
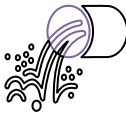


**Management comments for the financial years ended December 31, 2018 compared to the same period in 2017.**

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

**1. General Customer Service Data**

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

| Program and Concession Contracts                                                    | Unit                               | 2018                       | 2017        | Variation (Unit) | Variation %             |                    |
|-------------------------------------------------------------------------------------|------------------------------------|----------------------------|-------------|------------------|-------------------------|--------------------|
| Total Municipalities Served by Saneago                                              | No.                                | 226                        | 225         | 1                | 0.44%                   |                    |
| Total Municipalities - Program Contract                                             | No.                                | 57                         | 38          | 19               | 50.00%                  |                    |
| Total Municipalities - Concession Contract                                          | No.                                | 169                        | 187         | (18)             | (9.63%)                 |                    |
|    | <b>OPERATIONAL INDICATORS</b>      | <b>Unit</b>                | <b>2018</b> | <b>2017</b>      | <b>Variation (Unit)</b> | <b>Variation %</b> |
|                                                                                     | Population served                  | Thousand                   | 5,655       | 5,577            | 78                      | 1.40%              |
|                                                                                     | Customer Service Index             | %                          | 96.90%      | 96.80%           | 0.10                    | 0.10%              |
|                                                                                     | Connections                        | Thousand                   | 2,148       | 2,092            | 56                      | 2.68%              |
|                                                                                     | Measurements                       | Thousand                   | 2,352       | 2,297            | 55                      | 2.39%              |
|                                                                                     | Network Extension                  | Km                         | 30,203      | 28,182           | 2,021                   | 7.17%              |
|                                                                                     | Billed Volume                      | thousand of m <sup>3</sup> | 260,339     | 263,343          | (3,004)                 | (1.14%)            |
|                                                                                     | Volume Produced                    | thousand of m <sup>3</sup> | 375,308     | 381,899          | (6,591)                 | (1.73%)            |
|  | Population served                  | Thousand                   | 3,488       | 3,282            | 206                     | 6.28%              |
|                                                                                     | Sewage Treatment Index             | %                          | 59.80%      | 57.00%           | 3                       | 4.91%              |
|                                                                                     | Management Index of Sewage Treated | %                          | 55.70%      | 52.70%           | 3                       | 5.69%              |
|                                                                                     | Connections                        | Thousand                   | 1,125       | 1,057            | 68                      | 6.43%              |
|                                                                                     | Measurements                       | Thousand                   | 1,291       | 1,219            | 72                      | 5.91%              |
|                                                                                     | Network Extension                  | Km                         | 12,817      | 11,094           | 1,723                   | 15.53%             |
|                                                                                     | Sewage Volume Billed               | thousand of m <sup>3</sup> | 151,593     | 146,665          | 4,928                   | 3.36%              |
|                                                                                     | Sewage Volume Treated              | thousand of m <sup>3</sup> | 140,738     | 136,772          | 3,966                   | 2.90%              |
|                                                                                     | Management Index of Sewage Treated | %                          | 92.84%      | 93.25%           | (0.42)                  | (0.45%)            |

**1.1. Water Supply System**

In the year 2018 the company expanded its performance in the provision of water supply services in the state of Goiás, in relation to the population served by 1.40% with service index reaching 96.90% of the population. There was an increase in the number of billed water connections by the Company by 2.68% while the extension of the water distribution networks was increased by 7.17%.

**1.2. Sewerage System**

Regarding sewerage systems, there was also expansion, the population served increased, representing a growth of 6.28%. This number represents a Sewerage Service Index of 59.80% of the total population served in the State (municipalities in which the Company holds a concession).

The number of billed sewerage connections represented an increase of 6.43%. In relation to the billed volume of sewage, there was an increase of around 3.36%. The volume of treated sewage grew 2.90%. Table 01 shows the general data on the fulfillment of services provided by the Company.

**2. Performance Indicators**

The staff productivity index, measured by the ratio of connections (water + sewage) by

number of employees, went from 598.55 connections / employees to 564.58 connections / employees with a reduction of 5.68%. Regarding the number of employees, there was an increase, from 5,261 in 2017 to 5,799 in 2018, which represents a 10.23% growth. This growth is a reflection of the call for employees approved in civil service examinations and destined to provide the recomposition of the staff after the Voluntary Job Termination Plant (PDV) held in 2017.

**Table 02- Performance Indicators**

| Indicators                  | 2018   | 2017   | Variation % |
|-----------------------------|--------|--------|-------------|
| Number of employees         | 5,799  | 5,261  | 10.23%      |
| Connections / Employee      | 564.58 | 598.55 | (5.68%)     |
| Measurements / Employee     | 628.39 | 668.31 | (5.97%)     |
| Water Metering Index (%)    | 99.73% | 99.70% | 0.03%       |
| Macro Measurement Index (%) | 98.53% | 96.83% | 1.76%       |
| Loss Index                  | 29.51% | 28.89% | 2.15%       |

Regarding the water metering index, there was an increase of 0.03%, going from 99.70% to 99.73%, whereas the macro-measuring index reached 98.53% compared to 96.83% in the same period of the previous year. The loss rate reached an average level of 29.51%.

## 1. Investments Made

Investments made in 2018 totaled BRL 263,577. From this amount, 42.56% was invested in water supply systems, while 36.35% was invested in sanitary sewage collection and treatment systems, the remaining 21.09% was invested in operational improvement programs, business development, general purpose goods and others. Table 3 shows the sources of funds for making these investments.

**Table 03 - Investment by Sources of Funds - 2018**

| 2018        | Water   | Sewage | Others | Total   |
|-------------|---------|--------|--------|---------|
| Expensive   | 86,968  | 74,562 | 55,593 | 217,124 |
| Non-onerous | 25,201  | 21,252 | 0      | 46,453  |
| Total       | 112,170 | 95,814 | 55,593 | 263,577 |
| (%)         | 42.56%  | 36.35% | 21.09% | 100.00% |

## 4. Financial Result Performance

Regarding revenues, the Company recorded an increase of 4.26% in net income and an increase of 3.76% in gross income, both compared to the same period of the previous year.

The evolution of the aforementioned results has as main premises the expansion of the customer base and increase in the billed volume of sewage, as well as the tariff adjustment authorized by AGR (Agency for Regulation, Control and Inspection of Public Services of Goiás) in May 2018, in the order of 3.37% applied as of July 1, 2017.

Regarding costs and expenses, we can subdivide them into 3 (three) structures: Commercial, administrative and service expenses. Regarding commercial expenses, they grew by 45.05%, while administrative expenses decreased by 36.64%. Service costs increased 4.80% in 2018 compared to the same period last year. It should be noted that in the second half of 2017, the Company implemented a revision in the staffing, impacting the allocation of the accounting rating of personnel expenses. Thus, in order to analyze the real variation in personnel

expenses, it is necessary to group the entire group of costs and expenses under that item and compare with the same period of the previous year. Thus, we can see that total personnel expenses fell 7.18% in 2018 compared to the same period last year, as shown in table 4 below.

Table 4 - Evolution of Personnel Expenses

|                                 | 2018           | 2017           | Variation BRL   | Variation (%)  |
|---------------------------------|----------------|----------------|-----------------|----------------|
| <b>Services Costs</b>           |                |                |                 |                |
| Personnel                       | 476,231        | 443,377        | 32,854          | 7.41%          |
| <b>Administrative Expenses</b>  |                |                |                 |                |
| Personnel                       | 261,747        | 425,610        | (163,863)       | (38.50)        |
| <b>Commercial Expenses</b>      |                |                |                 |                |
| Personnel                       | 143,193        | 80,379         | 62,814          | 78.15%         |
| <b>Total Personnel Expenses</b> | <b>881,171</b> | <b>943,366</b> | <b>(68,195)</b> | <b>(7.18%)</b> |

The drop in personnel costs and expenses analyzed when grouped reflects the actions taken with the implementation of the Voluntary Job Termination Plant (PDV) in 2017. If we analyze the representativeness of personnel cost / expense in relation to operating revenue, we can see a share of expenses going from 47.54% in 2017 to 45.59% in 2018.

Provisions / Reversals / Losses and Receivables from Prescribed Credits increased by 2.14%, totaling R \$ (108,683) in 2018, against R \$ (106,683) in the previous year.

This result is due to the high amount of Construction Losses and Allowance for Doubtful Accounts that occurred in 2017 and the balances were not repeated in 2018. However, approximately 58 million were recorded in 2018 as a Provision for Contingencies, an amount that did not allow the reduction in this line item.

Regarding EBITDA, there was an increase of 41.91%, totaling BRL 490,013 in 2018, while in the same period of the previous year the calculated EBITDA was BRL 345,305. The recovery of EBITDA is related to the gains obtained from the implementation of the PDV carried out in the 2<sup>nd</sup> semester of 2017.

Operational cash generation (EBITDA margin), measured in this analysis by the ratio between EBITDA and net profit increased by 36.06%, from a margin of 17.31% in 2017 to 23.55% in 2018.

The table 4.1 below shows the evolution of the financial performance verified in the third quarter under review, compared to the same period of the previous year.

The Company discloses EBITDA and adjusted EBITDA margin in accordance with CVM Instruction No. 527 dated October 4, 2012. Bearing in mind that EBITDA is one of the main indicators used by the Company to measure economic and financial performance, the disclosure of adjusted EBITDA is intended to provide supplementary information on its operational cash generation capacity, even though it is not a measure defined by International Financial Reporting Standards (IFRS) and may not be comparable with the same indicator disclosed by other companies.

**Table 4.1- Financial Result Performance**

| FINANCIAL RESULT PERFORMANCE                            |                  |                  |                |
|---------------------------------------------------------|------------------|------------------|----------------|
| Financial Indicators                                    | 2018             | 2017             | Variation %    |
| <b>Net Profit</b>                                       | <b>2,069,054</b> | <b>1,984,438</b> | <b>4.26%</b>   |
| Construction Revenue                                    | 144,979          | 76,288           | 90.04%         |
| Revenue from Technical Services                         | 2,563            | 1,445            | 77.37%         |
| Sub-delegation Grant                                    | 9,100            | 9,100            | 0.00%          |
| Services Cost                                           | (1,084,333)      | (1,034,664)      | 4.80%          |
| Construction Cost                                       | (144,979)        | (76,288)         | 90.04%         |
| <b>Gross Financial Result</b>                           | <b>996,384</b>   | <b>960,319</b>   | <b>3.76%</b>   |
| Commercial Expenses                                     | (282,520)        | (194,775)        | 45.05%         |
| Administrative Expenses                                 | (322,002)        | (508,177)        | -36.64%        |
| Other Operating Revenues and Other Expenses             | (7,961)          | (4,671)          | 70.43%         |
| Depreciation / Amortization                             | 226,320          | 210,570          | 7.48%          |
| Provisions / Reversals / Losses and Receivables Credits | (108,683)        | (106,402)        | 2.14%          |
| Tax Expenses                                            | (11,525)         | (11,559)         | -0.29%         |
| <b>EBITDA</b>                                           | <b>490,013</b>   | <b>345,305</b>   | <b>41.91%</b>  |
| <b>EBITDA Margin</b>                                    | <b>23.55%</b>    | <b>17.31%</b>    | <b>36.06%</b>  |
| Depreciation / Amortization                             | (226,320)        | (210,570)        | 7.48%          |
| Financial Expenses                                      | (95,637)         | (73,250)         | 30.56%         |
| Deferred IRPJ / CSLL                                    | (2,644)          | 225,955          | -101.17%       |
| IRPJ/CSLL                                               | (55,370)         | (36,418)         | 52.04%         |
| <b>Net Profit</b>                                       | <b>110,042</b>   | <b>251,022</b>   | <b>-56.16%</b> |

**Table 4.2 - Performance of Adjusted Financial Result**

| FINANCIAL RESULT PERFORMANCE                            |                  |                  |               |
|---------------------------------------------------------|------------------|------------------|---------------|
| Financial Indicators                                    | 2018             | 2017             | Variation %   |
| <b>Net Profit</b>                                       | <b>2,069,054</b> | <b>1,984,438</b> | <b>4.26%</b>  |
| Construction Revenue                                    | 144,979          | 76,288           | 90.04%        |
| Revenue from Technical Services                         | 2,563            | 1,445            | 77.37%        |
| Sub-delegation Grant                                    | 9,100            | 9,100            | 0.00%         |
| Services Cost                                           | (1,084,333)      | (1,034,664)      | 4.80%         |
| Construction Cost                                       | (144,979)        | (76,288)         | 90.04%        |
| <b>Gross Financial Result</b>                           | <b>996,384</b>   | <b>960,319</b>   | <b>3.76%</b>  |
| Commercial Expenses                                     | (282,520)        | (194,775)        | 45.05%        |
| Administrative Expenses                                 | (322,002)        | (508,177)        | -36.64%       |
| Other Operating Revenues and Other Expenses             | (7,961)          | (4,671)          | 70.43%        |
| Depreciation / Amortization                             | 226,320          | 210,570          | 7.48%         |
| Provisions / Reversals / Losses and Receivables Credits |                  |                  |               |
| Tax Expenses                                            | (11,525)         | (11,559)         | -0.29%        |
| <b>EBITDA</b>                                           | <b>598,696</b>   | <b>451,707</b>   | <b>32.54%</b> |
| <b>EBITDA Margin</b>                                    | <b>28.77%</b>    | <b>22.64%</b>    | <b>27.08%</b> |
| Depreciation / Amortization                             | (226,320)        | (210,570)        | 7.48%         |
| Financial Expenses                                      | (95,637)         | (73,250)         | 30.56%        |

|                      |                |                |                |
|----------------------|----------------|----------------|----------------|
| Deferred IRPJ / CSLL | (2,644)        | 225,955        | -101.17%       |
| IRPJ/CSLL            | (55,370)       | (36,418)       | 52.04%         |
| <b>Net Profit</b>    | <b>110,042</b> | <b>251,022</b> | <b>-56.16%</b> |

Adjusted EBITDA, calculated excluding Provisions / Reversals / Losses and Receivables Accounting credits that are proven to have no cash effect as described in table 4.2, was measured for the year 2018 in the amount of BRL 598,696, which represents a 32.54% decrease when compared to the same period of the previous year that was measured in BRL 451,707.

The ratio between adjusted EBITDA on net profit (adjusted EBITDA margin) was 28.77%, which represents a decrease of 27.08% when compared to the closing amount of the previous year, which obtained a margin of 22.64%.

#### 4.1 Gross Sales Revenue

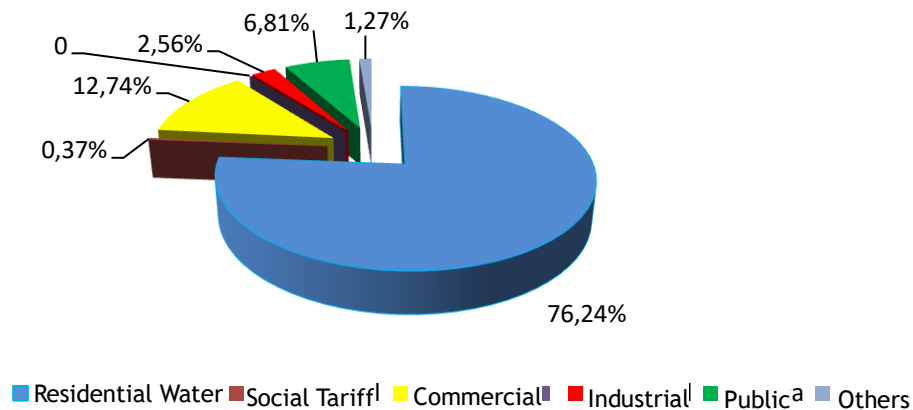
The increase in gross sales revenue was BRL 93,725, this amount represents an increase of 4.36%, amounting to a total gross revenue of BRL 2,244,706 in the period, against BRL 2,150,981 of gross revenue earned in the same period of the previous year as can be seen in table 5 below.

**Table 05 - Sales Gross Revenue**

| GROSS SALES REVENUE                              |                  |                  |              |
|--------------------------------------------------|------------------|------------------|--------------|
| Revenue by Type of Service                       | 2018             | 2017             | Variation %  |
| Residential Rate                                 | 1,003,794        | 981,521          | 2.27%        |
| Commercial Rate                                  | 136,737          | 131,783          | (3.76%)      |
| Industrial Rate                                  | 32,984           | 32,377           | 1.87%        |
| Public Rate                                      | 82,605           | 79,792           | 3.53%        |
| Social Rate                                      | 5,048            | 5,444            | (7.28%)      |
| Indirect Revenues of Services                    | 21,785           | 19,546           | 11.45%       |
| Minimum Fixed Cost                               | 311,284          | 296,173          | 5.10%        |
| <b>Total Water</b>                               | <b>1,594,237</b> | <b>1,546,636</b> | <b>3.08%</b> |
| Residential Rate                                 | 456,089          | 436,014          | 4.60%        |
| Commercial Rate                                  | 107,191          | 102,434          | 4.64%        |
| Industrial Rate                                  | 16,121           | 15,182           | 6.18%        |
| Public Rate                                      | 47,806           | 46,050           | 3.87%        |
| Social Rate                                      | 2,076            | 2,180            | (4.79%)      |
| Indirect Revenues of Services                    | 2,518            | 718              | 250.76%      |
| Minimum Fixed Cost                               | 6,607            | -                | -%           |
| <b>Total Sewage</b>                              | <b>638,408</b>   | <b>602,578</b>   | <b>5.95%</b> |
| Revenue to be billed for water / sanitary sewage | 12,061           | 1,767            | 582.56%      |
| <b>Gross Revenue</b>                             | <b>2,244,706</b> | <b>2,150,981</b> | <b>4.36%</b> |
| Deductions                                       | 175,654          | 166,544          | 5.47%        |
| <b>Net Revenue</b>                               | <b>2,069,052</b> | <b>1,984,437</b> | <b>4.26%</b> |

Regarding customer segmentation, we highlight that the residential category concentrates the largest share of the company's customers with a 76.24% share of total operating revenue from services provided. The commercial and public categories represent 12.74% and 6.81% respectively.

**Chart 1 - Segmentation by Customer Category**



#### Main variations and causes of the observations indicated in the table above

**4.1.1 Water supply revenue** - Total water supply revenue increased by 3.08%, reaching a total revenue of BRL 1,594,237, against BRL 1,546,636 in the same period of the previous year. This increase was influenced by the increase in the number of connections and the tariff readjustment.

**4.1.2 Sewerage Revenue** - Revenue from sewerage increased 5.95%, reaching BRL 638,408, against BRL 602,578 in the same period of the previous year, as a result of the combination in the increase in the number of sewer connections, increase in the volume of sewage billed and readjustment of the tariff.

**4.1.3 Deductions from Gross Operating Revenue** - Deductions from gross operating revenue refer to PIS, PASEP, COFINS that increased 5.47%, from BRL 166,544 to BRL 175,654. The decrease is due to the increase in Gross Sales Revenue.

**4.1.4 Net Operating Revenue** - Net operating revenue reached BRL 2,069,052, against BRL 1,984,437 in the same period of the previous year, an increase of 4.26%. Contributing to the increase in net operating revenue was the increase in revenue from sales of residential water and sanitary sewage, due to the increase in new water and sewer connections that occurred throughout the year, in addition to the tariff adjustment applied as of July 2018.

**4.2 Costs of Services Provided** - Costs of services provided excluding construction, formed by expenses with operation, conservation and maintenance of water and sewerage systems totaled BRL 1,084,040, an increase of BRL 49,376, which represents an increase of 4.77%, as shown in the table of cost breakdown of the services provided below:

**Table 06- Breakdown of Costs for Services Provided**

| Services Costs              | 2018             | 2017             | Variation BRL | Variation (%) |
|-----------------------------|------------------|------------------|---------------|---------------|
| Personnel                   | 476,231          | 443,377          | 32,854        | 7.41%         |
| Material                    | 68,591           | 78,540           | (9,949)       | (12.67%)      |
| Electricity                 | 217,693          | 190,367          | 27,326        | 14.35%        |
| Third Party Services        | 101,561          | 123,568          | (22,007)      | (17.81%)      |
| General                     | 1,162            | 19,241           | (18,079)      | (93.96%)      |
| <b>Subtotal</b>             | <b>865,238</b>   | <b>855,093</b>   | <b>10,145</b> | <b>1.19%</b>  |
| Amortization / Depreciation | 218,802          | 179,571          | 39,231        | 21.85%        |
| <b>Total</b>                | <b>1,084,040</b> | <b>1,034,664</b> | <b>49,376</b> | <b>4.77%</b>  |

**Main variations and causes of Service Costs:**

**4.2.1 Personnel** - Expenditure on personnel totaled BRL 476,231, showing an increase of BRL 32,854, the amount corresponding to an increase of 7.41%. The main reason for the increase in the period is due to the accounting re-rating of personnel costs.

**4.2.2 Material** - Spending on material increased by 12.67%.

**4.2.3 Electricity** - Electricity costs totaled BRL 217,693, an increase of 14.35% in relation to the previous period. The increase in the cost of electricity is directly linked to the 26.52% tariff readjustment implemented by the Electricity Utility of the state of Goiás in October 2018.

**4.2.4 Third-party services** - Spending on third-party services increased by 17.81% compared to the same period last year. Services related to reading, delivery and re-registration had a lowest cost.

It is worth mentioning that, in this item, there were also changes resulting from accounting re-rating.

**4.2.5 General** - Costs with general expenditure decreased (93.96%).

**4.3 - Administrative Expenses** - Expenses with the Company's management structure, decreased by BRL 186,175 in 2018, reaching a reduction of 36.64% in the period, as shown in table 7.

**Table 07- Breakdown of Administrative Expenses**

| Administrative Expenses | 2018           | 2017           | Variation BRL    | Variation       |
|-------------------------|----------------|----------------|------------------|-----------------|
| Personnel               | 261,747        | 425,610        | (163,863)        | (38.50%)        |
| Material                | 6,375          | 4,710          | 1,665            | 35.36%          |
| Electricity             | 1,815          | 2,146          | (331)            | (15.42%)        |
| Third Party Services    | 36,169         | 37,278         | (1,109)          | (2.97%)         |
| General                 | 9,948          | 7,629          | 2,319            | 30.39%          |
| <b>Subtotal</b>         | <b>316,054</b> | <b>477,373</b> | <b>(161,319)</b> | <b>(33.79%)</b> |



|                             |                |                |                  |                 |
|-----------------------------|----------------|----------------|------------------|-----------------|
| Amortization / Depreciation | 5,948          | 30,804         | (24,856)         | (80.69%)        |
| <b>Total</b>                | <b>322,002</b> | <b>508,177</b> | <b>(186,175)</b> | <b>(36.64%)</b> |

**4.3.1 - Personnel** - The 38.50% reduction in expenses calculated with administrative personnel is basically due to personnel reallocations, with a new accounting rating combined with the operational gain resulting from the implementation of the PDV in the 2017 financial year.

**4.3.2 - Material** - Spending on material increased by 35.36%. Among the components of this group that increased, we highlight information, safety and protection material.

**4.3.3 - Third Party Services** - The expenses with third party services decreased by 2.97%, showing a total amount spent of BRL 36,169 against BRL 37,278 recorded in the same period of the previous year. In this item, we highlight communication services and customer service to the users that had a significant reduction.

**4.3.4 - General Expenses** - These expenses increased by 30.39% in 2018 compared to the same period in 2017. The expenses with indemnities to third parties increased in this expense group.

**4.4 Commercial Expenses** - Expenses with the Company's commercial system grew by 45.05%, which represents a variation of BRL 87,745, as shown in the table below:

**Table 08- Breakdown of Commercial Expenses**

| Commercial Expenses         | 2018           | 2017           | Variation BRL | Variation     |
|-----------------------------|----------------|----------------|---------------|---------------|
| Personnel                   | 143,193        | 80,379         | 62,814        | 78.15%        |
| Material                    | 1,493          | 352            | 1,141         | 324.19%       |
| Electricity                 | 1,158          | 590            | 568           | 96.26%        |
| Third Party Services        | 77,147         | 58,162         | 18,985        | 32.64%        |
| General                     | 6,291          | 3,844          | 2,447         | 63.66%        |
| Concession Remuneration     | 51,961         | 51,253         | 708           | 1.38%         |
| <b>Subtotal</b>             | <b>281,243</b> | <b>194,580</b> | <b>86,663</b> | <b>44.54%</b> |
| Amortization / Depreciation | 1,277          | 195            | 1,082         | 554.77%       |
| <b>Total</b>                | <b>282,520</b> | <b>194,775</b> | <b>87,745</b> | <b>45.05%</b> |

**Main variations are:**

**4.4.1 - Personnel** - The increase in expenses with personnel was 78.15%. This increase in personnel expenses from commercial expenses is due to the new accounting re-rating of personnel expenses.

**4.4.2 - Material** - Spending on material increased by 324.19%. Among the components of this group that increased, we highlight material for the conservation and repair of other goods.

**4.4.3 - Third Party Services** - Third party services increased by 32.64%. Cleaning, hygiene and surveillance services and also accounting re-rating in this item stand out.

**4.4.4 - General** - General expenses with expenditure increased by BRL 2,447. The main increases occurred in indemnities to third parties.

**4.5 - Provision / Reversal / Losses / Recovery of Prescribed Credits:** Constituted to cover



possible losses, considered sufficient by management and legal advisors, related to labor, tax, civil, commercial suits and possible questions from tax authorities, in administrative and judicial instances, through a reliable estimate of the amount of the obligation, as permitted by CVM No. resolution 594/09.

They are recognized by the Company, since it has a legal or non-formalized present obligation, as a consequence of a past event, and it may be probable that funds will be withdrawn to settle the obligation.

**Table 09 - Provisions / Reversals / Losses and Receivables. Credits**

| Provisions / Reversals / Losses and Receivables Credits           |                  |                  |              |
|-------------------------------------------------------------------|------------------|------------------|--------------|
| Reversals                                                         | 2018             | 2017             | Variation    |
| Prescribed Credits Losses                                         | (47,238)         | (44,890)         | 5.23%        |
| Reversal / Provision of the Provision for Contingency             | (57,915)         | 42,989           | -234.72%     |
| Reversal / Provision for Expected Allowance for Doubtful Accounts | 7,978            | (61,626)         | -112.95%     |
| Reversal / Provision of Estimated Losses in Works                 | 531              | (42,475)         | -101.25%     |
| Reversal / Provision - Voluntary Job Termination Program - PDV    | -                | 952              | -            |
| Reversal / Provision of Estimated Losses in Stocks                | (12,077)         | (1,362)          | 786.71%      |
| Reversal / Provision for Losses on Other Credits                  | 38               | -                | -            |
| <b>Provisions / Reversals / Losses and Receivables Credits</b>    | <b>(108,683)</b> | <b>(106,402)</b> | <b>2.14%</b> |

Regarding the line item that had the greatest impact on the increase in provisions in 2018, we highlight the provisions for contingencies which, in 2017, had recorded a positive balance and in 2018 recorded a negative balance of BRL 57,915. In addition, Net Losses in Stocks increased from (BRL 1,362) in 2017 to (BRL 12,077) in 2018. Thus, the final amount exceeded that of 2017 by 2.14%.

**4.6 Net Financial Revenues and Expenses** - Reflect the results related to income from financial investments, revenues from monetary variations and other amounts receivable, expenses with interest on loan operations, financing, as well as expenses with fines and default interest and discounts granted. The financial result presented in the period was (BRL 95,637), the amount represented a variation of 30.56% in relation to the same period of 2017. There was a decrease in financial expenses, with expenses related to exchange variation having the greatest impacts in the period, influenced by the volatility in the currency quotation in the period.

**4.7 Net Profit** - The Company reached a profit of BRL 110,042 in 2018. The profit earned is basically due to the increase in net income and the reduction in expenses with personnel and third party services.

**4.7.1 Generation of Funds or EBITDA and Adjusted EBITDA** - The Company generated an EBITDA of BRL 490,013, 41.91% higher than the previous year in the same period, which was BRL 345,305. Adjusted EBITDA, on the other hand, had a cash generation of BRL 598,696, which represents an increase of 32.54% in relation to the same period of the previous year.

In relation to the EBITDA margin, in the year 2018, a margin of 23.55% was determined compared to 17.31% in the same period of the previous year, while the adjusted EBITDA margin was 28.77% compared to 22.64% of the same period of the previous year.

**Table 10 - Net Revenues and Expenses**

| Net Financial Revenues and Expenses    |                  |                  |                 |                 |
|----------------------------------------|------------------|------------------|-----------------|-----------------|
| Description                            | 2018             | 2017             | Variation       | Variation %     |
| Interests / Fines                      | 50,586           | 56,788           | (6,202)         | (10.92%)        |
| Monetary Correction                    | 20,345           | 28,401           | (8,056)         | (28.37%)        |
| Exchange Variation                     | -                | 9,868            | -               | -%              |
| <b>Total financial revenues</b>        | <b>70,931</b>    | <b>95,057</b>    | <b>(24,126)</b> | <b>(25.38%)</b> |
| Interests / Charges and Other Expenses | (148,715)        | (141,766)        | (6,949)         | 4.90%           |
| Monetary Correction                    | (1,965)          | (13,204)         | 11,239          | (85.12%)        |
| Exchange Variation                     | (14,901)         | (11,611)         | (3,290)         | 28.34%          |
| Adjustment to Current Value            | (987)            | (1,726)          | 739             | (42.82%)        |
| <b>Total Financial Expenses</b>        | <b>(166,567)</b> | <b>(168,306)</b> | <b>1,739</b>    | <b>(1.03%)</b>  |
| <b>Financial Result</b>                | <b>(95,637)</b>  | <b>(73,250)</b>  | <b>(22,387)</b> | <b>30.56%</b>   |

## 5. Analysis and Discussion of the Equity Structure

In the following analysis and discussion on the Company's equity structure, we seek to discuss the line items that are considered materially relevant to adequately justify changes in its equity situation in the period corresponding to the year 2018 compared to the end of the previous year.

In 2018, the main changes in the equity structure occurred in the current asset items, which increased by 9.28%, while current liabilities decreased by 19.93%. Thus, there was an increase in current liquidity, which went from 0.644 at the end of financial year 2017 to 0.924 at the end of 2018. In addition, there was also a significant increase in third party capital<sup>1</sup> from 77.86% at the end of 2017 to 80.91% at the end of 2018.

**Table 11 - Equity Structure**

| Description                                       | 2018             | 2017             | Variation      |              |
|---------------------------------------------------|------------------|------------------|----------------|--------------|
| Balance Sheet                                     | thousand BRL     | thousand R\$BRL  | thousand BRL   | %            |
| Current Asset                                     | 470,597          | 430,653          | 39,944         | 9.28%        |
| Non-Current Asset                                 | 4,352,965        | 4,128,323        | 224,642        | 5.44%        |
| <b>Total Asset</b>                                | <b>4,823,562</b> | <b>4,558,976</b> | <b>264,586</b> | <b>5.80%</b> |
| Current Liability                                 | 526,873          | 657,998          | -131,125       | -19.93%      |
| Non-Current Liabilities                           | 1,651,047        | 1,339,253        | 311,794        | 23.28%       |
| Net Equity                                        | 2,645,642        | 2,561,725        | 83,917         | 3.28%        |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>4,823,562</b> | <b>4,558,976</b> | <b>264,586</b> | <b>5.80%</b> |

### 5.1 Current Assets

**5.1.1 Availability** - Availability decreased by BRL 34,591 from cash and cash equivalents in the order of BRL 78,588 at the end of financial year 2017 to BRL 43,997 at the end of 2018.

**5.1.2 Credits Receivable from Users** - Accounts receivable from customers increased BRL 72,319 with a growth of 29.53%. Part of the expansion is due to the recognition of credits that

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

were previously rated as non-current and also to the increase in credit receivable from public users.

**5.1.3 Stocks** - The stock account had an increase of BRL 10,236, greater balance of materials for treatment plants, pipes, connections for networks and pipelines and sewerage. The increase in this line item is related to the resumption of the Company's investments.

## **5.2 Non-Current Assets**

**5.2.1 Intangible assets**, basically composed of the goods used in the water and sewage systems linked to municipal concessions, fell by BRL 652,618, which represents a variation of (20%). However, this strong variation refers to the disclosure of fixed assets in progress outside intangible assets and within the line item Contract Assets, which consolidated a balance of BRL 568,328 in 2018.

## **5.3 Current Liabilities**

**5.3.1 Short Term Loans and Financing** - Presented a balance of BRL 137,059 in 2018, against BRL 154,343 at the end of 2017.

The reduction in the account reflects the extension of the debt with the advanced settlement of loans and also the 3<sup>rd</sup> issue of debentures with the disbursement of the 5<sup>th</sup> issue of debentures held in December 2018.

**5.3.2 Suppliers** - The short-term suppliers account showed a balance of BRL 139,419, against BRL 218,815 at the end of financial year 2017, which represents a 36.28% decrease.

**5.3.3 Installments** - Balance of BRL 28,115 with an increase of BRL 3,680 in relation to the end period of the financial year 2017.

## **5.4 Non-current liabilities**

**5.4.1 Long-Term Loans and Financing** - This long-term loans and financing account decreased 19.19% in relation to the balance presented at the end of December 31, 2017. The reduction in the account is due to the amortization of debts during 2018.

**5.4.2 Installments** - This account increased by 21.55% in 2018. The expansion is due to the new agreement signed with the city of Goiânia.

**5.5 Shareholders' Equity.** Shareholders' equity grew by 3.28%, compared to the end of 2017, reaching an amount of BRL 2,645,642. Such variation is due to the positive balance of BRL 86,495 in Investment Reserves arising from profit in the period.

## 6. Risk Rating

Fitch Rating raised the long-term national rating of Saneamento de Goiás S.A and its issuances within the scope of the capital market on August 3, 2018. At the same time, the agency revised the ratings outlook from stable to positive. The complete list of shares is described in table 12 below.

Table 12. Saneago S/A Rating

| Rating                            | Fitch Rating | Outlook  |
|-----------------------------------|--------------|----------|
| Corporate                         | BBB+(bra)    | Positive |
| FIDC IV                           | AA (bra)     | Positive |
| Debentures, 4 <sup>th</sup> Issue | BBB+ (bra)   | Positive |
| Debentures, 5 <sup>th</sup> Issue | BBB+ (bra)   | Positive |

According to Fitch "the increase in Saneago's Ratings reflects the improvement in its financial profile, as a result of the strengthening of operating cash generation and the substantial reduction in its investments, which resulted in a more solid capital structure".

## Management