the revenue deriving from these funds is recognized, but if these targets are not met, funds will return to the National Treasury with the appropriate funds earnings. As of September 30, 2018, the balances of assets and liabilities were R\$ 50,454 (R\$ 70,487 as of December 31, 2017), and the liability is recorded under "other liabilities" of noncurrent liabilities.

## **11 Investments**

The Company holds interest in certain Special Purpose Entities (SPE). Although SABESP has no majority shares of its investees, the shareholders' agreement provides for the power of veto in certain management issues, however, with no ability to use such power of veto in a way to affect returns over investments, indicating participating shared control (joint venture – CPC 19(R2)).

The Company holds interest valued by the equity accounting.

Below is a summary of the investees' financial statements and SABESP's equity interest:

- (l) "Se Liga na Rede" (Connect to the Network Program)

	Equity		Capital increase	Profit (loss) for the period	
	September 30, 2018	December 31, 2017	January to September 2018	January to September 2018	January to September 2017
Sesamm	43,862	39,262	-	4,600	5,234
Águas de Andradina	21,403	19,392	-	2,011	(4)
Águas de Castilho	5,796	4,880	-	916	671
Saneaqua Mairinque	6,037	4,327	2,183	(473)	551
Attend Ambiental	1,325	5,169	-	(3,844)	3,133
Aquapolo Ambiental	26,008	18,757	-	7,251	2,132
Paulista Geradora de Energia	8,371	8,447	-	(76)	(19)

PAGE: 44 of 86

	Investments		Capital increase	Equity in the earnings (losses) of subsidiaries		Interest percentage	
	September 30, 2018	December 31, 2017	January to September 2018	January to September 2018	January to September 2017	September 30, 2018	December 31, 2017
Sesamm	15,791	14,135	-	1,656	1,884	36%	36%
Águas de Andradina	6,421	5,818	-	603	(1)	30%	30%
Águas de Castilho	1,740	1,465	-	275	201	30%	30%
Saneaqua Mairinque	1,811	1,298	655	(142)	165	30%	30%
Attend Ambiental	596	2,326	-	(1,730)	1,410	45%	45%
Aquapolo Ambiental	12,744	9,191	-	3,553	1,045	49%	49%
Paulista Geradora de Energia	2,092	2,111	-	(19)	(5)	25%	25%
Total	41,195	36,344	655	4,196	4,699		

Other investments 588 588

Overall total 41,783 36,932

## 12 Investment properties

As of September 30, 2018, the balance of “Investment properties” was R\$ 47,632 (R\$ 57,652 as of December 31, 2017). As of September 30, 2018 and December 31, 2017, the market value of these properties was approximately R\$ 388,000 and R\$ 402,000, respectively.

	December 31, 2017	Expropriation	Depreciation	September 30, 2018
Investment properties	57,652	(9,983)	(37)	47,632
Total	57,652	(9,983)	(37)	47,632

	December 31, 2016	Write-offs and disposals	Depreciation	September 30, 2017
Investment properties	57,968	(8)	(60)	57,900
Total	57,968	(8)	(60)	57,900



PAGE: 45 of 86

---

**13 Intangible assets****(a) Statement of financial position details**

	<b>September 30, 2018</b>			<b>December 31, 2017</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
Intangible right arising from:						
Agreements – equity value	6,841,013	(1,444,666)	5,396,347	8,893,296	(1,751,682)	7,141,614
Agreements – economic value	2,105,917	(708,301)	1,397,616	2,068,402	(634,465)	1,433,937
Program contracts	13,456,342	(3,728,716)	9,727,626	10,653,292	(3,058,226)	7,595,066
Program contracts – commitments	1,141,805	(231,037)	910,768	1,113,160	(202,785)	910,375
Services contracts – São Paulo	20,738,417	(3,893,682)	16,844,735	19,388,751	(3,471,736)	15,917,015
Software license	730,095	(273,733)	456,362	688,712	(220,587)	468,125
Total	45,013,589	(10,280,135)	34,733,454	42,805,613	(9,339,481)	33,466,132

**(b) Changes**

	<b>December 31, 2017</b>					
	<b>Additions</b>	<b>Contract renewals</b>	<b>Transfers</b>	<b>Write-offs and disposals</b>	<b>Amortization</b>	
Intangible right arising from:						
Agreements – equity value	7,141,614	202,279	(1,855,596)	18,751	(1,954)	(108,747)
Agreements – economic value	1,433,937	82,926	-	(45,149)	(8)	(74,090)
Program contracts	7,595,066	544,429	1,855,596	6,667	(3,758)	(270,374)
Program contracts – commitments	910,375	28,645	-	-	-	(28,252)
Services contracts – São Paulo	15,917,015	1,351,175	-	20,018	(11,089)	(432,384)
Software license	468,125	40,698	-	686	-	(53,147)
Total	33,466,132	2,250,152	-	973	(16,809)	(966,994)

PAGE: 46 of 86

	December 31, 2016	Additions	Contract estimated renewal	Allowance for losses	Transfers	Write-off and disposals	Amortization	September 30, 2017
Intangible right arising from:								
Agreements – equity value	7,482,955	299,967	(250,679)	2,078	25,734	(1,892)	(121,991)	7,436,172
Agreements – economic value	1,381,652	139,710	-	8	2,612	(1,008)	(72,049)	1,450,925
Program contracts	6,576,021	398,614	250,679	4,834	(1,784)	(3,690)	(228,138)	6,996,536
Program contracts – commitments	823,216	65,647	-	-	-	-	(25,028)	863,835
Services contracts – São Paulo	14,552,707	1,386,417	-	6,460	(18,929)	(4,816)	(432,667)	15,489,172
Software license	430,237	64,755	-	-	6,489	-	(53,702)	447,779
Total	31,246,788	2,355,110	-	13,380	14,122	(11,406)	(933,575)	32,684,419

In the first quarter of 2018, the Company renewed a program contract with the municipalities of Itirapuã and Monte Mor. In the second quarter of 2018, the Company renewed a program contract with the municipalities of Poá, Cachoeira Paulista, Monções and Salesópolis. In the third quarter of 2018, the Company renewed program contracts with the municipalities of Guararema, São Vicente, Praia Grande and Gália for 30 years, and began operating in the municipality of Saltinho.

### (c) Intangible arising from concession agreements

During the period ended September 30, 2018, there were no changes in the criteria to account for intangible assets and types of contracts.

The Company has obligations recorded in “Program Contract – Commitments” in current liabilities in the amount of R\$ 175,405 and R\$ 128,802 as of September 30, 2018 and December 31, 2017, respectively, and noncurrent liabilities in the amount of R\$ 66,552 and R\$ 110,698 as of September 30, 2018 and December 31, 2017, respectively.

### (d) Capitalization of interest and other finance charges

From January to September 2018, the Company capitalized interest, inflation adjustment and foreign currency exchange in concession intangible assets, totaling R\$ 397,420, including the São Lourenço Production System and Leases (R\$ 476,719 from January to September 2017), during the construction period.

**(e) Construction margin**

The Company acts as a primary responsible to construct and install the infrastructure related to the concession, using own efforts or hiring outsourcing services, receiving the risks and benefits.

PAGE: 47 of 86

---

As a consequence, the Company recognizes revenue from construction service corresponding to the cost of construction increased by a gross margin. Generally, the constructions related to the concessions are performed by third parties, in such case, the margin of the Company is lower, normally, to cover eventual administration costs, and the responsibility of the primary risk. As of September 30, 2018 and 2017, the margin was 2.3%.

Construction margin from July to September 2018 and 2017 was R\$ 16,281 and R\$ 18,405, respectively, and from January to September 2018 and 2017 it was R\$ 45,829 and R\$ 49,299, respectively.

**(f) Expropriations**

As a result of the construction of priority projects related to water and sewage systems, the Company was required to expropriate third-parties' properties, and the owners of these properties will be compensated either amicably or through courts.

The costs of these expropriations are recorded as concession intangible assets after the transaction is concluded. From July to September 2018, the total amount related to expropriations was R\$ 9,512 and from January to September 2018 it was R\$ 89,562 (R\$ 8,111 from July to September 2017 and R\$ 12,894 from January to September 2017).

**(g) Public-Private Partnership - PPP**

SABESP carries out operations related to the PPPs mentioned below. These operations and their respective obligations and guarantees are supported by agreements executed according to Law 11,079/04.

Alto Tietê Production System

As of September 30, 2018 and December 31, 2017, the amounts recognized as intangible asset related to this PPP were R\$ 362,552 and R\$ 371,862, respectively.

**(e) Construction margin**

From January to September 2018, a discount rate of 8.20% p.a. was used to calculate the adjustment to present value of the agreement. The obligations assumed by the Company as of September 30, 2018 and December 31, 2017 are shown in the next table.

On a monthly basis, SABESP assigns funds from tariffs to the SPE CAB Sistema Produtor Alto Tietê S/A, in the amount of R\$ 10,012, corresponding to the monthly remuneration. This amount is annually adjusted by the IPC – FIPE and is recorded in a restricted account, pursuant to the contractual operating proceeding. Should SABESP comply with its monthly obligations with the SPE, the funds from the restricted account will be released.

The guarantee is effective since the beginning of the operation and will be valid until the conclusion, termination, intervention, annulment or caducity of the Administrative Concession, or other extinction events provided for in the Concession Agreement or in the law applicable to administrative concessions, including in the event of bankruptcy or extinction of the SPE.

#### São Lourenço Production System

In May 2018, the control of the special purpose entity Sistema Produtor São Lourenço S/A was transferred to CGGC Construtora do Brasil Ltda, previously composed of Construções e Comércio Camargo Corrêa S/A and Construtora Andrade Gutierrez S/A.

The São Lourenço Production System (SPSL) PPP began the service provision phase on July 10, 2018, as per the contractual clause that allows the beginning of operations provided that system has full operating capacity, without, however implying in the Acceptance of the Works with the beginning of the corresponding payment of the due considerations, together with the end of the Works. The Company is currently negotiating a new Contract Amendment Term that will change the schedule for the acceptance of SPSL works, which are expected to be concluded in the first quarter of 2019.

As of September 30, 2018 and December 31, 2017, the carrying amount recorded in the Company's intangible assets, related to this PPP, totaled R\$ 3,182,963 and R\$ 2,818,805, respectively. Intangible assets are accounted for based on the physical evolution of the works, which, as of September 30, 2018, was approximately 96.5%, with a counter-entry in the Private Public Partnership (PPP) liabilities account. As of September 30, 2018, a discount rate of 7.80% p.a. was used to calculate the adjustment to present value of the agreement.

The obligations assumed by the Company as of September 30, 2018 and December 31, 2017 are shown in the table below, and the increase in intangible assets and liabilities was due to the progress of works in 2018.

	September 30, 2018			December 31, 2017		
	Current liabilities	Noncurrent liabilities	Total liabilities	Current liabilities	Noncurrent liabilities	Total liabilities
Alto Tietê	37,219	254,314	291,533	35,083	282,501	317,584
São Lourenço	41,613	3,058,416	3,100,029	24,924	2,728,908	2,753,832
Total	78,832	3,312,730	3,391,562	60,007	3,011,409	3,071,416

#### (h) Works in progress

The amount of R\$ 7,913 million is recorded under intangible assets as works in progress as of September 30, 2018 (R\$ 10,387 million as of December 31, 2017), and, in the period ended September 30, 2018, the major projects are located in the municipalities of São Paulo, Franca and São Bernardo do Campo, totaling R\$ 4,529 million, R\$ 274 million and R\$ 118 million, respectively.

#### (i) Amortization of intangible assets

The average amortization rate totaled 3.9% and 4.0% as of September 30, 2018 and 2017, respectively.

**(j) Software license of use**

The software license of use is capitalized based on the costs incurred to acquire software and prepared them for use. On April 10, 2017, the Company implemented the Integrated Business Management System (Enterprise Resource Planning – SAP ERP), which includes the administrative/financial module. The implementation of the commercial module is in progress.

PAGE: 49 of 86

---



**14 Property, plant and equipment****(a) Statement of financial position details**

	<b>September 30, 2018</b>			<b>December 31, 2017</b>		
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net</b>
Land	92,979	-	92,979	92,507	-	92,507
Buildings	78,499	(38,154)	40,345	79,013	(36,653)	42,360
Equipment	347,876	(249,497)	98,379	330,753	(226,950)	103,803
Transportation equipment	10,770	(7,680)	3,090	10,862	(7,182)	3,680
Furniture and fixtures	24,442	(13,433)	11,009	24,430	(12,614)	11,816
Other	1,122	(276)	846	1,122	(238)	884
Total	555,688	(309,040)	246,648	538,687	(283,637)	255,050

**(b) Changes**

	<b>December 31,</b>	<b>Additions</b>	<b>Transfers</b>	<b>Write-offs and disposals</b>	<b>Depreciation</b>	<b>September 30,</b>
	<b>2017</b>					<b>2018</b>
Land	92,507	472	-	-	-	92,979
Buildings	42,360	50	(334)	-	(1,731)	40,345
Equipment	103,803	22,371	(593)	(75)	(27,127)	98,379

(j) Software license of use

Transportation equipment	3,680	8	8	(8)	(598)	3,090
Furniture and fixtures	11,816	142	(54)	(13)	(882)	11,009
Other	884	-	-	-	(38)	846
Total	255,050	23,043	(973)	(96)	(30,376)	246,648

	<b>December 31, 2016</b>	<b>Additions</b>	<b>Transfers</b>	<b>Write-offs and disposals</b>	<b>Depreciation</b>	<b>September 30, 2017</b>
Land	92.494	-	13	-	-	92.507
Buildings	43.262	86	1.355	-	(1.767)	42.936
Equipment	149.140	12.080	(15.445)	(69)	(37.441)	108.265
Transportation equipment	4.531	-	33	(10)	(657)	3.897
Furniture and fixtures	11.986	276	(63)	(35)	(948)	11.216
Other	970	-	(15)	-	(39)	916
Total	302.383	12.442	(14.122)	(114)	(40.852)	259.737

### (c) Depreciation

The Company annually revises the depreciation rates of buildings - 3.0%; equipment- 16.7%; transportation equipment - 10% and furniture, fixture and equipment - 6.8%. Lands are not depreciated.

The depreciation average rate was 12.6% and 12.7%, as of September 30, 2018 and 2017, respectively.

PAGE: 50 of 86

---

**15 Borrowings and Financing****Borrowings and financing outstanding balance**

	September 30, 2018			December 31, 2017		
	Current	Noncurrent	Total	Current	Noncurrent	Total
<b>Financial institution</b>						
<b>Local currency</b>						
10th issue debentures	42,123	63,851	105,974	41,702	80,953	122,655
12th issue debentures	45,450	260,610	306,060	45,450	294,702	340,152
14th issue debentures	41,105	108,784	149,889	40,503	141,351	181,854
15th issue debentures	356,870	-	356,870	346,414	345,788	692,202
17th issue debentures	277,262	529,133	806,395	144,391	781,922	926,313
18th issue debentures	33,529	183,238	216,767	33,020	194,872	227,892
20th issue debentures	250,000	247,958	497,958	250,000	246,890	496,890
21st issue debentures	-	499,606	499,606	-	499,628	499,628
22nd issue debentures	-	754,281	754,281	-	-	-
Brazilian Federal Savings Bank	73,661	1,249,048	1,322,709	78,487	1,154,599	1,233,086
Brazilian Development Bank - BNDES						
BAIXADA SANTISTA	16,859	4,215	21,074	16,782	16,782	33,564
Brazilian Development Bank - BNDES PAC	11,201	41,871	53,072	11,143	50,028	61,171
Brazilian Development Bank - BNDES PAC II 9751	4,354	19,849	24,203	4,334	22,991	27,325
Brazilian Development Bank - BNDES PAC II 9752	3,179	23,841	27,020	2,367	19,526	21,893
Brazilian Development Bank - BNDES						
ONDA LIMPA	23,577	129,473	153,050	23,469	146,461	169,930
Brazilian Development Bank - BNDES						
TIETÊ III	30,516	259,235	289,751	30,378	280,825	311,203
Brazilian Development Bank - BNDES 2015	31,542	497,438	528,980	10,050	397,922	407,972
Leases	17,161	550,431	567,592	17,573	544,044	561,617
Other	1,376	8,488	9,864	1,466	9,477	10,943
Interest and charges	101,412	-	101,412	101,855	-	101,855
<b>Total in local currency</b>	<b>1,361,177</b>	<b>5,431,350</b>	<b>6,792,527</b>	<b>1,199,384</b>	<b>5,228,761</b>	<b>6,428,145</b>

PAGE: 51 of 86

<b>Borrowings and financing outstanding balance</b>	<b>September 30, 2018</b>			<b>December 31, 2017</b>		
	<b>Current</b>	<b>Noncurrent</b>	<b>Total</b>	<b>Current</b>	<b>Noncurrent</b>	<b>Total</b>
<b>Financial institution</b>						
<b>Foreign currency</b>						
Inter-American Development Bank - BID 1212 – US\$ 71,947 thousand (US\$ 82,225 thousand in December 2017)	41,152	246,915	288,067	34,000	238,000	272,000
Inter-American Development Bank - BID 2202 – US\$ 544,457 thousand (US\$ 444,871 thousand in December 2017)	128,233	2,035,484	2,163,717	81,757	1,375,358	1,457,115
International Bank of Reconstruction and Development - BIRD – US\$ 91,286 thousand (US\$ 91,286 thousand in December 2017)	12,171	353,034	365,205	-	301,665	301,665
Deutsche Bank – US\$ 112,500 thousand (US\$ 150,000 thousand in December 2017)	300,293	147,106	447,399	248,100	242,343	490,443
Eurobonds – US\$ 350,000 thousand (US\$ 350,000 thousand in December 2017)	-	1,399,512	1,399,512	-	1,155,331	1,155,331
JICA 15 – ¥ 12,676,730 thousand (¥ 13,829,160 thousand in December 2017)	40,658	406,577	447,235	33,881	372,696	406,577
JICA 18 – ¥ 11,397,760 thousand (¥ 12,433,920 thousand in December 2017)	36,556	365,328	401,884	30,463	334,849	365,312
JICA 17 – ¥ 1,476,838 thousand (¥ 1,534,959 thousand in December 2017)	2,977	48,372	51,349	2,507	41,835	44,342
JICA 19 – ¥ 30,869,862 thousand (¥ 29,777,232 thousand in December 2017)	58,870	1,028,119	1,086,989	-	873,383	873,383
BID 1983AB – US\$ 58,462 (US\$ 82,404 thousand in December 2017)	70,838	160,691	231,529	79,201	189,990	269,191
Interest and charges	51,555	-	51,555	37,462	-	37,462
<b>Total in foreign currency</b>	<b>743,303</b>	<b>6,191,138</b>	<b>6,934,441</b>	<b>547,371</b>	<b>5,125,450</b>	<b>5,672,821</b>
<b>Total borrowings and financing</b>	<b>2,104,480</b>	<b>11,622,488</b>	<b>13,726,968</b>	<b>1,746,755</b>	<b>10,354,211</b>	<b>12,100,966</b>

Exchange rate as of September 30, 2018: US\$ 4.0039; ¥ 0.03528 (as of December 31, 2017: US\$ 3.3080; ¥ 0.02940).

As of September 30, 2018, the Company did not record balances of borrowings and financing raised during the year to mature within 12 months.

ITR - Quarterly Financial Form - 9/30/2018 - CIA SANEAMENTO BASICO EST SAO PAULO

Version : 1

Local currency	Guarantees	Maturity	Annual interest rate	Inflation adjustment
10th issue debentures	Own funds	2020	TJLP +1.92% (series 1 and 3) and 9.53% (series 2)	IPCA (series 2)
12th issue debentures	Own funds	2025	TR + 9.5%	
14th issue debentures	Own funds	2022	TJLP +1.92% (series 1 and 3) and 9.19% (series 2)	IPCA (series 2)
15th issue debentures	Own funds	2019	CDI + 0.99% (series 1) and 6.2% (series 2)	IPCA (series 2)
17th issue debentures	Own funds	2023	CDI +0.75 (series 1) and 4.5% (series 2) and 4.75% (series 3)	IPCA (series 2 and 3)
18th issue debentures	Own funds	2024	TJLP + 1.92 % (series 1 and 3) and 8.25% (series 2)	IPCA (series 2)
20th issue debentures	Own funds	2019	CDI + 3.80%	
21st issue debentures	Own funds	2022	CDI + 0.60% and CDI+ 0.90%	
22nd issue debentures	Own funds	2025	CDI + 0.58%, CDI+ 0.90%	IPCA + 6% (series 3)
Brazilian Federal Savings Bank	Own funds	2018/2038	5% to 9.5%	TR
Brazilian Development Bank - BNDES BAIXADA SANTISTA	Own funds	2019	2.5% + TJLP	
Brazilian Development Bank - BNDES PAC	Own funds	2023	2.15% + TJLP	
Brazilian Development Bank - BNDES PAC II 9751	Own funds	2027	1.72%+TJLP	
Brazilian Development Bank - BNDES PAC II 9752	Own funds	2027	1.72%+TJLP	
Brazilian Development Bank - BNDES ONDA LIMPA	Own funds	2025	1.92% + TJLP	
Brazilian Development Bank - BNDES TIETÊ III	Own funds	2028	1.66% + TJLP	
Brazilian Development Bank - BNDES 2015	Own funds	2035	2.5% + TJLP	
Leases		2035	7.73% to 10.12%	IPC
Other	Own funds	2018/2025	12% (Presidente Prudente) and TJLP + 1.5% (FINEP)	TR



ITR - Quarterly Financial Form - 9/30/2018 - CIA SANEAMENTO BASICO EST SAO PAULO

Version : 1

Foreign currency	Guarantees	Maturity	Annual interest
Inter-American Development Bank - BID 1212 – US\$ 71,947 thousand	Government	2025	3.3%
Inter-American Development Bank - BID 2202 – US\$ 544,457 thousand	Government	2035	3.2%
International Bank for Reconstruction and Development - BIRD – US\$ 91,286 thousand	Government	2034	2.8%
Deutsche Bank – US\$112,500 thousand	-	2019	4.3%
Eurobonds – US\$ 350,000 thousand	-	2020	
JICA 15 – ¥ 12,676,730 thousand	Government	2029	1.8% and
JICA 18 – ¥ 11,397,760 thousand	Government	2029	1.8% and
JICA 17 – ¥ 1,476,838 thousand	Government	2035	1.2% and
JICA 19 – ¥ 30,869,862 thousand	Government	2037	1.7% and
BID 1983AB – US\$ 58,462 thousand	-	2023	2.08% and 2.3%

(\*) Rates comprising LIBOR + contractually defined spread.

PAGE: 54 of 86

---

ITR - Quarterly Financial Form - 9/30/2018 - CIA SANEAMENTO BASICO EST SAO PAULO

Version : 1

(i) Payment schedule – accounting balances as of September 30, 2018

	2018	2019	2020	2021	2022	2023	2024 to 2038	TOTAL
<b>LOCAL CURRENCY</b>								
Debentures	309,883	1,044,297	587,169	479,076	558,337	361,791	353,247	3,693,800
Brazilian Federal Savings Bank	18,270	74,079	76,853	80,875	85,215	77,578	909,839	1,322,709
BNDES	30,307	121,229	103,019	102,569	102,569	96,837	540,620	1,097,150
Leases	4,527	33,924	35,577	37,374	39,328	42,091	374,771	567,592
Other	344	1,376	1,376	1,376	1,376	1,376	2,640	9,864
Interest and charges	43,231	58,181	-	-	-	-	-	101,412
<b>TOTAL LOCAL CURRENCY</b>	<b>406,562</b>	<b>1,333,086</b>	<b>803,994</b>	<b>701,270</b>	<b>786,825</b>	<b>579,673</b>	<b>2,181,117</b>	<b>6,792,527</b>
<b>FOREIGN CURRENCY</b>								
BID	-	169,385	169,385	169,385	169,385	169,385	1,604,859	2,451,784
BIRD	-	12,171	24,342	24,342	24,342	24,342	255,666	365,205
Deutsche Bank	150,146	297,253	-	-	-	-	-	447,399
Eurobonds	-	-	1,399,512	-	-	-	-	1,399,512
JICA	1,489	139,060	139,060	139,060	139,060	139,060	1,290,668	1,987,457
BID 1983AB	-	70,838	69,935	30,799	30,799	29,158	-	231,529
Interest and charges	41,972	9,583	-	-	-	-	-	51,555
<b>TOTAL FOREIGN CURRENCY</b>	<b>193,607</b>	<b>698,290</b>	<b>1,802,234</b>	<b>363,586</b>	<b>363,586</b>	<b>361,945</b>	<b>3,151,193</b>	<b>6,934,441</b>
<b>Overall Total</b>	<b>600,169</b>	<b>2,031,376</b>	<b>2,606,228</b>	<b>1,064,856</b>	<b>1,150,411</b>	<b>941,618</b>	<b>5,332,310</b>	<b>13,726,968</b>

PAGE: 55 of 86



## (ii) Changes

	December 31, 2017	Funding	Borrowing costs	Lease	Monetary variation and exchange rate changes	Inflation adjustment / update - Capitalized	Interest paid	Amort
<b>LOCAL CURRENCY</b>								
Debentures	3,576,842	750,000	(2,779)	-	51,200	-	(190,937)	(59)
Brazilian Federal Savings Bank	1,236,674	156,695	-	-	-	-	(76,146)	(0)
BNDES	1,042,036	131,000	-	-	2,343	2,565	(69,137)	(7)
Leases	561,616	-	-	-18,877	-	-	-	(1)
Other	10,977	-	-	-	47	-	(593)	(1)
<b>TOTAL IN LOCAL CURRENCY</b>	<b>6,428,145</b>	<b>1,037,695</b>	<b>(2,779)</b>	<b>18,877</b>	<b>53,590</b>	<b>2,565</b>	<b>(336,813)</b>	<b>(74)</b>
<b>FOREIGN CURRENCY</b>								
BID	1,743,257	484,690	(2,365)	-	330,794	39,423	(55,391)	(1)
BIRD	303,278	-	-	-	60,563	2,963	(7,610)	(1)
Deutsche Bank	496,726	-	-	-	84,184	-	(26,665)	(1)
Eurobonds	1,158,642	-	-	-	243,565	-	(47,662)	(1)
JICA	1,700,448	38,546	(117)	-	334,263	2,114	(33,361)	(7)
BID 1983AB	270,470	-	-	-	46,789	-	(5,674)	(8)
<b>TOTAL IN FOREIGN CURRENCY</b>	<b>5,672,821</b>	<b>523,236</b>	<b>(2,482)</b>	<b>-</b>	<b>1,100,158</b>	<b>44,500</b>	<b>(176,363)</b>	<b>(42)</b>
<b>Overall Total</b>	<b>12,100,966</b>	<b>1,560,931</b>	<b>(5,261)</b>	<b>18,877</b>	<b>1,153,748</b>	<b>47,065</b>	<b>(513,176)</b>	<b>(116)</b>

	December 31, 2016		Funding	Borrowing costs	Lease	Monetary variation and exchange rate changes	Inflation adjustment / update - Capitalized	Interest paid	Amortization
<b>LOCAL CURRENCY</b>									
Debentures	3,641,912	500,000		(955)	-	35,559		-(222,304)	(53)
Brazilian Federal Savings Bank	1,150,691	106,331		-	-	5,494	1,415	(71,031)	(4)
BNDES	946,984	171,153		-	-	3,294	5,273	(58,016)	(6)
Leases	552,516	-		-	-25,465	-	-	-	(1)
Other	11,677	-		-	-	92	-	(665)	
<b>TOTAL IN LOCAL CURRENCY</b>	<b>6,303,780</b>	<b>777,484</b>		<b>(955)</b>	<b>25,465</b>	<b>44,439</b>	<b>6,688</b>	<b>(352,016)</b>	<b>(66)</b>
<b>FOREIGN CURRENCY</b>									
BID	1,811,664	33,346		(2,498)	-	(75,599)	26,729	(37,689)	(14)
BIRD	261,337	35,710		-	-	(9,469)	2,400	(4,049)	
Deutsche Bank	485,090	-		(720)	-	(13,665)	-	(23,283)	
Eurobonds	1,141,469	-		-	-	(31,885)	-	(42,746)	
JICA	1,617,215	51,021		(128)	-	10,026	2,373	(28,466)	(6)
BID 1983AB	343,588	-		(82)	-	(9,928)	-	(5,845)	(7)
<b>TOTAL IN FOREIGN CURRENCY</b>	<b>5,660,363</b>	<b>120,077</b>		<b>(3,428)</b>	<b>-</b>	<b>(130,520)</b>	<b>31,502</b>	<b>(142,078)</b>	<b>(28)</b>
<b>Overall Total</b>	<b>11,964,143</b>	<b>897,561</b>		<b>(4,383)</b>	<b>25,465</b>	<b>(86,081)</b>	<b>38,190</b>	<b>(494,094)</b>	<b>(95)</b>

**(i) Main events in the nine-month period ended September 30, 2018****(a) Debentures**

As of January 15, 2018, the Company amortized series 1 of the 17th issue, totaling R\$ 144,391.

As of February 15, 2018, the Company amortized the first installment of series 2 of the 15th issue, totaling R\$ 348,434.

As of February 19, 2018, the Company held the 22nd issue of unsecured debentures, not convertible into shares, in up to three series, for public distribution, with restricted placement efforts, pursuant to CVM Instruction 476/2009, distributed as follows:

	<b>Value</b>	<b>Maturity</b>	<b>Remuneration</b>
Series 1	R\$ 100,000	3 years	CDI + 0.58% p.a.
Series 2	R\$ 400,000	5 years	CDI + 0.90% p.a.
Series 3	R\$ 250,000	7 years	IPCA + 6.00% p.a.

The proceeds from the debenture issue will be allocated to refinance financial commitments and recompose the Company's cash.

The covenants agreed for the 22nd debenture issue are disclosed in the quarterly financial information for the period ended March 31, 2018.

**(b) BNDES**

As of March 15 and June 11, 2018, the Company raised R\$ 79,000 and R\$ 44,300, respectively, corresponding to agreement BNDES 2015.

**(c) JICA**

In 2018, funding totaled R\$ 38,546, referring to agreement JICA 19.

**(d) BID**

In 2018, funding and amortization referring to agreement BID 2202 totaled R\$ 484,690 and R\$ 130,520, respectively.

**(e) DEUTSCHE BANK**

As of April 25, 2018, the first installment was amortized in the amount of R\$ 129,945.

**(f) AB LOAN 1983**

The amount of R\$ 85,306 was partially amortized as of May 15, 2018.

**(g) Foreign exchange variation**

The US dollar increased 21.0%, from R\$ 3.3080 as of December 31, 2017 to R\$ 4.0039 as of September 30, 2018, increasing the Company's debt denominated in US dollars by R\$ 855,019. In the same period, the Yen increased 20.0%, from R\$ 0.02940 as of December 31, 2017 to R\$ 0.035280 as of September 30, 2018, increasing the Company's debt denominated in Yen by R\$ 331,757.

**(ii) Covenants**

As of September 30, 2018, the Company had met the requirements set forth by its borrowings and financing agreements.

**(iii) Borrowings and financing – Credit Limited**

<b>Agent</b>	<b>September 30, 2018</b> (in millions of reais (*))
Brazilian Federal Savings Bank	1,330
Brazilian Development Bank – BNDES	1,452
Japan International Cooperation Agency – JICA	251
Other	38
<b>TOTAL</b>	<b>3,071</b>

(\* ) Brazilian Central Bank's exchange rate as of September 30, 2018 (US\$ 1.00 = R\$ 4.0039; ¥ 1.00 = R\$ 0.035280).

SABESP in order to comply with its Capex plan relies on a fund-raising plan.

Financing resources contracted have specific purposes, which have been released for the execution of their respective investments, according to the progress of the works.

**16 Taxes and contributions**

**(a) Current assets**

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
<b>Recoverable taxes</b>		
Income tax and social contribution	214,774	270,614
Withheld income tax (IRRF) on financial investments	11,060	2,606
Other federal taxes	12,879	3,365
Total	238,713	276,585

The decrease in recoverable taxes was mainly due to the offset of income tax and social contribution payable calculated in September 2018, deducted from the income tax and social contribution.

PAGE: 59 of 86

---

**(b) Current liabilities**

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
<b>Tax obligations</b>		
Cofins and Pasep	66,704	74,034
INSS (Social Security contribution)	35,976	35,365
IRRF (withholding income tax)	5,496	58,204
Other	938	16,362
Total	109,114	183,965

The decrease in tax liabilities was mainly due to the payment of withholding income tax based on the amount of interest on equity declared in 2017.

**17 Deferred taxes and contributions****(a) Statement of financial position details**

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
<b>Deferred tax assets</b>		
Provisions	349,601	482,863
Pension obligations – G1	159,195	165,503
Donations of underlying asset on concession agreements	53,115	55,112
Allowance for doubtful accounts	255,782	199,063
Other	181,483	151,562
Total deferred tax asset	999,176	1,054,103
<b>Deferred tax liabilities</b>		
Temporary difference on concession of intangible asset	(439,268)	(460,177)
Capitalization of borrowing costs	(420,068)	(415,379)
Profit on supply to governmental entities	(96,907)	(76,705)
Actuarial gain/loss –G1 Plan	(36,538)	(36,538)
Construction margin	(86,856)	(88,947)

Borrowing costs	(11,483)	(13,111)
Total deferred tax liabilities	(1,091,120)	(1,090,857)
Deferred tax liability, net	(91,944)	(36,754)

---

PAGE: 60 of 86



**(b) Changes**

<b>Deferred tax assets</b>	<b>December 31, 2017</b>	<b>Net change</b>	<b>September 30, 2018</b>
Provisions	482,863	(133,262)	349,601
Pension obligations – G1	165,503	(6,308)	159,195
Donations of underlying asset on concession agreements	55,112	(1,997)	53,115
Allowance for doubtful accounts	199,063	56,719	255,782
Other	151,562	29,921	181,483
<b>Total</b>	<b>1,054,103</b>	<b>(54,927)</b>	<b>999,176</b>
<b>Deferred tax liabilities</b>			
Temporary difference on concession of intangible asset	(460,177)	20,909	(439,268)
Capitalization of borrowing costs	(415,379)	(4,689)	(420,068)
Profit on supply to governmental entities	(76,705)	(20,202)	(96,907)
Actuarial gain/loss – G1	(36,538)	-	(36,538)
Construction margin	(88,947)	2,091	(86,856)
Borrowing costs	(13,111)	1,628	(11,483)
<b>Total</b>	<b>(1,090,857)</b>	<b>(263)</b>	<b>(1,091,120)</b>
Deferred tax liability, net	(36,754)	(55,190)	(91,944)

PAGE: 61 of 86

ITR - Quarterly Financial Form - 9/30/2018 - CIA SANEAMENTO BASICO EST SAO PAULO

Version : 1

<b>Deferred tax assets</b>	<b>December 31, 2016</b>	<b>Net change</b>	<b>September 30, 2017</b>
Provisions	524,129	(34,017)	490,112
Actuarial loss – G1	85,044	-	85,044
Pension obligations – G1	167,922	(2,074)	165,848
Donations of underlying asset on concession agreements	57,317	(1,537)	55,780
Allowance for doubtful accounts	266,757	(41,858)	224,899
Other	151,247	6,536	157,783
Total	1,252,416	(72,950)	1,179,466
<b>Deferred tax liabilities</b>			
Temporary difference on concession of intangible asset	(492,341)	24,455	(467,886)
Capitalization of borrowing costs	(374,512)	(39,376)	(413,888)
Profit on supply to governmental entities	(92,365)	6,755	(85,610)
Construction margin	(91,790)	2,152	(89,638)
Borrowing costs	(15,063)	1,169	(13,894)
Total	(1,066,071)	(4,845)	(1,070,916)
Deferred tax asset, net	186,345	(77,795)	108,550

PAGE: 62 of 86

**(c) Reconciliation of the effective tax rate**

The amounts recorded as income tax and social contribution expenses in the interim information are reconciled to the statutory rates, as shown below:

	<b>September 30, 2018</b>	<b>September 30, 2017</b>
Profit before income taxes	1,986,875	2,883,881
Statutory rate	34%	34%
Estimated expense at statutory rate	(675,536)	(980,520)
Tax benefit of interest on equity	35,884	42,009
Permanent differences		
Provision Law 4,819/58 – G0 (i)	(36,834)	(44,776)
Donations	(5,170)	(4,389)
Other differences	22,262	10,490
Income tax and social contribution	(659,394)	(977,186)
Current income tax and social contribution	(604,204)	(899,391)
Deferred income tax and social contribution	(55,190)	(77,795)
Effective rate	33%	34%

(i) Permanent difference related to the provision for actuarial liability (Note 19 (b) (iii)).

**18 Provisions****(a) Lawsuits and proceedings that resulted in provisions**

**(I) Statement of financial position details**

The Company is party to a number of claims and legal and administrative proceedings arising in the normal course of business, including civil, tax, labor and environmental matters. Management recognizes provisions consistently with the recognition and measurement criteria established in Note 3.15 to the Annual Financial Statements as of December 31, 2017. The ultimate timing and amounts of the payments depend on the outcome of the court cases. The provisions, net of escrow deposits are as follows:

PAGE: 63 of 86

---

ITR - Quarterly Financial Form - 9/30/2018 - CIA SANEAMENTO BASICO EST SAO PAULO

Version : 1

	<b>Provisions</b>	<b>Escrow deposits</b>	<b>September 30, 2018</b>	<b>Provisions</b>	<b>Escrow deposits</b>	<b>December 31, 2017</b>
Customer claims (i)	338,283	(39,679)	298,604	438,619	(56,301)	382,318
Supplier claims (ii)	66,595	(24,302)	42,293	332,037	(259,608)	72,429
Other civil claims (iii)	99,787	(13,147)	86,640	114,544	(16,227)	98,317
Tax claims (iv)	62,395	(8,035)	54,360	77,100	(5,507)	71,593
Labor claims (v)	298,649	(10,284)	288,365	299,842	(6,741)	293,101
Environmental claims (vi)	164,932	-	164,932	160,446	-	160,446
<b>Total</b>	<b>1,030,641</b>	<b>(95,447)</b>	<b>935,194</b>	<b>1,422,588</b>	<b>(344,384)</b>	<b>1,078,204</b>
Current	509,687	-	509,687	607,959	-	607,959
Noncurrent	520,954	(95,447)	425,507	814,629	(344,384)	470,245

**(II) Changes**

	<b>December 31, 2017</b>	<b>Additional provisions</b>	<b>Interest and inflation adjustment</b>	<b>Use of the accrual</b>	<b>Amounts not used (reversal)</b>	<b>September 30, 2018</b>
Customer claims (i)	438,619	14,923	29,319	(85,739)	(58,839)	338,283
Supplier claims (ii)	332,037	24,925	5,935	(283,513)	(12,789)	66,595
Other civil claims (iii)	114,544	18,327	9,995	(10,421)	(32,658)	99,787
Tax claims (iv)	77,100	4,931	3,443	(2,458)	(20,621)	62,395
Labor claims (v)	299,842	63,950	23,962	(33,305)	(55,800)	298,649
Environmental claims (vi)	160,446	26,290	14,658	(114)	(36,348)	164,932
<b>Subtotal</b>	<b>1,422,588</b>	<b>153,346</b>	<b>87,312</b>	<b>(415,550)</b>	<b>(217,055)</b>	<b>1,030,641</b>
Escrow deposits	(344,384)	(42,457)	(4,994)	264,203	32,185	(95,447)
<b>Total</b>	<b>1,078,204</b>	<b>110,889</b>	<b>82,318</b>	<b>(151,347)</b>	<b>(184,870)</b>	<b>935,194</b>

PAGE: 64 of 86

	<b>December 31, 2016</b>	<b>Additional provisions</b>	<b>Interest and inflation adjustment</b>	<b>Use of the accrual</b>	<b>Amounts not used (reversal)</b>	<b>September 30, 2017</b>
Customer claims (i)	572,210	22,992	35,925	(124,817)	(58,670)	447,640
Supplier claims (ii)	332,667	16,392	17,893	(12,368)	(17,815)	336,769
Other civil claims (iii)	131,286	7,879	8,822	(7,338)	(17,781)	122,868
Tax claims (iv)	69,898	4,418	6,152	(251)	(943)	79,274
Labor claims (v)	285,413	42,803	27,876	(37,775)	(26,088)	292,229
Environmental claims (vi)	150,084	23,786	12,125	(20,685)	(2,585)	162,725
Subtotal	1,541,558	118,270	108,793	(203,234)	(123,882)	1,441,505
Escrow deposits	(368,483)	(20,550)	(5,823)	13,919	41,213	(339,724)
Total	1,173,075	97,720	102,970	(189,315)	(82,669)	1,101,781

**(b) Lawsuits deemed as contingent liabilities**

The Company is party to lawsuits and administrative proceedings relating to environmental, tax, civil and labor claims, which are assessed as contingent liabilities in the financial statements, since it either does not expect outflows to be required or the amount of the obligation cannot be reliably measured. Contingent liabilities are represented as follows:

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Customer claims (i)	205,000	219,900
Supplier claims (ii)	1,570,400	1,430,600
Other civil claims (iii)	716,000	733,100
Tax claims (iv)	1,416,400	1,291,000
Labor claims (v)	604,300	677,400
Environmental claims (vi)	4,087,200	3,879,000
Total	8,599,300	8,231,000

**(c) Explanation on the nature of main classes of lawsuits**

**(i) Customer claims**

Approximately 1,020 lawsuits (1,070 as of December 31, 2017) were filed by commercial customers, which claim that their tariffs should correspond to other consumer categories, and 650 lawsuits (680 as of December 31, 2017) in which customers claim a reduction in the sewage tariff due to losses in the system, consequently requesting the refund of amounts charged by the Company and 40 lawsuits (50 as of December 31, 2017) in which customers plead the reduction in tariff under the category “Social Welfare Entity”. The Company was granted both favorable and unfavorable final decisions at several court levels.

PAGE: 65 of 86

---

**(ii) Supplier claims**

These include lawsuits filed by some suppliers alleging underpayment of monetary restatements, withholding of amounts related to the understated inflation rates deriving from Real economic plan, and the economic and financial imbalance of the agreements, and are in progress at different courts.

**(iii) Other civil claims**

These mainly refer to indemnities for property damage, pain and suffering, and loss of profits allegedly caused to third parties, filed at different court levels.

**(iv) Tax claims**

Tax claims refer mainly to issues related to tax collections and fines in general challenged due to disagreements regarding notification or differences in the interpretation of legislation by the Company's management.

**(v) Labor claims**

The Company is a party to labor lawsuits, involving issues such as overtime, shift schedule, health hazard premium and hazardous duty premium, prior notice, change of function, salary equalization, service outsourcing and other. Part of the amount involved is in provisional or final execution at various court levels.

**(vi) Environmental claims**



These refer to several administrative proceedings and lawsuits filed by government entities, including Companhia de Tecnologia de Saneamento Ambiental – Cetesb and the Public Prosecution Office of the State of São Paulo, that aim affirmative and negative covenants and penalty is estimated due to failure to comply in addition to the imposition of indemnity due to environmental damages allegedly caused by the Company. The amounts accrued represent the best estimate of the Company at this moment, however, may differ from the amount to be disbursed as indemnity to alleged damages, in view of the current stage of referred proceedings.

**(d) Guarantee insurance for escrow deposit**

The Company contracts guarantee insurance for the issue of policy, which was renewed on May 25, 2018, in the amount of R\$ 500 million. Such insurance will be used in legal claims where instead of making immediate cash disbursement by the Company, such insurance is used until the conclusion of these proceedings limited to up to five years.

From July to September 2018, the Company used R\$ 25,729 as guarantee insurance (R\$ 1,749 from July to September 2017); a total of R\$ 472,276 referring to the current agreement is outstanding.

PAGE: 66 of 86

---

## **19 Employees benefits**

### **(a) Health benefit plan**

The health benefit plan is managed by Sabesprev and consists of optional, free choice, health plans sponsored by contributions of SABESP and the active participants, as follows:

- . Company: 8.6% on average, of gross payroll;
  
- . Participating employees: 3.21% of base salary and premiums, equivalent to 3.0% of payroll, on average.

The health plans offered to SABESP employees are self-managed by Fundação Sabesp de Seguridade Social (Sabesprev). However, the Company is undergoing a bidding process to hire a health operator that will implement an internally managed plan to redesign the medical services rendered to SABESP.

Pursuant to the rules of the National Regulatory Agency for Private Health Insurance and Plans (ANS), Sabesprev is required to maintain sufficient equity and solvency margin in order to ensure its operation. For this reason, SABESP was required to contribute an additional R\$ 41 million in 2018, in view of the imbalance caused by the increase in healthcare costs, in order to comply with the parameters required by ANS.

We also emphasize that monthly administrative expenses decreased significantly in the first phase of the bidding process, from R\$ 2.4 million to R\$ 584 thousand.

### **(b) Pension plan benefits**

- (d) Guarantee insurance for escrow deposit

Funded plan – G1	
Pension plan liabilities as of December 31, 2017	388,461
Expenses recognized in 2018	7,808
Payments made in 2018	(26,363)
Pension plan liabilities as of September 30, 2018 (i)	369,906
Unfunded plan – G0	
Pension plan liabilities as of December 31, 2017	2,543,877
Expenses recognized in 2018	174,187
Payments made in 2018	(125,155)
Pension plan liabilities as of September 30, 2018 (iii)	2,592,909
Total	2,962,815

**(i) G1 Plan**

The Company sponsors a defined benefit pension plan for its employees (“G1 Plan”), which is managed by Sabesprev, receives similar contributions established in a plan of subsidy of actuarial study of SABESPREV, as follows:

- 0.99% of the portion of the salary of participation up to 20 salaries; and
- 8.39% of the surplus, if any, of the portion of the salary of participation over 20 salaries.

PAGE: 67 of 86

---

As of September 30, 2018, SABESP had a net actuarial liability of R\$ 369,906 (R\$ 388,461 as of December 31, 2017) representing the difference between the present value of the Company's defined benefit obligations to the participating employees, retired employees, and pensioners; the fair value of the plan's assets.

**(ii) Private pension plan benefits – Defined contribution**

As of September 30, 2018, Sabesprev Mais plan, based on defined contribution, had 9,607 active and assisted participants (9,328 as of December 31, 2017).

With respect to the Sabesprev Mais plan, the contributions from the sponsor represent 100% over the total basic contribution from the participants. In 2018, expenses related to the obligation of defined contribution, totaling R\$ 9,767, R\$ 1,359 and R\$ 2,667, were allocated to operating costs, selling expenses and administrative expenses. The amount of R\$ 1,374 was capitalized in assets.

From January to September 2018, the Company has made contributions in the amount of R\$ 15,167 (R\$ 12,671 from January to September 2017).

**(iii) Plan G0**

Pursuant to State Law 4,819/58, employees who started providing services prior to May 1974 and retired as an employee of the Company acquired a legal right to receive supplemental pension payments, which rights are referred as "Plan G0". The Company pays these supplemental benefits on behalf of the State Government and makes claims for reimbursements from the State Government, which are recorded as accounts receivable from related parties, limited to the amounts considered virtually certain that will be reimbursed by the State Government. As of September 30, 2018, the Company recorded a defined benefit obligation for Plan G0 of R\$ 2,592,909 (R\$ 2,543,877 as of December 31, 2017).

**(c) Profit sharing**

The Company has a profit sharing program in accordance with an agreement with labor union and SABESP. The period covered represents the Company fiscal year, from January to December 2018. The limit of the profit sharing is one month salary for each employee, depending on performance goals reached.

In the third quarter of 2018, the Company accrued R\$ 27,553 (R\$ 25,175 in the third quarter of 2017). From January to September 2018 and 2017, R\$ 81,695 and R\$ 69,573, respectively, were accrued.

**20 Services payable**

The services account records the balances payable, mainly from services received from third parties, such as supply of electric power, reading of hydrometers and delivery of water and sewage bills, cleaning, surveillance and security services, collection, legal counsel services, audit, marketing and advertising and consulting services, among others. This account also includes the amounts payable related to the transfer of 7.5% of revenue from the São Paulo local government to the Municipal Fund (Note 14 (c) (v) of the Annual Financial Statements of December 31, 2017). The balances as of September 30, 2018 and December 31, 2017 were R\$ 399,590 and R\$ 408,275, respectively.

PAGE: 68 of 86

---

## 21 Knowledge Retention Program

In June 2018, SABESP implemented the Knowledge Retention Program (PRC), aiming to provide personnel planning conditions and mitigate the impact of the exit of employees who possess strategic knowledge acquired throughout their career.

The period to enroll in the Program was from July 2, 2018 to October 31, 2018; however, the final term was postponed to November 30, 2018. Employment terminations will be carried out based on a previously set schedule, during the validity of the Program, i.e. from January 2, 2019 to December 30, 2020.

For those enrolled in the Program, the compliance with the agreements of the Collective Bargaining Agreement effective on the date of termination is thereby guaranteed. They will also receive a severance incentive proportional to the length of service at SABESP, corresponding to a percentage of the balance of the Guarantee Fund for Length of Service (FGTS), for termination purposes, on the date of termination, as per the table below:

Length of service at SABESP (years)	% of the Guarantee Fund for Length of Service (FGTS)
more than 15	40%
11 - 15	30%
06 - 10	15%
0 - 5	5%

In the third quarter of 2018, the Company recorded R\$ 61,514, corresponding to the provision of compensatory payments of employees enrolled in the Program. On September 30, 2018, the total balance was R\$ 152,400, R\$ 16,997 of which recorded under current liabilities and R\$ 135,403 under noncurrent liabilities.

For employees eligible to the Consent Decree (TAC) entered into with the São Paulo State Prosecution Office in 2009 who joined the Program, the Company reversed R\$ 70,446 in the third quarter of 2018, corresponding to provision (R\$ 143,735 from January to September 2018).

As of September 30, 2018 the total provisioned corresponding to TAC was R\$ 162,472, R\$ 158,832 of which was recorded under current liabilities and R\$ 3,640 under noncurrent liabilities.

## **22 Equity**

### **(a) Authorized capital**

The Company is authorized to increase capital by up to R\$ 15,000,000, based on a Board of Directors' resolution, after submission to the Fiscal Council.

In the event of capital increase, issue of convertible debentures and/or warrants by means of private subscription, shareholders will have preemptive right in the proportion of the number of shares held, pursuant to Article 171 of Law 6,404/76.

### **(b) Subscribed and paid-in capital**

As of September 30, 2018 and December 31, 2017, subscribed and paid-in capital is represented by 683,509,869 registered, book-entry common shares with no par value, held as follows:

PAGE: 69 of 86

---

	<b>September 30, 2018</b>		<b>December 31, 2017</b>	
	<b>Number of</b>	<b>%</b>	<b>Number of</b>	<b>%</b>
	<b>shares</b>		<b>shares</b>	
State Department of Finance	343,524,285	50.26%	343,524,285	50.26%
Companhia Brasileira de Liquidação e Custódia	210,420,840	30.78%	201,026,895	29.41%
The Bank Of New York ADR Department (equivalent in shares) (*) (**)	127,406,567	18.64%	136,790,413	20.01%
Other	2,158,177	0.32%	2,168,276	0.32%
	<b>683,509,869</b>	<b>100.00%</b>	<b>683,509,869</b>	<b>100.00%</b>

(\*) each ADR corresponds to 1 share.

(\*\*) custodians.

The Annual Shareholders' Meeting of April 27, 2018 approved the distribution of dividends as interest on equity, in the amount of R\$ 703,878, the transfer of R\$ 1.689,466 from retained earnings to Investment Reserves and the allocation of R\$ 125,965 to the Legal Reserve.

In June 2017, the Company began paying interest on equity in the amount of R\$ 703,878 before withholding income tax of R\$ 50,324, which gives a net amount of R\$ 653,554. A total of R\$ 653,393 has already been paid.

## **23 Earnings per share Basic and diluted**

Basic earnings per share is calculated by dividing the equity attributable to the Company's owners by the weighted average number of outstanding common shares during the year. The Company does not have potentially dilutive common shares outstanding or debts convertible into common shares. Accordingly, basic and diluted earnings per share are equal.

<b>January to September</b>	<b>January to September</b>
<b>2018</b>	<b>2017</b>

(b) Subscribed and paid-in capital

120



Profit attributable to the Company's owners	1,327,481	1,906,695
Weighted average number of common shares issued	683,509,869	683,509,869
Basic and diluted earnings per share (reais per share)	1.94216	2.78957

PAGE: 70 of 86

---

**24 Operating segment information**

Management, comprised of the Board of Directors and Board of Executive Officers, has determined the operating segment used to make strategic decisions, as sanitation services.

## Result

	<b>July to September 2018</b>		
	<b>Reconciliation</b>		
	<b>Sanitation</b>	<b>to the</b>	<b>Balance as</b>
	<b>(i)</b>	<b>statement of</b>	<b>per interim</b>
		<b>income (ii)</b>	<b>information</b>
Gross operating revenue	3,331,564	724,158	4,055,722
Gross sales deductions	(244,941)	-	(244,941)
Net operating revenue	3,086,623	724,158	3,810,781
Costs, selling, general and administrative expenses	(2,011,284)	(707,877)	(2,719,161)
Income from operations before other operating expenses, net and equity accounting	1,075,339	16,281	1,091,620
Other operating income/(expenses), net			34,159
Equity accounting			502
Financial result, net			(262,770)
Income before taxes			863,511
Depreciation and amortization	(342,520)	-	(342,520)

ITR - Quarterly Financial Form - 9/30/2018 - CIA SANEAMENTO BASICO EST SAO PAULO

Version : 1

	<b>January to September 2018</b>		
	<b>Reconciliation</b>		
	<b>Sanitation</b>	<b>to the</b>	<b>Balance as</b>
	<b>(i)</b>	<b>statement of</b>	<b>per interim</b>
		<b>income (ii)</b>	<b>information</b>
Gross operating revenue	9,862,258	2,038,406	11,900,664
Gross sales deductions	(717,981)	-	(717,981)
Net operating revenue	9,144,277	2,038,406	11,182,683
Costs, selling, general and administrative expenses	(5,975,461)	(1,992,577)	(7,968,038)
Income from operations before other operating expenses, net and equity accounting	3,168,816	45,829	3,214,645
Other operating income/(expenses), net			61,971
Equity accounting			4,196
Financial result, net			(1,293,937)
Income before taxes			1,986,875
Depreciation and amortization	(997,406)	-	(997,406)

(i) See note 30 for further information about non-monetary items, other than depreciation and amortization that impact segment results, and additional to long-lived asset information.

(ii) Construction revenue and related costs not reported to the CODM (“Chief Operating Decision Maker”).

PAGE: 72 of 86

---

ITR - Quarterly Financial Form - 9/30/2018 - CIA SANEAMENTO BASICO EST SAO PAULO

Version : 1

	<b>July to September 2017</b>		
	<b>Reconciliation</b>		
	<b>Sanitation</b>	<b>to the</b>	<b>Balance as</b>
	<b>(i)</b>	<b>statement of</b>	<b>per interim</b>
		<b>income (ii)</b>	<b>information</b>
Gross operating revenue	2,999,747	712,875	3,712,622
Gross sales deductions	(176,178)	-	(176,178)
Net operating revenue	2,823,569	712,875	3,536,444
Costs, selling, general and administrative expenses	(1,711,393)	(694,470)	(2,405,863)
Income from operations before other operating expenses, net and equity accounting	1,112,176	18,405	1,130,581
Other operating income/(expenses), net			14,642
Equity accounting			1,232
Financial result, net			222,869
Income from operations before taxes			1,369,324
Depreciation and amortization	324,516	-	324,516

PAGE: 73 of 86

ITR - Quarterly Financial Form - 9/30/2018 - CIA SANEAMENTO BASICO EST SAO PAULO

Version : 1

	<b>January to September 2017 Reconciliation</b>		
	<b>Sanitation (i)</b>	<b>to the statement of income (ii)</b>	<b>Balance as per interim information</b>
Gross operating revenue	8,930,628	2,215,225	11,145,853
Gross sales deductions	(555,949)	-	(555,949)
Net operating revenue	8,374,679	2,215,225	10,589,904
Costs, selling, general and administrative expenses	(5,527,962)	(2,165,926)	(7,693,888)
Income from operations before other operating expenses, net and equity accounting	2,846,717	49,299	2,896,016
Other operating income/(expenses), net			37,715
Equity accounting			4,699
Financial result, net			(54,549)
Income from operations before taxes			2,883,881
Depreciation and amortization	974,487	-	974,487

(i) See note 30 for further information about non-monetary items, other than depreciation and amortization that impact segment results, and additional to long-lived asset information.

(ii) Construction revenue and related costs not reported to the CODM (“Chief Operating Decision Maker”).

Explanation on the reconciliation items for the income statement.

The impacts on gross operating income and costs are as follows:

	<b>July to September 2018</b>	<b>January to September 2018</b>	<b>July to September 2017</b>	<b>January to September 2017</b>
Gross revenue from construction recognized under ICPC 1 (R1) (a)	724,158	2,038,406	712,875	2,215,225
Construction costs recognized under ICPC 1 (R1) (a)	(707,877)	(1,992,577)	(694,470)	(2,165,926)
Construction margin (Note 13 (e))	16,281	45,829	18,405	49,299

(a) Revenue from construction is recognized as shown in Note 3.1 (b).



**25 Operating income****(a) Income from sanitation services:**

	<b>July to September 2018</b>	<b>January to September 2018</b>	<b>July to September 2017</b>	<b>January to September 2017</b>
São Paulo Metropolitan Region	2,355,358	6,935,754	2,125,599	6,296,886
Regional Systems	976,206	2,926,504	874,148	2,633,742
Total	3,331,564	9,862,258	2,999,747	8,930,628

**(b) Reconciliation between gross operating income and net operating income:**

	<b>July to September 2018</b>	<b>January to September 2018</b>	<b>July to September 2017</b>	<b>January to September 2017</b>
Revenue from sanitation services (i)	3,331,564	9,862,258	2,999,747	8,930,628
Construction revenue	724,158	2,038,406	712,875	2,215,225
Sales tax	(231,470)	(677,569)	(176,178)	(555,949)
Regulation, Control and Oversight Fee (TRCF) (ii)	(13,471)	(40,412)	-	-
Net revenue	3,810,781	11,182,683	3,536,444	10,589,904

(i) Includes the amount of R\$ 15,832 from July to September 2018 and R\$ 47,176 from January to September 2018, corresponding to the TRCF charged from customers from the municipalities regulated by ARSESP.

(ii) Amount payable to ARSESP referring to the performance of the regulation, control and oversight activity, pursuant to State Complementary Law 1,025/07.

PAGE: 75 of 86

---

**26 Operating costs and expenses**

	<b>July to September 2018</b>	<b>January to September 2018</b>	<b>July to September 2017</b>	<b>January to September 2017</b>
Operating costs				
Salaries, payroll charges and benefits	(504,663)	(1,458,988)	(438,701)	(1,368,180)
Pension obligations	(6,449)	(18,626)	(12,268)	(35,738)
Construction costs (Note 24)	(707,877)	(1,992,577)	(694,470)	(2,165,926)
General supplies	(58,101)	(161,792)	(34,867)	(109,465)
Treatment supplies	(58,132)	(195,490)	(60,060)	(198,871)
Outside services	(250,452)	(714,289)	(180,220)	(612,655)
Electricity	(240,952)	(690,308)	(203,205)	(589,921)
General expenses	(173,426)	(463,996)	(130,634)	(392,706)
Depreciation and amortization	(313,237)	(908,824)	(292,893)	(876,715)
	(2,313,289)	(6,604,890)	(2,047,318)	(6,350,177)
Selling expenses				
Salaries, payroll charges and benefits	(72,711)	(219,267)	(69,083)	(215,917)
Pension obligations	(892)	(2,615)	(1,876)	(5,343)
General supplies	(1,753)	(4,294)	(925)	(2,742)
Outside services	(66,367)	(198,976)	(57,979)	(184,377)
Electricity	(254)	(853)	(200)	(575)
General expenses	(23,680)	(73,852)	(24,523)	(69,001)
Depreciation and amortization	(4,365)	(13,028)	(4,413)	(11,302)
Allowance for doubtful accounts (Note 8 (c))	(19,307)	(126,005)	34,380	(87,480)
	(189,329)	(638,890)	(124,619)	(576,737)
Administrative expenses				
Salaries, payroll charges and benefits	(70,362)	(190,905)	(55,436)	(168,084)
Pension obligations	(37,102)	(111,913)	(46,059)	(134,635)
General supplies	(1,182)	(3,828)	(3,971)	(5,154)
Outside services	(49,681)	(149,972)	(50,166)	(123,846)
Electricity	(252)	(945)	(227)	(711)
General expenses	(19,599)	(147,152)	(29,257)	(172,207)
Depreciation and amortization	(24,918)	(75,554)	(27,210)	(86,470)
Tax expenses	(13,447)	(43,989)	(21,600)	(75,867)
	(216,543)	(724,258)	(233,926)	(766,974)



ITR - Quarterly Financial Form - 9/30/2018 - CIA SANEAMENTO BASICO EST SAO PAULO

Version : 1

	<b>July to September 2018</b>	<b>January to September 2018</b>	<b>July to September 2017</b>	<b>January to September 2017</b>
Operating costs and expenses				
Salaries, payroll charges and benefits	(647,736)	(1,869,160)	(563,220)	(1,752,181)
Pension obligations	(44,443)	(133,154)	(60,203)	(175,716)
Construction costs (Note 24)	(707,877)	(1,992,577)	(694,470)	(2,165,926)
General supplies	(61,036)	(169,914)	(39,763)	(117,361)
Treatment supplies	(58,132)	(195,490)	(60,060)	(198,871)
Outside services	(366,500)	(1,063,237)	(288,365)	(920,878)
Electricity	(241,458)	(692,106)	(203,632)	(591,207)
General expenses	(216,705)	(685,000)	(184,414)	(633,914)
Depreciation and amortization	(342,520)	(997,406)	(324,516)	(974,487)
Tax expenses	(13,447)	(43,989)	(21,600)	(75,867)
Allowance for doubtful accounts (Note 8 (c))	(19,307)	(126,005)	34,380	(87,480)
	(2,719,161)	(7,968,038)	(2,405,863)	(7,693,888)

PAGE: 77 of 86

**27 Financial income (expenses)**

	<b>July to September 2018</b>	<b>January to September 2018</b>	<b>July to September 2017</b>	<b>January to September 2017</b>
Financial expenses				
Interest and charges on borrowings and financing – local currency	(84,191)	(246,785)	(72,389)	(203,199)
Interest and charges on borrowings and financing – foreign currency	(45,725)	(129,495)	(28,622)	(80,240)
Other financial expenses	(58,533)	(105,030)	(27,047)	(78,280)
Income tax over international remittance	(5,235)	(15,175)	(4,226)	(13,226)
Inflation adjustment on loans and financing	(21,251)	(53,589)	(3,597)	(44,442)
Other inflation adjustments	(6,176)	(26,162)	(6,994)	(23,938)
Interest and inflation adjustments on provisions	25,916	37,929	6,744	(26,653)
Total financial expenses	(195,195)	(538,307)	(136,131)	(469,978)
Financial income				
Inflation adjustment gains	30,915	89,177	18,670	68,528
Income on short-term investments	49,420	133,751	45,104	156,671
Interest income	37,181	125,301	45,988	71,610
Cofins and Pasep	(5,465)	(16,944)	(3,920)	(12,638)
Other	3	6	-	442
Total financial income	112,054	331,291	105,842	284,613
Financial income (expenses), net before exchange rate changes	(83,141)	(207,016)	(30,289)	(185,365)
Net exchange gains (losses)				
Exchange rate changes on borrowings and financing (i)	(190,812)	(1,100,166)	253,158	130,523
Exchange gains on assets	11,183	13,245	-	347
Other exchange rate changes	-	-	-	(54)
Exchange rate changes, net	(179,629)	(1,086,921)	253,158	130,816
Financial income (expenses), net	(262,770)	(1,293,937)	222,869	(54,549)

(i) The change in quarterly expenses mainly reflects the 3.8% appreciation of the US dollar and the 1.3% appreciation of the Yen in 2018, compared to 4.2% and 4.5% depreciations, respectively in the same period in 2017.

PAGE: 78 of 86

(b) Reconciliation between gross operating income and net operating income:

130

**28 Other operating income (expenses), net**

	<b>July to September 2018</b>	<b>January to September 2018</b>	<b>July to September 2017</b>	<b>January to September 2017</b>
Other operating income, net	44,424	98,845	22,852	46,135
Other operating expenses	(10,265)	(36,874)	(8,210)	(8,420)
Other operating income (expenses), net	34,159	61,971	14,642	37,715

Other operating income is comprised by sale of property, plant and equipment, sale of contracts awarded in public bids, right to sell electricity, indemnities and reimbursement of expenses, fines and collaterals, property leases, reuse water, PURA projects and services, net of Cofins and Pasesp.

Other operating expenses consist mainly of derecognition of concessions due to obsolescence, discontinued construction works, unproductive wells, projects considered economically unfeasible, losses on property, plant and equipment and exceeding cost of electricity sold.

**29 Commitments**

The Company has agreements to manage and maintain its activities, as well as agreements to build new projects aiming at achieving the objectives proposed in its target plan. Below, the main committed amounts as of September 30, 2018:

	<b>October to December 2018</b>	<b>2019 to 2020</b>	<b>2021 to 2022</b>	<b>2023 onwards</b>	<b>Total</b>
Contractual obligations – Expenses	994,810	1,531,642	400,601	1,250,732	4,177,785
Contractual obligations - Investments	1,426,876	3,080,652	1,221,014	6,158,056	11,886,598
Total	2,421,686	4,612,294	1,621,615	7,408,788	16,064,383

The main commitment refers to the São Lourenço PPP. See Note 13 (g).

PAGE: 79 of 86

---

**30 Supplemental cash flow information**

	<b>January to September 2018</b>	<b>January to September 2017</b>
Total additions to intangible assets (Note 13 (b))	2,250,152	2,355,110
Items not affecting cash (see breakdown below)	(883,468)	(1,121,341)
Total additions to intangible assets as per statement of cash flows	1,366,684	1,233,769
Investments and financing operations affecting intangible assets but not cash:		
Interest capitalized in the period (Note 13 (d))	397,420	476,719
Contractors payable	245,576	190,073
Public-Private Partnership - São Lourenço PPP (Note 13 (g))	169,785	332,446
Leases	2,095	9,258
Program contract commitments	22,763	63,546
Construction margin (Note 24)	45,829	49,299
Total	883,468	1,121,341

**31 Events after the reporting period**

- **Agreements for the Provision of Water Supply and Sewage Services**

In October 2018, the Company renewed the Agreement for the Provision of Water Supply and Sewage Services with the municipalities of Angatuba, Arandu and Piraju for 30 years.

PAGE: 80 of 86

---

## **Comments on the Company's Projections**

### **Comments on the Company's projections**

The projections presented in the Reference Form are annual and not on a quarterly basis. Therefore, the quarterly comparison between information disclosed in the Reference Form with quarterly results shall not apply.

The projections monitoring occurs on annual basis and are disclosed in the Reference Form.

PAGE: 81 of 86

---

# 1. CHANGES IN INTEREST HELD BY CONTROLLING SHAREHOLDER, BOARD MEMBERS AND EXECUTIVE OFFICERS

## CONSOLIDATED SHAREHOLDING OF CONTROLLING SHAREHOLDERS, MANAGEMENT AND OUTSTANDING SHARES

Shareholder	Position as of 9/30/2018		Total Number of Shares	
	Number of Common Shares (units)	%	(units)	%
<b>Controlling Group</b>				
Treasury Department	343,524,285	50.3%	343,524,285	50.3%
Cesp - Companhia Energética De São Paulo	4,272	0.00%	4,272	0.00%
Companhia Paulista de				
Parcerias - CPP	6	0.00%	6	0.00%
<b>Management</b>				
Board of Directors	10,600	0.00%	10,600	0.00%
Board of Executive Officers	-	-	-	-
<b>Fiscal Council</b>	64	0.00%	64	0.00%
<b>Treasury Shares</b>	-	-	-	-
<b>Other Shareholders</b>				
<b>Total</b>	<b>343,539,227</b>	<b>50.3%</b>	<b>343,539,227</b>	<b>50.3%</b>
Outstanding Shares	339,970,642	49.7%	339,970,642	49.7%

PAGE: 82 of 86





**CONSOLIDATED SHAREHOLDING OF CONTROLLING SHAREHOLDERS, MANAGEMENT AND  
OUTSTANDING SHARES**

Shareholder	Position as of 30/09/2017		Total Number of Shares (units)	%
	Number of Common Shares (units)	%		
<b>Controlling Group</b>				
Treasury Department	343,524,285	50.3%	343,524,285	50.3%
Cesp - Companhia Energética De São Paulo	4,272	0.00%	4,272	0.00%
Companhia Paulista de				
Parcerias - CPP	6	0.00%	6	0.00%
<b>Management</b>				
Board of Directors	-	-	-	-
Board of Executive Officers	-	-	-	-
<b>Fiscal Council</b>	4	0.0%	4	0.0%
<b>Treasury Shares</b>	-	-	-	-
<b>Other Shareholders</b>				
<b>Total</b>	<b>343,528,567</b>	<b>50.3%</b>	<b>343,528,567</b>	<b>50.3%</b>
Outstanding Shares	339,981,302	49.7%	339,981,302	49.7%

## 2. SHAREHOLDING POSITION

### SHAREHOLDING POSITION OF HOLDERS OF MORE THAN 5% OF EACH TYPE AND CLASS OF COMPANY SHARES, UP TO THE INDIVIDUAL LEVEL

Company:

Position as of 9/30/2018

#### 1. CHANGES IN INTEREST HELD BY CONTROLLING SHAREHOLDER, BOARD MEMBERS AND EXECUTIVE

**COMPANHIA SANEAMENTO BÁSICO ESTADO SÃO PAULO**

(Number of shares)

Shareholder	Common shares		Total	
	Number of shares	%	Number of shares	%
Treasury Department Lazard Asset Management LCC	343,524,285	50.3	343,524,285	50.3
	34,596,179	5.06	34,596,179	5.06

PAGE: 83 of 86

---

## **Reports and Statements / Unqualified Reports on Special Review**

### **Review report on the interim financial statements – ITR**

To the Board of Directors and Shareholders

Companhia de Saneamento Básico do Estado de São Paulo - SABESP

São Paulo - SP

#### **Introduction**

We have reviewed the interim financial information of Companhia de Saneamento Básico do Estado de São Paulo – SABESP (“The Company”), included in the Quarterly Financial Information – ITR referring to the quarter ended September 30, 2018, comprising the Financial position as of September 30, 2018 and the statement of income and comprehensive income for the three and nine-month periods the ended, and the changes in equity and cash flows for the nine-months period then ended, including the explanatory notes.

Management is responsible for the preparation of the interim financial information in accordance with accounting standard CPC 21(R1) - Interim Financial Reporting and IAS 34 - Interim Financial Reporting, as issued by the International Accounting Standards Board - IASB, as well as for the presentation of this information in accordance with the standards issued by the Brazilian Securities and Exchange Commission - CVM, applicable to the preparation of Quarterly Financial Information - ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

#### **Scope of Review**

We conducted our review in accordance with the Brazilian and International standards on review engagements NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively. A review of interim financial information consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance

with the auditing standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion on the interim financial information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information included in the Quarterly Information Form - ITR referred to above is not prepared, in all material respects, in accordance with CPC 21(R1) and IAS 34, issued by the IASB applicable to the preparation of Quarterly Financial Information - ITR, and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission - CVM.

### **Other matters - Statement of value added**

We have also reviewed the statements of value added (DVA) for the nine-month period ended September 30, 2018, prepared under the responsibility of the Company's management, whose presentation on the interim financial information is required in accordance with the standards issued by the Brazilian Securities and Exchange Commission – CVM applicable to the preparation of Quarterly Financial Information - ITR, and considered as supplementary information by IFRS, which does not require this disclosure. These statements were subject to the same review procedures described above, and based on our review, nothing has come to our attention that causes us to believe that it is not prepared, in all material respects, in accordance with the interim financial information taken as a whole.

São Paulo, November 08, 2018.

KPMG Auditores Independentes

CRC 2SP014428/O-6

(Original report in Portuguese signed by)

Márcio Serpejante Peppe

Contador CRC 1SP233011/O-8

PAGE: 84 of 86

---

## **Reports and Statements / Executive Officers' Statement on the Financial Statements**

Executive Officers' Statement on the Interim Financial Information

### STATEMENT

The Executive Officers of Companhia de Saneamento Básico do Estado de São Paulo - SABESP, with Corporate Taxpayer's ID (CNPJ/MF) no. 43.776.517/0001-80, headquartered at Rua Costa Carvalho, nº 300, Pinheiros, São Paulo, declare that, pursuant to paragraph 1, article 29, item II, of CVM Instruction 480, of December 7, 2009, amended by CVM Instruction 586, of June 8, 2017, that:

They revised, discussed and agreed with the interim financial information for the period ended September 30, 2018.

São Paulo, November 8, 2018.

Companhia de Saneamento Básico do Estado de São Paulo – SABESP

Karla Bertocco Trindade

Chief Executive Officer

Rui de Britto Álvares Affonso  
Chief Financial and Investor Relations Officer

Augusto Bezana  
Corporate Management Officer

Edison Airoldi  
Technology, Project and Environment Officer

Paulo Massato Yoshimoto

Metropolitan Officer

João Cesar Queiroz Prado  
Regional Systems Officer

PAGE: 85 of 86



## **Reports and Statements / Executive Officers' Statement on the Report of Independent Registered Public Accounting Firm**

Executive Officers' Statement on the Report of Independent Registered Public Accounting Firm

### STATEMENT

The Executive Officers of Companhia de Saneamento Básico do Estado de São Paulo - SABESP, with Corporate Taxpayer's ID (CNPJ/MF) no. 43.776.517/0001-80, headquartered at Rua Costa Carvalho, nº 300, Pinheiros, São Paulo, declare that, pursuant to paragraph 1, article 29, item II, of CVM Instruction 480, of December 7, 2009, amended by CVM Instruction 586, of June 8, 2017, that:

They revised, discussed and agreed with the Report of Independent Registered Public Accounting Firm on the interim financial information for the period ended September 30, 2018.

São Paulo, November 8, 2018.

Companhia de Saneamento Básico do Estado de São Paulo – SABESP

Karla Bertocco Trindade  
Chief Executive Officer

Rui de Britto Álvares Affonso  
Chief Financial and Investor Relations Officer

Augusto Bezana  
Corporate Management Officer

Edison Airoldi  
Technology, Project and Environment Officer

Paulo Massato Yoshimoto  
Metropolitan Officer

João Cesar Queiroz Prado  
Regional Systems Officer

PAGE: 86 of 86



