

**Management comments for the periods ended September 30, 2019 compared to the same period in 2018.**

Amounts expressed in thousands of reais, (unless otherwise stated)



**1. General Customer Service Data**



The Company operates in Water Supply and Sewage Treatment Systems in the vast majority of the State of Goiás, operating in 226 of the 246 municipalities in the state in which 57 have Program Contracts and 169 have Concession Contracts.

| Program and Concession Contracts           | Unit | 9M2019 | 9M2018 |
|--|------|--------|--------|
| Total Municipalities Served by Saneago     | No.  | 226    | 226    |
| Total Municipalities - Program Contract    | No.  | 57     | 57     |
| Total Municipalities - Concession Contract | No.  | 169    | 169    |

**2. General Customer Service Data**

**Table 01- General Customer Service Data for the Services Provided.**

|   | OPERATIONAL INDICATORS | Unit      | 9M2019 | 9M2018 | Variation (%) |
|---|------------------------|-----------|--------|--------|---------------|
|   | Population served      | Thousand. | 5,714  | 5,634  | 1.4%          |
|   | Customer Service Index | %         | 97.07% | 96.90% | 0.2%          |
|  | Connections            | Thousand. | 2,193  | 2,133  | 2.8%          |
|   | Measurements           | Thousand. | 2,394  | 2,338  | 2.4%          |
|   | Network Extension      | Km        | 30,524 | 30,089 | 1.4%          |
|   | Population served      | Thousand. | 3,636  | 3,437  | 5.8%          |
|   | Sewage Treatment Index | %         | 61.77% | 59.10% | 4.5%          |
|  | Sewage Treatment Index | %         | 57.40% | 55.10% | 4.2%          |
|   | Connections            | Thousand. | 1,178  | 1,108  | 6.3%          |
|   | Measurements           | Thousand. | 1,343  | 1,274  | 5.4%          |
|   | Network Extension      | Km        | 12,899 | 12,337 | 4.6%          |

|   | OPERATIONAL INDICATORS |                         |         |             |        |         |             |      |
|---|------------------------|-------------------------|---------|-------------|--------|---------|-------------|------|
|   | Unit                   | Q3/2019                 | Q3/2018 | Variation % | 9M2019 | 9M2018  | Variation % |      |
|  | Billed Volume          | thousand m <sup>3</sup> | 70,278  | 67,148      | 4.66%  | 200,324 | 194,943     | 2.8% |
|   | Produced Volume        | thousand m <sup>3</sup> | 101,283 | 97,589      | 3.79%  | 289,278 | 281,370     | 2.8% |
|  | Billed Sewage Volume   | thousand m <sup>3</sup> | 41,752  | 38,861      | 7.44%  | 119,817 | 112,825     | 6.2% |
|   | Treated Sewage Volume  | thousand m <sup>3</sup> | 38,759  | 36,519      | 6.13%  | 111,038 | 104,785     | 6.0% |

**2.1. Water Supply System**

For the full year 2019, the company expanded its performance in the provision of water supply



services in the state of Goiás in relation to the population served by 1.4%, with the service index reaching 97.07% of the population in June 2019. There was an increase in the number of billed water connections by the Company by 2.8% while the extension of the water distribution networks was increased by 1.4%.

## **2.2. Sewerage System**

Regarding sewerage systems, there was also expansion, the population served increased, representing a growth of 5.8%. This number represents a Sewage Service Index of 61.77% of the total population served in the State (municipalities in which the Company holds a concession) for the full month of June 2019. The number of billed sewage connections represented a growth of 6.3%. In relation to the billed volume of sewage, there was an increase of 7.44% in the Q3/2019. The volume of treated sewage grew 6.13% also for the Q3/2019 period.

## **3. Performance Indicators**

In relation to the number of employees, there was an increase in the total number of employees, from 5,683 in 3Q/2018 to 5,843 in 3Q/2019, representing a 2.82% growth.

The staff productivity index, measured by the ratio of connections (water + sewage) by number of employees, increased from 570 connections / employees to 577 connections / employees, showing an improvement in efficiency of 1.23% even with the increase in the workforce. It should be noted that the company terminated the 139 employees who joined the Voluntary Job Termination Program (PDV) 2019 in September.

### **Table 02- Performance Indicators**

| Indicators                  | 9M2019 | 9M2018 | Variation % |
|-----------------------------|--------|--------|-------------|
| Number of employees         | 5,843  | 5,683  | 2.82%       |
| Connections / Employee      | 577    | 570    | 1.23%       |
| Measurements / Employee     | 639    | 635    | 0.63%       |
| Water Metering Index (%)    | 99.73% | 99.73% | 0.00%       |
| Macro Measurement Index (%) | 98.02% | 97.37% | 0.67%       |
| Loss Index                  | 29.13% | 28.91% | 0.76%       |

The macro-measurement index reached 99.73%, maintaining the same level as the previous year. The loss rate reached an average level of 29.13%.

#### 4. Investment

Chart 1 - Volume of Investments by System in Q3/2019

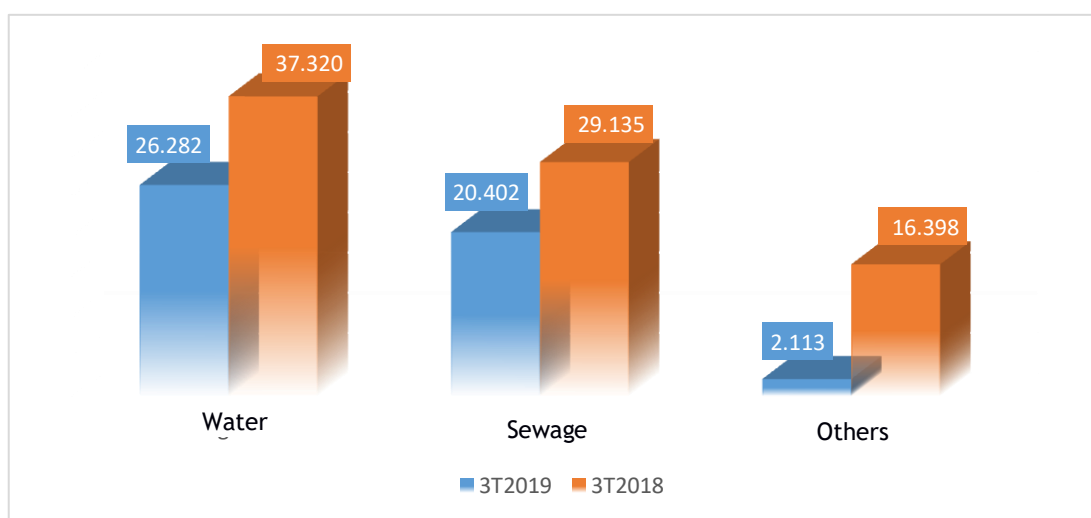
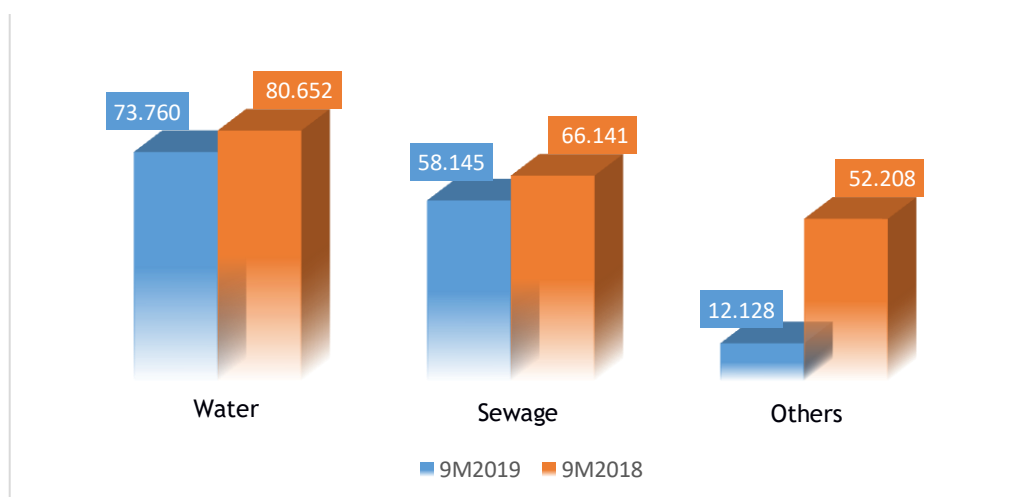


Chart 2 - Volume of Investments by System in 9M2019



Investments made in the 3<sup>rd</sup> quarter of 2019 in the full period (9M2019) totaled BRL 144,033, as shown in Chart 2. From this amount, 51.21% was invested in water supply systems, while 40.37% was invested in sanitary sewage collection and treatment systems, the remaining 8.42% was invested in operational improvement programs, business development, general purpose goods and others. Within the 'Others' Group is the acquisition of goods not intended for Water and Sewerage Systems such as the acquisition of vehicles, computers, construction of administrative areas and software. In 2018, after acquiring the SAP System, in addition to the software and hardware necessary for its full operation, this investment reached almost BRL 40 million, a fact that increased the 'Others' Group Investment that year.

## 5. Financial Result Performance

Table 3- Financial Result Performance

| FINANCIAL RESULT PERFORMANCE                            |                |                 |               |                  |                  |              |
|---|----------------|-----------------|---------------|------------------|------------------|--------------|
| Financial Indicators                                    | Q3/2019        | Q3/2018         | Variation %   | 9M2019           | 9M2018           | Variation %  |
| <b>Net Profit</b>                                       | <b>633,557</b> | <b>574,807</b>  | <b>10.2%</b>  | <b>1,666,284</b> | <b>1,561,547</b> | <b>6.7%</b>  |
| Revenue from Technical Services                         | 647            | 682             | -5.1%         | 1,723            | 1,949            | -11.6%       |
| Sub-delegation Grant                                    | 2,275          | 2,275           | 0.0%          | 6,825            | 6,825            | 0.0%         |
| Services Cost   | (325,987)      | (274,696)       | 18.7%         | (888,093)        | (794,356)        | 11.8%        |
| <b>Gross Financial Result</b>                           | <b>310,492</b> | <b>303,068</b>  | <b>2.4%</b>   | <b>786,739</b>   | <b>775,965</b>   | <b>1.4%</b>  |
| Commercial Expenses                                     | (62,234)       | (72,415)        | -14.1%        | (167,608)        | (202,477)        | -17.2%       |
| Administrative Expenses                                 | (118,157)      | (87,456)        | 35.1%         | (304,876)        | (242,163)        | 25.9%        |
| Other Operating Revenues and Other Expenses             | 481            | (3,348)         | -114.4%       | 1,558            | 2,841            | -45.2%       |
| Depreciation / Amortization                             | 62,320         | 57,085          | 9.2%          | 182,324          | 168,764          | 8.0%         |
| Provisions / Reversals / Losses and Receivables Credits | (56,308)       | (121,664)       | -53.7%        | (137,299)        | (147,468)        | -6.9%        |
| Tax Expenses  | (5,966)        | (2,070)         | 188.2%        | (13,235)         | (9,159)          | 44.5%        |
| <b>EBITDA</b>   | <b>130,628</b> | <b>73,200</b>   | <b>78.5%</b>  | <b>347,603</b>   | <b>346,303</b>   | <b>0.4%</b>  |
| <b>EBITDA Margin</b>                                    | <b>20.52%</b>  | <b>12.67%</b>   | <b>62.0%</b>  | <b>20.75%</b>    | <b>22.05%</b>    | <b>-5.9%</b> |
| <b>Adjusted EBITDA</b>                                  | <b>186,936</b> | <b>194,864</b>  | <b>-4.1%</b>  | <b>484,902</b>   | <b>493,771</b>   | <b>-1.8%</b> |
| <b>Adjusted EBITDA Margin</b>                           | <b>29.37%</b>  | <b>33.73%</b>   | <b>-12.9%</b> | <b>28.95%</b>    | <b>31.44%</b>    | <b>-7.9%</b> |
| Depreciation / Amortization                             | (62,320)       | (57,085)        | 9.2%          | (182,324)        | (168,764)        | 8.0%         |
| Financial Expenses                                      | (28,253)       | (42,830)        | -34.0%        | (45,799)         | (96,495)         | -52.5%       |
| Deferred IRPJ / CSLL                                    | (70)           | 32,828          | -100.2%       | 11,214           | 37,889           | -70.4%       |
| IRPJ / CSLL   | (18,259)       | (20,828)        | -123%         | (53,459)         | (49,618)         | 7.7%         |
| <b>Net Profit</b>                                       | <b>21,726</b>  | <b>(15,115)</b> | <b>243.7%</b> | <b>77,235</b>    | <b>69,315</b>    | <b>11.4%</b> |

## 5.1 Income

Regarding revenues, the Company recorded a 10.2% increase in net income in Q3/2019 and an increase of 2.4% in gross income, both compared to the same period of the previous year. Analyzing the accrued amount of the period in relation to the previous year there was an increase in net income of 6.7% while the gross income increased by 1.40%.

The evolution of the aforementioned results has as main assumptions the expansion of the customer base and increase in the billed volume of sewage, as well as the tariff readjustment authorized by AGR (Agency for Regulation, Control and Inspection of Public Services of Goiás) of 5.79% applied to the customers' accounts as of July 1, 2019. In addition, accounting re-rating were made in relation to the Penalties charged, which also affected this variation, which will be detailed in Table 4 - Gross Sales Revenue.

## 5.2 Costs and Expenses

Regarding costs and expenses, we can subdivide them into 3 (three) structures: Commercial, administrative and service expenses. Commercial expenses decreased by 14.1% in Q3/2019 compared to Q3/2018 while administrative expenses increased by 35.1% in Q3/2019 in relation to Q3/2018. Analyzing the 9M2019 accrued amount in relation to the same period of the previous year, there was a reduction of 17.2% in commercial expenses, while the result of administrative expenses increased by 25.90%.

Service costs increased 18.7% in Q3/2019 in relation to the same period of the previous year, while in the 9M2019 accrued amount in relation to the same period of the previous year, the increase was 11.8%.

It is important to note that the PDV expenses, which totaled BRL 35.3 million, were all reversed from the provisions line item and recorded as personnel expenses, in view of the effective dismissals that occurred during the month of September 2019.

## 5.3 EBITDA

The company's EBITDA reached BRL 130,628 in Q3/2019 compared to the BRL 73,200 registered in the same period of the previous year, representing a growth of 78.5% in relation to Q3/2018. In 9M2019 accrued amount, EBITDA reached BRL 347,603, representing an increase of 0.4 compared to the same period of the previous year.

### 5.3.1 EBITDA Margin

The ratio between EBITDA on net income (adjusted EBITDA margin) in Q3/2019 was 20.52% compared to 12.67% in the same period of the previous year, which represents a growth of 62.0% when compared to the same period of the previous year. . In 9M2019 accrued amount, the EBITDA margin reached 20.75% compared to 22.05% in the previous year, a drop of 5.79% in the period. The drop in margin in 9M2019 is largely reflected in the accounting for expenses resulting from the PDV.

## 5.4 Adjusted EBITDA

Adjusted EBITDA, calculated excluding Provisions / Reversals / Losses and Receivables Accounting credits that are proven to have no cash effect as described in table 3 were measured for Q3/2019 in the amount of BRL 186,936, representing a 4.1% reduction compared to the same

period of the previous year. In 9M2019 accrued amount compared to the same period of the previous year, adjusted EBITDA reached the amount of BRL 484,902, representing a reduction of 1.8% in relation to the same period of the previous year.

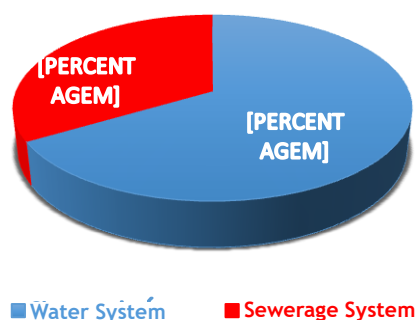
#### 5.4.1 Adjusted EBITDA Margin

The ratio between Adjusted EBITDA on net income (adjusted EBITDA margin) in Q3/2019 was 29.37% compared to 33.73% in the same period of the previous year, which represents a drop of 12.9% when compared to the same period of the previous year. In 9M2019 accrued amount, the adjusted EBITDA margin reached 28.95 % compared to 31.44% in the previous year, a drop of 7.9% in the period. The drop in margin in 9M2019 accrued amount is largely reflected in the recording of expenses resulting from the PDV.

#### 5.4.2 Sales Gross Revenue

Currently, approximately 66% of Saneago's Revenue comes from the exploitation of Water Systems and 34% from Sewerage Systems, as shown in the following Chart:

Chart 3 - Segmentation by Type of System



The increase in gross sales revenue in Q3/2019 was BRL 75.04, which represents an increase of 12.1% in relation to the same period of the previous year, representing a total gross revenue of BRL 695,280 in the period, against BRL 620,234 earned in the same period of the previous year as can be seen in table 4 below.

Table 04 - Sales Gross Revenue

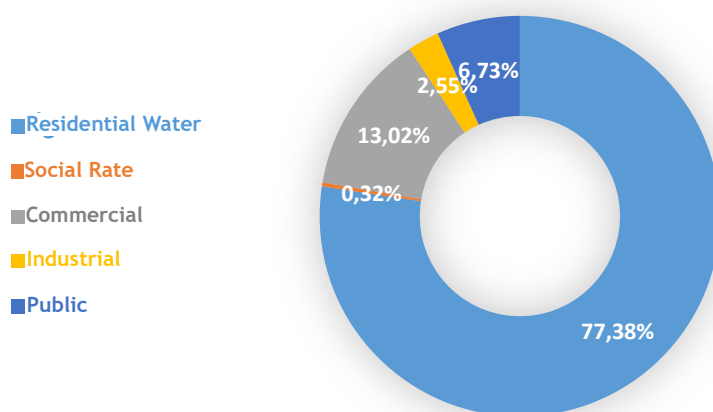
| Revenue by Type of Service                       | GROSS SALES REVENUE |                |              | 9M2019           | 9M2018           | Variation %  |
|--|---------------------|----------------|--------------|------------------|------------------|--------------|
|  | 3Q/2019             | 3Q/2018        | Variation %  |                  |                  |              |
| Residential Water                                | 295,670             | 266,713        | 10.9%        | 806,395          | 753,006          | 7.1%         |
| Social Rate                                      | 1,157               | 1,306          | -11.4%       | 3,467            | 3,833            | -9.5%        |
| Commercial                                       | 40,899              | 35,956         | 13.7%        | 111,408          | 101,742          | 9.5%         |
| Industrial                                       | 10,007              | 9,143          | 9.4%         | 26,298           | 24,695           | 6.5%         |
| Public   | 24,855              | 22,623         | 9.9%         | 65,325           | 61,388           | 6.4%         |
| Indirect Revenues of Services                    | 4,383               | 22,364         | -80.4%       | 8,405            | 33,390           | -74.8%       |
| Minimum Fixed Tariff                             | 66,954              | 81,423         | -17.8%       | 190,931          | 236,816          | -19.4%       |
| <b>Total Water</b>                               | <b>443,925</b>      | <b>439,528</b> | <b>1.0%</b>  | <b>1,212,229</b> | <b>1,214,870</b> | <b>-0.2%</b> |
| Residential Sanitary Sewage                      | 137,475             | 118,789        | 15.7%        | 378,765          | 337,492          | 12.2%        |
| Social Housing                                   | 510                 | 540            | -5.6%        | 1,522            | 1,555            | -2.1%        |
| Commercial                                       | 32,050              | 27,972         | 14.6%        | 87,961           | 79,489           | 10.7%        |
| Industrial                                       | 4,588               | 4,229          | 8.5%         | 12,828           | 11,906           | 7.7%         |
| Public   | 13,971              | 12,489         | 11.9%        | 37,726           | 35,436           | 6.5%         |
| Indirect Revenues of Services                    | 19,098              | 379            | 4939.1%      | 27,235           | 874              | 3016.1%      |
| Minimum Fixed Tariff                             | 22,021              | -              | -            | 62,733           | -                | -            |
| <b>Total Sewage</b>                              | <b>229,713</b>      | <b>164,398</b> | <b>39.7%</b> | <b>608,770</b>   | <b>466,752</b>   | <b>30.4%</b> |
| Revenue to be billed for water / sanitary sewage | 21,642              | 16,308         |              | 8,424            | 9,908            |              |
| <b>Gross Revenue</b>                             | <b>695,280</b>      | <b>620,234</b> | <b>12.1%</b> | <b>1,829,423</b> | <b>1,691,530</b> | <b>8.2%</b>  |

|             |          |          |       |           |           |      |
|-------------|----------|----------|-------|-----------|-----------|------|
| Deductions  | (61,722) | (45,427) |       | (163,139) | (129,983) |      |
| Net Revenue | 633,558  | 574,807  | 10.2% | 1,666,284 | 1,561,547 | 6.7% |

As already mentioned in the text of Table 3 - Financial Result Performance, part of the increase in Revenues reflects the tariff adjustment applied to invoices issued as of July. However, it is also necessary to inform the recent accounting re-rating in which the penalties charged from customers were removed from Financial Revenue. These amounts were rated under Penalties within Indirect Service Revenues, which, as shown in Table 4, in Q3/2018 these Revenues totaled BRL 22,743 (water + sewage) and in Q3/2019 reached BRL 23,481 (water + sewage).

Regarding customer segmentation, we highlight that the residential category concentrates the largest share of the company's customers with a 77.38% share of total operating revenue from services provided. The commercial and public categories represent 13.02% and 6.73% respectively.

**Chart 4 - Segmentation by Customer Category**



### Main variations and causes of the observations shown in Table 4 for Q3/2019

**5.4.3 Water supply revenue** - Total water supply revenue increased by 1%.

Despite this percentage being lower than the tariff readjustment of 5.79%, it is noteworthy that as of December 2018, with the implementation of the SAP System, the fixed minimum cost started to be proportionally recorded in Water and Sewage, which made Water Revenue higher than sewage revenue due to the lack of separation of this significant portion of the tariff.

**5.4.4 Sewage Revenue** - Revenue from sanitary sewage increased 39.7%.

As previously shown, this variation was strongly impacted by the transfer of part of the Revenue from the Minimum Fixed Cost of Water to Sewage.

**5.4.5 Deductions from Gross Operating Revenue** - Deductions from gross operating revenue refer to PIS, PASEP, COFINS that increased 35.9%, from BRL 45,427 to BRL 61,722. This variation reflects the change in the accounting for PIS and COFINS credits. Currently, the credit amounts of these taxes are deducted from the value of the contracted service, thus reducing the amount of expenses. Previously, credits were deducted from the principal amount of the tax, thus resulting in a lower total of deductions.



**5.4.6 Net Operating Revenue** - Net operating revenue reached BRL 633,558, against BRL 574,807 in the same period of the previous year, an increase of 10.2%. Contributing to the increase in net operating revenue was the increase in revenue from sales of residential water and sewage, due to the increase in new water and sewage connections throughout the year, in addition to the tariff adjustment applied from July 2019 and also the accounting re-rating of Customer Penalties as already explained.

**5.5 Costs of Services Provided** - Costs of services provided excluding construction, formed by expenses with operation, conservation and maintenance of water and sewerage systems totaled BRL 325,988 in the Q3/2019 period, an increase of BRL 51,292, in comparison to the same period of the previous year, which represents an increase of 18.7%, as shown in the table of cost breakdown of the services provided below:

**Table 05- Breakdown of Costs for Services Provided**

| Services Costs       | 3Q/2019        | 3Q/2018        | Variation %  | 9M2019         | 9M2018         | Variation %  |
|----------------------|----------------|----------------|--------------|----------------|----------------|--------------|
| Personnel            | 158,385        | 114,189        | 38.7%        | 427,696        | 329,372        | 29.9%        |
| Material             | 25,958         | 21,432         | 21.1%        | 55,358         | 66,601         | -16.9%       |
| Electricity          | 55,980         | 58,226         | -3.9%        | 164,699        | 160,352        | 2.7%         |
| Third Party Services | 29,624         | 24,173         | 22.5%        | 71,184         | 66,137         | 7.6%         |
| General              | 1,418          | 2,040          | -30.5%       | 5,435          | 9,166          | -40.7%       |
| <b>Subtotal</b>      | <b>271,365</b> | <b>220,060</b> | <b>23.3%</b> | <b>724,372</b> | <b>631,628</b> | <b>14.7%</b> |
| Amortization         | 54,623         | 54,636         | 0.0%         | 163,721        | 162,728        | 0.6%         |
| <b>Total General</b> | <b>325,988</b> | <b>274,696</b> | <b>18.7%</b> | <b>888,093</b> | <b>794,356</b> | <b>11.8%</b> |

**Main variations and causes of Service Costs in Q3/2019:**

**5.5.1 Personnel** - Expenditure on personnel totaled BRL 158,385, showing an increase of BRL 44,196, the amount corresponding to an increase of 38.7%. The main factor behind this increase was the implementation of the 2019 Voluntary Job Termination Plan for which approximately BRL 35 million had been provisioned. About 46% of the dismissed employees were part of the Cost of Services, that is, approximately BRL 16.2 million, which represents almost 37% of the variation identified in the period. In addition, as of June 1, a salary increase of 4.78% was granted to this professional category. In 9M2019 accrued amount, the cost of personnel reached 427,696, representing an increase of 29.9% when compared to the same period of the previous year. In addition to the PDV recording, another non-recurring expense impacted the line item, I am referring to the execution of a collective bargaining agreement with the Union of Workers in Urban Industries in the State of Goiás (STIUEG) in the amount of approximately BRL 10 million.

**5.5.2 Material** - Spending on material increased by 21.1% in the Q3/2019. The main impacts were with a 47% increase, about BRL 2.2 million in System Maintenance Material. This increase is only a matter of re-rating in relation to the former system adopted by the company. Pump maintenance services are now recorded separately under Third Party Services and Material.

Another impact factor in these 3 months was in relation to the Treatment Materials, which had their balances adjusted in the month of July. These one-off adjustments in Q3/2019 had no impact on the accrued amount (9M2019), in which there is a reduction of 16.9% and not an increase in this group. This reduction refers, as mentioned in other reports, to the re-rating of Treated Water Acquired from Material for Third Party Services.

**5.5.3 Electricity** - Electricity costs totaled BRL 55,980 in Q3/2019, representing a 3.9% reduction in relation to the previous period due to the use of the PIS / COFINS credit for the month of June. The cumulative analysis (9M2019) shows an increase of 2.7% due to the 2018 tariff readjustment.

**5.5.4 Third-party services** - Spending on third-party services increased by 22.5% compared to the same period in the previous year. This variation was mainly due to an Agreement between the Company and CODEGO (Development Company of the State of Goiás) in which amounts



related to the acquisition of treated water by Saneago during the year in the amount of BRL 8.9 million were recognized. Vehicle rental costs, which were previously recorded as costs, were re-rated as right-of-use assets in light of the change in accounting standard CPC 06. In the analysis of the (9M2019) accrued amount, the increase is only 7.6% reflecting the transfer of the costs of Acquisition of Treated Water from Material to Third Party Services.

**5.5.5 General** - Costs with general expenditure decreased 30.5%. This variation reflects the re-rating of accounts between Cost, Administrative and Commercial carried out with the Implementation of SAP.

**5.6 - Administrative Expenses** - Expenses with the Company's management structure, increased by BRL 30,701 in the Q3/2019 period when compared to the same period of the previous year Q3/2018, reaching a variation of 35.1% in the period, as shown in table 6.

**Table 6- Breakdown of Administrative Expenses**

| Administrative Expenses | Q3/2019        | Q3/2018       | Variation %  | 9M2019         | 9M2018         | Variation %  |
|-------------------------|----------------|---------------|--------------|----------------|----------------|--------------|
| Personnel               | 96,207         | 72,452        | 32.8%        | 239,949        | 195,862        | 22.5%        |
| Material                | 1,692          | 1,046         | 61.8%        | 3,754          | 4,279          | -12.3%       |
| Electricity             | 894            | -             | -            | 2,279          | -              | -            |
| Third Party Services    | 9,274          | 10,850        | -14.5%       | 33,030         | 33,603         | -1.7%        |
| General                 | 2,465          | 849           | 190.3%       | 7,476          | 2,701          | 176.8%       |
| <b>Subtotal</b>         | <b>110,532</b> | <b>85,197</b> | <b>29.7%</b> | <b>286,488</b> | <b>236,445</b> | <b>21.2%</b> |
| Depreciations           | 7,625          | 2,259         | 237.5%       | 18,388         | 5,719          | 221.5%       |
| <b>Total General</b>    | <b>118,157</b> | <b>87,456</b> | <b>35.1%</b> | <b>304,876</b> | <b>242,164</b> | <b>25.9%</b> |

**5.6.1 - Personnel** - Among the factors that caused the increase in personnel expenses, the highlight was the implementation of the 2019 Voluntary Job Termination Plan for which approximately BRL 35 million had been provisioned. About 44% of the dismissed employees were part of the administrative expense, that is, approximately BRL 15.7 million, which represents almost 66% of the variation identified in the period. In addition, as of June 1, a salary increase of 4.78% was granted to this professional category. It is also noteworthy that, with the implementation of the new accounting system, SAP, the company structure and the workforce were updated.

**5.6.2 Material** - Spending on material increased by 61.8% in the Q3/2019. We highlight the increase in fuel costs by 36% with an absolute variation of BRL 260,000.

**5.6.3 - Third Party Services** - Third party services costs decreased by 14.5%. This reduction reflects the adoption of CPC 06, which allocated the cost of part of Leasings of movable goods as Assets.

**5.6.4 - General Expenses** - These expenses increased by 190.3% in Q3/2019 compared to the same period in 2018. However, it is noteworthy that with the restructuring of the Chart of Accounts, the Remuneration paid to the Board of Directors and to the other Boards were rated as general expenses and no longer as Personnel expenses - a fact that drove this increase since these expenses with remunerations reached BRL 1.4 million - almost 60% of the total.

**5.7 Commercial Expenses** - Expenses with the Company's commercial system in Q3/2019 decreased 14.1%, mainly due to the updating of workforce, reducing this expense by 16%.

**Table 7- Breakdown of Commercial Expenses**

| Commercial Expenses         | Q3/2019       | Q3/2018       | Variation %   | 9M2019         | 9M2018         | Variation %    |
|-----------------------------|---------------|---------------|---------------|----------------|----------------|----------------|
| Personnel                   | 31,240        | 37,176        | -16.0%        | 81,906         | 105,144        | -22.10%        |
| Material                    | 178           | 120           | 48.3%         | 500            | 368            | 35.87%         |
| Electricity                 | 1             | -             | -             | 64             | -              | -              |
| Third Party Services        | 13,528        | 21,120        | -35.9%        | 38,413         | 56,017         | -31.43%        |
| Concession Remuneration     | 14,584        | 13,199        | 10.5%         | 40,706         | 38,352         | 6.14%          |
| General                     | 2,632         | 610           | 331.5%        | 5,805          | 2,277          | 154.94%        |
| <b>Subtotal</b>             | <b>62,163</b> | <b>72,225</b> | <b>-13.9%</b> | <b>167,393</b> | <b>202,158</b> | <b>-17.20%</b> |
| Amortization / Depreciation | 72            | 191           | -62.3%        | 215            | 318            | -32.39%        |
| <b>Total General</b>        | <b>62,235</b> | <b>72,416</b> | <b>-14.1%</b> | <b>167,608</b> | <b>202,477</b> | <b>-17.22%</b> |

**Main variations are:**

**5.7.1 - Personnel** - As mentioned, the updating of the workforce impacted the reduction of employees rated as Commercial, reducing this expense by 16%. However, this variation had been greater in Q2/2019 since in Q3/2019, employees linked to Commercial Area were also terminated at the PDV 2019 In relation to the BRL 35 million provisioned for terminations, around 10% refers to employees in this expense group. In addition, as of June 1, a salary increase of 4.78% was granted to this professional category.

**5.7.2 - Material** - Spending on material increased by 48.3%. The main cause of this variation was the expenses with material for cutting and reconnection, which previously appeared in material within 'Cost' and, due to the nature of the cuts, now appear as Commercial material.

**5.7.3 - Third Party Services** - Third party services costs decreased by 35.9%. This reduction was mainly due to the re-rating of services which, due to the restructuring of the System, were allocated as Services / Administrative Cost

**5.7.4 General** - Costs with general expenditure increased 331.5%. The main factor in this variation was the balance of BRL 2 million in indemnities to third parties compared to BRL 393,000 in the previous year.

**5.8 - Provision / Reversal / Losses / Recovery of Prescribed Credits:**

**Table 08 - Provisions / Reversals / Losses and Receivables. Credits**

| Reversals (-) Net provisions                                   | Q3/2019         | Q3/2018          | Variation %   | 9M2019           | 9M2018           | Variation %  |
|--|-----------------|------------------|---------------|------------------|------------------|--------------|
| Prescribed Credits Losses                                      | (14,720)        | (13,472)         | 9.3%          | (43,290)         | (33,959)         | 27.5%        |
| Provision for Contingencies                                    | (16,927)        | (55,393)         | -69.4%        | (43,649)         | (58,278)         | -25.1%       |
| Allowance for Doubtful Accounts                                | (51,256)        | (31,865)         | 60.9%         | (60,490)         | (50,928)         | 18.8%        |
| Provision for Loss / Stock                                     | (8,494)         | (12,842)         | -             | (9,257)          | (5,967)          | -            |
| Provision for Voluntary Job Termination Program - PDV          | 35,079          | -                | -             | -                | -                | -            |
| Estimated losses on works                                      | -               | (8,092)          | -100.0%       | 19,377           | 1,664            | 1064.5%      |
| Provision for estimated losses from other credits              | 10              | -                | -             | 10               | -                | -            |
| <b>Provisions / Reversals / Losses and Receivables Credits</b> | <b>(56,308)</b> | <b>(121,664)</b> | <b>-53.7%</b> | <b>(137,299)</b> | <b>(147,468)</b> | <b>-6.9%</b> |

According to the aforementioned Table, there was a 53.7% decrease in the balance between reversals and provisions in Q3/2019 and still 6.9% in the cumulative analysis (9M2019). It is noteworthy that as of June 2019, only net results were released between reversals and provisions. The main highlights of Q3/2019 refer to the reversal of the amount of BRL 35 million provisioned for the terminations of the PDV 2019, which were made and recorded in personnel expenses in September and the provision of BRL 8.5 million for losses of stocks and the Estimate of Allowance for Doubtful Accounts, which increased by 60.9%.

**5.9 Net Financial Revenues and Expenses** - Reflect the results related to income from financial investments, revenues from monetary variations and other amounts receivable, expenses with interest on loan operations, financing, as well as expenses with fines and default interest and discounts granted. The financial result presented in the period Q3/2019 was (BRL 34,612), the amount represented a reduction of 33.2% in relation to the same period of 2018. There was a decrease in financial expenses, with expenses related to interest on arrears amounting to only BRL 440,000, compared to BRL 7 million in 2018, and almost entirely referring to installments and not current payments. The result of the exchange rate variation was also impacting for the overall reduction of this group, since in Q3/2019 there was a dollar fluctuation, resulting in an expense of BRL 7.2 million compared to just BRL 3.6 million in 2018. It is also worth noting the transfer of Fines from customers in Financial Revenue to Indirect Revenue within Operating Revenue.

**Table 09 - Net Revenues and Expenses**

| Description                            | Net Financial Revenues and Expenses |                 |               |                  |                  |                |
|--|-------------------------------------|-----------------|---------------|------------------|------------------|----------------|
|  | 3Q/2019                             | 3Q/2018         | Variation %   | 9M2019           | 9M2018           | Variation %    |
| Interests / Fines                      | 157                                 | (4,648)         | -103.4%       | 32,743           | 21,962           | 32.9%          |
| Monetary Correction                    | 5,787                               | 5,830           | -0.7%         | 15,102           | 14,847           | 1.7%           |
| Exchange Variation                     | -                                   | 7,777           | -100.0%       | 5,002            | 16,159           | -223.1%        |
| Adjustment to Current Value            | 415                                 | -               | -             | 1,707            | -                | 100.0%         |
| <b>Total financial revenues</b>        | <b>6,359</b>                        | <b>8,959</b>    | <b>-29.0%</b> | <b>54,554</b>    | <b>52,968</b>    | <b>2.9%</b>    |
| Interests / Charges and Other Expenses | (27,005)                            | (32,443)        | -16.8%        | (88,039)         | (94,521)         | -7.4%          |
| Monetary Correction                    | (328)                               | (8,386)         | -96.1%        | (578)            | (19,847)         | -3333.7%       |
| Exchange Variation                     | (7,279)                             | (11,404)        | -36.2%        | (11,736)         | (33,895)         | -188.8%        |
| Adjustment to Current Value            | -                                   | 443             | -100.0%       | -                | (1,200)          | 0.0%           |
| <b>Total Financial Expenses</b>        | <b>(34,612)</b>                     | <b>(51,790)</b> | <b>-33.2%</b> | <b>(100,353)</b> | <b>(149,463)</b> | <b>-48.9%</b>  |
| <b>Financial Result</b>                | <b>(28,253)</b>                     | <b>(42,831)</b> | <b>-34.0%</b> | <b>(45,799)</b>  | <b>(96,495)</b>  | <b>-110.7%</b> |

## 6. Result

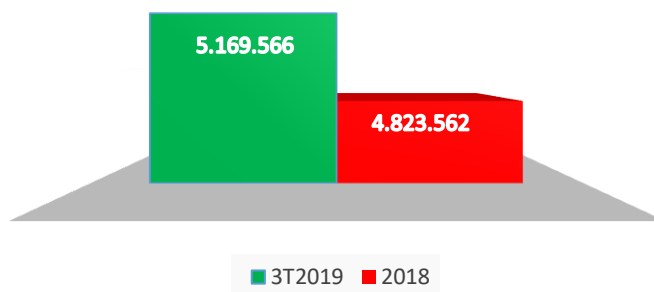
**6.1 Net Income / Loss** - The Company recorded a profit of BRL 21,726 in this Q3/2019. This positive result refers mainly to the increase in revenue, the rise control of costs, the reduction of financial expenses and the decrease in the net result of Reversals (-) Provisions.

The result was higher than the same period of the previous year, which had been a loss of BRL 15.1 million. The cumulative analysis (9M2019) also shows an increase of 11.43% in net profit for the period, which reached BRL 77,235.

## 7. Analysis and Discussion of the Equity Structure

In the following analysis and discussion on the Company's equity structure, we seek to discuss on the line items that are considered materially relevant to adequately justify changes in its equity situation in the period corresponding to Q3/2019 full period (9M2019) compared to the end of the previous year.

**Chart 5 - Evolution of Total Assets**



In 2019, the main changes in the equity structure occurred in the current asset line items, which increased by 35.47%, while current liabilities also increased by 15.11%. Thus, there was an increase in current liquidity, which went from 0.893 at the end of financial year 2018 to 1.051 at the end of Q3/2019, an increase of 17.70%. In addition, there was also an increase in third party capital<sup>1</sup> from 82.32% at the end of 2018 to 89.85% at the end of Q3/2019.

## 7.1 Assets

**Chart 6 - Asset Structure - 9M2019**

<sup>1</sup> Third Party Capital Interest (Current Liabilities + Non-Current Liabilities / Equity)



### 7.1.1 Current Assets

**7.1.2 Availability** - Availability increased by BRL 139,930 from cash and cash equivalents in the order of BRL 43,997 at the end of financial year 2018 to BRL 183,927 at the end of Q3/2019. This increase reflects the disbursement of the 6th Issue of Debentures, carried out by Saneago in the amount of BRL 140 million.

**7.1.3 Credits receivable from Users** - The line item credits receivable from Users increased by BRL 30,204, representing an increase of 9.52%. The default in the Public Sector is a major factor for the increase identified.

**7.1.4 Stocks** - The stocks account decreased by BRL 13,328, impacting a 20% decrease. This variation mainly reflects the provisioning of BRL 8.5 million for losses. Also noteworthy is the decrease of approximately BRL 10 million in pipings used in maintenance and specially investments. In addition, the acquisition of approximately BRL 7 million in water meters.

**7.1.5 Advanced Expenses** - This account showed a variation of 85% reaching 33,375 in Q3/2019. This variation is a reflection of the advance payment of the 13<sup>th</sup> salary made over the year that will be realized in personnel expenses only in December.

### 7.2 Non-Current Assets

**7.2.1 Intangible assets** - In accordance with ICPC 01 (R1) - Concession Contracts, the line item Intangible assets was segregated into: Intangible assets, contract assets and works in progress not reversible. Intangible assets, basically composed of the assets used in the water and sewerage systems linked to municipal concessions, decreased by BRL 74,972, which represents a negative variation of 2.79%, mainly referring to the subdivision in Right of Use Assets in the amount of BRL 50,418

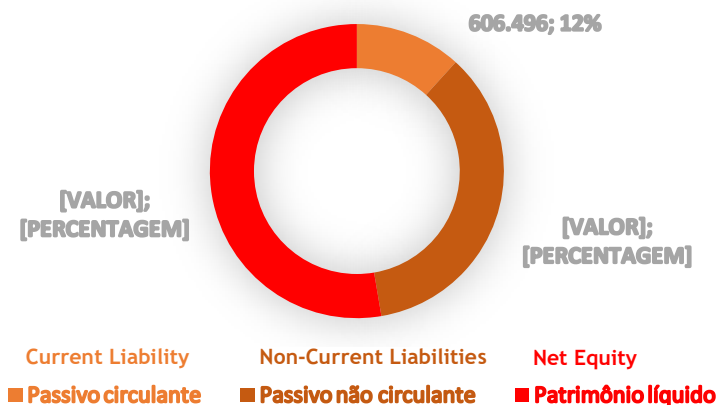
**7.2.2 Contract Assets** - Contract Assets (works in progress) are the right to consideration in exchange for goods or services transferred to the customer. This item presented a positive variation of 8.84% at the end of the 3<sup>rd</sup> quarter of 2019, reaching a balance of BRL 618,548.

**7.2.3 Right of Use Assets** - This line item presented a balance of BRL 50,418. There was no balance for this line item at the end of 2018, as the current balance reflects the compatibility of the Company's records with CPC 06, which deals with the recording of Leasings, which, in the case of lease contracts with a term longer than 12 months, must recognize the leasing. as a

Right of Use Asset having a Lease Liability as a consideration.

### 7.3 Liabilities

Chart 7 - Breakdown of Liabilities + PL - 9M2019



**7.3.1 Short Term Loans and Financing** - The line item presented a balance of BRL 132,997 in this quarter, against BRL 137,059 at the end of 2018, a negative variation of 2.96% when compared to the end of 2018.

**7.3.2 Debentures** - Debentures rated as Current recorded an increase of BRL 50,147, which reflects the approaching end of the grace period for the 4<sup>th</sup> and 5<sup>th</sup> issue of debentures.

**7.3.3 Leasing** - This line item refers to the compatibility of the Company's records with CPC 06, which deals with the recording of Leasings which, in the case of lease contracts with a term longer than 12 months, must recognize the as a Right of Use Asset having a Lease Liability as consideration.

In the 3<sup>rd</sup> quarter of 2019, a total of BRL 13,943 was recorded in the short term.

### 7.4 Non-current liabilities

**7.4.1 Long-Term Loans and Financing** - This long-term loans and financing account decreased 19.33% in relation to the balance presented at the end of December 31, 2018. The reduction in the account is due to the amortization of debts during Q3/2019.

**7.4.2 Debentures** - Debentures rated as Non-Current presented an increase of BRL 72,865, reflecting the disbursement of the 6<sup>th</sup> issue of debentures and the grace period of the 4<sup>th</sup> and 5<sup>th</sup> issue of debentures that had the referred amortization installments allocated to the short term.

**7.4.3 Leasing** - This item refers to the compatibility of the Company's records with CPC 06, which deals with the recording of Leasings, which, in the case of lease contracts with a term longer than 12 months, must recognize the lease as a Right of Use Asset having a Lease Liability as consideration. In the 3<sup>rd</sup> quarter of 2019, a total of BRL 38,201 was recorded in the long term.

**7.5 Shareholders' Equity.** Shareholders' equity, due to the profit recorded in this period, increased by BRL 77,243, that is, a positive variation of 2.92%.

## 8. Risk Rating

On August 1, 2019, Fitch Rating raised the National Long-Term Rating of Saneamento de Goiás S.A and its debenture issues to 'A-(bra)'.

At the same time, the agency revised the Rating outlook to stable.

According to Fitch, “the rating upgrade reflects Fitch's view that the company will be able to increase the profitability of its basic sanitation business, capturing operational efficiency from efforts to control costs, increase of productivity and gradual growth of billed volumes.”

The Rating of Investment Fund in Credit Rights (FIDC) of Saneamento de Goiás S.A. - Saneago Infraestrutura IV (FIDC IV), was also raised, on August 2, 2019, to 'AA+sf(bra)', with a stable outlook.

The FIDC rating reflects the change in the outlook of the corporate Rating and takes into account the performance of the operation.

On August 21, 2019, Fitch assigned the Rating to 'A-(bra)', with a stable outlook for the proposal for the Company's 6<sup>th</sup> Issue of Debentures.

The complete list of shares is described in table 11 below.

Table 11. *Ratings Saneago S.A.*

| Rating                            | Fitch Rating | Outlook |
|-----------------------------------|--------------|---------|
| Corporate                         | A-(bra)      | Stable  |
| Debentures, 4 <sup>th</sup> Issue |              |         |
| Debentures, 5 <sup>th</sup> Issue |              |         |
| Debentures, 6 <sup>th</sup> Issue | AA+sf(bra)   | Stable  |
| FIDC IV                           |              |         |

## Management