

Equitable access to basic services: the case of Sabesp



São Paulo
December, 2008

Three highlights...

- Sabesp is strongly committed to public policies and market standards for efficiency and profitability
- The new regulatory framework creates new challenges and opportunities
- Universal coverage of services and environmental solutions are Sabesp's top priorities

- Sabesp
- The new regulatory framework
- Challenges and opportunities

1. Sabesp

The State of São Paulo in comparative perspective...



41 million inhabitants
645 municipalities

São Paulo and Brazil

- 3% of the area
- 22% of the population
- 33% of GDP
- 33% of exports
- 40% of imports

Brazil and São Paulo in comparative perspective...



Indicators 2007/08	Brazil	São Paulo	Argentina	Chile	China	Índia	Rússia	USA
Population (million)	186	41	40	16	1,321	1,123	142	298
Area (thousand Km ²)	8,514	248	2,780	757	9,596	3,287	17,075	9,629
GDP (US\$ - bi)	1,313	445	259	163	3,250	1,098	1,289	13,844
GDP per capita (US\$)	7,059	10,854	6,475	10,188	2,460	978	9,077	46,456
Inflation (%)	6,3	6,4	8,7	9,2	4,6	9,0	15,0	4,9

Basic Information

- ◆ Foundation in 1973
- ◆ Employees: 16,800
- ◆ Serves the City of São Paulo and 366 out of 645 municipalities in the State
- ◆ Provides water to 23.1 million people and sewage services to 19.0 million people
- ◆ Also sells wholesale treated water to 6 municipalities (3.3 million people)
- ◆ Covers 60% of State's urban population

Main Operational Indicators (1)

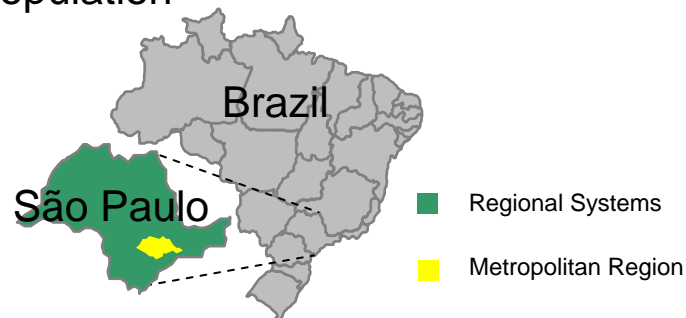
Water

Sewage

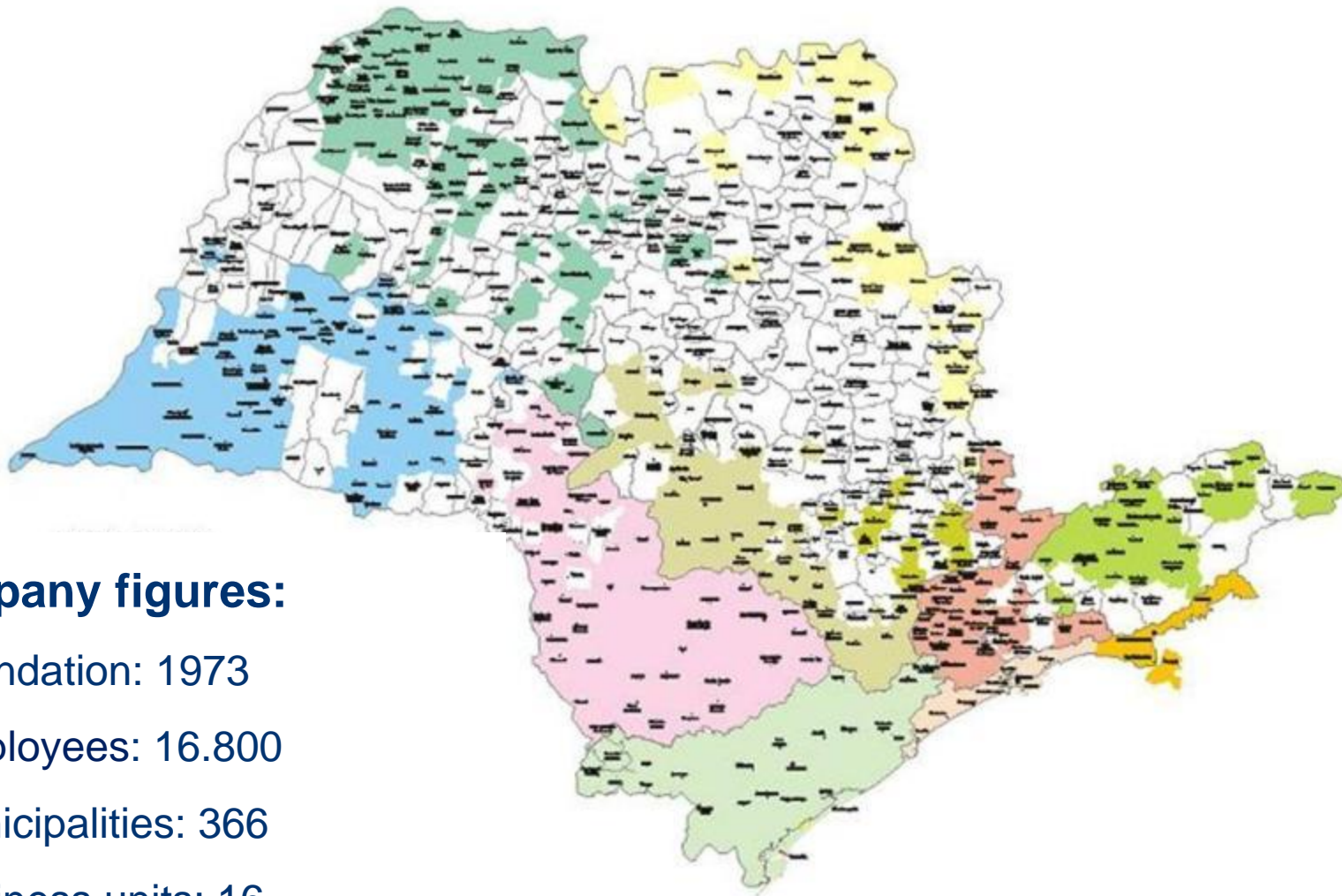
Connections (million)	6.8	5.2
Coverage (%)	100%	79%
Treatment (%)	100%	70% ⁽²⁾
Volume Billed (m ³ million)	791.4	643.9
Network (km thousand)	62.5	40.9

(1) As of June 30, 2008

(2) Treated sewage as percentage of collected sewage



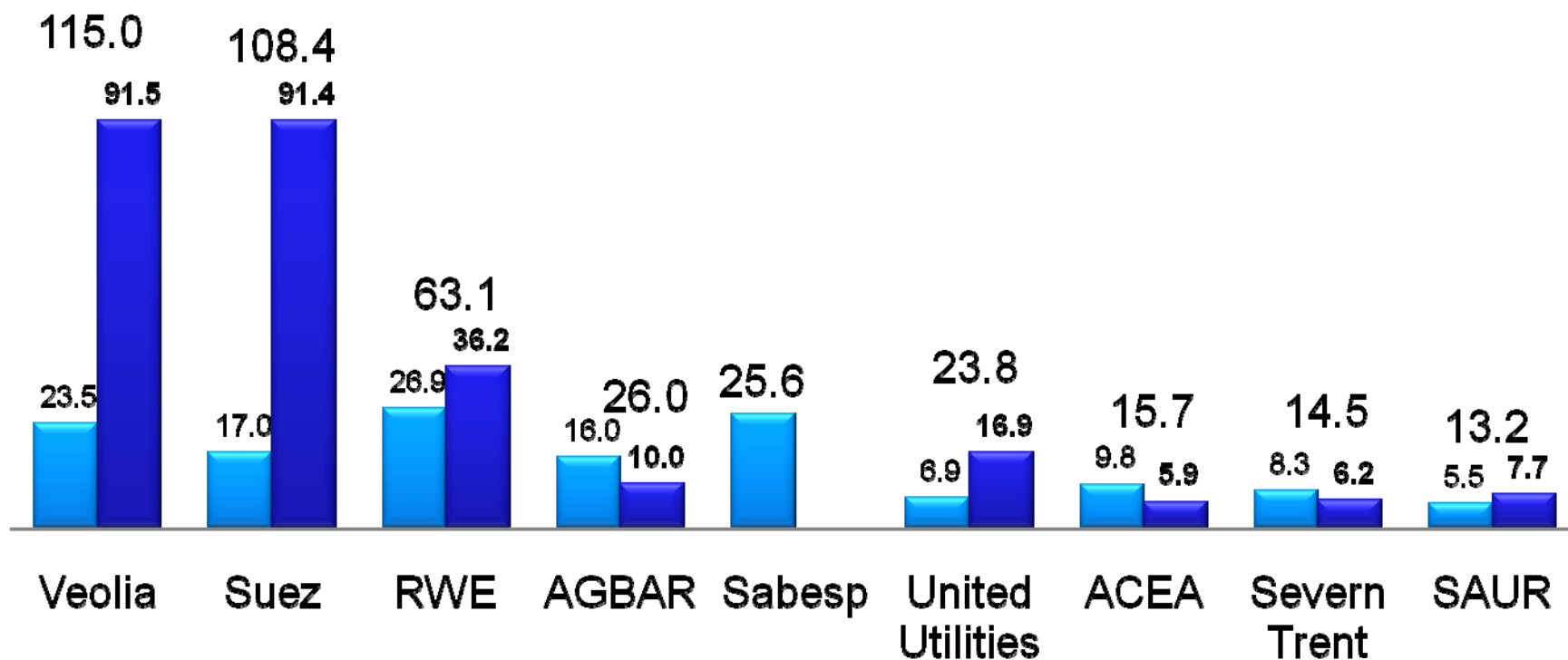
Sabesp: 26,2 million clients in the State of São Paulo... (60% of the urban population)



Company figures:

- ◆ Foundation: 1973
- ◆ Employees: 16.800
- ◆ Municipalities: 366
- ◆ Business units: 16

■ Local ■ International

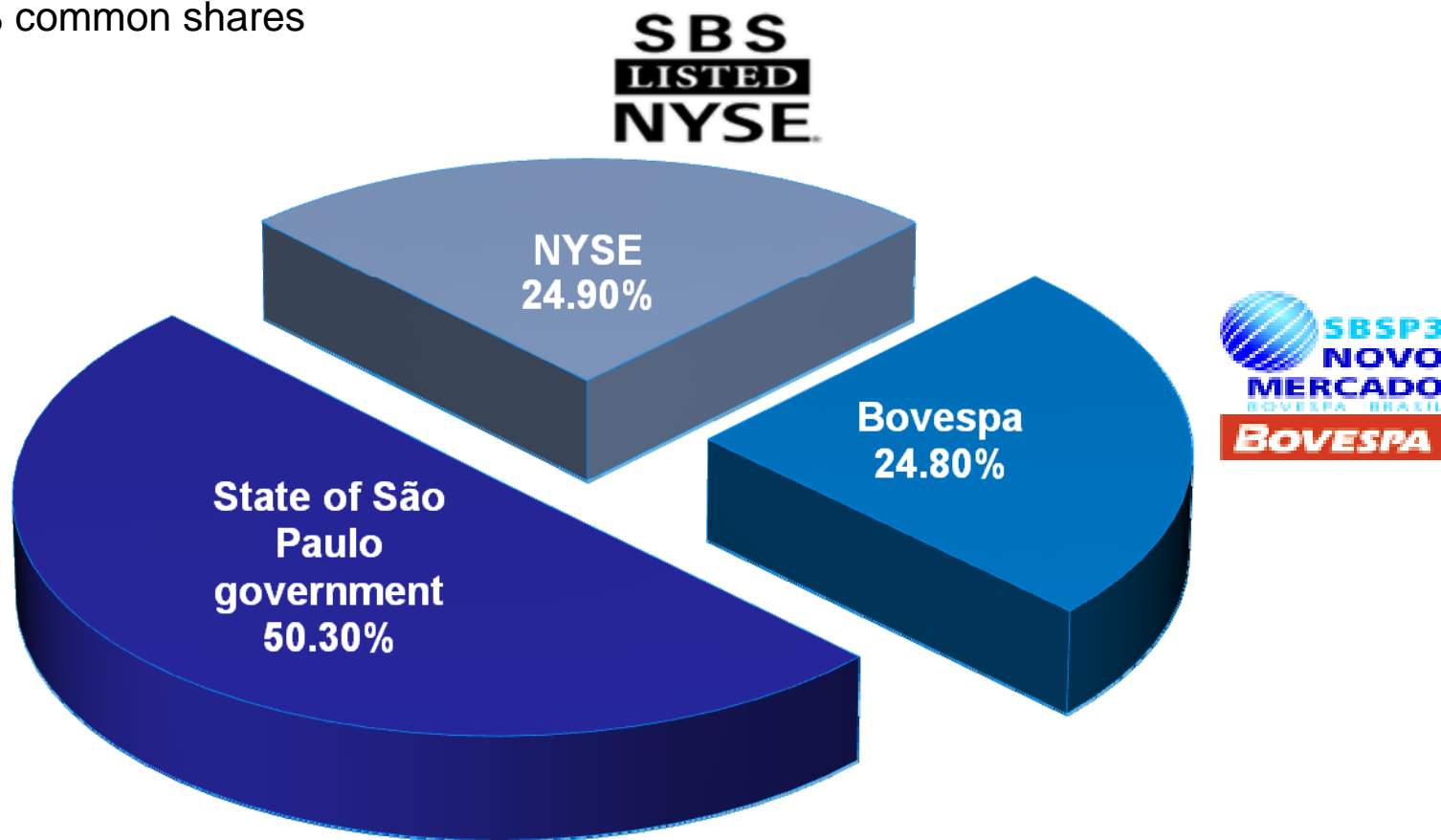


Source: Pinsent Masons – water Yearbook – 2006- 2007

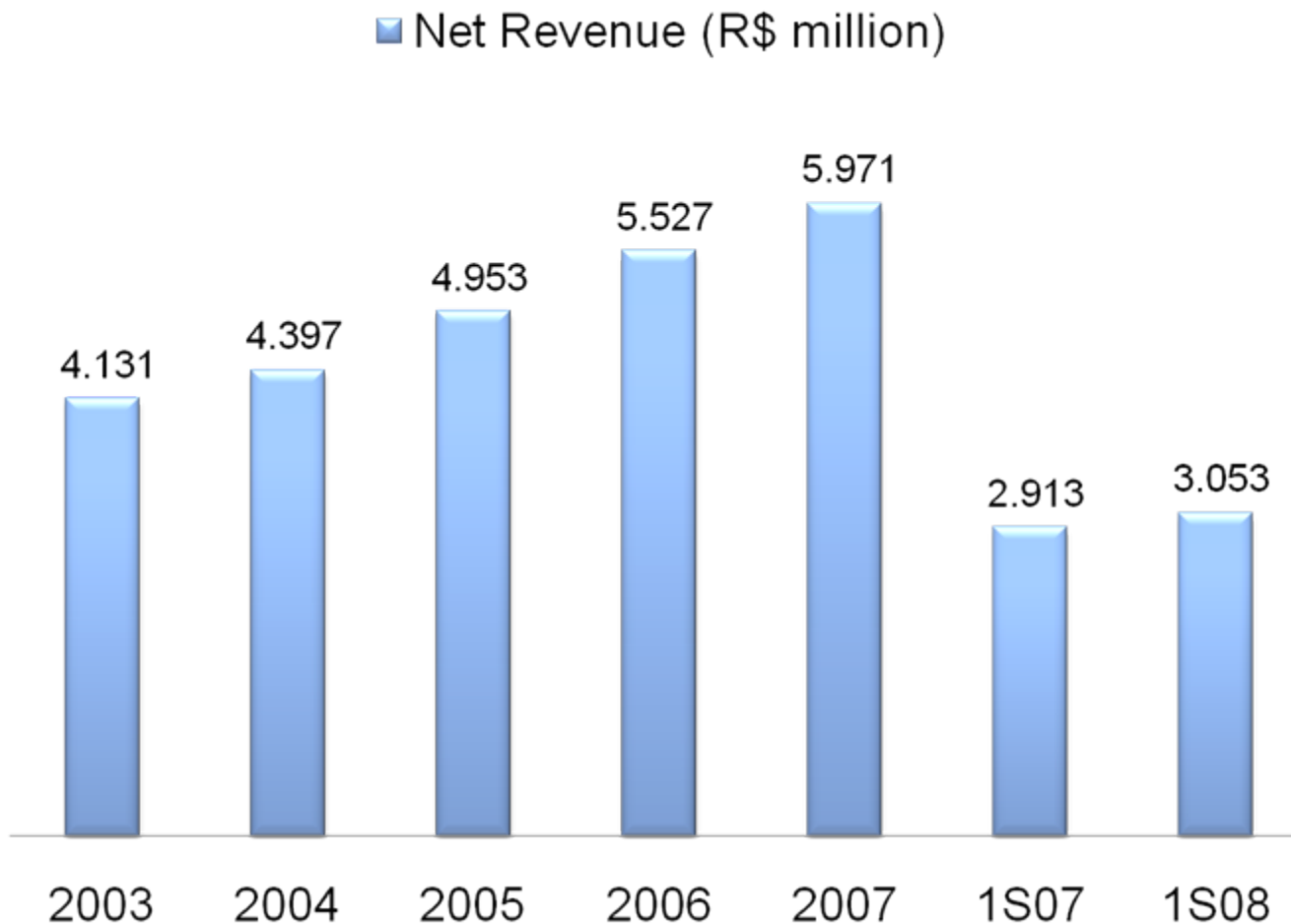
(x) includes 3,1 million clients in municipalities currently served on a wholesale basis

Strong corporate governance...

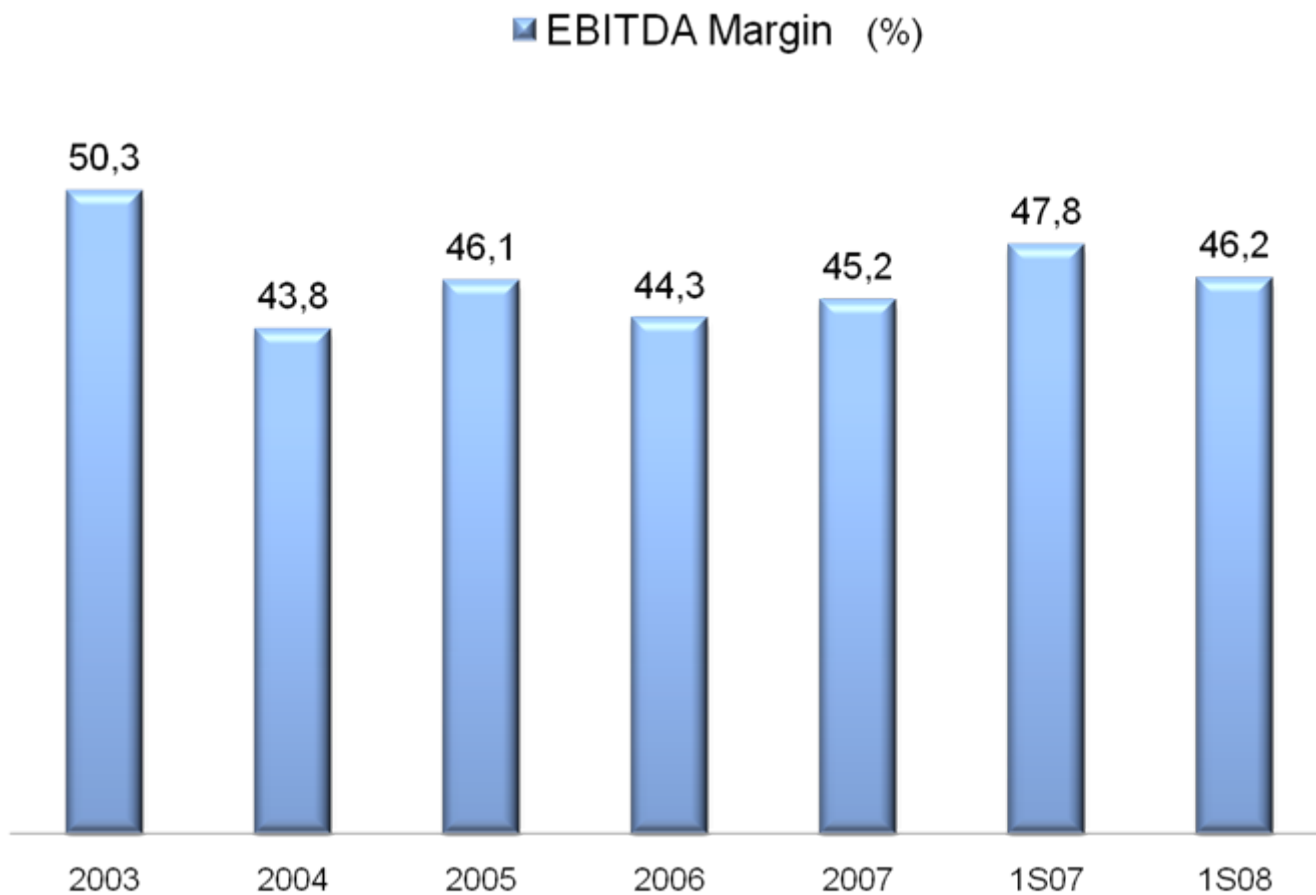
- Mixed capital company
- Listed on the “Novo Mercado” and NYSE, leading to high corporate governance standards
- 100% common shares



In addition, net revenues have increased...

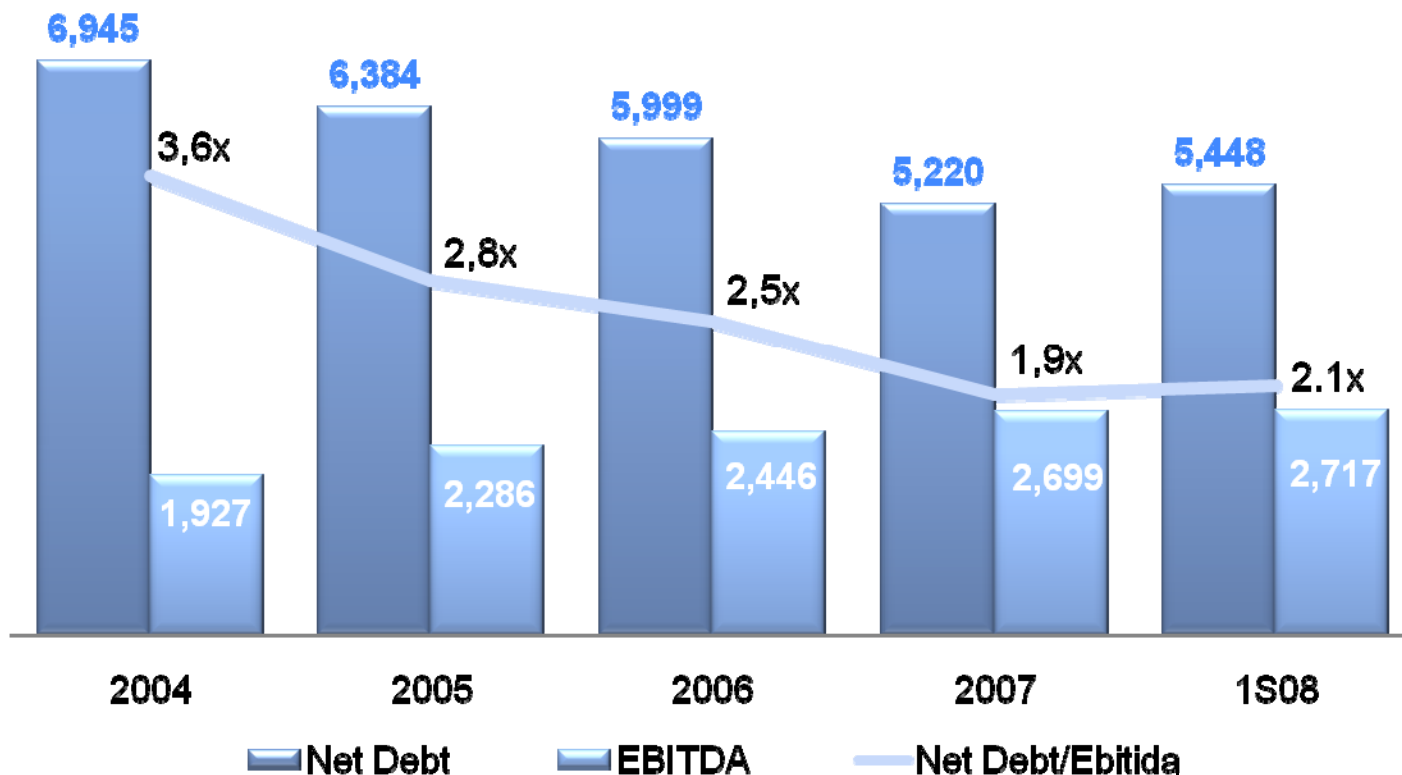


EBITDA margin has remained at a high level...



Net Debt / EBITDA ratio has declined...

Net Debt vs. EBITDA* (R\$ million)



* In 1S08, EBITDA of the last twelve months

2. The new regulatory framework

The regulatory framework has changed...

1970 - 2006		2007 – Sanitation Act and Arsesp Act
Concession contract	➔	Programme contract
Self-regulation	➔	Regulatory agency
Public funding	➔	Market and public funding
Focus on engineering works	➔	Focus on the client
Natural monopoly	➔	Competitive environment
Water as a free resource	➔	Scarcity of water resources

Changes in the legislation allow for new business opportunities...

- Joint ventures with domestic and foreign companies

- New business opportunities
 - Urban cleaning and waste management
 - Waste disposal
 - Energy
 - Urban runoff treatment and management

Vision

In 2018...

Being recognized as a company which universalized water and sewage services in the areas where it operates, in a sustainable and competitive way, with focus on clients and excellence in environmental solutions

3. Challenges and opportunities

Key achievements since 2007...

- Renewal of 156 concessions; commitment to renew the remaining 210 by 2010
- Pro-activity and partnership with clients and municipalities
- Launching of focused and efficient investment programs
- New products and services for environmental solutions
- Strengthening corporate governance

Achieve universal coverage of core services by 2018...

111 municipalities
already
have full water and
sewage
services

2009

Baixo Tietê
e Grande

2010

Pardo e Grande
Baixada Santista
Baixo Paranapanema
Vale do Ribeira

2012

Vale do Paraíba
Alto Paranapanema
Capivari – Jundiá
Região Bragantina
Litoral Norte
Médio Tietê

2018

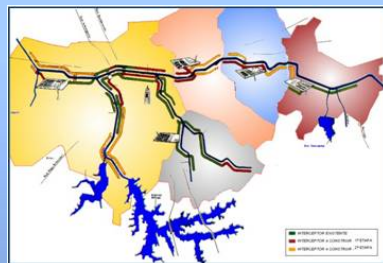
São Paulo Metropolitan
Area

Universal coverage will be achieved as a result of the implementation of structural programs...

São Paulo metropolitan region



PMA – Water supply



“Tietê” project



“Vida Nova” program



“Córrego Limpo” program

Regional systems



“Onda Limpa” program



“Água do Litoral” program



Other regional programs

Tietê program: one of the most ambitious environmental program for the Tietê Basin...

Period	Phase	Sewage collection	Sewage treatment	Investment
1992-1998	1	70 -> 81%	24 -> 63%	US\$ 1,1 billion
2002-2008	2	81 -> 84%	63 -> 70%	US\$ 500 million
2009-2015	3	84 -> 88%	70 -> 79%	*

* in negotiation

Tietê's sewage treatment system...



WWT Barueri
Capacity:
9,5 m³/s



WWT Pq. Novo
Mundo
Capacity:
2,5 m³/s



WWT São Miguel
Capacity:
1,5 m³/s

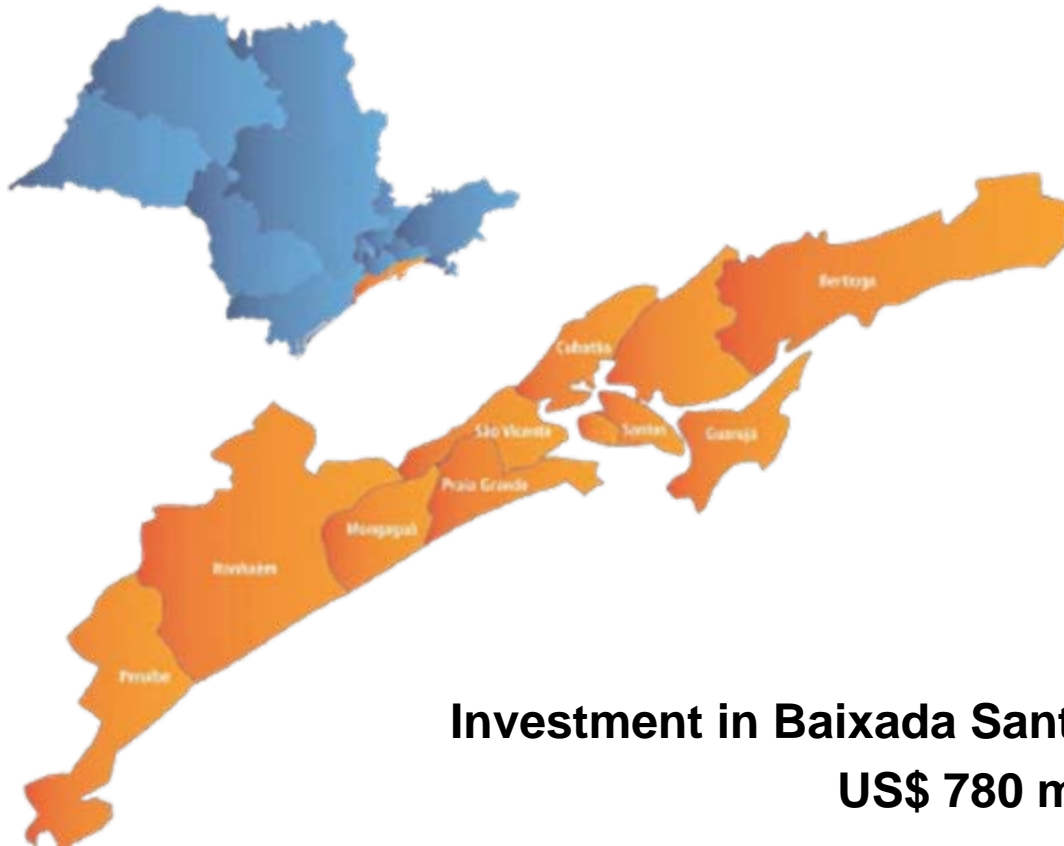


WWT ABC
Capacity:
3,0 m³/s



WWT Suzano
Capacity:
1,5 m³/s

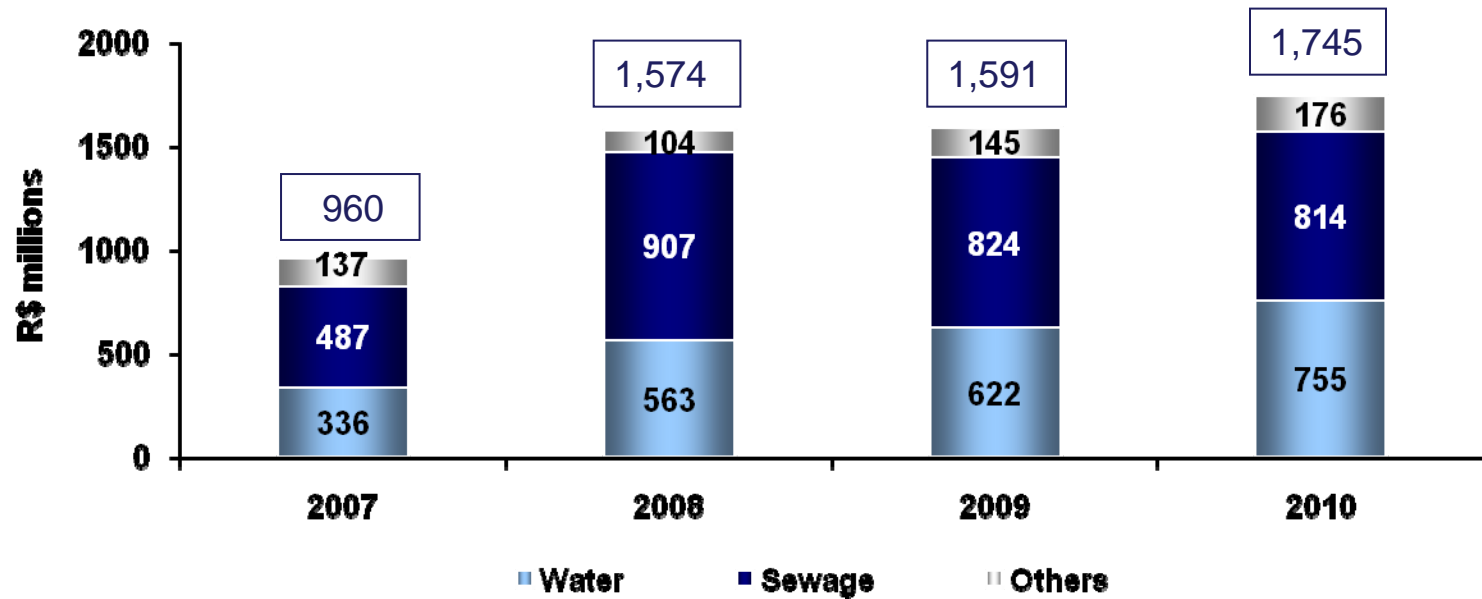
Onda Limpa (Clean Wave) program: one of the largests sanitation programs in Latin America...



**Investment in Baixada Santista region in 2007-11:
US\$ 780 million**

**Increase in sewage collection:
to 95% from 53%**

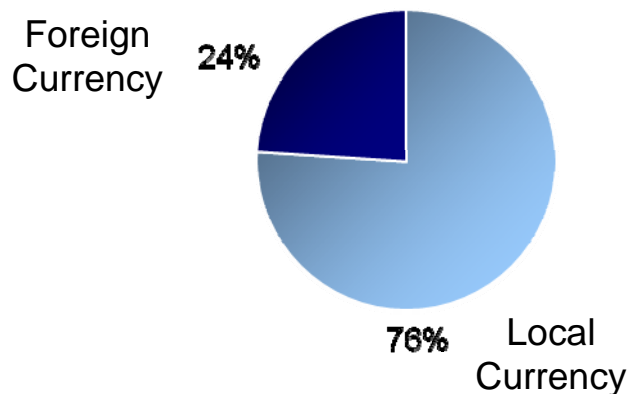
Total investment plan of R\$ 5.9 billion for 2007- 10



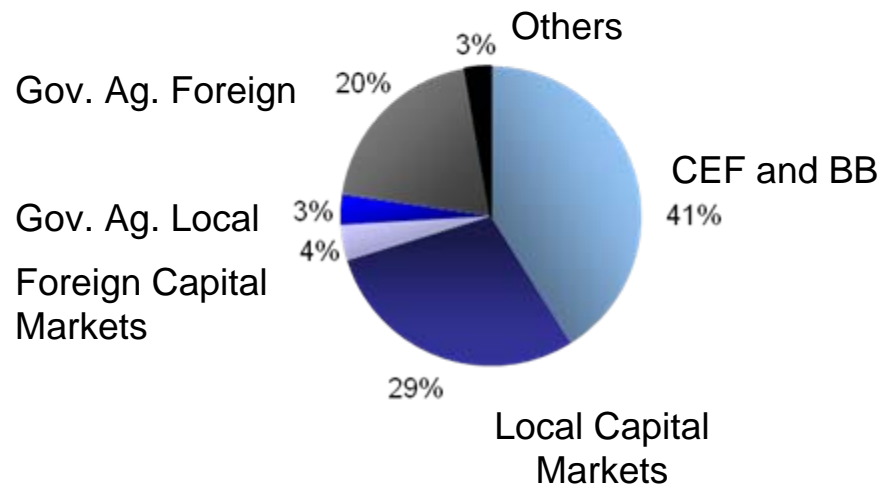
Access to long term, low cost financing...

- ◆ Total debt's average life of 7.2 years
- ◆ Access to international and domestic capital markets and multilateral financing
- ◆ 83% of foreign currency debt is from multilateral financing

Total Debt by Currency

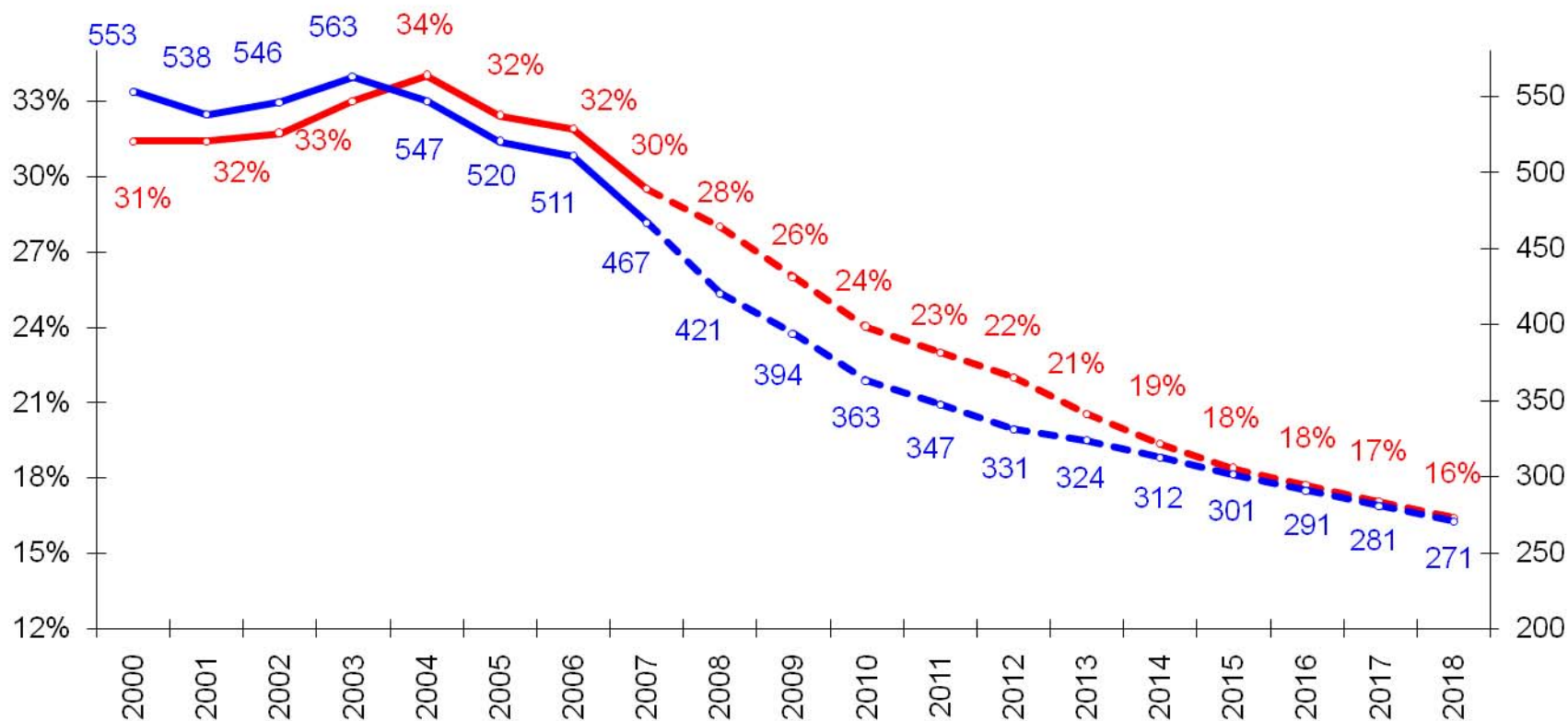


Total Debt Breakdown

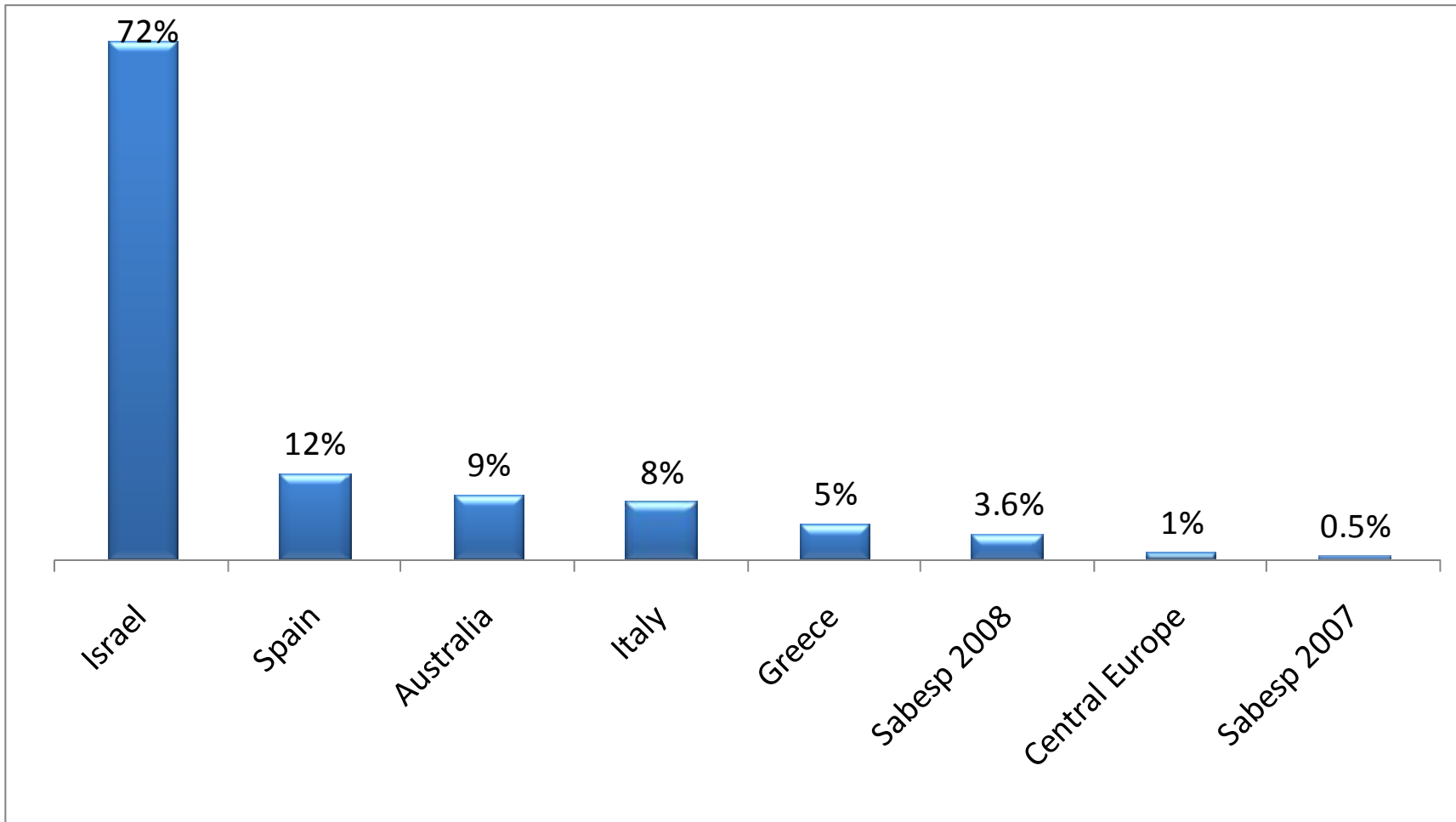


Reduce water losses to enhance operational efficiency and financial and environmental sustainability...

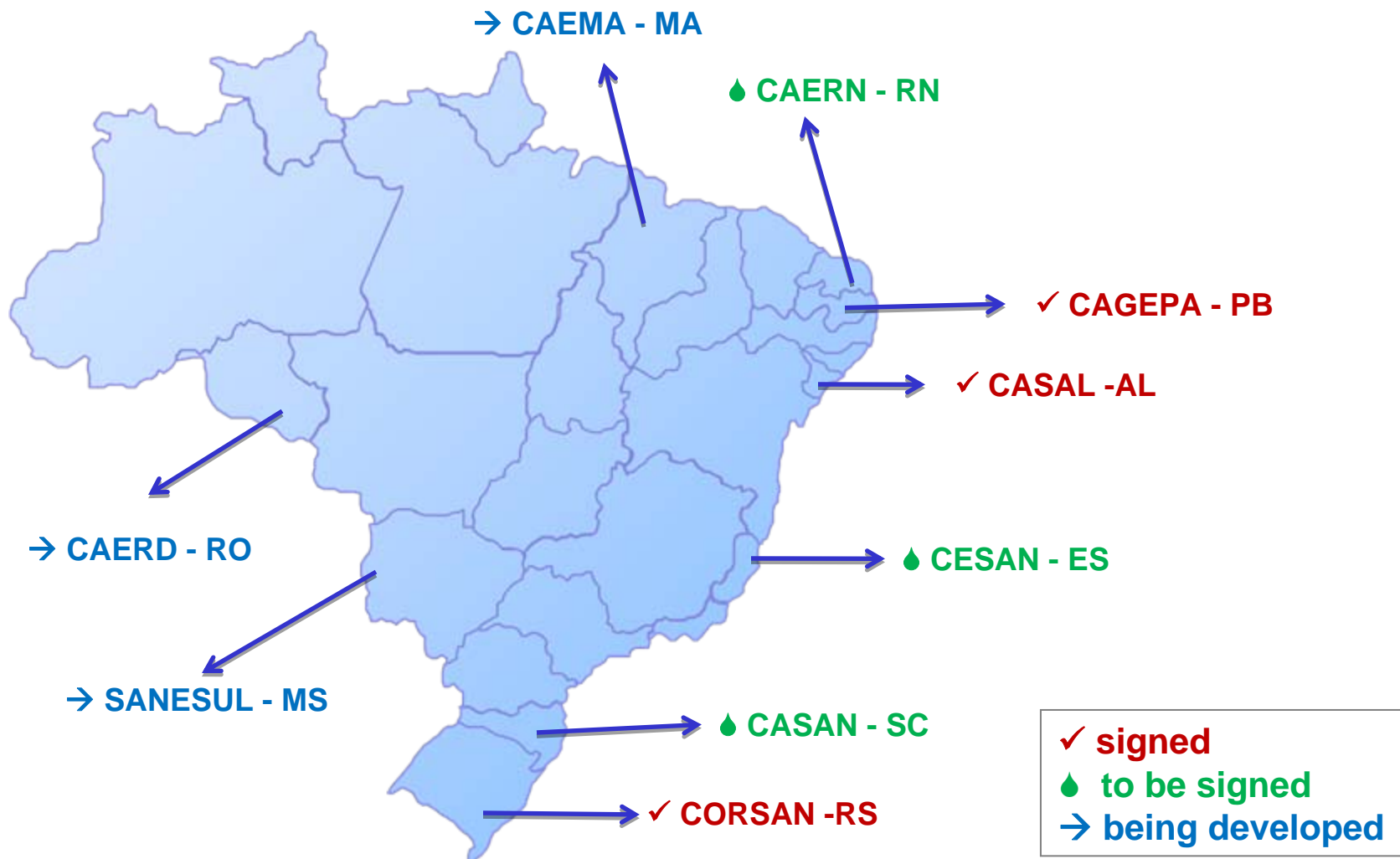
Water losses as “% of revenue” and “liters / connection x day”



Wastewater reuse / Treated wastewater



Explore new business opportunities, such as cooperation with other sanitation companies...





Explore new business opportunities, such as the partnership with OHL and ETEP to undertake the sewage treatment services in Mogi-Mirim...



Remembering three highlights...

- Sabesp is strongly committed to public policies and market standards for efficiency and profitability
- The new regulatory framework creates new challenges and opportunities
- Universal coverage of services and environmental solutions are Sabesp's top priorities

Thank you!

www.sabesp.com.br



Brazil Day 2008

New York

October, 2008

Annex

Financial Highlights

(In R\$ million)

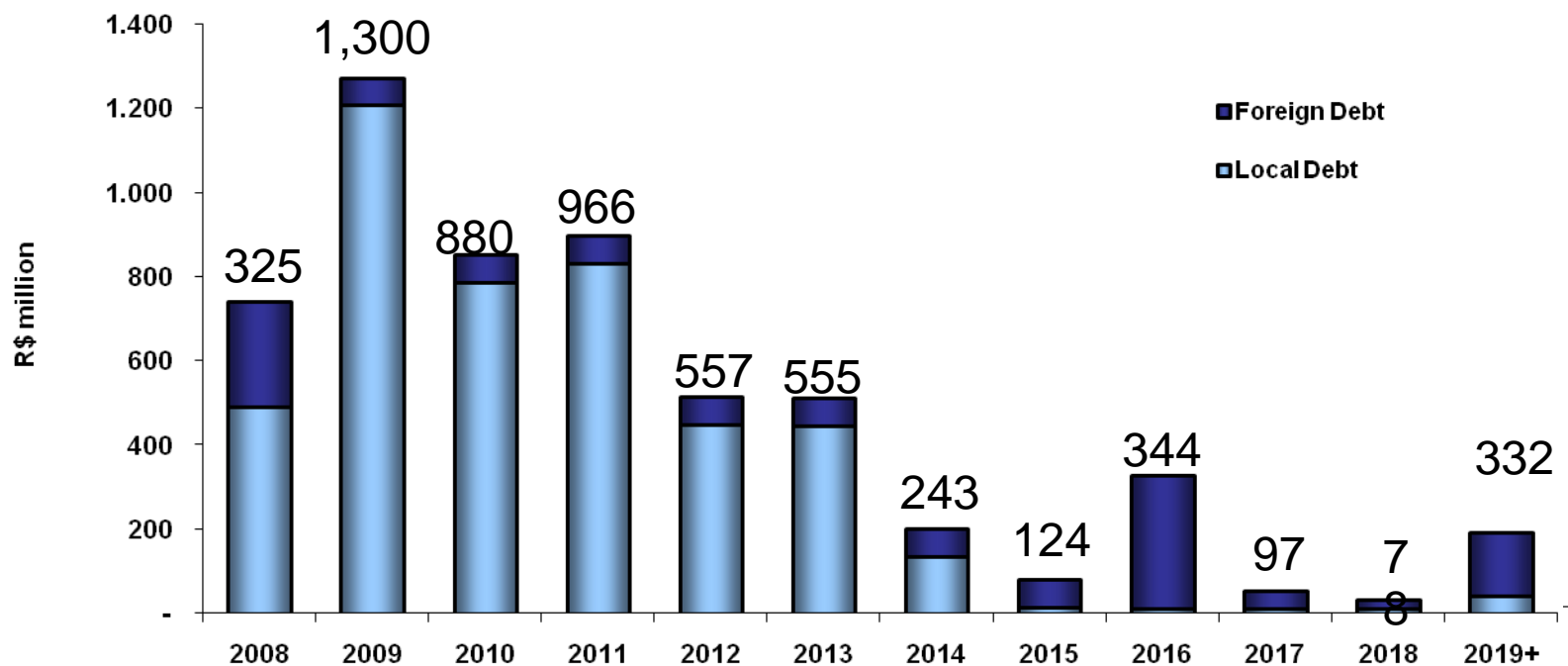
	2003	2004	2005	2006	2007	1S08
Net Revenues (R\$)	4.130,8	4.397,1	4.953,4	5.527,3	5.970,8	3.053,4
EBITDA (R\$)	2.076,5	1.927,0	2.285,6	2.446,0	2.698,9	1.410,4
EBITDA Margin (%)	50,3	43,8	46,1	44,3	45,2	46,2
Net Income (R\$)	833,3	513,1	865,6	778,9	1.048,7	663,7
Net Margin (%)	20,2	11,7	17,5	14,1	17,6	21,7
Total Assets (R\$)	16.590,1	16.783,8	17.431,1	17.999,9	18.663,4	18.702,1
Total Debt (R\$)	7.264,3	7.050,7	6.664,2	6.326,7	5.685,2	5.801,4
Short-term Debt (R\$)	997,0	1.496,8	759,0	852,5	742,1	1.131,9
Long-Term Debt (R\$)	6.267,3	5.553,8	5.905,2	5.474,2	4.943,1	4.669,5
Foreign Currency Debt (R\$)	3.012,7	2.680,9	1.575,9	1.472,2	1.242,3	1.391,2
Shareholders' Equity (R\$)	7.576,9	7.951,6	8.482,5	9.018,5	9.784,0	10.247,0
Total Debt/Total Cap. (%)	48,9	47,0	44,0	41,2	36,8	36,1
Investments (R\$)	594,0	601,0	678,2	904,9	921,1	583,0
Dividend Declared (R\$/000 shares)	17,7	5,4	12,2	9,5	1,32*	0,88*
Pay Out (%)	60,5	29,8	40,2	34,7	28,7	30,2
Dividend Yield (%)	10,8	3,4	7,8	3,2	3,2	2,2
Outstanding shares - 227.836.623						
Shares:ADR rate = 2:1						

Note: Financials are in Brazilian Corporate Law.

*earnings per share

Debt amortization profile...

- The US dollar-denominated debt is long-term and low cost (multilateral agencies). Currently, SABESP's credit rating by S&P is brA+ (domestic) and BB- (international).



Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019+
Local Debt	282	1,240	820	865	455	453	141	22	19	19	20	76
Foreign Debt	43	60	60	100	102	102	102	102	325	78	59	256
Total	325	1,300	880	966	557	555	243	124	344	97	78	332