

## Q1 2018 Earnings Call

### Company Participants

- Mário Azevedo de Arruda Sampaio, Head-Capital Markets & Investor Relations
- Rui de Britto Álvares Affonso, Chief Financial Officer & Investor Relations Officer

### Other Participants

- Lilyanna Yang, Analyst
- Marcelo Sa, Analyst

## MANAGEMENT DISCUSSION SECTION

### Operator

Good afternoon, ladies and gentlemen. At this time, we would like to welcome everyone to SABESP's Conference Call to discuss its Results for the First Quarter of 2018. The audio for this conference is being broadcast simultaneously through the Internet on the website [www.sabesp.com.br](http://www.sabesp.com.br), and on the MZiQ platform, where you can also find a slideshow presentation available for download.

We inform that all participants will only be able to listen to the conference during the company's presentation. After the company's remarks are over, there will be a Q&A period. At that time, further instructions will be given.

Before proceeding, let me mention that forward-looking statements are being made under the Safe Harbor of the Securities Litigation Reform Act of 1996. Forward-looking statements are based on the beliefs and assumptions of SABESP's management and on information currently available to the company. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties, and assumptions because they relate to future events and, therefore, depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions, and other operating factors could also affect the future results of SABESP and could cause results to differ materially from those expressed in such forward-looking statements.

Today with us, we have Rui Affonso, Chief Financial Officer and – excuse me, Investor Relations Officer; Mário Arruda Sampaio, Head of Capital Markets and Investor Relations; Sylvio Xavier, Head of Costs and Tariffs; and Marcelo Miyagui, Head of Accounting. Please note this event is being recorded.

Now, I'll turn the conference over to Mário Sampaio. Sir, you may begin your conference.

## Mário Azevedo de Arruda Sampaio

Okay, good afternoon, everybody. We would like to thank you for being with us for this teleconference. We're going to discuss the results for the first quarter and obviously updates on relevant matters and Q&A at the end. This will be a 6-slide presentation that we again will discuss the main events of the period. But before, I would like just to inform and make sure everybody is aware that yesterday we issued a Material Fact to announce that the Board of Directors elected Ms. Karla Bertocco Trindade for the position of Chief Executive Officer replacing Mr. Jerson Kelman who presented his resignation also yesterday.

Additionally, pursuant to our Bylaws, Ms. Karla will be a member of the Board of Directors while she holds the position of CEO. Karla, just very quickly, was a former Undersecretary of Partnerships and Innovation at the Secretary of Government of the State of São Paulo. She was responsible directly for coordinating many PPP and concession projects in the State of São Paulo and was directly involved and responsible for the holding and capitalization process of SABESP. In other words, she is very, very knowledgeable of the company.

Well, first of all, let me introduce (00:03:37) Karla, Ms. Karla will be with us and before that, we will - she will be meeting with analysts, shareholders, investors, and the market in general. Okay, so let's go on then to our presentation.

Let's start on slide 3. We can see the company's billed water and sewage volume, which was up 2.1% in the first quarter of 2018, with an increase of 2.1% in water and 2% in sewage. Despite the awareness of the population and the incorporation of rational consumption habit that we acquired during the water crisis, the largest volume growth in this quarter occurred precisely with the residential sector.

From the slide, you can also note that the billed water volume has been rising constantly and steadily since the third quarter of 2015, among the manufactures that contributed to this increase in volume, we are now (00:04:44) like especially the increased number of water and sewage connections.

Let's move to slide 4. Let's comment on our financial results. In first quarter 2018, reported profit was BRL 580 million against a BRL 674 million profit presented in the first quarter of 2017. The main variation between the first quarter 2018 resulted compared to the same period of 2017 is due to the exchange rate variation. In this quarter, there was a negative exchange rate impact resulting from devaluation (00:05:25) of the real against dollar and the yen in the amount of BRL 112 million. While on the first quarter of 2017, there was a positive exchange rate variation of BRL 89 million. Both of which led to a negative variation impacting our results of BRL 201 million between the period.

The gross operating revenue related to the rendering of sanitation service in the amount of BRL 3.3 billion, which does not consider construction revenue, showed an increase of BRL 251 million or 8.3%, this when compared to the BRL 3 billion that totaled in the first quarter of 2017. Revenue was mainly impacted by the growth in billed volume by 2.1%, as

we already mentioned, and by the tariff adjustments of 7.888% relative to the initial stage of the tariff review in effect since last November.

Net operating revenue, which considers the construction revenue, increased by 4% or BRL 140 million. As for costs in first quarter, there was an increase of 3.6% when considering cost, administrative and commercial expenses and construction costs. As a consequence of the variations highlighted, adjusted EBITDA reached BRL 1.4 billion in third quarter and - yeah, BRL 1.4 billion in this quarter and that is 3.5% (00:07:05) higher than the BRL 1.35 billion recorded in the same period last year.

The adjusted EBITDA margin for this quarter was 37.8% compared to 38% same quarter last year. In the last 12 months, the margin reached 36%. If we exclude the effects of construction revenue and cost, the adjusted EBITDA margin resulted in 45.4% this quarter versus 47.2% first quarter last year.

Let's move to costs. On this slide, we comment on the variations between quarters. As mentioned in the previous slide compared to the same period of the previous year, cost, administrative and commercial expenses and construction cost increased BRL 92.2 million or 3.6%. If we exclude the construction costs, cost and administrative and commercial expenses increased by BRL 166 million or 9.1%. The main variations that resulted in an increase occurred in general supplies with 52.8%, services 33.3%, general expenses 17.3%, electric power 11.1%, and wages charges and benefits of social security obligations by 7.1%. For more details, please refer to our press release.

So, let's move to slide 6. Here, we will comment on the main variations affecting the company's net income in this first quarter, this again always in comparison for the same period last year. Net income, as mentioned, was BRL 540 million (sic) [BRL 580 million] (00:09:07), net operating revenue increased BRL 140 million. Costs and expenses added to construction cost decreased by BRL 92.2 million. Other operating revenues and expenses had a positive variation of BRL 1.9 million.

Financial expenses increased BRL 197 million, driven in its majority by the valuation (00:09:31) of the real against the dollar and the yen. Net income - sorry, income tax and social contributions decreased BRL 53 million. This again due to the lower taxable results presented in first quarter, driven mainly by the devaluation of the real in relation to the dollar and yen, as we mentioned.

Now let's go to next slide, on this one, we will briefly discuss the situation of the reservoirs that supply the São Paulo Metro region. From October 2017 to March 2018 rainfall was below the historical average. The Cantareira system received 80% of the expected volume, the Alto Tietê 72% and the Guarapiranga 76%, remembering that these are the three main supply systems for the Metro Region of São Paulo. In mid-May, the reservoir of the Metro Region São Paulo stored as you can see 1.157 trillion cubic meters of water for treatment compared to the 1.28 trillion cubic meters in May last year.

Despite this slightly lower level of reservoirs, we have to note that current water production for the Metro Region São Paulo is 12% lower than the production level before

the water crisis. In April 13, we were producing 69.6 cubic meters per second and in April this year 61.6 cubic meters per second. So there is less – significantly less pressure from demand on our reservoirs.

In addition to this, water losses in the Metro Region São Paulo are almost 30% lower today than in the period prior to the water crisis. In March 13 (00:11:45), the absolute number of water loss in terms of connections per day, liters per day per consumer was 451 liters and in April 2018, this figure was 322 liters per connection day, so significantly below.

With the current reservoir level, the lower water production and consequently demand, lower absolute water losses and the beginning of operations of both the San Lorenzo production system and Jaguari and Atibainha interconnection. We understand and the company understands that water security in the metro region is in place and ready to face hydrological situations of similar magnitude as that observed in the years of 2014 and 2015.

Let's go to our last slide, talk about the second tariff review. As you know, ARSESP published on Wednesday May 9, the final results of SABESP second tariff cycle. We would like to highlight the following points. The authorized tariff repositioning of 3.507%, this will be reapplied – applied on top of the current tariffs that already contemplate the increase of 7.888% approved for the initial stage of the review and such is an effect since November 2017.

We also highlight the asset base for the final stage. Right now at BRL 39.03 billion. This amount is BRL 580 million above the asset base initially proposed in March by ARSESP for the final stage. WACC closed at 8.11%, slightly above first cycle figures of 8.06%, but below our proposed 8.25%. Productivity factor closed at 0.888%, that is below the 0.9287% that I've said headed (00:14:05) March initially proposed for the final stake.

The final OpEx (00:14:10) value for the second cycle is BRL 21.6 billion. In the initial stage of the review, it was BRL 22.8 billion and in our business plan we proposed BRL 24.3 billion. Looking at the final stage of the second cycle review process, we understand the following points contributed to an increase in the tariffs.

This is basically the increase due to the increase in the asset base, reduction of other revenues, increase in depreciation, increase in working capital, reduction of compensatory adjustments, reduction in the X factor, increase in the revenue base of the City of São Paulo for the purpose of estimating the transfer of 4% to the municipal fund. Obviously, all these details, we can go through not now, but later if needed with you.

As for the points that resulted in a reduction in tariff, the highlight is OpEx. Here, the final relative value was 11.1% below what was initially proposed by SABESP in its business plan and 5.3% below the value proposed by ARSESP in the initial stage of the review. There are, however, two relevant points, which in our view have not been adequately addressed.

FINAL

One of them refers to the first cycle balance. Here, we understand that the treatment given by the regulatory agency for revenue, CapEx and electric power (00:15:55) was inadequate to (00:15:58) the methodology established by the regulator for the first cycle.

The other point refers to the regulatory mechanism for the recognition of transfers to municipal funds established in 4% of the revenue obtained by providing service to the municipality. Although this introduction was a very positive breakthrough, it does not adequate - sorry, it does not equate the situation of the São Paulo steady contract. We have a contractual transfer rate at 7.5%. Well, considering the relevance in weight (00:16:44) these two issues, the company is evaluating what measures to take in face of the completion of the second tariff review period.

So that concludes our comments and now we are here open for questions and answers.

## Q&A

### Operator

And our first question comes from Juliana Diaz (00:17:27) with UBS. Please go ahead.

#### Q - Marcelo Sa {BIO 16454581 <GO>}

Hi, guys. This is Marcelo here. I have one question regarding this dispute with some of the municipalities, Guarulhos, and so I want to know if you can give us an update of the process and how are the discussion with the other municipalities as well? Thank you.

#### A - Mário Azevedo de Arruda Sampaio

Okay. Just a second. Marcelo, Mário. Let's just start saying the following. There is no dispute with Guarulhos or any other municipality. What we are always hoping for negotiation, hoping for discussion, they are formal discussions and negotiations with Guarulhos and Mauá - I'm sorry, Guarulhos and Santo André and initial conversations with Mauá, specifically in the last days for a specific service area which was actually matter of communication by SABESP. We think that one thing that helps in the regulatory process that will help also these discussions and their development is the possibility to transfer the pass through to tariff of what is transferred to the municipal fund. So in summary, that's where we are.

#### Q - Marcelo Sa {BIO 16454581 <GO>}

Okay. Thank you. And another question is about the capitalization process. I know that you said that you are going to evaluate the timing for that, but just to understand, I mean, after this disappointing tariff reset, how is the government thinking about this process? Do you think it is possible to finish this process this year? Is there like a deadline in which you cannot do because of elections, what you can comment about especially the timing and if - and the likelihood of doing this this year before elections? Thank you.

#### A - Rui de Britto Álvares Affonso {BIO 5808118 <GO>}

Hi, Marcelo. It's Rui speaking. We are just in the middle of this process, starting a new government, with a new CEO also. So, we have just starting few days, discussing these in this process. We reiterate the importance of this process of capitalization for SABESP, but the timeframe to do that, the process is undervaluation with new Governor and the new CEO. But we reiterate the importance of this process for the company and it's also - this view is shared with the - by the new CEO of the company.

**Q - Marcelo Sa** {BIO 16454581 <GO>}

Okay. Thank you.

## Operator

Your next question comes from Snehal Amin with Windacre (00:21:20). Please go ahead.

Hi, guys. I've two questions. One, the ARSESP tariff review, I think it's essentially stealing over BRL 1 billion from shareholders and EBITDA every year. I think actually even more than a BRL 1 billion a year, which is a terrible result. So I want to know in more detail, what do you guys going to do to protect the shareholders and get this situation corrected?

And second, what can you do on both OpEx and CapEx to preserve the company better, because you're not getting credit, especially on the OpEx side, you're not getting credit for what you spend? So how are you going to spend less, so that there isn't a huge difference between the regulatory model and what you're spending?

**A - Mário Azevedo de Arruda Sampaio**

Okay, it's Mário. Just a second for us to distribute questions here.

**Q - Operator**

Yeah.

**A - Mário Azevedo de Arruda Sampaio**

Just a second.

**Q - Operator**

Yep.

**A - Mário Azevedo de Arruda Sampaio**

Snehal (00:24:32), it's Mário. First off, we were frustrated with the result. On the OpEx side, just so you understand, they made - the year that they based the records were in fact was 2016, we argued that that was not a proper year, that was the year immediately after we came out of the water crisis. We're still somewhat affected by that and we're coming out of that, our OpEx are slightly going up, actually going back to where it should be if we were not doing the crisis, obviously, working to hold back some, keep some of that gain. So there's a point there.

FINAL

So what we are ultimately going to do is that we can still, despite the revision has been concluded, we can still appeal on a administrative level and a legal effort, okay. As we mentioned, there are two big issues, bigger than eventually the OpEx that we highlighted (00:25:50) subject to what we need to see.

And obviously, there may be others related to OpEx and other parts that we might come in to but at first, before we answer to you how we're going to react in terms of CapEx, reductions in OpEx, we need to clean the situation and go to the last condition for us to try to prefer this decision or part of this decision. So before we begin the discussion with who and everybody on what we can do, now that's the last thing to do. We think there's still measures we can work on before really jumping into a new plan if needed, if needed, okay.

### Q - Operator

So let me ask a follow-up on that. I'm sure you can understand that some shareholders like us now have very little faith in this regulator, right, and the regulator's willingness to be fair, right, in technical and objective. So, I understand you have to go through whatever administrative process there is with the regulator and you should follow that. But if the regulator is just inherently not fair or political or corrupt, you're not going to get the right results, right? So, how quickly can we get this into the hands of the courts, because maybe there, there's a chance that you get a fair judgment because it's pretty clear this regulator is not going to give you a fair judgment and doesn't care about what's fair.

And even further, do you have the legal power to sue the directors of ARSESP, so you can really go after them because what's happening here, I mean, you can't have shareholders to eat a loss of over a BRL 1 billion a year in EBITDA and do nothing, right. So I'm not saying you're not doing anything, but not - we got to do everything we can, that's my point. And can we sue the directors, can the company sue the directors, can the shareholders sue the directors of ARSESP, how do we get this into the hands of the courts quickly so that we can get the right result. And is the company dedicated to - is the company dedicated to pursuing this until the very end and not giving up, because this is an enormous amount, a value that's just been lost.

### A - Mário Azevedo de Arruda Sampaio

Yeah. I'm next to Rui here and he just said, yes, we're going to pursue, it's our obligation, it's a fiduciary obligation. We have to run the company; the company needs that cash for investments and to grow evidently. So we're going to exactly find and do the steps that are needed and it begins with that administrative and it will, if needed, reach any other level (00:29:12) legal. But you can be sure that the company is not going to stand still and let things grow, we want to protect shareholders, we want to protect the business and we want to protect sanitation, okay. So, I believe I express here the company's view. We have to make it happen and we're at this moment exactly working on that. We have a timeframe to move and we're not going to lose the window opportunity. You'll hear from us so.

### Q - Operator

Okay.

**A - Mário Azevedo de Arruda Sampaio**

Okay.

**Q - Operator**

Okay, thanks (00:29:59).

Okay.

Our next question comes from Larry Tedeschi with STRS of Ohio (00:30:27). Please go ahead.

Yeah. Hi there, thanks. Why did the CEO resigned and why was the replacement CEO picked?

**A - Mário Azevedo de Arruda Sampaio**

Okay, just a second. Larry, the question is basically why the CEO was replaced, I think that's it right? Was there anything else you asked or that's it?

**Q - Operator**

And why was the person who replaced the CEO picked?

**A - Mário Azevedo de Arruda Sampaio**

Picked, I'm sorry.

**Q - Operator**

Why was hired?

**A - Mário Azevedo de Arruda Sampaio**

Okay, great, great, great, hired, okay. Give me a second here.

**A - Rui de Britto Álvares Affonso** {BIO 5808118 <GO>}

Hi. It's Rui speaking. First of all to make it very clear, the appointments on the election of any member of the Board of Officers of SABESP is faculty of our major shareholders. And so, I cannot answer on behalf of the government of course, but - so the first, the first answer I cannot unfortunately answer, because I am not mandative (00:32:26) of the Government of State of São Paulo to talk on behalf of them. So, they made it's a legal faculty of the Governor of the State of São Paulo to appoint any officer of the Board of SABESP. That's the point.



FINAL

But what we can talk and we can reiterate is that the change is from Mr. Kelman to Ms. Karla is a change that has not changed the way or the route that SABESP has been working all of those years since we open the capitals (00:33:18) and we make our IPO and then the secondary offering and so on so far. So, it's the same route Ms. Karla was - before that was working as Undersecretary of the Government of the State or the Secretary of Government of State of São Paulo. So, she was actually working with us in the project of creating a HoldCo for SABESP, remember, and capitalize SABESP. So if there's any kind of discontinuity (00:33:59) in the general orientation of the company that's the point I can make it.

## Q - Operator

All right.

Okay. Good.

And our next question is a follow-up from (00:34:22). Please go ahead.

Hi. I had a question on the dividend policy.

## A - Mário Azevedo de Arruda Sampaio

Yeah.

## Q - Operator

So, after our SABESP put out its results, I think you guys formalized your dividend policy at 25% of net income and I know that's what you've been paying in recent years, so it's you know basically the same as the past figures (00:34:46). But in light of our SABESP's decision, why doesn't it make sense to return more of the cash to shareholders via dividend, especially because you know if our SABESP is not going to treat you fairly why is it safer to have the cash in the company as opposed to distributed out to shareholders, right, the excess cash you need after the CapEx. So why, why did you formalize it at 25%, instead of just returning all the excess (00:35:18) to the shareholders?

## A - Mário Azevedo de Arruda Sampaio

Okay, just a second now.

(00:35:24-00:36:05)

Now, it's Mário. Look, first there was a - there's no relationship between our SABESP's decision and we make...

## A - Rui de Britto Álvares Affonso {BIO 5808118 <GO>}

Formalization.

Bloomberg Transcript

FINAL

## A - Mário Azevedo de Arruda Sampaio

...formalizing our dividend policy. They're just coincidence in time. The dividend policy formal, the dividend policy is some request under a legal obligation under the state a federal law that rules how it makes capital company's governance should hold. So, we - there are other - and you will see other policies like the Related Party Transaction policies, there're other policies you will see us formalizing, all this has to be done latest by last day of June. So, it's basically a coincidence in time. Nothing changes for us. As you mentioned, it's exactly what we have said and exactly what we have done. No relationship with our SABESP (00:37:13).

As for what you mentioned in terms of distribution of dividends increase, I think that falls to the last question - to your last question and I think we have to still do the next steps before we change anything in the way we deal with dividends in the company, okay. So, I think that answers.

## Q - Operator

So, I get that the timing based on what you're saying that the timing was a coincidence?

## A - Mário Azevedo de Arruda Sampaio

Yes.

## Q - Operator

I think my point is these - maybe these should be connected, right. So, maybe the right thing for the company to do is to change its dividend policy in light of our SABESP's decision. And so I think what you're saying is, maybe that in the future is still an alternative, right, as one of the things that you can do, if you don't in the (00:38:14) SABESP's decision.

## A - Mário Azevedo de Arruda Sampaio

So what we're saying is, we understand what you said, but we're saying that we will - it's not the time to revisit as you're putting it that's let's do the next step and then let's see what happens and to see if there is a room or anything to revisit, okay. That's what we're saying, right. Okay.

## Q - Operator

When is the timing of these next or like when will we know whether these next steps have worked or not?

## A - Mário Azevedo de Arruda Sampaio

You will see this anytime soon that we are now praising (00:38:58) exactly the timing and we know, but now we are fine tuning as now we do have a result from the regulator and based on that, we will take action. So, the timing is something that and the step is something that we don't have with us right now, but obviously we will make everybody knowledgeable and there's a window time to be happening and we have to be in

compliance with that window, we're just finally appraising from an administrative perspective how that happens and eventually even from a legal perspective, right.

### **Q - Operator**

Okay. So we'll see something soon, so in terms of your next steps?

### **A - Mário Azevedo de Arruda Sampaio**

Okay. Sorry?

### **Q - Operator**

What - we'll see something soon in terms of the next steps you're going to take?

### **A - Mário Azevedo de Arruda Sampaio**

Yeah. Yes.

### **Q - Operator**

Okay, okay.

Your next question comes from Lilyanna Yang with HSBC. Please go ahead.

### **Q - Lilyanna Yang** {BIO 14003234 <GO>}

Hi. Thanks for the opportunity. I have a follow-up question from my other question. It's regarding...

### **A - Mário Azevedo de Arruda Sampaio**

Lilyanna, a little bit higher. Please speak a little bit higher, Lilyanna.

### **Q - Lilyanna Yang** {BIO 14003234 <GO>}

Sorry. Thanks for the opportunity. A follow-up from my question in the other call. So on the service contract with the São Paulo City, who are the people or the office who have to sign off for a potential renegotiation? Would it entail the signature, for instance, of the Water Resource Secretary, the Board or the - just the top management team of SABESP, that's one question, right? If you can clarify for me that will be great?

And number two is where do you think you might have room for OpEx savings for this year or next? Thank you.

### **A - Mário Azevedo de Arruda Sampaio**

Lilyanna, can you repeat the first question that we had a hard time taking note of it?

### **Q - Lilyanna Yang** {BIO 14003234 <GO>}

FINAL

Yes. It's regarding the service contract with the São Paulo Municipality, it was signed some five years ago and it did entail the payment of SABESP to the city of 7.5% of the revenues. So, for a potential renegotiation of it (00:41:20), I know you said that you're not planning on it, but if you were to renegotiate to push for 5% instead, I would like to know if it requires the legal signature or the blessings of the top management team, CEO, CFO, anybody else, we've - if it requires the signature of the Chairman, for instance, or the Water Resource Secretary of the State, and plus let's say the Mayor of São Paulo. So, who would be the people who would be backing up a potential renegotiation of this contract?

### **A - Mário Azevedo de Arruda Sampaio**

Just a second, Lilyanna.

### **Q - Lilyanna Yang** {BIO 14003234 <GO>}

Yes, sure.

(00:42:00-00:43:02)

### **A - Rui de Britto Álvares Affonso** {BIO 5808118 <GO>}

Hi Lilyanna, it's Rui. So first question is, the reason that we don't intend to start negotiation of the contract of São Paulo City is that, it's a very complex task. It's oblige us to go through the legislative body in an electoral year, put it in risk our major contract by far about 55% of our total revenue depends on this contract. So we don't think that it's a good idea to start renegotiating anything of the contract with the City of São Paulo. We have still room and that's our intention to go through the administrative measures with the regulatory body. So we'll go to that, at the end of the day, maybe it's still we have no other possibility to the cost (00:44:21), but to renegotiate the contract of São Paulo City is out of our considerations, because of the reasons I have told before.

Second, if there is a room to lower our OpEx, we believe of course that in the long-term, yes, we always work on that. When we're starting hear (00:44:50) some of people but me particularly 2003, our headcounts were among - more than (00:45:00) 18,000 people now we are under 14,000 so in the long-term, yes, it is a room to lower down the OpEx, but nothing in four years' time, so that's the point.

Second, we believe that our SABESP is taking a standpoint that's not correct because as you follow me, I very closely during 2014-2015, and the budget we established for 2016 are very, very low to the coincidence of the water crisis, the devaluation of real that put pressure on our comments. So, it's not a good standpoint to make any projection of our OpEx, that's the point.

So, it's most impractical, it's not feasible to lower the OpEx down in the short-term, that's the point. If we had spoken about 10 years, that's fine. We have plans to lower our OpEx in 10, 20 years but not for one cycle, that's the point.

### **Q - Lilyanna Yang** {BIO 14003234 <GO>}

Okay. Thank you very much.

## Operator

And we do have a follow-up question from Juliana Diaz (00:47:13) with UBS. Please go ahead.

### Q - Marcelo Sa {BIO 16454581 <GO>}

Hi. Marcello here again, just - I'm just curious and wondering, if the Government of São Paulo is aware that if tariffs (00:47:25) outcome doesn't change, it's going to be very complicated to find a private partner that will be willing to buy a minority stake in a holding company controlled by the Government of São Paulo, because for me (00:47:38) is - disappointed tariff - disappointing tariff with that (00:47:42) results, it's going to be very complicated to find a partner, given all the uncertainties and all the fears of the regulator?

### A - Rui de Britto Álvares Affonso {BIO 5808118 <GO>}

Hi Marcelo, it's Rui. First of all, it's my - I have to obliged to say that one thing is the Government of São Paulo State and the other one is the regulatory body, they are appointed by, but are not connected, remember several directors will ask indicated - were (00:48:22) indicated by the former governor, some others will be indicated by the new one, so there is not a (00:48:33) connected between the Governor and the Board of Directors of our SABESP. We are, of course, concerned of the implications over a company and over our future plans, among others.

May 1 (00:48:51) probably in the short-term is the capitalization of SABESP, with the creation of the HoldCo, so we agree with you, but we don't think there is a connection between the São Paulo State's view and the ability or disability of our SABESP to deal with this situation.

### Q - Marcelo Sa {BIO 16454581 <GO>}

Okay, thank you.

## Operator

So at this time, there appears to be no further questions, so I would like to turn the conference back over to SABESP for their final remarks.

### A - Mário Azevedo de Arruda Sampaio

Okay, this is Mário. Thank you for your time. We will certainly be back in August and in the meantime, just please call us we're available, myself, Angela and the team. Thanks a lot. Bye-bye.

## Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

FINAL

*This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.*

Bloomberg Transcript