

Management's Explanatory Notes to the Financial Statements of December 31, 2018 and December 31, 2017

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

Notes Index:

1. Operational Context
2. Basis for the preparation of the financial statements and summary of the main accounting practices
3. Financial risk management and financial instruments
4. New accounting standards, changes and interpretations
5. Restatement of financial statements
6. Cash and cash equivalents
7. Securities
8. Credits Receivable from Users
9. Stocks
10. Taxes Recoverable
11. Judicial Deposits
12. Advanced Expenses and Advanced Payments
13. Sub-delegation
14. Other Accounts Receivable
15. Deferred Taxes
16. Investments
17. Fixed asset
18. Contract's Asset
19. Intangible Asset
20. Loans and Financing
21. Labor obligations
22. Tax Obligations
23. Installments
24. Other Accounts Payable
25. Provision for judicial claims
26. Jointly Controlled Businesses (Consortiums)
27. Employee Benefits
28. Net Equity
29. Net Operating Revenue
30. Costs of Services and Commercial and Administrative Expenses
31. Net provisions / reversals
32. Net Financial Result
33. Commitments made
34. Insurances
35. Related Party Operations
36. Administrators' Remuneration
37. Supplementary Information to Cash Flows
38. Decanting operation

1. Operational Context

Saneamento de Goiás S.A. - Saneago (“Company”) is a publicly traded mixed-capital company, with no outstanding shares and / or trading on the market, established under the terms of State Law No. 6.680 dated September 13, 1967, headquartered at Av. Fued José Sebba no. 1.245, Setor Jardim Goiás, Goiânia-GO, CNPJ [Corporate Taxpayer's Registry]: 01.616.929/0001-02.

- Saneago acts as a provider of basic sanitation services in the State of Goiás, through concession and associated management in the constitutional form provided for, performing studies, designing projects, performing works, operating and practicing the exploitation of basic sanitation services, considered as the set of services, infrastructure and operational facilities for drinking water supply, sanitary sewer, urban cleaning and solid waste management, as well as drainage and urban stormwater management.

According to the Company's Bylaws, urban cleaning and solid waste management services, as well as urban drainage services, will depend on the technical implementation in the Company, and will only be provided through specific service contracts for this purpose. Currently, the Company has no urban cleaning and solid waste management contracts.

In order to comply with Law 13.303 dated June 30, 2016, which provides for the legal status of the public company, mixed capital company and its subsidiaries, within the scope of the Federal Government, States, Federal District and Municipalities, the Company has already implemented the following actions: (i) adequacy of the Bylaws to comply with the law; (ii) implementation of a process to indicate the governance structure; (iii) creation of the Statutory Audit Committee; (iv) creation of the Statutory Eligibility Committee; (v) creation and publication of the Code of Conduct and Integrity; (vi) creation of a training program for administrators, managers and supervisory and management officers; (vii) preparation of spokespersons, communication and information dissemination policies, (viii) creation of a program to prevent acts of corruption, dividend distribution and the prevention of conflicts of interest. All of these activities have been implemented since 2016 and have been subject to improvement since then.

Until December 31, 2018, Saneago has 226 operating contracts that are distributed as follows: 156 contracts are in force, 99 of which are concession contracts and 57 program contracts with the municipalities, for the provision of water supply, collection services and sewage treatment, representing an average percentage of 87.32% of turnover. There are also 70 matured contracts that represent 12.68% of turnover, and these are in the negotiation phase and in operation. The average concession period for current and matured contracts is 23 and 30 years, respectively, counted from the date of the assumption of services, with the possibility of extension through negotiation with each municipality. The contracts have the following maturity schedule: 70 contracts overdue, 79 contracts due in the next 15 years, 21 contracts due in 15 to 20 years and 56 contracts over 20 years. Management expects that all concession contracts will result in new contracts or extensions, eliminating the risk of discontinuity in the provision of services.

Below are the main contracts and their respective maturities:

Municipalities	Status	Due date	Turnover %	Type of Contract	Term (years)
Goiânia	In force	03/04/2023	37.52%	Concession	25
Anápolis	In force	01/31/2023	6.90%	Concession	20
Aparecida de Goiânia	In force	11/01/2041	4.05%	Program	30
Valparaíso de Goiás	In force	11/16/2048	2.47%	Program	30
Rio Verde	In force	11/01/2041	2.41%	Program	30
Luziânia	In force	12/01/2045	1.98%	Program	30

Itumbiara	In force	06/15/2022	1.93%	Concession	20
Formosa	In force	03/14/2025	1.92%	Concession	25
Planaltina	In force	04/01/2030	1.34%	Concession	25
Trindade	In force	11/01/2041	1.31%	Program	30
Jataí	In force	11/01/2041	1.29%	Program	30
Novo Gama	In force	11/22/2019	1.17%	Concession	20
Goianésia	In force	06/15/2020	1.12%	Concession	25
Cidade Ocidental	In force	11/01/2041	1.10%	Program	30
Águas Lindas de Goiás	In force	05/18/2031	1.02%	Concession	31
Quirinópolis	Matured	06/24/2016	1.01%	Concession	20
Sana Helena de Goiás	In force	05/17/2021	0.99%	Concession	20
To mature in 01 - 15 years			7.65%		
To mature in 16 - 30 years			10.54%		
Matured			12.28%		
			<u>100.00%</u>		

The Company's operations are concentrated in the Municipality of Goiânia and represent 37.52% of gross revenue on 12/31/2018 and 31.88% of intangible assets (37.82% of gross revenue on December 31, 2017 and 33.48% of intangible assets on December 31, 2017).

According to Normative Resolution No. 0125/18 of the Regulatory Board of the Agency for Regulation, Control and Inspection of Public Services of Goiás - AGR, a linear readjustment of 3.37% was granted for water / sewage tariffs as of July 1, 2018.

The authorization for the reissue of these financial statements was made by the Management Board on October 18, 2019, and is being made due to the matters described in note No. 5.

2. Basis for the preparation of the financial statements and summary of the main accounting practices

2.1 Compliance Statement

The Company's financial statements were prepared in accordance with international accounting standards (International Financial Reporting Standards - IFRS), issued by the International Accounting Standards Board (IASB), and in accordance with the main accounting practices adopted in Brazil that follow the pronouncements issued by the Accounting Pronouncements Committee - CPC. All material information specific to the financial statements, and only them, are being evidenced and correspond to those used by the Company's management in its management.

The financial statements have been prepared considering historical cost as the basis of value, except for certain Land, Buildings, Furniture and Utensils, Machinery and Equipment, Vehicles and Computer Equipment that were previously adjusted to reflect the cost attributed on the date of transition to IFRS, being that these assets are not reversible to the granting authority, as well as except for certain financial instruments measured at their fair values when required by the standards.

2.2 Functional Currency

The functional currency practiced by Saneago is the Real (R\$). All presentation amounts of the financial statements are expressed in thousands of reais.

2.3 Main accounting judgments and estimates

The preparation of the financial statements requires Management to use certain estimates and assumptions, requiring Management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually assessed based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Because of this, by definition, such estimates may differ from actual results.

The estimates and assumptions that have a significant risk of causing an important adjustment in the book values of assets and liabilities within the next accounting year are disclosed below:

a) Estimated losses on allowance for doubtful accounts

The estimated losses on allowance for doubtful accounts is constituted by an amount considered sufficient to cover possible losses in the realization of accounts receivable from customers for all private and public users with balances overdue for more than 90 days and for state public agencies with maturity above 60 days, as well as for other credits overdue and to be overdue from the same users. In the case of the amounts to be billed, the estimated loss is calculated based on the history of the loss amounts of the private and public sector together in relation to its calculation basis, this estimate being applied to the amount to be invoiced.

The methodology for determining such losses requires significant estimates, considering a variety of factors including the assessment of the receipt history, current economic trends, estimated write-offs and the maturity of the accounts receivable portfolio. Although the Company believes that the assumptions used are reasonable, the actual results may differ.

b) Intangible assets resulting from concession and program contracts

The Company records the assets arising from concession and program contracts as intangible assets. The company estimates the fair value of construction and other infrastructure works to recognize the cost of intangible assets, being recognized when the infrastructure is built and it is likely that such asset will generate future economic benefits. The vast majority of contracts provide the Company with the right to receive, at the end of the contract, a payment equivalent to the residual balance of the intangible concession assets, which are amortized over the useful life of the respective tangible assets, also considering the history of renewals of the referred contracts and, at the end of the contract, the possible remaining value of the intangible asset will be equal to the residual of the relative fixed asset.

Concession intangible assets under concession and program contracts, in cases where there is no right to receive the residual balance of the asset at the end of the contract, are amortized using the straight-line method according to the useful life of the asset or contract period, whichever occurs first.

Additional information on accounting for intangible assets arising from concession and program contracts is described in note 18.

The recognition of the fair value of intangible assets in concession and program contracts is subject to assumptions and estimates, and the use of different estimates may affect the accounting records. This fact, along with future changes in the useful lives of these intangible assets, may have significant impacts on the results of operations.

c) Social security obligations and pension plans

The Company sponsors a defined benefit plan, as described in note 26.

The liability recognized in the balance sheet in relation to the defined benefit plan is the present

value of the defined benefit obligation at the date in the balance sheet, minus the fair value of the plan assets. The obligation for this benefit is calculated annually by independent actuaries, using the unit credit method designed. The present value of the defined benefit obligation is determined by discounting estimates of future cash outflows, using interest rates consistent with market yields, which are denominated in the currency in which the benefits are paid (Reais) and which have terms maturities close to those of the respective pension plan obligation.

d) Deferred income tax and social contribution

The Company recognizes and settles deferred income taxes based on the results of its operations determined in accordance with Brazilian corporate law, considering the precepts of tax legislation. In accordance with CPC 32 (IAS 12), the Company recognizes deferred tax assets and liabilities based on differences between the accounting balances and the tax bases of assets and liabilities.

Deferred tax assets are regularly reviewed for impairment and the Company recognizes a provision for impairment if it is probable that these assets will not be realized based on: (i) historical taxable income; (ii) projections of future taxable profits; and (iii) the estimated time for reversing existing temporary differences. These calculations require the use of estimates and assumptions, which may result in a provision for impairment of all or a significant part of the deferred tax asset.

For more information on deferred taxes, see note 15.

e) Provisions for judicial claims

The Company is a party to several legal proceedings, which include, among others, claims related to labor, civil, tax, environmental lawsuits, including disputes from customers and suppliers, at administrative and judicial levels. The Company sets up a provision for legal proceedings when it has a present obligation (legal or not formalized) as a result of a past event, which is likely to require the withdrawal of funds in order to settle the obligation and the respective amount can be reasonably estimated. Judgments regarding future events may differ significantly from current estimates and exceed the amounts provisioned. Provisions are reviewed and adjusted to take into account changes in the circumstances surrounding them.

For more information on the provisions for judicial claims, see note 24.

2.4 Financial assets and liabilities

a) Financial asset - rating:

The Company should rate its financial assets under the following categories: measured at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The rating depends on the purpose for which the financial assets were acquired, and their rating is determined upon initial recognition.

On December 31, 2018 and 2017 the Company had no financial instruments intended for immediate trading, held to maturity and / or available for sale.

b) Financial liability - rating:

The Company should rate its financial liabilities under the following categories: measured at fair value through profit or loss and other liabilities, and their rating depends on the purpose for which the financial liabilities were assumed.

On December 31, 2018 and 2017 the Company had no financial liabilities rated in the fair value category through income statement.

Financial liabilities in the “other liabilities” category are subsequently measured using the effective interest method to calculate the amortized cost and allocate its interest expense over the respective period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including fees, transaction costs and other issue costs) over the estimated life of the financial liability or, where appropriate, for a shorter period, for the initial recognition of its net book value.

Financial liabilities rated as “other liabilities” comprise:

- Balances payable to suppliers (note 2.13);
- Loans and financing (note 2.17).

2.5 Operating revenue

a) Revenue from sanitation services

Revenue from the provision of water supply and sewage collection services is recognized when water is consumed. Revenue, including revenue not yet billed, is recognized at the fair value of the consideration received or receivable for the provision of the service and is shown net of taxes and fees levied on it, including rebates and discounts. The revenue incurred, whose service was provided, but not yet billed until the end of each period, is estimated and recognized in accounts receivable from customers and the corresponding consideration in the income statement as revenue to be billed.

Accordingly, the Company recognizes its revenue when: (i) the goods or services are delivered; (ii) the value can be measured reliably; (iii) at the moment of compliance with the performance obligations (iv) it is probable that the amounts will be received.

b) Construction revenue

The Company recognizes construction revenue in accordance with ICPC 01 (R1) / IFRIC 12 Concession contracts and CPC 17 (R1) / IAS 11 Construction contracts, using the percentage of completion method, provided that all applicable conditions are completed.

The Company records revenues and costs related to construction services or improvement of the infrastructure used to provide water supply and sewage collection services. The construction margin adopted is established to be equal to zero, considering that: (i) the Company's core activity is water supply and sewage collection and treatment; (ii) all construction revenue is related to the construction of infrastructure to achieve its core activity; and (iii) the Company outsources the construction of the infrastructure to unrelated parties. Monthly, the totality of additions made to the intangible asset in progress is transferred to the profit and loss statement, as construction cost.

2.6 Cash and cash equivalents

Cash and cash equivalents are composed of cash, bank accounts for transactions, collection, deposits for works and financial investments of immediate liquidity, with original maturities less than 3 months from the investment date and which present an insignificant risk of change in fair value. These balances are retained for the purpose of meeting short-term commitments and not for investment or other purposes.

2.7 Credits Receivable from Users

They are recognized at their nominal value as the services are provided and measured. Measurements that exceed the monthly limit are estimated and recorded in amounts to be billed, at present value, without any kind of additions. In cash generation due to overdue payments, interest and corrections are rated as financial revenues. It is estimated that the balances of accounts receivable from customers are close to their fair market values, given the short term of the operations carried out.

Unpaid credits that are divided into current and non-current installments are adjusted and discounted to present value against financial expenses - AVP, whose discount rate went from 0.5% per month to 1% as of November 8, 2016, as Normative Resolution No. 0080/2016-CR, from the Agency for Regulation, Control and Inspection of Public Services of Goiás - AGR and Resolution No. 162/2016 from the Board of Directors of Saenago.

After analysis, Management concluded that the methodology already adopted by the Company meets the expected credit loss model and, for this reason, the initial adoption of CPC 48 / IFRS 9, as of January 1, 2018, did not bring any material impacts in the measurement of allowance for doubtful accounts.

2.8 Stocks

The material stocks are aimed at consumption, maintenance of water supply systems, sanitary sewage and works, are valued at the average acquisition cost, do not exceed the realizable value and are rated in current assets, deducted from provisions for losses. The provision for losses in stocks is set up based on the Company's internal policy, being provisioned due to the lack of movement, that is, items that are not used in the last 12 months will be automatically rated as obsolete.

2.9.1 Other Current Assets

They are recorded at the cost of acquisition or realization, including, when applicable, the earned income.

2.10 Fixed Assets

Fixed assets are stated at acquisition and / or construction cost, and their values were revised in 2009 to reflect the assigned cost of land, buildings, furniture and utensils, machinery and equipment, vehicles and computer equipment in the net amount of R\$ 47,810. The surplus value recorded in fixed assets was R\$ 72,440, with a corresponding consideration in the shareholders' equity account called Equity Valuation Adjustments. Deferred taxes on the total amount of R\$ 24,630 were recognized in non-current liabilities. These assets are not reversible to the granting authority and as they are depreciated or written off against the financial result, the respective amounts of the attributed cost are transferred from the Equity Valuation Adjustments account to the Accumulated Profits or Losses account.

Saneago hires a specialized company to review the useful life of its assets and, after issuing the report, depreciation is calculated using the straight-line method.

The annual depreciation rates are presented as follows:

Nature of Goods	Depreciation Rate	Nature of Goods	Depreciation Rate
Land	0%	Decanters and Drying Ponds	4%
Easements	0%	Equipment	10%
Wells	5%	Furniture and utensils	10%
Dams	4%	Vehicles	20%
Civil Constructions	4%	Computers	20%
Transmission lines	4%	Software	20%
Pipings	4%	Machines, Tractors and The Like	25%
Reservoir and Storage Tanks	4%	Works of art	0%
Water Meters and Macrometers	10%	Other Fixed Assets	0%
Building Connections	5%		

2.1 Intangible Assets

Intangible assets are stated at acquisition cost (historical cost includes expenses directly attributable to the acquisition of the items, as well as interest on financing incurred in the acquisition until the date of entry into operation) and / or construction. Amortization is calculated using the straight-line method based on the useful life and considering the final term of the concession, whichever is the shorter, and the report of a specialized company. Straight-line amortization results in a constant debt over the asset's useful life if its residual value does not change. The amortization of intangible assets starts when it is available for use, in its location and in the necessary condition.

This group of accounts consists of the assets used in the water and sewage systems linked to municipal concessions in line with the interpretation of ICPC 01 - Concession Contracts.

Financial charges related to loans and financing for works in progress are allocated to the cost of the works.

The Company evaluates the intangible asset when there are indications of non-recovery of its book value. Assets linked to the concession and those with a defined useful life are tested for impairment annually, regardless of whether there are indications of impairment.

When applying the impairment test of assets, the book value of an asset or cash-generating unit is compared with its recoverable value. The recoverable amount is the higher of an asset's net sale value and its value in use. Considering the particularities of the Company's assets, and the expectation of using the assets until the end of their useful lives, the recoverable amount used to evaluate the test is the value in use, except when specifically indicated.

a) Concession Contracts

The infrastructure used by the Company related to the concession contracts is considered controlled by the municipality when: (i) the municipality controls or regulates which services the operator must provide to whom it must provide them and at what price; (ii) the municipality controls the infrastructure, that is, it maintains the right to resume it at the end of the concession; and (iii) the Company's rights over the infrastructure operated in accordance with contracts, are recorded as intangible - assets related to the concession, since it has the right to charge for the use of these assets and the users (consumers) have the main responsibility to pay for their services.

The fair value of construction and other infrastructure works represents the cost of the intangible asset, provided that these works are expected to generate future economic benefits.

The vast majority of service concession contracts signed with municipalities are regulated by service concession agreements in which the concessionaire is entitled to receive cash or another financial asset from the granting authority for construction services performed and not amortized until the end of the concession, which have been carried out by the Company in order to guarantee the continuity and timeliness of the services granted.

Law 11.445/07 indicates that public basic sanitation services will have economic sustainability ensured, whenever possible, through remuneration for charging services, preferably in the form of tariffs and other public prices. Thus, investments made and not recovered through the provision of services, in the original term of the contract, are kept as intangible assets, amortized over the useful life of the asset, considering the solid history of renewals of the concessions, and, therefore, the continuity of provision of services.

Historically, it operates through the renewal of concessions and there is an option to extend the term at the end of the concession by the municipalities, so there is no record of a financial asset.

b) Software Use Licenses

Licenses for the use of software and business management systems acquired are capitalized and amortized over their useful lives and the expenses associated with their maintenance are recognized as expenses when incurred. In Management's assessment, there is no indication that the book values

will not be recovered through future operations.

2.12 Evaluation at the recoverable value of non-financial assets (“Impairment”)

Fixed assets, intangible assets and other non-current assets with definite useful lives are reviewed annually in order to identify evidence of estimated impairment, or whenever events or changes in circumstances indicate that the book value of an asset or group of assets may not be recoverable. These assets include, among others, intangible assets resulting from concession contracts related to water and sewerage systems.

Assumptions that require the use of significant estimates were used, including projections of operating revenues and future cash flows, future growth rates and duration of the Concession Contract, among other factors. In addition, projections are calculated over a long period of time, which subjects these assumptions and estimates to an even greater degree of uncertainty. Although the Company believes that the estimates used are reasonable, the use of different assumptions may materially affect the recoverable amount. The discount rate used was 9.11% (WACC rate). As demonstrated, the assets will be able to produce sufficient results for their recovery since the insufficiency of one Municipality is supplied by the sufficiency of another (called cross-subsidy).

Additionally, the Company adopts as an impairment criterion those works that have been paralyzed for more than one year and with no expectation of cash generation, with direct and indirect costs being fully provisioned. If the works are resumed, the losses incurred are recorded and are recognized in the income for the year. The amount of the provision for impairment related to paralyzed works is R\$ 151,475 on December 31, 2018 (R\$ 139,845 on December 31, 2017).

2.13 Suppliers

They are obligations to pay for goods or services that were acquired in the ordinary course of business, being rated as current liabilities, except when the maturity is more than 12 months after the balance sheet date, when they are presented as non-current liabilities. They are recognized at the corresponding invoice amount.

It is estimated that the balances of accounts payable to suppliers are close to their fair market values, given the short term of the operations carried out.

2.14 Salaries and social charges

The Salaries, including vacations, 13th salary payable and complementary payments negotiated in collective bargaining agreements, plus corresponding social charges, are appropriated on an accrual basis.

2.15 Corporate Income Tax and Social Contribution on Net Profit

Income tax and social contribution expenses represent the sum of current and deferred taxes.

a) Current taxes

Current income tax and social contribution, when due, are recorded on an accrual basis, in current liabilities as a consideration to income for the year, and are based on taxable profit for the year. They are calculated based on taxable profit, with the Income Tax having effective rates of 15% plus an additional 10% applicable to the profit exceeding the established limit, and the Social Contribution with a rate of 9%.

Taxable profit differs from the profit presented in the income statement because it excludes taxable / deductible revenues / expenses in other years, in addition to permanently excluding non-taxable / deductible items. The provision for income tax and social contribution is calculated based on the rates

in force at the end of each year. The Company periodically evaluates the positions assumed in the income tax statements in relation to situations in which the applicable tax regulation gives rise to interpretations, and recognizes provisions when appropriate based on the estimated amounts of payment to the tax authorities.

b) Deferred taxes

Deferred taxes are calculated on temporary differences (allowances for doubtful accounts, contingencies, inventory obsolescence, tax losses and other provisioned losses using the same rates as current taxes. They are recognized only in proportion to the probability that future taxable profit will be available and against which temporary differences can be used. However, they are not recognized if they are generated in the initial registration of assets and liabilities in transactions that do not affect tax bases, except in business combination transactions. Deferred taxes are determined considering the rates (and laws) in force on the date of preparation of the financial statements and which are expected to be applicable when the respective income tax and social contribution are realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred taxes relate to income taxes levied by the same tax authority.

2.16 Taxes and fees on revenue

Revenues from sanitation services are subject to PIS - Social Integration Program and Cofins - Contribution for Social Security Financing, under the accrual basis, calculated at the rates of 1.65% and 7.60%, respectively.

2.17 Loans and Financing

Records the initial amount of funds raised from third parties, classifiable in current and non-current liabilities. Financial charges incurred in raising funds from third parties are allocated to a reduction account in liabilities due to the fluency of the term, at amortized cost using the effective interest method, thus demonstrating net funding.

For qualifying assets (assets that require a substantial period of time to be ready for use or for sale) the costs are capitalized in accordance with the provisions of item 8 CPC 20(R1) - Borrowing Costs. Other borrowing costs are recognized as an expense in the period in which they are incurred. This method considers the internal rate of return (IRR) of the operation for the appropriation of financial charges during the term of the operation.

The use of the amortized cost makes the financial charges reflect the effective cost of the financial instrument and not only the contractual interest rate of the instrument, that is, it includes interests and the transaction costs of the funding, as well as premiums received, goodwill, non-goodwill, discounts, monetary restatement and others. Thus, the internal rate of return considers all cash flows, from the net amount received for the completion of the transaction to all payments made or to be made until the settlement of the transaction. Therefore, the balances payable on the balance sheet dates are substantially close to market values, even those rated as non-current.

Exchange variations related to long-term financing, payable in foreign currency, are calculated between the book balance of the loan at the previous exchange rate and the balance of the same loan converted at the exchange rate in effect on the balance sheet date, and are recognized as financial revenues or expenses.

2.18 Leasing

Leasing contracts are rated under the financial modality when there are transfers of ownership of the risks and benefits inherent to it. The other leasings are rated under operating modality, which are recognized as an expense in the income statement on a straight-line basis over the term of the leasing contract.

Financial leasing contracts are valued based on the present value of the minimum mandatory payments or fair value of the asset on the start date of the leasing contract. The amounts arising from the considerations are recognized and allocated between financial expenses and amortization of the liability as specified in the contract. The corresponding obligation to the lessor is recorded as current and non-current debt.

2.19 Provisions, legal obligations, judicial deposits and contingent assets

Provisions related to judicial claims are recognized when: (i) there is a present obligation (legal or not formalized) as a result of a past event; (ii) it is probable that an outflow of funds that incorporate economic benefits will be necessary to settle the obligation; and (iii) the value can be estimated reliably. If there are similar obligations, the probability that an outflow of funds will be required for settlement is determined by considering the nature of the obligations as a whole.

The obligations are measured at the present value of the disbursements that are expected to be required to settle the obligation, using a pre-tax rate, which reflects current market assessments of the time value of the money and the specific risks of the obligation. The increase in the obligation due to the passage of time is recognized as a financial expense.

The Company does not recognize contingent liabilities in the financial statements because it does not expect outflows of funds to be required or when the amount of the obligation cannot be reliably measured.

Contingent assets are not recognized in the financial statements.

2.20 Other Current and Non-Current Liabilities

Recorded at known or estimated amounts, plus, when applicable, the corresponding financial charges.

2.21 Defined Benefits Granted to Employees

Actuarial commitments to the defined benefit pension plan, retirement plan and those related to the health care plan are provisioned according to the procedures established by technical pronouncement CPC 33 (R1), based on an actuarial calculation prepared by a specialized company. The projected unit credit method, net of the fair value of the plan's assets, is used, and the costs related to the increase in the present value of the obligation, resulting from the service provided by the employee, are recognized over the employees' service period.

2.22 Presentation of Information by Segment

Given the peculiarity of the Company, which operates in a sector considered by law as an essential public service (sanitation services), investment decisions made by management are mainly guided by social and environmental responsibility. Thus, public water and sewage services are considered as single segment. The main factor that makes management control the set of water and sewage activities is the existence of cross-subsidy in the provision of water supply, sewage collection, removal and treatment services. The measurement of performance and verification of information by a single segment are consistent with the policies adopted in the preparation of the financial statements, since Management uses these information to analyze the Company's performance.

2.23. Statement of Added Value - DVA

This statement is intended to show the wealth generated by the Company and its distribution during a certain period, being required by the accounting practices adopted in Brazil and presented as supplementary information to the financial statements for IFRS purposes. The DVA was prepared based on information obtained from the accounting records that serve as the basis for preparing the annual information and following the provisions contained in CPC 09 - Statement of Added Value. In its first part, it presents the wealth generated through gross sales revenue (including taxes, other revenues and the effects of the allowance for doubtful accounts), by inputs acquired from third parties (cost of sales and purchases of materials, energy and services from third parties, as well as taxes included at the time of acquisition, the effects of losses and the recovery of assets, and depreciation and amortization) and the added value received from third parties (equity income, financial revenues and other revenues). The second part of the DVA presents the distribution of wealth among personnel, taxes, fees and contributions, remuneration of capital from third parties and remuneration of equity.

3. Financial risk management and financial instruments

3.1 Financial risk factors

The Company's activities expose it to several financial risks: Market Risk, Credit Risk Liquidity Risk and IDB.

The funds raised from third parties are corrected and adjusted according to the conditions agreed in each CCB - Bank Credit Cell, Debentures and financing contracts. The risk management program is carried out at the time of prospecting for funding, always seeking the best conditions, since Saneago does not use financial or derivative instruments to protect certain risk exposures.

(a) Market risk

Cash flow interest rate risk

It is the risk that the fair value of the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure refers mainly to long-term obligations subject to variable interest rates.

In the sensitivity analysis for interest rate risk, we used the debt balance of the debt, which has one of the following indexed economic indicators: IPCA, CDI, Dollar Quotation, TJLP and TR. Thus, based on market expectations for the closing of these indexes in 2018, three scenarios were simulated. Scenario I considers the expected evolution of the indicators, whereas Scenario II and III were performed with an appreciation of 25% and 50%, respectively.

Indicators	Exposure	Scenario I	Scenario II	Scenario III
IPCA (FIDC IV)	432,026	4.01%	5.01%	6.02%
CDI ³ (Banks + 4 th Issue of Debenture)	416,283	6.40%	8.00%	9.60%
Dollar (IDB)	90,564	R\$ 3.80	R\$ 4.75	R\$ 5.70
TJLP ² (BNDES)	1,615	6.98%	8.73%	10.47%
TR ¹ (Caixa Econômica Federal)	134,709	0.00%	0.25%	0.50%
Subtotal	1,075,197			
Transaction Cost	(37,789)			
Subordinated Shares	(79,036)			
	958,372			

Not subject to risks

FCO - Cezarina and Silvânia

7,336
<u>965,708</u>

Exchange rate risk

The Company is exposed as a result of the Real currency against the United States Dollar. This arises from loans and financing operations recorded in current and non-current with operations abroad. In the event of devaluation / appreciation of the Real, it will incur financial income / expense. The Company does not have hedge or swap operations.

(b) Credit risk

Virtually the entire population of the state is a customer of Saneago. Considering our type of business, we did not carry out any credit analysis, adopting the practice of cutting supply in the event of default. The level of losses in the realization of accounts receivable is considered normal for the sanitation sector, according to data from the National Sanitation Information System - SNIS.

The practice of cutting the supply is not applied to the Public Power, however, the Administration has been concentrating efforts to reduce the levels of default, through negotiations with the city halls in debt and the feasibility of meeting accounts with those who have credits with Saneago.

(c) Liquidity risk

The Company's liquidity depends mainly on cash generated by operating activities, loans from financial institutions from federal, state government and private institutions. There is managerial control of cash flow inflows and outflows, with schedules planned to meet its obligations.

The excess cash held by the Company is invested in checking accounts with interest, deposits in installments, short-term deposits and securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient margin as determined by the aforementioned forecasts.

Concession Risk

Sanago's results depend on the maintenance of concessions in the municipalities where it operates. Generally, Concession Contracts and Program Contracts have a term of 30 years. In some situations, the municipality has the right to terminate the contracts before their expiration or not to authorize their renewal for non-compliance of legal or contractual obligations through indemnification of the investment balances not yet amortized.

Estimation of fair value

The Company does not have financial instruments, assets held for sale, business combinations, investment property and biological assets, measured at fair value. Loans are recognized at amortized cost and receivables are close to fair values, taking maturities close to the balance sheet date into account.

(d) External debt sensitivity - IDB

In relation to contract 1414 / OC signed between Saneago and the Inter-American Development Bank - IDB, there are no clauses in the contract that stipulate the execution of a latching. The Sensitivity Analysis projected in December 2018 for the following periods showed an increase in the expected value of the Debt due to the expected appreciation of the foreign currency. Externally, the scenario has been one of greater volatility, due to the risks generated by possible further deterioration in emerging economies, in addition to the intensification of protectionist measures in international trade. The domestic factors are related to a possible frustration of expectations about the continuity of the necessary reforms and adjustments in the Brazilian economy. As for the payment of the

installment due in October 2018, the exchange rate was R\$ 3.72 to US\$ 1.00. The payment of the installment related to April 2019, the exchange rate was R\$ 3.83 to US\$ 1.00.

The dollar values for these scenarios were based on publications made by the Central Bank of Brazil, Market Report - FOCUS (Market Expectations) and COPOM notes from December 2018.

3.2 Capital management

The Company's goals when managing its capital are to safeguard its ability to continue, in order to offer return to shareholders and benefits to other stakeholders, in addition to maintaining an ideal capital structure to reduce this cost. The Company monitors capital based on financial leverage ratios. This index corresponds to the net debt divided by the total capital. The net debt, in turn, corresponds to the total loans and financing minus the amount of cash and cash equivalents. Total capital is calculated by adding the shareholders' equity, as shown in the balance sheet, with the net debt.

Net Financial Position	12/31/2018	12/31/2017
Total Loans	965,708	931,323
(-) Cash and cash equivalents	(43,997)	(78,588)
(=) Net Debt	921,711	852,735
(+) Total Shareholders' Equity	2,645,642	2,552,421
(=) Total Capital	3,567,352	3,405,156
Financial Leverage Ratio	25.84%	25.04%

4. New accounting standards, changes and interpretations

4.1 New accounting standards, changes and interpretations that came into effect for periods beginning on or after January 1, 2017

New standards and reviews

Standard	Description	Impact
Amendments to IAS 12 / CPC 32 - Recognition of deferred income tax for unrealized losses	Describes treatment of temporary differences.	The application of this change did not impact the disclosures or amounts recognized in the annual Financial Statements.
Amendments to IAS 7 / CPC 03 (R2) - Disclosure improvement initiatives	Describes disclosures that enable users to assess changes in liabilities related to financing activities.	The application of these changes had no impact on the disclosures or amounts recognized in the annual Financial Statements.
Annual improvements to IFRS: 2015-2017 Cycle	Amendments to IFRS 12 - Disclosure of interests in other entities - clarification of the scope of the standard.	The application of this change did not impact the disclosures or amounts recognized in the annual Financial Statements.

4.2 New accounting standards, changes and interpretations that are not yet in force

The Company did not adopt in advance and is evaluating the impacts on the disclosures or amounts recognized in the Financial Statements referring to the new and revised IFRSs below:

Standard	Description	Impact
ICPC 22 / IFRIC 23 - Uncertainty about Treatment of Taxes on Profit	Please clarify accounting when there are uncertainties about the treatment of taxes on profit.	The Company is assessing the impacts and effects of the changes, but does not expect significant effects from the adoption.
IFRS 16 - Leasing	Introduces a single model of recording leasings in the balance sheet for lessees. A lessee recognizes a right-of-use asset that represents its right to use the leased asset and a leasing liability that represents its obligation to make leasing payments. Lessor's accounting remains similar to the current standard, that is, lessors continue to rate leasings as financial or operational. IFRS 16 will replace the existing leasing standards, including IAS 17 / CPC 06 (R1) Leasing Operations and IFRIC 4, SIC 15 and SIC 27 / ICPC 03 Complementary Aspects of Leasing Operations.	The Company is evaluating the effects on its Financial Statements of the registration of its operating leasing operations and expects impacts that are being raised.

5. Restatement of financial statements

The Company's Management, due to the conclusion of the independent forensic audit work carried out due to the so-called "Decantation Operation", as per Note 37, made certain adjustments to its financial statements for the year ended December 31, 2018. The Company's Management it also made additional adjustments due to the existence of deficiencies in some controls and operational and financial processes related to the stock account, for which management had the opportunity to obtain better information to promote the necessary corrections.

Re-rating of Financial Statements

In addition, the Company re-rated as determined by CPC 47 / IFRS 15 - Revenue from contract with customer, the assets linked to the concession under construction, registered under the scope of ICPC 01 (R1) / IFRIC 12 - Concession Contracts, should be rated as Asset Contract during the construction period and transferred to Intangible Asset only after completion of the works. Such adjustments were made in accordance with the requirements of CPC 23 (IAS 8) - Accounting Policies, Changes in Estimates and Correction of Errors.

The effects of the main adjustments described above are shown in the tables below:



Saneamento de Goiás S.A.



Saneamento de Goiás S.A.

December 31, 2018 Balance Sheet (Restated)

Asset	Published balance	Re-rating	Result Adjustment	Restated Balance	Liability	Published balance	Re-rating	Result Adjustment	Restated Balance
Current					Current				
Cash and cash equivalents	43,997	-	-	43,997	Loans and Financing	135,986	1,073	-	137,059
Credits Receivable from Users	317,222	-	-	317,222	Debentures	28,979	-	-	28,979
Stocks (a) and (b)	64,716	-	2,061	66,777	Suppliers	139,419	-	-	139,419
Taxes Recoverable	4,011	-	-	4,011	Consortiums	1,704	-	-	1,704
Securities	7,764	-	-	7,764	Labor obligations	100,896	-	-	100,896
Advanced Expenses and					Tax Obligations	27,172	-	-	27,172
Advanced Payments	18,015	-	-	18,015	Installments	28,115	-	-	28,115
Sub-delegation	8,930	-	-	8,930	Sub-delegation	608	-	-	608
Other Accounts Receivable	3,881	-	-	3,881	Dividends payable (f)	10,029	18,802	-	28,831
	468,536	-	2,061	470,597	Contractual Advance	1,994	-	-	1,994
					Other Accounts Payable	32,096	-	-	32,096
						506,998	19,875	-	526,873
Non-Current Liability					Non-Current Liability				
Long-term asset realizable					Loans and Financing	454,384	(1,073)	-	454,384
Credits Receivable from Users	9,850	-	-	9,850	Debentures	346,359	-	-	346,359
Judicial Deposits	50,870	(40,775)	-	10,095	Installments	19,756	-	-	19,756
Deferred Taxes (c) and (i)	283,263	(17,173)	(28,432)	237,658	Consortiums	83,445	-	-	83,445
Sub-delegation	497,158	-	-	497,158	Judicial Provisions (h)	130,535	(10,219)	(18,835)	101,481
Securities	14,191	-	-	14,191	PAC Grants	136,448	-	-	136,448
Advanced expenses	19,616	-	-	19,616	Labor obligations	-	-	-	-
Other Accounts Receivable	40	-	-	40	Tax Obligations	8,270	-	-	8,270
	874,988	(57,948)	(28,432)	788,608	Sub-delegation	497,158	-	-	497,158
					Deferred Taxes	17,173	(17,173)	-	-
					Contractual Advance	4,819	-	-	4,819
						1,698,347	(28,465)	(18,835)	1,651,047
Investments	9	-	-	9	Share Capital	2,515,546	-	-	2,515,546
Fixed asset	307,047	-	-	307,047	Capital Reserves (g)	140,413	(140,413)	-	-
Intangible Asset (d)	3,280,455	30,556	(53,710)	3,257,301	Legal Reserve (f)	6,308	3,958	-	10,266
	3,587,511	30,556	(53,710)	3,564,357	Investment Reserves (f)	30,088	56,407	-	86,495
					Equity Valuation Adjustment	33,335	-	-	33,335
					Accumulated Losses	-	61,246	(61,246)	-
						2,725,690	(18,802)	(61,246)	2,645,642
Total Asset	4,931,035	(27,392)	(80,081)	4,823,562	Total Liability	4,931,035	(27,392)	(80,081)	4,823,562

Financial Year	Line Item	Description	Amount
2015	Stocks	Physical Inventory Adjustment (a)	9,484
2015	Stocks	Reversal of Stock Losses (b)	1,523
2016	Stocks	Physical Inventory Adjustment (a)	(3,441)
2016	Stocks	Reversal of Stock Losses (b)	(932)
2017	Stocks	Physical Inventory Adjustment (a)	(1,288)
2017	Stocks	Reversal of Stock Losses (b)	3,010
2018	Stocks	Physical Inventory Adjustment (a)	(9,981)
2018	Stocks	Reversal of Stock Losses (b)	3,686
			2,061
2015	Deferred Taxes	Derecognition of deferred IR/CSLL (c)	(4,004)
2016	Deferred Taxes	Derecognition of deferred IR/CSLL (c)	(12,149)
2017	Deferred Taxes	Derecognition of deferred IR/CSLL (c)	(5,875)
2017	Deferred Taxes	Derecognition of deferred IR/CSLL (i)	(6,108)
2018	Deferred Taxes	Derecognition of deferred IR/CSLL (i)	(297)
			(28,433)
2014	Intangible Asset	Provision for losses in works (d)	(12,608)
2015	Intangible Asset	Provision for losses in works (d)	(1,112)
2016	Intangible Asset	Provision for losses in works (d)	(2,734)
2017	Intangible Asset	Provision for losses in works (d)	(37,255)
			(53,709)
Total Effect			(80,081)

Income Statement on December 31, 2018 (Restated)

	Published	DRE	Restated
Net Revenue			
Revenues from Water and Sewage Services	2,069,054	-	2,069,054
Construction Revenues	144,979	-	144,979
Revenues from Technical Services	2,563	-	2,563
Sub-delegation Grant	9,100	-	9,100
	2,225,696	-	2,225,696
Costs			
Services Costs	(1,084,333)	-	(1,084,333)
Construction Costs	(144,979)	-	(144,979)
	(1,229,312)	-	(1,229,312)
Gross Profit	996,384	-	996,384
Administrative Expenses	(322,002)	-	(322,002)
Commercial Expenses	(282,520)	-	(282,520)
Tax Expenses	(11,525)	-	(11,525)
Provisions / Reversals (b) and (h)	(99,574)	(9,109)	(108,683)
Other Operating Expenses (a)	(16,925)	3,686	(13,239)
Other Operating Revenues	5,278	-	5,278
	(727,268)	(5,423)	(732,691)
Income before Financial Result	269,116	(5,423)	263,693
Net Financial Result	(95,637)	-	(95,637)
Income Before Taxes on Profit	173,479	(5,423)	168,056
Current IRPJ and CSLL	(55,370)	-	(55,370)
Deferred IRPJ and CSLL (i)	(2,347)	(297)	(2,644)
Net Profit for the Financial Year	115,762	(5,720)	110,042
Profit (Loss) per Share	0.04602		0.04374

Reconciliation of the Income Statement on December 31, 2018:

		DRE Effects	
Financial Year	Line Item	Description	Amount
2018	Provisions / Reversals	Reversal of Stock Losses (a)	(9,981)
2018	Other Revenues, Expenses	Physical Inventory Adjustment (b)	3,686
2018	Provisions / Reversals	Reversal of Tax Contingencies	872
2018	Deferred Tax	Deferred - Tax Reversal (i)	(297)
			(5,720)
Total			(5,720)

(a) The adjustments were made after the company carried out work to improve and enhance its stock controls with the implementation of a new management system (SAP), changes in the organizational structure, retrospective movement of the balance of the physical inventory of stock, reprocessing of average costs and physical inventory of 100% of the items, carried out in June 2019.

(b) The Company drew up the stock obsolescence policy based on the results obtained from the inventory carried out in June 2019, considering as obsolete items, those that had no use in the last 12 months.

(c) Deferred tax adjustment of Write-off on the provision for losses in works related to operação decantação, where the audit was concluded and a provision was made on the basis of R\$ 64,785, provisioned on December 31, 2017, however the nature of this provision does not allows deductibility (Note No. 37).

(d) On December 31, 2017, R \$ 64,785 was provisioned to cover possible findings in the audit work and, on March 31, 2019, after the conclusion of the forensic analysis work, the results presented by the independent forensic audit company totaled R\$ 118,494, requiring a supplement of R\$ 53,709.

(e) In compliance with CPC 47, with the adoption of this new accounting standard, Sanego started to record in the balance sheet the line item Contract Assets. This amount was previously recognized as part of the Intangible Assets and was therefore re-rated, with no impact on the income statement.

Due to the transition methods adopted by the Company in applying this standard, the comparative information in the financial statements has not been restated and there was impact of the adoption on January 1, 2018.

(f) Complement of the Reserves for investments, distribution of dividends and Legal Reserve, constituted on December 31, 2018, which after the restatement above, there was a reduction in the accumulated loss and consequently the result to be distributed was increased.

(g) Effects of Realization of Investment Reserves in 2016, authorized in 2019.

(h) Management carried out revisions in the estimates and forecasts for tax judicial claims, where some actions were identified that due to the incentive program to settle federal debts, the Company

decided to give up the judicial claim and chose for the incentive installment of them, but still were provisioned in the company's liabilities as a probable outflow of funds. The mistake was corrected and its effects rectified in the respective periods of its competence.

(f) Deferred IRPJ and CSLL on the reversal of tax proceedings, mentioned in the letter (g).

Additionally, the Company's management made several re-ratings and adjustments resulting from the adjustments above and others in the statements of cash flow and DVA for the corresponding years.

6. Cash and cash equivalents

	12/31/2018	12/31/2017
Cash	-	24
Fixed Fund	348	106
Banks - Current Account / Collection	12,912	17,768
Banks - Construction-linked accounts	5,684	1,232
Banks - Collection to be released (a)	12,053	12,820
Financial Investments (b)	13,000	46,638
	43,997	78,588

The values of Cash and Cash Equivalents consist of cash held by banks and investments in the financial market, financial investments with immediate liquidity and which present an insignificant risk of change in value.

(a) Refers to the bank float with release between 1 to 3 business days after entering the bank account;

(b) Financial investments are composed as follows:

12/31/2018					12/31/2017			
Bank	Account	Investment	Amount	Remuneration	Account	Investment	Amount	Remuneration
Itaú	140956	Fundo PP	342	55.36% CDI	140956	Fundo PP	153	94.56% CDI
Itaú	2989-4	Fundo PP	1,068	55.36% CDI	2989-4	Fundo PP	41,863	65.06% CDI
Itaú	02999-3	Fundo FIC	6,546	98.52% CDI	5334-5	CDB	421	92% CDI
Itaú	14094-9	Fundo PP	130	55.36% CDI	6013-5	CDB	1,610	97% CDI
BB	6013-5	CDB	1,587	92% CDI	105500-3	CDB	3	96.5% CDI
Brazil	6544-7	CDB	775	92% CDI	7004392	CDB	1,195	100% CDI
BBM	701742	CDB	899	100% CDI	23190-0	CDB	10	101% CDI - Curve
BBM	701866-0	CDB Pós	1,644	100% CDI	600-9	CDB	1,382	97.5% CDI
Safra	23190-0	CDB	9	101% CDI - Curve	11450-2	CDB	1	97.5% CDI
			13,000				46,638	

The market values of financial investments are close to the values recorded in the financial statements because they are linked to the variation of the CDI, or because they are investments in specific income funds with post-fixed profitability verified monthly through the income statements presented by the financial institutions. The Company does not have financial instruments valued at fair values.

7. Securities

Financial institution	Account	Investment Type	Profitability	12/31/2018	12/31/2017
Current					
Caixa Econômica Federal	several	CDB/Fundo FIC	98% /80% of CDI	7,764	7,304
				<u>7,764</u>	<u>7,304</u>
Non-Current					
Caixa Econômica Federal	several	CDB/Fundo FIC	98% /80% of CDI	10,535	13,541
Credit Suisse	55977231	CDB	97.50% CDI	3,656	2,460
				<u>14,191</u>	<u>16,001</u>
				<u>21,955</u>	<u>23,305</u>

The investment in CEF refers to a contractual requirement of BNDES - National Bank for Economic and Social Development, as a guarantee of loans / financing, therefore it is not available for use within the next 12 months. The investment in Credit Suisse is a guarantee for the amortization of the minimum monthly installments of the 2nd issue of Debentures. Reserves that refer to contracts with BNDES whose maturity is within the next 12 months, are rated in current assets.

8. Credits Receivable from Users

	12/31/2018			12/31/2017		
	Private	Public	Total	Private	Public	Total
Current						
Billed to be due	88,303	9,082	97,384	89,238	9,595	98,833
Maturing for more than 30 days	20,131	6,717	26,848	16,753	5,838	22,591
Overdue up to 30 days	78,554	7,706	86,260	75,787	7,309	83,096
Overdue from 31 to 60 days	25,259	5,995	31,253	25,647	5,580	31,227
Overdue from 61 to 90 days	10,504	5,839	16,344	10,576	5,188	15,764
Overdue from 91 to 120 days	8,579	5,418	13,998	8,626	4,218	12,844
Overdue from 121 to 180 days	14,052	9,601	23,653	13,783	7,748	21,531
Overdue from 181 to 360 days	5,279	22,669	27,947	4,303	14,145	18,448
Overdue from 361 days to 5 years	13,450	43,705	57,155	10,940	16,755	27,695
Overdue over 5 years	4,871	608	5,479	1,113	1,393	2,506
Collection to be noted	952	-	952	1,135	-	1,135
Invoice valuation	88,508	-	88,508	76,447	-	76,447
(-) AVP Credits Receivable	(918)	(332)	(1,249)	(669)	(261)	(930)
(-) PECLD	(92,981)	(64,328)	(157,309)	(101,037)	(65,247)	(166,284)
Subtotal	264,542	52,680	317,222	232,642	12,261	244,903
Non-Current						
Credits receivable	16,137	24,892	41,029	13,322	25,195	38,517
(-) AVP Credits Receivable	(3,703)	(6,354)	(10,056)	(2,616)	(6,772)	(9,388)
(-) PECLD	(6,218)	(14,904)	(21,122)	(5,535)	(14,590)	(20,125)
Subtotal	6,216	3,634	9,850	5,171	3,833	9,004
	<u>270,758</u>	<u>56,314</u>	<u>327,072</u>	<u>237,813</u>	<u>16,094</u>	<u>253,907</u>

The above amounts, in their recognition, are equivalent to their respective fair values and do not consider fines, interest or any form of monetary restatement due to late payments. The non-recoverable credits written off to the income statement on December 31, 2018 were R\$ 47,238 (R\$ 44,889 in 2017), according to explanatory note No. 33.

The credits with the Government of Goiás are added for tax purposes, according to art. 6 of Law 9.430/96, with the amount of R\$ 3,026 in 2018 (R\$ 2,028 in 2017).

The change in the allowance for doubtful accounts was as follows:

Balance on 12/31/2017	<u>(186,409)</u>
(+) Reversal of a net allowance for doubtful accounts (Note 30)	<u>(7,978)</u>
Balance on 12/31/2018	<u><u>(178,431)</u></u>

9. Stocks

	12/31/2018	12/31/2017
Treatment plants materials	10,619	3,819
Materials for gaskets and pipe protection	88	899
Electrical materials and equipment	363	78
Pipes, connections for networks and pipelines	47,659	55,400
Materials for building connections	3,667	6,895
Water meters	6,996	4,672
Water Valves	10,337	4,537
Pump motor set	176	77
Miscellaneous materials	9,496	4,100
Transfer Civil works stock	-	(13,388)
(-) Provision for Stock Loss (a)	(22,624)	(10,548)
	<u><u>66,777</u></u>	<u><u>56,541</u></u>

a) The provision for losses in stocks is set up based on the Company's policy, with provision for items that have not been moved in the last 12 months, except for items that make up the technical reserve.

In the 2nd quarter of 2019, the Company completed the improvement, enhancement and adequacy of its stock control process, which consisted of the main actions:

- Implementation of the Management System - SAP;
- Change in the Organizational Structure of the Logistics Department;
- Conducting a Physical Inventory of 100% of inventories in June / 19;
- Retrospective movement of physical inventory balances of stocks;
- Review of the policy adopted for obsolescence of stocks;
- Reprocessing of average stock costs.

The actions generated the effects shown in explanatory note 5.

10. Taxes Recoverable

	12/31/2018	12/31/2017
IRRF	1,058	1,851
IRPJ (a)	2,436	2,572
CSLL (a)	517	690
	<u><u>4,011</u></u>	<u><u>5,113</u></u>

a) Existing balances in 2017 were offset in 2018.

11. Judicial Deposits

	12/31/2018	12/31/2017
Judicial Deposits - Labor	1,049	117
Judicial deposits - Civil / tax	9,046	3,760
	10,095	3,981

The increase was due to normal deposits and a lawsuit from the municipality of Goiânia regarding the collection of ISS that, to continue in claim, Saneago made a judicial deposit of R\$ 4,000.

12. Advanced Expenses and Advanced Payments

	12/31/2018	12/31/2017
Insurance Premiums	184	-
Investment Fund Credit Rights - FIDC IV (a)	13,255	9,009
Banco do Brasil Investimentos (b)	-	11,054
Postgraduation advances	73	127
Advances for travel expenses	40	79
Municipal Fund of Environmental Sanitation	677	-
13th salary advances	-	3
Vacation advances	3,786	5,505
	37,631	25,777

Current	18,015	25,777
Non-Current	19,616	-

a) Refers to the amortization amounts and charges paid in advance by Saneago in accordance with FIDC IV Regulation.

b) Provision of technical advice, under the global pricing contract regime, in the implementation of the primary public offering of book entry shares, liquidated in the financial year 2018.

13. Sub-delegation

In order to comply with the Program Contracts entered into between Saneago and the municipalities of Aparecida de Goiânia, Jataí, Rio Verde and Trindade, the Company chose to sub-delegate the provision of sanitary sewage services through a bidding procedure, with the company named Foz Goiás Saneamento S.A, (later called BRK Ambiental) whose contract No. 1327/2013 was signed on July 19, 2013.

The definitive operation of the services began in November 2013 and is expected to remain in effect until November 1, 2041.

The contract integrates the regionalized provision performed by Saneago and has the following characteristics:

- Regulatory entity, the Agency for Regulation, Control and Inspection of Public Services of Goiás - AGR and consenting stakeholders in the municipalities of Aparecida de Goiânia, Jataí, Rio Verde and Trindade;

Assets	Basis		on Basis			(9%)		
PCLD - Credits Receivable	178,431	44,608	16,059	60,667	186,409	46,602	16,777	63,379
Provision for Stock Loss	16,245	4,061	1,462	5,523	14,148	3,537	1,273	4,810
Provision for Investment Loss	574	144	52	195	640	160	58	218
Provision for Contingencies	101,481	25,370	9,133	34,504	43,565	10,892	3,921	14,813
Provision for Losses on other credits	375	94	34	128	413	103	37	140
Provision for Contracts without Concession	32,765	8,191	2,949	11,140	32,765	8,191	2,949	11,140
Provision for Works Losses	151,474	37,869	13,633	51,501	139,845	34,961	12,586	47,547
Tax Loss (a)	419,378	53,430	37,744	91,174	350,237	87,559	31,521	119,081
	900,723	173,766	81,065	254,831	768,022	192,007	69,122	261,128
Deferred Tax Liabilities								
Equity Valuation Adjustment	50,508	12,627	4,546	17,173	51,202	12,801	4,608	17,409
				<u>17,173</u>				<u>17,409</u>
				<u>237,658</u>				<u>243,719</u>

In 2018, tax losses were offset with installments with the Federal Revenue Service, as per Note 22, letter “a” of R\$ 3,653. (On December 2017, R\$ 71,906.)

Based on studies and future growth prospects, the Company keeps its tax assets limited to the lowest amount between the amount of future profits and the temporary differences / tax losses that can be offset (on December 31, 2018 it was limited to temporary differences / tax losses).

Deferred Tax Movement

Balance held in deferred tax assets on 12/31/2017	261,128
(+) Constitution of deferred tax assets	<u>2,644</u>
(+) Use of tax loss in PERT	<u>(8,941)</u>
Balance held in deferred tax assets on 12/31/2018	254,831
Provision in income statement for the year - 12/31/2018	
Profit before tax	168,056
Combined rate 34%	57,139
(+/-) IRPJ / CSLL on permanent / temporary additions and exclusions and tax loss	54,495
Reversal in income statement for the year	<u>(2,644)</u>

16. Investments

The Company has investment quotas in some companies, in which it has no significant influence in the amount of R\$ 583, which are recorded by using the cost method.

Description	12/31/2018	12/31/2017
CAAB a)	10	10

Comurg	515	515
Metrobus	46	46
Others	12	78
	<u>583</u>	<u>649</u>
Provision for Losses	(574)	(640)
	<u>9</u>	<u>9</u>

a) CAAB - State Law No. 15.249 dated July 15, 2005 authorizes the creation of a subsidiary company of Saneago, under the name of Companhia Ambiental de Águas Brasileiras and venue in the Municipality of Luziânia, State of Goiás, whose purpose is to exploit drinking water supply services, collection and treatment of sanitary sewage, solid waste and activities in other related activities, in the municipalities of Goiás located in the Integrated Development Region of the Federal District and Surroundings. On February 15, 2006, in the 3rd Notary Office of the District of Goiânia, Companhia Ambiental Águas Brasileiras was recorded in the Book No. 0849, pages 138/146, protocol 007235. There have been no operational activities at CAAB since its constitution to the present date.

17. Fixed asset

Technical Fixed Assets	12/31/2018	12/31/2017
General Use Goods	158,106	118,562
General Use Goods in Progress (a)	113,017	1,382
Goods - Assigned Cost	65,261	65,704
General Use Goods - Leasing	7,255	7,271
Funds to be realized - Corumbá Consortium	69,367	69,732
Contracts without Concession (b)	32,765	32,765
Contracts without Concession (b)	(32,765)	(32,765)
General Accumulated Depreciation	(87,605)	(72,631)
Accumulated Depreciation - Assigned Cost	(14,779)	(14,502)
Accumulated Depreciation - Leasing	(3,575)	(2,129)
	<u>307,047</u>	<u>173,389</u>

a) Composition of general purpose goods in progress 12/31/2018:

General Purpose Goods (In Progress) - Corumbá Consortium	67,200
General Purpose Goods (In Progress) - Corumbá Consortium	45,817
	<u>113,017</u>

The movement of fixed assets can be demonstrated as follows:

Technical Fixed Assets	Balance on 12/31/2017	Addition	Write-off	Depreciation / Amortization	Movement Period	Transfer Of Construction Works	Transfer To Fixed Asset	Balance on 12/31/2018
General Use Goods	118,562	21,514	(955)	-	17,544	1,441	-	158,106
General Use Goods in Progress	1,382	39,874	-	-	93,190	-	(21,429)	113,017
General Use Goods - Leasing	7,271	-	(8)	-	(8)	-	-	7,255
General Use Goods - Assigned Cost	65,704	-	(292)	-	(151)	-	-	65,261
Funds to be realized - Construction Corumbá	69,732	-	-	-	(364)	-	-	69,368
Contracts without Concession (a)	32,765	-	-	-	-	-	-	32,765
Contracts without Concession (a)	(32,765)	-	-	-	-	-	-	(32,765)
Accumulated General Depreciation	(72,631)	-	-	(5,451)	(9,523)	-	-	(87,605)
Accumulated Depreciation - Assigned Cost	(14,502)	-	-	(614)	336	-	-	(14,780)
Accumulated Depreciation - Leasing	(2,129)	-	-	(1,452)	6	-	-	(3,575)

173,389	61,388	(1,255)	(7,517)	101,030	1,441	(21,429)	307,047
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a) Contracts without Concession

The Company is legally discussing the water and sanitary sewage service concession agreements for the municipalities below:

Caldas Novas - In view of the resumption of systems by the municipality, on June 27, 1995, Saneago filed an action for indemnification, Lawsuit No. 0033803.68. The judge sentenced the municipality of Caldas Novas to reimburse the Company in the amount of R\$ 37,058, which must be updated since the time of the resumption. However, the municipality filed an appeal against the sentence at the Goiás Court of Justice. Saneago filed a counter-appeal to the appeal against the untimeliness and filed an additional appeal. In the manifestation of the parties, Saneago reaffirmed its opinion and the municipality of Caldas Novas stated that its appeal was filed within the legal term

Catalão - The municipality was able to resume the system by judicial measure, and Saneago obtained unfavorable results, so there is no possibility of resuming the system. Action was filed through Lawsuit No. 37532-36.2016.8.09.0029 aimed at recovering the Company's losses, in the approximate amount of R\$ 142,000. Currently, the case file are concluded by the judge to express an opinion on the deposit made by Saneago related to the expert remunerations and determination to carry out the expert examination.

18. Contract's Asset

Contract Assets (works in progress) are the right to consideration in exchange for goods or services transferred to the customer. As determined by CPC 47 - Revenue from contract with customer, assets linked to the concession under construction, registered under the scope of ICPC 01 (R1) - Concession Contracts, must be rated as Contract Assets during the construction period and transferred to Intangible Assets, only after the completion of the works.

The Contract Asset is initially recognized at fair value and includes capitalized loan costs during the period in which the asset is under construction, considering the weighted average rate of loans in effect on the capitalization date.

Contract's Assets

	Balance on 1/1/2018	Addition	Movement Period	Transfer To Fixed Asset	Balance on 12/31/2018
Water System	185,131	62,613	(11,807)	(41,490)	194,447
Sewerage System	314,162	77,480	4	(37,387)	354,259
Construction Work Stock	13,684	-	5,938		19,622
	512,977	140,093	(5,865)	(78,877)	568,328

19. Intangible Asset

	12/31/2018	12/31/2017
Water System	2,502,263	2,620,987
Sewerage System	2,770,912	3,047,367
Contributions to be Realized - Águas Lindas	57,220	53,765
Software (Licenses)	19,803	-
Construction Work Stock	-	13,685
Works in progress - non-onerous	66,752	126,022
Software License Amortization	(330)	-
Accumulated Amortization	(2,488,235)	(2,276,517)

Operação Decantação (Note 37)	(118,494)	(118,494)
Provision for Losses (Impairment)	(151,474)	(153,123)
Land regularization	30,556	27,899
	2,688,973	3,341,591

The movement of intangible assets can be demonstrated as follows:

	Balance on 12/31/2017	Additio n	Write- off	Accumulat ed Amortizati on	Movement Period	Contract's Asset (Note 18)	Transfer To Fixed Asset	Balance on 12/31/2018
Water System	2,620,987	29,379	(538)	-	(4,092)	(185,132)	41,659	2,502,263
Sewerage System	3,047,367	1,999	(4)	-	(1,693)	(314,160)	37,403	2,770,912
Contributions to be Realized - Águas Lindas	53,765	-	-	-	3,455	-	-	57,220
Supob warehouse	13,685	-	-	-	-	(13,685)	-	-
Software (Licenses)	-	-	-	-	-	-	19,803	19,803
Works in progress - non-onerous (a)	126,022	30,717	-	-	(89,987)	-	-	66,752
Software License Amortization	-	-	-	(330)	-	-	-	(330)
Accumulated Amortization	(2,276,517)	-	-	(218,472)	6,754	-	-	(2,488,235)
Operação Decantação (Note 37)	(118,494)	-	-	-	-	-	-	(118,494)
Provision for Losses (Impairment)	(153,123)	-	-	-	1,649	-	-	(151,474)
Land regularization	27,899	7,271	-	-	(306)	-	(4,308)	30,556
	3,341,591	69,366	(542)	(218,802)	(84,220)	(512,977)	94,557	2,688,973

19.a) - Works in progress - non-onerous

Works in progress	12/31/2018	12/31/2017
Non-onerous - Water	41,672	114,101
Non-onerous - Sewage	25,080	11,921
	66,752	126,022

a) The movement of works in progress can be demonstrated as follows:

	Balance on 12/31/2017	Addition	Transfers Movement Period	Balance on 12/31/2018
Non-onerous - Water	114,101	14,382	(86,811)	41,672
Non-onerous - Sewage	11,921	16,335	(3,176)	25,080
	126,022	30,717	(89,987)	66,752

Government Grants / PAC - Growth Acceleration Program

The balances of fixed assets include assets constituted with own funds and /or acquired with transfers of funds from the OGU - General Budget of the Federal Government and PAC - Growth Acceleration Program.

On December 19, 2007, transfer contracts were signed between the Federal Government, through the Ministry of Cities, represented by Caixa Econômica Federal and the Government of the State of Goiás, aiming at the execution of actions related to the urban water and sewage services program in several municipalities, with Saneago as Executing Intervening Party, which signed a covenant with several municipalities. The object of each covenant is to establish a joint action between Saneago and the Municipality, aiming at the execution of works to complement the sanitary sewage system and / or water supply system, as well as transfer the amount of the consideration, which is the responsibility of the State of Goiás to the Company.

Returns are dealt with in the transfer contracts in item 8.5.1, in Clause eight - Financial execution, according to the PAC Instructions Manual, in the following cases:

- When the object agreed in the contract is not executed;
- When the respective partial or final rendering of accounts is not presented within the regulatory period;
- When the funds are used for a purpose other than that established in the contract and;
- When the amounts resulting from financial investments are used in disagreement with the contractual term, the execution / expansion of the object and as a consideration.

In the above cases, the effective return of funds will obey the following rules:

- Total non-execution of the object, in which the funds remained in the specific account, without having been released in favor of the Commissioner: return of the funds plus the income of the financial investment;
- Partial execution of the object, in which the executed part has functionality: return of funds already credited to the account and not invested in the object of the work plan, plus the income of the financial investment;
- Partial execution of the object, in which the executed part has no functionality: return of the total funds released plus the income of the financial investment, applying to the funds spent, the same percentage as if they had remained applied throughout the period in passbook savings account and;
- Investment of funds in disagreement with the Work Plan: establishment of Special Accounting and return of released funds, duly updated, as required for the settlement of debts to the National Treasury.

The transfers by municipalities are detailed below:

City	Contract	Balance on 12/31/2017	Entry - PAC	Completed Works - Adjustments	Result Adjustments	(Provision) / Reversal for Losses	In-kind returns	Balance on 12/31/2018
Valparaíso	0218021-51	114	-	-	-	-	-	114
Valparaíso	0218343-40	44	-	-	-	-	-	44
Luziânia	0218328-52	1,465	-	-	-	-	-	1,465
Goiânia - Vila Adélia	0226024-57	7,294	-	-	-	-	-	7,294
Trindade	0237772-43	1,189	-	-	-	-	-	1,189
Cristalina	0226017-65	308	-	-	-	-	-	308
Novo Gama	0226018-79	971	-	-	-	-	-	971
St. Antônio do Descoberto	0218331-07	-	-	-	-	388	-	388
Planaltina	0218330-94	63	-	-	-	-	-	63
Novo Gama	0226015-46	129	-	-	-	-	-	129
Goiânia - Meia Ponte	0226025-62	2,529	240	-	-	-	-	2,769
Luziânia	0226026-76	31,743	10,413	-	-	-	-	42,156
Luziânia	0231460-45	57	-	-	-	-	-	57
St. Antônio do Descoberto	0350796-17	1,137	810	-	(45)	794	(28)	2,668
Goiânia	0350788-10	23,757	16,162	-	(19)	-	(177)	39,723
Pirenópolis	0350884-88	1,430	-	-	(8)	-	-	1,422
Aparecida de Goiânia	0351738-28	3,211	-	-	(117)	-	-	3,094
Goiânia Jd Petrópolis SES	0408678-27	-	2,624	-	-	-	-	2,624
Anápolis SES	0408691-99	6,476	16,475	(3,175)	(54)	-	(172)	19,550
Total PAC		81,918	46,724	(3,175)	(243)	1,182	(377)	126,028
Other Programs								
Pipeline João Leite	1524/01	729	-	-	-	-	-	729
Pipeline João Leite	0187/06	1,472	-	-	-	-	-	1,472
Novo Gama	172263-97/04	-	-	-	-	-	-	-
Amaralina - FUNASA	25	248	-	-	-	-	-	248
Nerópolis - ANA-PRODES	68/15	4,601	-	-	-	-	-	4,601
Pires do Rio - ANA PRODES	68/15	1,976	-	-	-	-	-	1,976
Campos Verdes FUNASA/SECIMA	TC 650/20	383	-	-	-	-	-	383
Goiânia- Forest Recovery	0153005/16	1,011	-	-	-	-	-	1,011
Total - Other Programs		10,419	-	-	-	-	-	10,420
Total General		92,337	46,724	(3,175)	(243)	1,182	(377)	136,448



Saneamento de Goiás S.A.



Saneamento de Goiás S.A.

20.1. Loans and Financing

Bank	Type	Contract	Start	Maturity	annual contractual fee	Transaction Costs	Transaction Costs	Funding	Guarantees	12/31/2018	12/31/2017
BRAZIL	Loans	330701095	04/09/2015	02/13/2018	4.5%+CDI	309 -		16,500	(c)	-	1,383
BRAZIL	Loans	330701235	12/27/2017	01/06/2026	2.9%+CDI	940	631	30,000	(d)	30,184	30,040
BBM	Loans	6008830/16	06/03/2016	06/03/2019	10.03%+CDI	349 -		20,000	(f)	-	11,043
BIC	Loans	1247284	02/03/2014	08/01/2018	6.17%+CDI	500 -		20,000	(e)	-	5,789
FIBRA	Loans	0106716/16	06/29/2016	06/28/2019	9.38%+CDI	303	38	15,000	(f)	3,004	9,020
INTERMEDIUM	Loans	7563560/16	02/15/2016	03/08/2018	10.03%+CDI	128 -		8,000	(f)	-	1,656
PANAMERICANO	Loans	72256/16	07/27/2016	04/10/2018	9%+CDI	416 -		12,500	(b)	-	4,203
IBM	Leasing				3.48%+CDI	-			(a)	1,763	4,177
FIDC IV	Loans		12/15/2015	12/15/2022	3%+CDI	47,828	-	600,000	(g)	432,025	539,384
Subordinated Quotas FIDC IV	Loans					-				0	(79,036) (77,102)
Special Limit - Itaú - Águas Lindas	Loans										- 10
Transaction Costs	Loans									(31,794)	(40,833)
CEF	Financing	several		2024	5.73%+TR		-		(h)	11,321	16,969
CEF	Financing	410461-57	12/31/2013	5/14/2037	8.5%+TR	119,484	13,276	132,760	(i)	5,179	5,330
CEF	Financing	0410526-20	12/31/2013	4/14/2037	8.5%+TR	33,585	2,825	36,410	(i)	27,738	25,091
CEF	Financing	0410517-19	02/14/2014	5/14/2037	8.5%+TR	17,352	913	18,265	(i)	5,848	6,028
CEF	Financing	0410538-64	03/27/2015	05/14/2037	8.5%+TR	47,535	4,009	51,544	(i)	42,233	32,930
CEF	Financing	0410512-69	12/27/2015	01/14/2038	8.5%+TR	31,093	1,636	32,729	(i)	24	25
CEF	Financing	26340190232-94	6/29/2006	4/30/2028	12%+TR	2,707	478	3,185	(i)	1,808	2,020
CEF	Financing	26340190233-07	06/29/2006	06/30/2030	12%+TR	35,293	3,921	39,214	(j)	22,905	23,347
CEF	Financing	2635248557-66	06/30/2008	11/12/2030	8.5%+TR	6,000	600	6,600	(j)	6,694	4,584
CEF	Financing	2634248555-47	10/09/2009	06/14/2031	9%+TR	9,500	500	10,000	(j)	6,359	7,364
CEF	Financing	2634248548-42	12/30/2009	06/14/2031	9%+TR	10,000	1,882	11,882	(j)	4,600	6,780
Inter-American Development Bank (IDB)	Financing	1414/OC	12/11/2002	10/11/2027	5.82%+VC	47,600	-	47,000	(j)	90,564	85,555
BNDES	Financing	11208021	12/14/2011	12/15/2021	2.51%+TJLP	31,154	-	31,154	(k)	1,615	2,138
BRAZIL	Financing	40/01033-3	09/10/2012	04/1/2022	2.94%	2,360	-	2,360	(c)	1,128	1,499
BRAZIL	Financing	40/00984-x	12/20/2012	01/01/2028	2.94%	6,846	-	6,846	(c)	6,208	6,862
										590,370	715,292

Current 137,059 154,343
Non-Current 453,311 560,949



Saneamento de Goiás S.A.

C.F.D.C = Fiduciary Assignment of Credit Rights

Legend - Guarantees:

- (a) Disposal of the good to the Financial Agent
- (h) Earmarking revenue of 1.72% of the outstanding balance at the end of each month
- (c) Earmarking revenue of 10% of the outstanding balance at the end of each month
- (d) Earmarking revenues of 20% of the outstanding balance at the end of each month
- (e) Earmarking revenue of 120% of the value of each maturing installment;
- (f) Earmarking revenue of 150% of the value of each maturing installment;
- (g) Earmarking revenues of 45%.
- (h) Earmarking revenues of 2.2%;
- (i) reserve account equivalent to 3 times the service, monthly debt of CT.
- (j) No Guarantee
- (k) Earmarking revenue of R\$ 2 million, adjusted;



Saneamento de Goiás S.A.

20.2. Debentures

Bank	Start	Maturity	annual contractual fee	Guarantees	Transaction Costs	Costs to be appropriated	Amount Collected	12/31/2018	12/31/2017
Debentures (2 nd Issue)	09/15/2013	09/15/2018	7.5% + IPCA	(a)	1,611	242	100,350	-	23,750
Debentures (3 rd Issue)	08/04/2015	08/14/2022	10.35% + TJLP	(b)	5,362	3,491	208,000	-	67,430
Debentures (4 th Issue)	12/28/2017	12/15/2021	2.95% + CDI	(c)	1,448	1,790	130,000	130,471	130,032
Debentures (5 th Issue)	11/15/2018	11/16/2023	100%CDI	(d)	4,296	4,296	250,000	250,862	-
Transaction Costs								(5,995)	(5,181)
					8,421	5,523	688,350	375,338	216,031

Legend - Guarantees:

- (a) Earmarking revenue of 110% of the value of each maturing installment
- (b) Earmarking revenue equivalent to 3.5%
- (c) Earmarking revenue of 150% of the value of each maturing installment
- (d) Assignment of Credit Rights Funds.

Current	28,979	47,908
Non-Current	346,359	168,123

Description	12/31/2018
Loans and Financing	590,370
Debentures	375,338
	965,708

Non-current statement by maturity range	12/31/2018	12/31/2017
2019	-	194,328
2020	230,337	207,520
2021	253,785	182,278
2022	203,207	131,143
2023 onwards	220,500	136,919
Subordinated Quotas FIDC IV	(79,036)	(77,102)
Transaction Costs	(29,123)	(46,014)
	799,670	729,072

Inter-American Development Bank - IDB - Interest is paid semi-annually, in April and October of each year, at a rate determined by the IDB itself each semester. The interest rate on the payment made on Wednesday, April 11, 2018 was 1.61% per semester (3.24% per year). Amortizations are in semiannual installments, beginning on October 11, 2008 and ending on October 11, 2027.

Debentures, 4th Issue)

In December 2017, a private instrument was created for the deed of the 4th (fourth) issue of simple debentures, not convertible into shares, in a single series, of unsecured type with additional real guarantee, for public distribution with restricted distribution efforts, pursuant to CVM Instruction 476 dated January 16, 2009.

This Deed of Issue and the Fiduciary Assignment Contract were entered into in accordance with the 351st Meeting of the Management Board of Saneago, held on November 24, 2017, and 352nd meeting of the same board of December 15, 2017.

Number of debentures issued	Unit value	Amount Collected
130,000	1,000	130,000,000

According to the Private Instrument of Deed, clause 4.1.4, this operation contains restrictions where the Fiduciary Agent may declare overdue all the obligations set out in the deed and demand immediate payment, if they are not fulfilled. Such financial ratios related to debt coverage have their annual requirement.

The Financial index established for the IV Issuance of debentures is Adjusted EBITDA less than or equal to 3.0 and for the end of 2018, the Company did not breach the financial indexes related to debt coverage, as required by the private instrument of deed of the 4th issue of debentures.

Debentures, 5th Issue

In December 2018, a private instrument of deed for the 5th (fifth) issuance of simple debentures, not convertible into shares, in a single series, of unsecured type, with additional real guarantee, was made for public distribution with restricted distribution efforts, pursuant to of Article 59 of Law 6.404, of December 15, 1976 and CVM Instruction 476 of January 16, 2009.

This Deed of Issue and the Fiduciary Assignment Contract were entered into in accordance with the 370th Meeting of the Management Board of Saneago, held on November 08, 2018.

Number of debentures issued	Unit value	Amount Collected
250,000	1,000	250,000,000

According to the Private Instrument of Deed, clause 4.15.1, this operation contains restrictions where the Fiduciary Agent may declare overdue all the obligations set out in the deed and demand immediate payment, if they are not fulfilled. Such financial ratios related to debt coverage have their annual requirement.

The Financial index established for the V Issuance of debentures is Adjusted EBITDA less than or equal to 3.0 and for the end of 2018, the Company did not breach the financial indexes related to debt coverage of debt, as required by the private instrument of deed of the 5th issue of debentures.

BNDES

The respective loan and financing agreements with the BNDES contain restrictive clauses, with annual monitoring, which protect the creditor's interest by establishing conditions that must not be breached (covenants) that have not been fully met, related to debt coverage and ability to pay short-term obligations. On September 9, 2015, management obtained from the Financial Institution the suspension of the enforceability of compliance with economic and financial ratios until December 31, 2017. As for 2018, the demand for the indexes returned, however, there was only partial compliance with the indexes.

FIDC IV

At a general meeting held on June 5, 2017, as provided for in Article 50, paragraph (e) of the Fund's Regulation, the Saneago monitoring index assessment event was created, establishing conditions that should not be breached and which may imply in early maturity of the debt if not fully met, related to the debt coverage, to be in effect as of the end of the 2nd half of 2017.

There was no breach of the financial ratios related to debt coverage for the 2018 financial year.

Banco do Brasil

On December 20, 2017, a Bank Credit Note - CCB No. 330.701.235 was signed between Saneago and Banco do Brasil. According to the Bank Credit Note, Clause Ten contains restrictions where the Bank may declare all obligations in the deed overdue and demand immediate payment if they are not met. It is worth mentioning that the financial indicators are monitored annually. On the position of December 31, 2018, the Company did not breach the financial ratios related to debt coverage

There was no breach of the financial ratios related to debt coverage for the 2018 financial year.

20.3) Transactions made in Loans and Financing

Funding	Payments made	Appropriated charges	Funding	Payments made	Appropriated charges
01/01/2018 to	01/01/2018 to	01/01/2018 to 12/31/2018	01/01/2017 to	01/01/2017 to	01/01/2017 to

	12/31/2018	12/31/2018		12/31/2017	12/31/2017	12/31/2017
Caixa Econômica Federal - CEF	13,724	13,983	6,229	-	13,046	7,425
CEF - With FGTS Funds.	1,576	5,108	4,419	-	5,283	4,868
Inter-American Development Bank (IDB)	-	12,443	17,453	-	10,665	3,499
National Bank for Economic and Social Development	-	681	157	-	25,953	1,446
Banco do Brasil S/A	-	4,984	2,719	39,300	34,060	1,543
Banco Industrial e Comercial S/A - BIC	-	5,887	97	-	21,683	2,256
Banco Daycoval	-	-	-	-	5,876	327
Banco Safra	-	-	-	-	13,134	1,096
Banco Panamericano	-	4,297	94	-	13,726	1,917
Banco Intermedium	-	1,529	(127)	-	8,310	1,073
Banco ABC	30,000	30,000	-	-	-	-
Banco Itaú	14	24	-	10.00	-	-
BMG	-	-	-	-	9,097	415
Fundo de Invest. Direitos Cred. SANEAGO INFR. IV	-	164,487	57,129	-	146,762	86,146
Subordinated Quotas FIDC IV	-	200	(1,734)	-	28,999	(12,629)
Banco IBM -Leasing	-	2,940	526	-	2,680	433
Banco Semear	-	-	-	-	2,611	311
Banco BBM S/A	70,000	81,826	783	90,000	103,880	6,435
Banco Fibra	-	6,920	904	-	8,334	2,320
Debentures	250,000	111,549	21,055	130,000	71,611	17,548
Transaction Cost	-	5,553	14,652	-	4,360	11,358
Income from Financial Investments	-	-	(1,190)	-	-	(1,317)
	365,314	452,411	123,166	259,310	530,070	136,470

21. Labor obligations

	12/31/2018	12/31/2017
Current		
Salaries Payable	-	23,007
Alimony and Terminations	333	31
PREVSAN	3,651	5,993
CAESAN	2,530	2,223
Payday Loans	1,253	1,653
SESI/SENAI	1,216	1,095
Union Contribution	170	-
Vacations Payable	46,073	41,687
FGTS on vacation and 13 th salary	3,679	3,328
INSS to collect on salaries, vacationland 13th salary	31,172	49,350
Voluntary Job Termination Program (a)	6,279	8,367
Employee Share of Profits and Results	4,540	-
	100,896	136,734
Non-Current		
Voluntary Job Termination Program (a)	-	6,144
	100,896	142,878

a) Refers to the amounts of food vouchers and medical assistance guaranteed by the Voluntary Job Termination Program.

22. Tax Obligations

	12/31/2018	12/31/2017
ISS	451	795
PIS	2,077	4,637
Installment payment with the Federal Revenue Service (a)	11,272	26,282
IRPJ	-	3,467
COFINS	9,636	21,552
Social Contribution	-	1,249
Withholding of Federal Contributions	5	518

IRRF Provision of Services	169	122
INSS Provision of Services	1,464	2,199
IRRF Payroll	10,368	13,071
Others	-	1,097
	35,442	74,989
Current	27,172	61,290
Non-Current	8,270	13,699

a) Federal Revenue of Brazil

On December 31, 2017, it was disclosed within the group in installments and, in 2018, it was transferred to tax obligations.

Provisional Measure No. 766/2017 instituted the Tax Regularization Program - PRT with the Federal Revenue Service of Brazil and the Attorney General of the National Treasury, regulated by Normative Instruction RFB No. 1687/2017 and Ordinance PGFN No. 152/2017.

The Company had social security and non-social security installments resulting from debts from previous financial years and after analyzing the preceding legal provisions, it joined the Program on March 6, 2017 in view of the possibility of using it as an accumulated tax loss payment.

The Company has been making the payment and awaits the approval of the installment by the Federal Revenue Service. The option was to pay 24% of the debt in 24 monthly installments and amortize the remaining balance through accumulated tax loss as detailed below:

INSS	Current Liability	Non-Current Liabilities	Interest reduction	Installment Balance
Installment balance on 02/28/17	17,187	40,102	-	57,289
Remaining balance (a)	(10,312)	(33,228)	1,376	(42,164)
Re-installment balance on 03/06/2017	6,875	6,874	1,376	15,125

PIS/COFINS	Current Liabilities	Non-Current Liabilities	Interests	Installment Balance
Installment balance on 02/28/17	8,299	26,217	-	34,516
Remaining balance (a)	(4,301)	(21,019)	(1,957)	(27,277)
Reversal of charges	-	(1,200)	-	(3,157)
Re-installment balance on 03/06/2017	3,998	3,998	(1,957)	7,996

IRRF	Current Liabilities	Non-Current Liabilities	Installment Balance
Installment balance on 02/28/17	191	605	796
Remaining balance (a)	(102)	(466)	(568)
Reversal of charges	-	(49)	(49)
Re-installment balance on 03/06/2017	89	90	179

Saneago offset PIS / COFINS debts with IPI credits from the Pumaty plant for August, September /

2002. The Federal Revenue considered that the August / 2002 offsets were not declared and those of September / 2002 were not approved, thus generating the infraction notices No. 10120.005928/2003-29 PIS and 10120.005930/2003-06 COFINS on 09/22/2003 and their payment in two installments of R\$ 86 each and the remainder of R\$ 1,303 for offset against tax loss.

PIS/COFINS	Principal	Fine	Interests	Charges / Remunerations	Total
Installment Balance Nov / 2017	930	186	1,744	572	3,431
Inflow 5% - Value Paid	(46)	(9)	(87)	(29)	(172)
Discount	-	(88)	(1,325)	(543)	(1,957)
Remaining balance (a)	883	88	331	-	1,303

Agreement Regarding COFINS debit improperly offset and declared in Perd/Comp, calculation period 01/31/2013, with the payment of 20% in 3 installments and the remainder, according to the receipt of adhesion to the Special Tax Regularization Program, offset against loss tax and negative calculation base of CSLL.

COFINS	Principal	Fine	Interests	Total
Installment Balance Nov / 2017	431	86	226	743
Inflow 20% - Paid Value	86	17	45	149
Remaining balance (a)	345	69	181	594

In June 2018, a new installment was made with the Federal Revenue Service, referring to the offset of 100% of the tax loss, with the permitted limit of 30%.

IRPJ/CSLL	Principal	Fine	Interests	Total
Installment Balance June / 2018	-	2,470	2,666	5,136
Inflow 24% - Paid Value	-	593	640	1,233
Remaining balance (a)	-	1,877	2,026	3,903

a) Remaining balance transferred to tax obligations in non-current liabilities, and subsequently written off against deferred taxes for offsetting tax losses.

Offset realized with tax loss

	06/30/2018	12/30/2017
INSS 02/28/17	-	42,164
PIS/COFINS 02/28/17	-	27,277
IRRF 02/28/17	-	568
PIS/COFINS 11/30/2017	-	1,303
COFINS 11/30/2017	-	594
IRPJ/CSLL 06/18	3,653	-
	3,653	71,906

b) INSS - Social Security Debts

The Company adhered to the program specified in Law 13.496/2017, which regulated the Special Tax Recovery Program - PERT with the Federal Revenue of Brazil and the Attorney General of the National Treasury. After the withdrawal in the lawsuit No. 200935000107769 resulting from the non-registration in the Worker Food Program - PAT, which involved a social security contribution on the amounts paid as food vouchers in the competences from 01/2004 to 12/2005, the installment is detailed as follows:

	Principal	Fine	Interests	Charges / Remunerations	Total
Installment	6,928	3,769	3,589	3,591	17,877

Number of installments	Principal	Fine	Interests	Charges / Remunerations	Total
4	346	277	499	224	1,346
145	38	18	11	19	86

23. Installments

	Start	Final	Number of Installments	Update	12/31/2018	12/31/2017
I CELG - Águas Lindas	11/22/2003	10/22/2018	3			
			8	(a)	9	113
II AGR - Agency for Regulation of Goiás	12/10/2011	12/10/2030	5			
III STIUEG	6/26/2017	3/26/2018	10	(b)	17,075	12,949
	06/26/2011	03/26/2011		-	-	6,074
IV Thiago Fraga			7			
			8	-	-	1,009
V CODEGO - Companhia de Desenvol. Econ. de Goiás	06/11/2011	05/11/2011	6			
			9	(c)	2,813	8,945
	07/20/2011	02/20/2011				
VII ABC - Agência Brasil Central			6			
			8	-	-	197
VII Goiânia City Hall	06/23/2011	09/21/2022	8			
VII	09/14/2011	01/14/2011				
I OI S/A			7			
			8	-	906	2,257
IX Public Prosecutor's Office of the State of Goiás - Sewage Treatment Plant, Pq. Ateneu	12/13/2011	09/15/2011	8			
			8	-	600	-
X FMSAI- Águas Lindas	12/28/2011	10/11/2011	8			
			9	-	20,293	-
Júlio Cesar Batista	04/30/2011	01/30/2011	8			
			9	-	12	-
Irmãos Mendonça	10/30/2011	04/30/2011	8			
Others			9	-	967	-
					-	286
					47,871	40,688
				Current	28,115	24,435
				Non-Current	19,756	16,253

Legend - Update:

- (a) Update according to the mains tariff.
- (b) Monthly update 0.5% per month + interest 0.5% per month;
- (c) Passbook savings account

I) CELG

a) CELG D - Águas Lindas

On July 22, 2003, the Instrument of Commitment 630/2003 was entered into by and between the Company and Companhia Energética de Goiás - CELG, now called CELG Distribuição S.A. - CELG D, related to outstanding debts of the Águas Lindas artesian wells, owned and operated until then by the suppliers: Nilson de Jesus Ferreira da Mota, Edson Ferreira Vaz - Aguacel e Nilson Lima - Mundial.

The debts of the companies Aguacel and Mundial were paid immediately. The debt related to Nilson was in the amount of R\$ 3,111, of which R\$ 1,556 (50%), was recorded as an obligation of Saneago, according to its interest in the Águas Lindas Consortium.

II) Agency for Regulation, Control and Inspection of Public Services of Goiás - AGR

On December 10, 2015, the Company signed an Instrument of Adhesion and Credit Installment No. 255/15, based on Law No. 18.109 dated July 25, 2013, amended by Law 18.957 dated July 16, 2015.

The amount includes remaining balances of the Instruments of Adhesion 024/2011 and 0102/2013 referring to the Regulation, Control and Inspection Fee - TRCF from previous years and Notices of Infraction related to non-compliance with regulatory requirements.

Total Consolidated	
Principal	10,808
Formal Fine	2,797
Fine	42
Interests	133
	13,780

III) STIUEG - Union of Workers in Urban Industries of the State of Goiás

a) On March 17, 2016, the Company and STIUEG ratified an agreement, process No. RTOrd 0011476-78.2015.5.18.0003 in which Saneago recognizes as credit due to the replaced (employees) the amount of R\$ 5,195, due to the base of erroneous calculation for calculating the amounts due for overtime provided on paid weekly rest days and holidays from September 2010 to December 2015.

Saneago made the payment of the social security amounts due, both to the employer and that which would be the Replaced Employee's responsibility.

b) On May 20, 2017, the Company and STIUEG ratified an agreement, process No. RTOrd 0010914-26.2016.5.18.0006 in which Saneago recognizes as credit due to employees, overtime in the weekly paid rest period from June/2011 to June/2016.

The Company undertook to pay directly to STIUEG the amount of R\$ 21,658 and the latter was responsible for paying the installment due to each replaced employee, according to the schedule below and which was settled in 2018:

Installment	Amount	Maturity	Installment	Amount	Maturity
1	2,502	06/26/2017	6	2,146	11/26/2017
2	2,152	7/26/2017	7	2,153	12/26/2017
3	2,148	08/26/2017	8	2,143	01/26/2018
4	2,150	09/26/2017	9	2,151	2/26/2018
5	2,151	10/26/2017	10	1,962	03/26/2018
	11,103			10,555	
				21,658	

IV) Thiago Fraga Sociedade Individual de Advocacia

Attorneys' fees resulting from the agreement approved on May 20, 2017 between Saneago and STIUEG, process No. RTOrd 0010914-26.2016.5.18.0006 according to the sentence handed down, Saneago must pay the seventh, eighth, ninth and tenth installments directly to this beneficiary, and which was paid in 2018.

V) CODEGO - Economic Development Company of Goiás

On June 7, 2016, Saneago signed an agreement No. 1163/16 with CODEGO, in the amount of R\$ 1,445 related to water supply, as detailed below:

Process	Amount (R\$)	Lawsuit	Amount (R\$)
28306/14	639	17264/15	877
134/15	759	18716/15	855
4177/15	752	20860/15	1,006
4180/15	603	335/16	914
6027/15	714	2192/16	955
7447/15	687	4225/16	914
9952/15	650	6559/16	994
12238/15	768	8767/16	945
14406/15	854	Adjustment	562
	6,426		8,023
		Total General	14,449

VI) ABC - Agência Brasil Central

On June 30, 2016, Saneago and ABC entered into an instrument of agreement in order to adjust the accounts between the parties, with a view to enabling the settlement of existing debts. It will be deducted from the total due by Saneago of R\$ 1,921, R\$ 609 related to credits receivable from ABC water consumption. This installment was paid in 2018.

VII) Goiânia City Hall

On April 24, 2017, an Instrument of Agreement was signed between Saneago and the Municipality of Goiânia, in the amount of R\$ 16,089, of which R\$ 12,484 related to the consideration for the concession of services and R\$ 3,605 related to the cut measurements of asphalt from the period 2011 to 2016.

VIII) OI S/A.

In September 2017, Saneago signed a debt negotiation agreement with OI S.A to settle outstanding debts from May to August 2017 in the order of R\$ 1,361 for payment in 5 installments.

On December 22, 2017, Saneago signed another instrument of debt acknowledgment with OI Móvel S.A to settle outstanding debts in the amount of R\$ 2,019 for payment in 12 installments.

IX) Public Prosecutor's Office of the State of Goiás

On December 13, 2018, Saneago and the Public Prosecutor's Office of Goiás signed the Third Addendum of Commitment, Responsibility and Conduct Adjustment with the obligation to complete the works of the sewage treatment plant at Parque Ateneu in Goiânia by the end of April 2020.

As an environmental compensation due to non-compliance with the TAC signed on July 24, 2008 and its addenda, Saneago undertakes to pay:

Installments	Maturity	Amount	Beneficiary
1	1/15/2019	100	Project for the acquisition of goods and equip. for cooperatives
2	2/15/2019	100	Project for the acquisition of goods and equip. for cooperatives
3	3/15/2019	50	Selective collection of social mobilization project
4	4/15/2019	100	Mobilization project in the catchment spring
5	05/15/2019	100	Mobilization project in the catchment spring
6	06/15/2019	150	Social mobilization project in basic sanitation education
		600	

X) FMSAI

On December 28, 2018, Saneago signed an Instrument of Agreement with the municipality of Águas Lindas in which it undertakes to transfer the amount of R\$ 20,293 to the Municipal Infrastructure Environmental Sanitation Fund - FMSAI of Águas Lindas, as a compensation for the advanced maturity

of Concession Contract 170/2000 and upon execution of the Program Contract.

24. Other Accounts Payable

Current	12/31/2018	12/31/2017
Escrows	1,378	3,381
Corporate Credit Card	-	387
Other accounts (a)	30,718	109
	32,096	3,877

a) Expenses for financial year 2018 whose tax registration was effected in the financial year 2019.

25. Provision for judicial claims

	12/31/2018	12/31/2017
Civil Claims	27,258	25,872
Labor Claims a)	73,294	17,605
AGR - Agency for Regulation of Goiás	929	89
	101,481	43,566

a) The increase in labor lawsuits is due to a new estimate by the company's legal department, in review of lawsuits filed by the Union of workers in the Urban industries of the State of Goiás, claiming payment of hours of Integration of the Travel Accommodation Fees to the salary, Collective Action - DSR improperly granted to those who work on a rotating schedule and Collective Action for rest between shifts schedule.

Below is the movement of provisions:

	12/31/2017	Recognized Provisions	Reversals	12/31/2018
Civil Claims (a)	25,872	26,054	(24,668)	27,258
Labor Claims	17,605	57,328	(1,639)	73,294
AGR - Agency for Regulation of Goiás	89	844	(4)	929
	43,566	84,226	(26,311)	101,481

Civil, labor and tax lawsuits

The Company is an integral part of several lawsuits with civil and labor claims rated as probable losses by the legal advisors, duly provisioned in accordance with Resolution CVM 594/09 and CPC 25.

a) Civil, labor and tax:

Nature	Lawsuit	Description	Plaintiff	Estimate
Labor	0010242-85.2016.5.18.0016	Collective Action - payment of rest between shifts schedule	STIUEG	20,000
Labor	0011614-08.2016.5.18.0004	Collective Action - DSR improperly granted	STIUEG	10,000
Labor	0011048-32.2015.5.18.0013	Collective Action - rest between shifts schedule	STIUEG	10,131
Labor	0012089-83.2015.5.18.0008	Integration of travel accommodation fees to salary	STIUEG	3,000
Labor	0001590-79.2011.5.18.0008	Reintegration - Dismissal without Just Cause	Pedro Márcio M. de Siqueira	1,500
Tax	10120007382/2007-74	IRPJ Infraction Notice	Federal Revenue Service of Brazil	7,581
				52,212

Possible causes

They are not provisioned, but are constantly assessed for the possibility of losses by the Company's legal advisors.

	12/31/2018		12/31/2017	
	Estimated Amount	Quantit y	Estimated Amount	Quantit y
Civil (a)	300,363	2,175	308,967	1,348
Tax (b)	227,269	21	81,522	17
Labor	2,448	25	3,246	16
	530,080	2,221	393,735	1,381

a) We highlight some with higher values promoted by the Public Prosecutor's Office in some cities in defense of the consumer or adjustment of conduct, as well as individual civil actions, execution, obligation to make comminatory and declaratory injunctions and indemnification for lack of water.

b) Resulting from inspection by the Federal Government, State and Municipality, where fines were alleged for failure to pay taxes. In its defense, Saneago filed an annulment action aiming at the annulment of the tax debt and also embargoes of the tax execution aiming at the their dismissal.

Lawsuit	Plaintiff	Amount
281694.13.2009	Municipality of Goiânia	121,828
10120.734564/2018	Federal Revenue Service of Brazil	6,925
10120.734566/2018	Federal Revenue Service of Brazil	5,256
10120005927/2003-84	Federal Revenue Service of Brazil	60,260
10120005929/2003-73	Federal Revenue Service of Brazil	19,576
0241999.86.2008.8.09.0051	Municipality of Goiânia	6,944
0070170-97.2010.8.17.0001	Pumaty Plant	3,451
144562-97.2016	Sérgio Martins de Souza Queiroz	67,556
139085-68.2009	Public Prosecutor's Office of Minaçu	16,523
215530-65.2004	Public Prosecutor's Office of the State of Goiás	10,770
250140-93.2009	Public Prosecutor's Office of the State of Goiás	4,921
200803501387	Public Prosecutor's Office of the State of Goiás	65,965
200704213731	Public Prosecutor's Office of Minaçu	68,294
200803501557	Public Prosecutor's Office of Minaçu	22,122
5299729.85	Public Prosecutor's Office of Rio Verde	11,824
		492,215

26. Jointly Controlled Businesses (Consortiums)

Current Liabilities

	12/31/2018	12/31/2017
Águas Lindas Consortium (a)	1,402	1,935
Corumbá Consortium (b)	302	2,372
	1,704	4,307

Non-Current Liabilities

Águas Lindas Consortium (a)	14,380	23,420
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Corumbá Consortium (b)	69,065	67,360
	<u>83,445</u>	<u>90,780</u>

a) Águas Lindas Consortium

The companies Saneago and CAESB formed the Águas Lindas Consortium on April 7, 2003, registered with CNPJ [Corporate Taxpayer's Registry]: 05.966.179/0001-50, headquartered at Quadra 45, Conjunto B, Lot 36 to 38, Rooms 01 to 04, Sector 01, municipality of Águas Lindas de Goiás, Zip Code 72.910-000. The duration of the Consortium is 31 (thirty-one) years, renewable for the same period and is linked to the concession contract between the municipality and the consortium companies.

The consortium's specific goal is to outline guidelines for carrying out studies, analyses and measures for economic exploitation and implementation of sanitation infrastructure, in all its phases and processes, including the implementation of water supply and sewerage systems in the municipality of Águas Lindas de Goiás - GO.

The Consortium's financial control (bank accounts and accounts receivable) is carried out by the Corporate Management Department of the Saneago consortium, with the Consortium Management being shared by the consortium members through a joint deliberative council. Expenses and investments are made by the consortium members and presented in monthly accounts, where one consortium approves the accounts presented by the other.

This consortium is rated as a joint operation. According to CPC 19 items 14 and 15, the integral parts that have joint control of the business have rights over the assets and obligations for the liabilities. According to the statute, the interest of the consortium members is equal in 50%, however it is disproportionate. As of Monday, December 31, 2018, the consortium CAESB holds 60.51% and Saneago 39.49%, the difference being recognized in Saneago's non-current liabilities.

Balance Sheet - Águas Lindas Consortium					
	12/31/2018	12/31/2017		12/31/2018	12/31/2017
Asset			Liability		
Current			Current		
Cash and cash equivalents	1,675	1,463	Funds to be realized - Suppliers	3,842	5,225
Accounts Receivable from Users	6,259	5,254	Loans	-	21
Taxes to be offset	7	-	Labor obligations	474	-
Advanced expenses and advanced payments	677	-	Installments	20,311	213
	8,618	6,717	Other Accounts	438	737
				25,065	6,196
Non-Current			Non-Current		
Accounts Receivable from Users	901	816	Installments	-	163
Judicial Deposits	225	245	Provision for judicial claims	548	572
Advanced expenses	19,617	-		548	735
	20,743	1,061			
Fixed asset			Net Equity		
Works in progress	176	187	Equity Fund	136,638	142,240
Intangible Asset	68,250	115,612	Legal Reserve	20,131	20,131
	93,014	45,725	Accumulated Profits / Losses	8,419	-
	161,440	161,524		165,188	162,371
Total Asset	190,801	169,302	Total Liability	190,801	169,302

b) Corumbá Consortium

The companies Saneago and CAESB formed the Corumbá Consortium on September 17, 2009, registered with CNPJ [Corporate Taxpayer's Registry]: 18.801.675/0001-03, headquartered at Rua Recife, Quadra 184 Lote Área Especial, Parque Marajó, municipality of Valparaíso de Goiás. Its constitution is based on articles 278 and 279 of Law 6.404 dated December 15, 1976.

The consortium has as its exclusive object the implementation, operation and joint maintenance of the enterprise called Sistema Produtor de Água Corumbá and aims at meeting the demands of public water supply services in the municipalities of Luziânia, Valparaíso de Goiás, Novo Gama and Cidade Ocidental in the State of Goiás, and the satellite cities Gama and Santa Maria in the Federal District of Goiás.

Its management will be exercised by a steering committee that will have ten members with equal representation and by an Executive Management that will constitute an administrative and operational management unit directed by two managers. The duration is 30 (thirty) years, renewable for equal and successive periods.

As of Monday, December 31, 2018, the consortium CAESB holds 69.69% and Saneago 30.31%, the difference being recognized in Saneago's non-current liabilities.

Balance Sheet - Corumbá Consortium					
	12/31/2018	12/31/2017		12/31/2018	12/31/2017
Asset			Liability		
Current			Current		
Total Current Assets	-	-	Funds to be realized - Suppliers	4,431	5,178
			Labor obligations	64	-
			Total Current Liabilities	4,495	5,178
Non-Current			Non-Current		
Works in progress - PAC	45,981	32,388	Total Non-Current Liabilities	-	-
Works in progress	309,256	256,751	Net Equity		
Total Non-Current Assets	355,237	289,139	Fundo de Participação - SANEAGO	106,306	74,664
			Net Equity - CAESB	244,436	209,297
Total Asset	355,237	289,139	Total Liability	355,237	289,139

27. Employee Benefits

27.1 - Social security program

The social security supplementation plan managed by PREVSAN is of Defined Benefit, funded by contributions from active, linked, assisted participants and by the sponsor Saneago. According to the plans' regulations, the Sponsor's monthly contribution is equal to the contributions made by the active participants, maintaining the parity of one to one.

The benefits offered to employees are as follows: Disability Retirement Supplement, Supplement of Retirement by Length of Service or Contribution, Supplemental Retirement by Age, Supplemental Special Retirement, Supplemental Pension, Supplemental Annual Allowance, Proportional Deferred Benefit.

These benefits take into consideration the Real Benefit Salary, equivalent to the average of the Contribution Salaries to the Plan, and the amount of the benefit paid by the Official Social Security. To prepare the studies, actuarial valuations were carried out on the base date of December 31, 2018.

Calculation of Net Liabilities (Assets)	12/31/2018	12/31/2017
1. Deficit / (surplus) determined		
1. Actuarial obligations determined in the actuarial valuation	887,808	830,278
2. Fair value of plan assets	(950,450)	(836,992)
3. Deficit / (surplus) determined	(62,642)	(6,714)
2. Effect of the asset ceiling and Additional Liabilities		
1. Effect of the asset ceiling	62,642	6,714
2. Additional Liabilities	-	-
3. Effect of the asset ceiling and Additional Liabilities	62,642	6,714
3. Net liabilities / (assets) resulting from CPC 33 (R1)		
1. Liabilities / (Assets) net (A.1.3 + A.2.3)	-	-
Liabilities (Assets) already recognized	-	-
Liabilities / (assets) to be recognized in the financial year	-	-

As can be seen in the table above, the funds existing in the social security program are sufficient to guarantee the payment of the social security program's commitments, presenting a surplus in 2018 of R\$ 62,642 and on Sunday, December 31, 2017 of R\$ 6,714.

Assumptions used to calculate liabilities and projections

The assumptions and actuarial methods adopted were those required by the standards of Resolution of CPC 33 (R1). As required by the rules of the standard, the Projected Unit Credit method was adopted to calculate all actuarial obligations. In 2018, the following actuarial assumptions, in force in the previous year, were used to calculate the weighted average term of the future benefit payment flows of the Liabilities benefit plan:

Actuarial assumptions and premises	12/31/2017
Eligibility	First Eligibility
Financial Regime	Capitalization
Financing Method	Projected Unit Credit
Family Composition	
Assets	Average Family
Retirees	Actual family
Real Salary Growth	3.30%
Turnover Rate	1.00%
Annual Real Interest Rate	5.35%
Disability Entry Table	TASA 1927
Disability Mortality Table	MI-85 segregated by gender BR-EMSsb-2015, segregated by gender
General Mortality Table	

Methodology for calculating liabilities and projections

The methodology introduced by Frederick Macaulay (1938) was considered, as shown below:

$$D = \frac{\sum_{i=1}^n VP_{it_i}}{\sum_{i=1}^n VP_i}$$

Where:

- D corresponds to Duration;
- t_i represents the term arising from the i -th cash flow;
- VP_i corresponds to the present value of the i -th cash flow.

The Liability Duration Concept corresponds to the weighted average of the terms of the future benefit payment flows in the benefit plan, net of the contributions calculated according to the costing plan.

According to the actuarial assumptions and methodology mentioned above and used, it was found that the weighted average of the term of the future benefit payment flows of the Saneago Liabilities benefit plan obtained 13.13 points and an annual interest rate of 4.92% referenced by Federal Public Securities (NTN-B) released by ANBIMA, on December 31, 2018.

27.2 - Health Care Plan - Plan Description

The Saneago Employee Assistance Fund - CAESAN is a private, non-profit association, designed to provide its taxpayer, dependent and aggregate beneficiaries with medical and hospital health assistance, under the unique sponsored Self-Management modality, by offering collective plans under the regime of contracting by adhesion, in the form and conditions provided for in the specific Benefits Regulation.

In this way, the Health Assistance Program is maintained by normal and special contributions, based on 40% (forty percent) levied on the amount of expenses of employees during the activity, with regard to Saneago's sponsorship, as stated in the Article 68 of the Regulation. Former employees and retirees who choose the program, however, bear the cost and that which would be due by the sponsor, as provided in article 69 of the Regulation.

The CAESAN Health Assistance Program has the characteristics of a Defined Contribution Plan. For purposes of complying with Resolution CVM 695/12, the recording of commitments for this type of Plan is determined through the amount of Saneago's contributions to the Plan, which during the period ended on Monday, December 31, 2018 R\$ 22,393 was R\$ 18,394 (R\$ 18,394 on December 31, 2017), and actuarial obligations calculations are not required.

27.3 - Profit sharing

Article 67 of the Company's Bylaws establishes that the profit determined in each financial year, after adopting all legal provisions and in accordance with Law 6.404/76, may be used, in part, to gratify the members of the Board of Directors and employees as per the proposal to be sent by the Management Board.

28. Net Equity

a) Share Capital

	12/31/2018		12/31/2017	
	Number of Shares	Amount	Number of Shares	Amount

Authorized Capital	3,125,000,000	3,125,000	3,125,000,000	3,125,000
Capital to be subscribed	(609,453,632)	(609,454)	(609,453,632)	(609,454)
Share Capital	2,515,546,368	2,515,546	2,515,546,368	2,515,546

Table of Common Shares 12/31/2018

Shareholder	%	Paid in shares	To be paid in	Total
State of Goiás	65.56	1,336,136	302,864	1,639,000
State Social Security Fund	23.95	488,017	110,733	598,750
Others	10.49	213,752	48,498	262,250
	100.00	2,037,905	462,095	2,500,000

Table of Preferred Shares 12/31/2018

Shareholder	%	Paid in shares	To be paid in	Total
State of Goiás	74.32	354,992	109,508	464,500
State Social Security Fund	25.67	122,637	37,801	160,438
Others	0.01	12	50	62
	100.00	477,641	147,359	625,000

Description	12/31/2018	12/31/2017
Paid-in Capital	2,515,546	2,515,546
Profit in the financial year	110,042	251,022
	0.0437	0.0998

The Bylaws, art. 66 provide for the payment of dividends of 25% of the net profit, distributed first to the holders of preferred shares, after compensation for losses. The unit value of common and preferred shares is R\$ 1.00.

The State of Goiás is the largest customer in the Company's Public category. As a controlling shareholder, it has assisted the Company in obtaining funds for investment in basic sanitation.

b) Full Payment of Capital

Until December 31, 2018 there were no new payments. In April 2017, R\$ 65,372 was paid in by the State of Goiás for investments and R\$ 335 was returned to CEF of funds that were released and not used, referring to the works financing contract, thus reducing its paying in, since each release corresponds to a paying in of capital.

Pay-In	12/31/2018			Pay-In	12/31/2017		
	Ordinary shares	Preferred shares	Total		Ordinary shares	Preferred shares	Total
State of Goiás	-	-	-	State of Goiás	52,030	13,007	65,037
Goiás Parcerias	-	-	-	Goiás Parcerias	-	-	-
	-	-	-		52,030	13,007	65,037

c) Legal Reserve

It consists of the allocation of 5% of net income for the year up to the limit of 20% of share capital. The Company may cease to constitute the legal reserve in the year in which the balance of this reserve plus the amount of the capital reserves exceeds 30% of the share capital. The purpose of the legal reserve is to ensure the integrity of the share capital and can only be used to offset losses or increase capital. In addition, such a reserve cannot be used to pay dividends.

d) Investment Reserve

The remaining balance of the profit for the year, after deducting any accumulated losses, the Legal reserve and the mandatory minimum dividend, is used to set up the investment reserve, in accordance with Article 65, item II of the Company's Bylaws.

e) Equity Valuation Adjustment

This account was created by Law 11.638/07, amended by Law 11.941/09 and aims at recording, while not calculated in the income statement, the considerations of increases or decreases in amounts assigned to assets and liabilities, as a result of their valuation at fair value as well as the realization of the depreciation of these assets.

	12/31/2018	12/31/2017
Equity Valuation Adjustment	50,508	51,203
Deferred taxes on assigned cost (Note 14)	(17,173)	(17,409)
	33,335	33,794

29. Net Operating Revenue

	12/31/2018	12/31/2017
Gross Revenues		
Water Supply and Sewerage Service	2,232,647	2,149,214
Technical Services	2,563	1,445
Sub-delegation Grant	9,100	9,100
Estimated Revenue	12,061	1,768
Construction Revenue	144,979	76,288
Total	2,401,350	2,237,815
Incident Taxes and Returns		
PIS	(30,093)	(29,301)
COFINS	(139,323)	(135,872)
ISS	(4,539)	-
Returns and Rebates	(1,699)	(1,371)
	(175,654)	(166,544)
Net Operating Revenue	2,225,696	2,071,271

30. Service costs / Construction and Administrative and commercial expenses

	12/31/2018			12/31/2017		
	Cost	Administrative	Commercial	Cost	Administrative	Commercial
Personnel	(476,231)	(261,747)	(143,193)	(443,377)	(425,610)	(80,379)
Material	(68,591)	(6,375)	(1,493)	(78,540)	(4,710)	(352)
Electricity	(217,693)	(1,815)	(1,158)	(190,367)	(2,146)	(590)
Third Party Services	(101,561)	(36,169)	(77,147)	(123,568)	(37,278)	(58,162)
Concession Remuneration	-	-	(51,961)	-	-	(51,253)
General	(1,162)	(9,948)	(6,291)	(19,241)	(7,629)	(3,844)
Amortization	(218,802)	-	-	(179,571)	-	-
Depreciation	(293)	(4,775)	(384)	-	(29,150)	(58)
Depreciation of Assigned Cost	-	(614)	-	-	(442)	(2)
Leasing Depreciation	-	(559)	(893)	-	(1,212)	(135)
	(1,084,333)	(322,002)	(282,520)	(1,034,664)	(508,177)	(194,775)
Construction Cost	(144,979)			(76,288)		
	(1,229,312)			(1,110,952)		

31. Net provisions / reversals

	12/31/2018	12/31/2017
Prescribed Credits Losses	(47,238)	(44,890)
Provision / reversal of contingencies	(57,915)	42,989
Provision / Reversal of Allowance for Doubtful Accounts	7,978	(61,626)
Provision / Reversal of Losses in Construction Works	531	(42,475)
Provision / Reversal Prog. Job Termination Program - PDV	-	962
Provision / Reversal of Losses in Stocks	(12,077)	(1,362)
Provision / Reversal of Losses of Other Credits	38	-
	<u>(108,683)</u>	<u>(106,402)</u>

32. Net Financial Result

	12/31/2018	12/31/2017
Financial Revenues		
Interest, Fines and Income	50,586	56,788
Monetary Correction	20,345	28,401
Exchange Variation	-	9,868
	<u>70,931</u>	<u>95,057</u>
Financial Expenses		
Interests / Fines / Charges and Other Expenses	(148,715)	(141,766)
Adjustment to Current Value - AVP	(987)	(1,726)
Monetary Correction	(1,965)	(13,204)
Exchange Variation	(14,901)	(11,611)
	<u>(166,568)</u>	<u>(168,307)</u>
Financial Result	<u>(95,637)</u>	<u>(73,250)</u>

33. Commitments made

In compliance with Law 11.445/2007, the Company has been changing the Concession Contracts to Program Contracts. Currently 57 contracts were renewed with municipalities in the state of Goiás, in which the investments to be made within the term of the contract are defined. Below is a breakdown of the amount to be invested and the amount realized

Municipalities	Program Contract Maturity	Amount to be invested	Amount Invested until 12/31/2018 SANEAGO	Value Invested BRK Ambiental until 12/31/2018	Total
Adelândia	1/16/2048	525	70	-	70
Águas Lindas de Goiás	12/28/2048	309,022	-	-	-
Anicuns	04/10/2048	42,785	333	-	333
Aparecida de Goiânia	11/1/2041	988,848	130,775	319,648	450,423
Aporé	4/6/2048	7,682	122	-	122
Aragoiânia	12/26/2042	27,926	1,018	-	1,018
Araguapaz	3/15/2048	5,210	442	-	442
Avelinópolis	1/22/2046	1,724	155	-	155
Barro Alto	12/26/2042	32,703	1,599	-	1,599
Brazabrantes	2/6/2044	8,056	930	-	930
Cachoeira Alta	7/27/2045	26,167	865	-	865
Caldazinha	8/2/2048	1,071	130	-	130
Campestre de Goiás	1/6/2046	645	274	-	274
Campinaçu	8/12/2045	13,146	9,616	-	9,616
Cavalcante	12/28/2048	1,612	-	-	-
Cezarina	12/17/2042	23,352	14,813	-	14,813
Cidade Ocidental	11/01/2041	243,394	15,943	-	15,943
Cristalina	02/07/2044	58,952	16,956	-	16,956
Davinópolis	5/4/2048	506	2	-	2
Diorama	7/24/2047	1,091	23	-	23
Divinópolis	10/5/2047	675	143	-	143
Flores de Goiás	8/14/2044	4,221	207	-	207
Goiandira	10/3/2048	1,457	9	-	9
Guarani de Goiás	9/15/2040	962	559	-	559
Guarinos(a)	2/16/2048	1,383	3	-	3
Hidrolândia	8/3/2046	9,737	2,305	-	2,305
Indiara	04/30/2044	32,180	714	-	714
Israelândia	11/24/2039	3,300	87	-	87
Itajá	12/19/2042	2,328	246	-	246
Itapaci	12/28/2048	56,172	-	-	-
Itapuranga	12/28/2048	8,063	353	-	353
Jataí	11/1/2041	114,116	31,751	60,121	91,872
Jussara	12/26/2046	5,759	319	-	319
Luziânia	12/01/2045	366,853	23,766	-	23,766
Mambaí	3/7/2046	1,689	348	-	348
Mináçu	2/6/2044	57,856	8,936	-	8,936
Morrinhos	11/30/2040	46,917	15,832	-	15,832
Morro Agudo de Goiás	05/02/2046	1,198	318	-	318
Mozarlândia	12/28/2046	1,894	541	-	541
Nazário	05/04/2048	2,280	144	-	144
Novo Gama	11/16/2048	253,055	-	-	-
Palmelo	10/29/2042	1,039	132	-	132
Perolândia	12/21/2048	499	-	-	-
Petrolina de Goiás	10/20/2041	6,797	3,713	-	3,713
Pires do Rio	11/03/2038	10,529	22,956	-	22,956
Posse	6/12/2047	19,945	7,164	-	7,164
Rio Verde	11/01/2041	249,889	52,470	82,290	134,760
Santa Cruz de Goiás	06/28/2043	1,497	277	-	277
Santo Antônio da Barra	12/26/2045	3,977	391	-	391
Santo Antônio de Goiás	12/02/2045	15,868	438	-	438
Santo Antônio do Descoberto	06/10/2046	55,686	21,527	-	21,527
São Domingos	12/28/2048	1,284	-	-	-
São Luiz de Montes Belos	12/19/2042	41,928	2,508	-	2,508
Trindade	11/01/2041	169,222	21,223	35,099	56,322
Uirapuru	12/28/2048	699	-	-	-
Uruaçu	12/28/2048	44,341	1	-	1
Valparaíso de Goiás	11/16/2048	389,652	144	-	144
			413,591	497,158	910,749

34. Insurance (Unaudited)

On July 5, 2018, the Civil Liability Insurance for Managers and Directors (D&O Insurance) was contracted for a period of 12 (twelve) months, whereby the insurer will pay, on behalf of the insured, any and all losses for which they will be legally obliged to pay due to a claim as a result of harmful acts caused by them, practiced or attempted during the retroactivity period or the period of validity of the insurance policy, provided that the referred loss does not exceed the maximum limit of guarantee that is fifty million reais.

The contract can receive addendum in up to 60 (sixty) months, pursuant to the caput of article 132 of the Saneago Contracting Procedures Regulation. The total premium paid will be R\$ 276,000.

The Company does not have insurances to cover for its operating assets.

35. Related Party Operations

I) Operations with the State of Goiás

a) Dependency Relationship

Saneago maintains its status as a non-dependent state company, that is, it does not receive any financial funds from the controlling entity, Government of the State of Goiás, for the payment of expenses with personnel or costing in general or from capital, except those arising from an increase in shareholding.

b) Interest in Financing

The State of Goiás participates as guarantor in a loan contract signed between the Company and the Inter-American Development Bank - IDB, in addition to offering guarantees in financing contracts entered into with Caixa Econômica Federal and BNDES.

c) Services Provision

The Company provides water and sewerage services to the Federal Government, States and Municipalities, as well as entities and bodies of the direct and indirect public administration under the responsibility of the State of Goiás. The balance of overdue and to be due debts of these bodies are as follows:

Debt Ratio	12/31/2018			12/31/2017		
	Updated Value	Installment	Total	Updated Value	Installment	Total
Federal Public Bodies	478	-	478	567	-	567
State Public Bodies	137,067	1,371	138,438	80,473	1,709	82,182
Public Municipal Authority	33,767	20,829	54,596	27,254	21,189	48,443
Other Bodies	11,073	2,681	13,754	8,653	1,960	10,613
Philanthropic Organizations	718	175	893	436	237	673
	183,103	25,056	208,159	117,383	25,095	142,478

II) Operations with Municipalities

a) The concession contract with the municipality of Goiânia was signed on December 22, 1991 and is effective until March 4, 2023. The actions provided for in the aforementioned contract have been carried out normally by the Company. The contract also provides for a monthly payment of 5% on the tax collection in the municipality. Up to Monday, December 31, 2018, R\$ 34,944 had been paid, in portfolio R\$ 32,115 (on 12/31/2017, R\$ 34,161 was paid, in portfolio R\$ 31,013).

b) Among the contracts in force, 26 contracts are remunerated with values that vary between 2% and 5% of the tax collection of the municipality.

c) The Company has been conducting accounts to settle debts, by offsetting the services provided by City Halls to the Company, such as opening and backfilling ditches, covering holes, paving asphalt, recovering public places and even assigning areas for the construction of Company offices. On December 31, 2018, the balance of accounts receivable, overdue and to be due, referring to debts of the municipalities to which the Company provides services is R\$ 54,595, and 43 account reconciliations were performed, with an adjustment of R\$ 1,218 (December 31, 2017 R\$ 20,588, and 25 account reconciliations were performed, with an adjustment of R\$ 1,467).

36. Administrators' Remuneration

The expenses related to the remuneration of the members of the Supervisory Board, Management Board, Statutory Audit Committee and Board of Directors were R\$ 5,922 on December 31, 2018. (R\$ 5,097 on December 31, 2017).

a) Supervisory Board

The Supervisory Board is composed of a minimum of 3 (three) and a maximum of 5 (five) effective members and an equal number of substitutes. The General Meeting that elects the Supervisory Board will fix the monthly remuneration of its effective members, when in office, observing the minimum limit, for each one, equal to 14% (fourteen percent) of the average of the remuneration assigned to the Directors, not counting benefits and profit sharing.

In the Company's Bylaws there are no clauses for the payment of bonuses or annual bonuses to members of the Supervisory Boards.

b) Management Board

The Management Board is the normative and deliberative body and is composed of a minimum of 9 (nine) and a maximum of 11 (nine) members, who will receive monthly remuneration of 18% (eighteen percent) of the average remuneration paid to the Directors of the Company.

In the Company's Bylaws there are no clauses for the payment of bonuses or annual bonuses to the members of the Management Board and to the directors, however the directors who are employees of the Company receive the same benefits as the other employees.

c) Statutory Audit Committee

The Statutory Audit Committee is a statutory advisory body directly linked to the Management Board, with operational autonomy to conduct or determine the performance of consultations, assessments and investigations within the scope of its activities.

It consists of at least 3 (three) members and at most 5 (five) members (art. 49 of the Bylaw), the election of substitutes is prohibited, observing the minimum requirements set forth in Law 13.303/2016 and elected by the Management Board. The Management Board will establish the monthly remuneration of its effective members, observing the minimum limit, for each one, of 18% (eighteen percent) of the average of the remuneration assigned to the Directors, not counting benefits, and

profit sharing.

d) Collegiate Board of Directors

The Board of Directors is a collegiate executive body with powers to exercise the management of the Company, and has the following composition: Presidency Board, Commercial Board, Corporate Management Board, Financial Board, Investor Relations and Regulation Board, Production Board, Expansion and Legal Office Board.

The General Meeting will set the board of directors' remuneration that will not be lower than the highest remuneration paid to the Company's employee. The Directors will receive remuneration equivalent to the highest base salary of the Company, and 95% of the highest bonus that is fixed for the position of Chief Executive Officer.

37. Supplementary Information to Cash Flows

In relation to variations in the Balance Sheet, we reduced those with no effect on cash, as shown:

	12/31/2018		12/31/2018
Asset		Liability	
Credits Receivable from Users	(73,165)	Suppliers	(79,396)
PECLD-Losses / Reversals / AVP	(75,324)	Transfer Covenants Loans	(2,875)
	<u>(148,489)</u>		<u>(82,271)</u>
Stock - Balance sheet variation	(10,236)	Equity Valuation Adjustment	(459)
Provision / Review Estimated Losses /	(12,076)	Deferred Taxes adjusted on Equity Grant	237
	<u>(22,312)</u>	Depreciation of assigned cost	615
			<u>393</u>
Other Accounts Receivable	(61)		
Provision Reversal	38		
	<u>(23)</u>		
Deferred Taxes - IRPJ / CSLL	6,061		
Adjustment of Equity Evaluation-PL	(236)		
	<u>5,825</u>		
Reductions on Fixed and Intangible			
Write offs of Fixed Asset	1,796		
Transfers to other groups	(6,635)		
PAC adjustment	(3,419)		
	<u>(8,258)</u>		

38. Decanting operation

On August 24, 2016, an operation called *Decantação* (Decanting) was released, aiming at ascertaining, within Saneago, the existence or not of irregularities in certain biddings promoted by the Company, under the argument that possible alignments and surcharges were occurring in these events, with possible overbilling in the execution of the respective contracts.

The facts, as stated in the denunciation, would be causing deviations from federal public funds, originating from the PAC - Growth Acceleration Program - and from financing obtained from financial institutions, these funds were intended for the execution of works, in addition to other acts allegedly practiced to the detriment of Public Administration.

It is important to note that the Operation was triggered and founded on the need to investigate possible irregularities in the application of public funds, committed by some managers, employees and suppliers, and Saneago is not included in the legal claim of the denunciation.

The investigation was divided into two phases, broken down as follows:

(I) verification of acts performed in the scope of the bidding for the work from which the acquisition of a set of motor pumps to be applied in the Raw Water Lifting Station of the Production System Corumbá IV;

(II) verification of possible occurrence of fraud in the aforementioned bidding process and alleged overpricing in the Company's reference budget, and those responsible for alleged fraudulent acts would be taking advantage of their attributions for personal gain and they would still be occupying the respective positions.

By decision of the Federal Court, the entire Board of Directors was removed. The Management Board of Saneago acted promptly and, on the same day, August 24, 2016, at its 331st Meeting, decided that the Chairwoman of the Management Board, Ms. Marlene Alves de Carvalho e Vieira, would assume the Presidency of the Company on an interim basis. This decision made it possible to maintain the regular and adequate provision of services to the population, as well as the commitments and charges assumed.

On August 29, 2016, at its 332nd Meeting, the Management Board met for the election of the Chief Executive Officer, and Mr. José Carlos Siqueira, filled the position and he remained in office until February 16, 2017. Mr. José Carlos was replaced with Jalles Fontoura de Siqueira, who remained in office until 12/31/2018. In other words, there was a rapid adoption of measures aimed at the definitive restoration of the Company's Board of Directors, providing shareholders, the market and the population with legal and administrative security. Subsequently, the other members of the Collegiate Board of Directors were elected, which was composed in part by career employees of Saneago.

The members of the Permanent Bidding Commission (CPL) who were denounced in the operation were removed from the positions of trust they held through Board Resolution No. 123/2016, dated September 6, 2016. Those who were career employees were removed from the company for 120 days as determined by the courts. These employees subsequently returned from removal, however, they do not have any decision-making powers in any department within the Company, and none of them make up the CPL anymore. Those who did not belong to the career were returned to their original bodies. In the same Resolution, new members were appointed to the bidding committee.

On September 8, 2016, the Company's Management Board, through Process No. 18.683/2016, authorized the hiring of a company to internally investigate the irregularities pointed out in the Operation

On December 26, 2016, the announcement of the Electronic Auction No. 41/2016 was published, in which the company MACIEL AUDITORES S/S was declared the winner. The contract was signed on January 30, 2017 and the term established for the execution of the services was 60 (sixty) days. On March 22, 2017, the audit hired requested an additional 30 (thirty) days for the completion of the services, which was granted by Saneago before technical and legal support.

The report of the company hired to carry out the work aimed at investigating any irregularities identified in Operação Decantação was completed on April 26, 2017, in which the conclusion was reached in favor of the lawfulness of the bidding procedures object of the works, with no stain capable of overruling the respective competitions.

On the other hand, the report found the *non-compliance* regarding the execution of works, which led to the adoption of several measures aimed at meeting non-compliance verification. These measures provided an evolution in the management and execution of works, including with regard to the control of materials, equipment and receipt of works, especially with the acquisition of the Enterprise Resource Planning - ERP system.

As of 11/10/2017, after amendment to the Bylaws, the Statutory Eligibility Committee was created, which started to analyze all the nominees to assume the positions of Administrators, Supervisory Board Members and Members of the Statutory Audit Committee, in compliance with Law 13.303/2016, further strengthening legal certainty in relation to company administrators.

Another relevant point is the adoption by the company of the electronic system of Banco do Brasil to carry out the trading sessions (e-bidding).

Due to the negotiations carried out between the Ministry of Cities, the Federal Public Ministry (MPF), the Federal Comptroller General (CGU), Caixa Econômica Federal (CEF), the construction consortium (Contractor) and Saneago, the contract was renegotiated in relation to values of the pumps, with the consequent signature of the Addendum, which enabled the effective resumption of the works of the implementation of the Corumbá IV Water Production System, currently in the final phase of the work.

As for the works on the Sanitary Sewage System in Goiânia, a technical note / justification was presented to CEF on the item "transportation", which was being questioned by the financial institution. After analysis and with authorization from CEF and the Ministry of Cities, the works were resumed, including those related to the secondary treatment of the Hélio Seixo de Brito Sewage Treatment Plant.

The Company, aiming at its credibility with Shareholders, the Market and the population, understood the need to hire a Forensic Expert service in order to, along with the conclusions of Maciel Auditores S/S, offer an environment endowed with the necessary legal security and also provide comfort to the issuance of an audit opinion on the financial statements of December 31, 2017. Thus, it promoted the hiring of "Ernst & Young - EY", through Processes No. 20.734/2017 and 2.474/2018, which resulted in the contracts signed on December 15, 2017 and February 16, 2018, to promote the provision of "Specialized Technical Services for the Execution of Forensic Investigation". In this context, the Statutory Audit Committee was created, which, in view of its duties, monitored and adjusted the investigation plans along with "Ernst & Young".

In the performance of the expert examination, the following procedures were executed:

- Data collection and information processing with specific forensic methodology and tool;
- Survey of individuals and companies investigated by Operação Decantação;
- Detailed research in public sources for the companies and individuals mentioned above and in the reports of CGU - Comptroller General of the Federal Government, TCU - Federal Audit Court, MPF - Public Prosecutor's Office, among others;
- Background Check of the signatories who sign the letter of representation;
- Preparation of a list of custodians and keywords based on the allegations for document review and conflicts of interest;
- Financial and engineering analysis of a sample of contracts signed in the period from 2007 to 2017 linked by similarity to the object of the investigation - execution of works.

The Final Forensic Audit Report was also presented to the Statutory Audit Committee (CAE) in August 2018, which was assessed by the Committee, in conjunction with Independent Advocacy, and the analysis was completed in January 2019. Even before that conclusion, the CAE started to adopt the necessary measures to confirm the findings indicated in the forensic audit, as well as to determine

liability and possible application of penalties.

The report in question points to the existence of some audit findings on the following matters:

- i) quantifiable findings, resulting from financial, accounting and management data on engineering matters, with the 2007-2017 financial years as a reference period, through finance analyses, contracts, price comparison, unit price evaluation and other transactions;
- ii) data and personal and business history research procedures, aiming at identifying relationships and possible conflicts of interest (background check).

As for the quantifiable findings, these were all cataloged by the CAE and forwarded to the company's Internal Audit, where some have already been concluded and the rest are under investigation to confirm (or not) their origin, with the need for conclusive reports.

Regarding the Background Check, the Statutory Audit Committee is monitoring the investigations necessary to confirm (or not) the hypotheses mentioned in the referred Report, which concern alleged conflicts of interest and / or misconduct, as well as any other situations rated as irregular or violating ethics or other important values to the Company, with some reports already issued and approved by the Management Board and with the prospect of issuing conclusive reports.

Concomitantly, the Company's management identified the possible accounting effects, through the application of a reasonable methodology that enabled the measurement of amounts to be provisioned. As a result of the evaluation and consistency process of the EY Report and its findings and in accordance with the surveys of the additional payments allegedly undue by the company to its contractors, the impacts of the damages caused in Saneago's financial statements can be measured or evaluated considering the following premises:

- Saneago does not tolerate corruption or any illegal business practices on the part of its suppliers, contractors or service providers, nor the involvement of its employees, officers or any person who, internally or externally to the Company, exercises management or has power over its management, considering such practices as damaging to its assets and / or image;
- the Company is conducting internal audits aimed at qualifying and quantifying all the damages pointed out directly or indirectly in the EY Report, also adopting all administrative measures and representations aimed at repairing such damages;
- it is impracticable to quantify the amount of supposedly additional payments for all contracts entered into by the Company, in the period considered, being only possible to calculate consistent estimates from the sample available in the EY Report;
- The Company has not yet recovered any amount related to the allegedly undue additional amounts related to contracts subject to these provisions and cannot reliably estimate any recoverable value at this time, and such amounts will be recognized when actually recovered as a result of receivables or when their realization is virtually certain.

In the Final Forensic Audit Report, some possible irregularities were pointed out. The Report analyzed 48 (forty-eight) contracts considered to be priority, totaling a payment base in the amount of **R\$ 1,166,017,569.00** (one billion one hundred and sixty-six million, seventeen thousand, five hundred and sixty-nine reais). The sample was made considering payments made to certain companies in the period from 2007 to 2017.

Regarding this sample, the forensic audit pointed out discrepancies that would total **R\$ 74,426,982.00** (seventy-four million, four hundred and twenty-six thousand, nine hundred and eighty-two reais), which corresponds to a percentage of **6.383%** (six integers and three hundred and eighty-

three thousandths percent) of the sample payments.

In effect, the Company updated the data referring to the supposedly additional payments made in the period considered, extrapolating it to the other payments to companies raised in the Audit Report, which totaled the amount of **R\$ 1,785,111,980.00** (one billion, seven hundred and eighty-five million, one hundred and eleven thousand, nine hundred and eighty reais), on which the same percentage was applied, resulting in an amount of **R\$ 113,943,821.00** (one hundred and thirteen million nine hundred forty-three thousand eight hundred twenty-two one reais), as estimated discrepancies that should be written off (provisions).

The Management Board had approved provisioning, still on 12/31/2017, based on findings in the preliminary reports of the forensic audit, in the amount of **R\$ 64,785,432.00** (sixty-four million seven hundred eighty-five thousand four hundred and thirty-two reais).

After the conclusion of the reports and analysis of the multidisciplinary team, including technicians from the Company and CAE, a reasonable one was found to complement the existing provision, as shown in the table below:

Description			In Real Currency
Sample (Period 2007/2017):			
Amount paid in Priority Contracts (EY Report)		A	1,166,017,570
Amount of discrepancies pointed out in the EY Report in Priority Contracts		B	74,426,982
Ratio % of Discrepancies Vs. Priority Payments	(B*100/A)	C	6.383 %
Extrapolation of samples in the universe of works contracts (Period 2007/2017)			
Total amount paid in all contracts related to the "Operação Decantação"		D	1,709,805,620
Total amount paid in contracts of companies listed on Background Check		E	75,306,360
	Subtotal	(D+E) F	1,785,111,980
Estimated provision on contracts related to the "Operação Decantação"	(F*C/100)	G	113,943,821
Amount provisioned on December 31, 2017		H	64,785,432
	Subtotal	(G-D) I	49,158,389
Tax effects on contracts posted as regards the result		L	4,550,663
Supplementary provision restated on January 1, 2018	(I+L)	K	53,709,052

The judicial process that investigates the facts within the scope of the Federal Police operation called "Decantação" is still in the process of receiving the denunciation filed by the MPF.

Additionally, considering the facts that occurred on March 28 and April 4, 2019, in which the Federal Police triggered the developments of the 1st operation, the Company issued communications to the market in which it states the following:

- In relation to the operation initiated by the Federal Police, related to events that occurred in the period from 2012 to 2016, Saneago points out that the current management of the Company has prioritized the implementation of the best governance and compliance practices, to ensure fairness and transparency in all processes of the Company;
- Among the actions taken is the creation of the Governance Superintendence, the unit responsible for the implementation of a series of strategic policies, such as the Policy of Responsibilities, a document that regulates the decision-making by the Collegiate Board of Directors, the Conflict of Interest Prevention Policy, in compliance with the Company's Code of Conduct and Integrity, the Policy on Transactions with Related Parties and the Policy for the Prevention of Corruption Acts;

- Saneago also informs that it remains providing all the collaboration necessary for the investigations and is protected from the actions taken, since the Company is not part of the case file. Saneago is entirely at the disposal of the authorities to provide any clarifications that may arise and will keep the market informed in due course.

It is also important to highlight that there is mention, in Operação Decantação 3, that some companies mentioned in the 1st Operation phase would still be executing contracts with Saneago. However, the Company trusts the governance measures adopted after 2016, among which stand out the following:

1. The Compliance and Risk Management departments are working on the preparation of risk matrices in all contracts of the companies mentioned in Decantação 1, 2 and 3, in order to clarify the risks to which Saneago would be exposed in these contracts, as well as how to envision actions to mitigate these risks;
2. The Compliance Management is restructuring the flow of indication of management positions in the company, in accordance with the Resolution of the Collegiate Board of Directors;
3. A study was carried out on the adequacy of the Contract and Supplier Management process to the company's Code of Conduct and Integrity, to the Policies to Prevent Acts of Corruption, to the Conflict of Interest Prevention and to Saneago's Hiring Procedures Regulation, which resulted in the creation of two statements that are required from suppliers.

The Compliance and Risk Management Departments carried out work which consists of the preparation of risk matrices in the hiring of companies mentioned in Operations of Decantação 1,2,3 for the diagnosis of intrinsic risk, according to the manager's perception, as well as the awareness of this on the risk events in the execution of these contracts, resulting in medium and high risk for Saneago, in which mitigation measures are being established to reduce the risk.

It is also important to inform that the Judge conducting the case file of the criminal proceeding resulting from the operation called "Decantação - Fase 1" (Case No. 0020618-15.2016.4.01.3500), pending in the 11th Federal Court of the Judicial Section of Goiás, rendered decision rejecting the denunciation filed by the Public Prosecutor's Office, to the extent that the Judge understood, that the initial criminal case did not meet the requirements contained in the Criminal Procedure Code to be received by the Judiciary. It is important to note that the merit of the denunciation was not considered, since the reason for the rejection, whose decision will still be analyzed in appeal, was based on non-compliance with formal requirements provided for by law.

Finally, it should be noted that Saneago was one of the first companies in the country to comply with the provisions of Law No. 13.303, dated June 29, 2016, including with regard to the preparation of its own hiring regulations. Under these terms, all companies would have a period of 2 (two) years to comply with the precepts of said law. Since the end of 2016, then, several internal measures have been adopted in order to adapt the company to these precepts, and in early 2018 the measures determined in the Statute of the State-Owned Companies were already fully and effectively implemented in Saneago, that is, almost 6 months before the final deadline.

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