

# Saneamento de Goiás S.A.

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## Explanatory Notes to the Financial Statements of December 31, 2017 and 2016 and January 1, 2016

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

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# Saneamento de Goiás S.A.

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## 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, Bairro 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.

In addition, in compliance with State Decree No. 7.905 dated June 11, 2013, which provides for the application of mapping the risk of corruption in organizational and service processes, under the technical coordination of the State’s Comptroller’s General - CGE, the Company created a mapping unit of the corruption risk in March 2017.

Until December 31, 2017, Saneago has 225 concession and program contracts in operation that are distributed as follows: 161 contracts in force, of which 123 are concession contracts and 38 in the form of program contracts with municipalities, for the provision of water supply, sewage collection and treatment services, representing an average percentage of 91.65% of turnover. There are also 64 matured contracts that represent 12.28% 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: 64 matured, 105 contracts maturing in the next 15 years and 56 contracts maturing over 20 years. The Company operated only one municipality (Guarinos) that did not have a contract, and it was signed in 2018. Management expects that all concession contracts will result in new contracts or extensions, eliminating the risk of discontinuity in the provision of services.

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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, which represents 37.52% of gross revenue on December 31, 2017 (on December 31, 2016 - 38.46%) and 33.48% of intangible assets on December 31, 2017 (on December 31, 2016 - 31.76%).

According to Normative Resolution No. 0090/2017 of the Regulatory Board of the Agency for Regulation, Control and Inspection of Public Services of Goiás - AGR, a linear readjustment of 6.27% was granted for water / sewage tariffs as of July 1, 2017.

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 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

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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 expired 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.

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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 28.

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 14.

### **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 26.

## **2.4 Financial assets and liabilities**

### **a) Financial asset - rating:**

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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, 2017 and 2016, and January 1, 2016, 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, 2017 and 2016, and January 1, 2016, the Company had no financial liabilities rated in the fair value category through profit or loss.

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).

### **c) Fair value of financial assets and liabilities:**

Considering the nature of the other financial instruments, assets and liabilities of the Company, the balances recognized in the balance sheet are close to fair values, taking into account maturities close to the balance sheet date, comparison of contractual interest rates with market rates in similar transactions on the financial years end dates, their nature and maturity terms.

## **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

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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) it is probable that future economic benefits will flow to the Company; and (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.

### **2.8 Stocks**

They are composed of consumable materials, 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 applied in the last 12 months will be automatically rated as obsolete.



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### 2.9 Other current assets

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

### 2.10 Fixed asset

Fixed asset mainly comprises administrative facilities that are not part of the assets covered by the concession contracts. These assets are stated at acquisition and / or construction cost minus depreciation and impairment losses, when necessary. 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 asset was R\$ 72,440, with a corresponding consideration in the shareholders' equity account called Equity Valuation Adjustments. Deferred taxes were recognized in the amount of R\$ 24,630 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.

Subsequent costs are included in the book value of the existing asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow and that the cost of the item can be measured reliably. Repairs and maintenance are recorded against the results of the years, when incurred.

The Company hires a specialized company to review the useful lives of its assets, with depreciation calculated using the straight-line method, except for land, which is not depreciated.

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 Macro Meters	10%	Other Fixed Assets	0%
Building Connections	5%		

### 2.11 Intangible Asset

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



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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.

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### **2.12 Evaluation of 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 10.09% (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\$ 139,845 on December 31, 2017 (R\$ 151,905 on December 31, 2016).

### **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 Income tax and social contribution - current and deferred**

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

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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

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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

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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 (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and credit liquidity risk. The Company's global risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance, considering that it does not use derivative financial instruments to protect certain risk exposures.

#### **(a) Market risk**

##### **Interest rate and inflation risk**

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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 2017, 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	Probable scenario	Scenario II	Scenario III
IPCA (2nd Issue of Debentures)	23,750	3.96%	4.95%	5.94%
CDI (Banks)	736,727	6.89%	8.61%	10.34%
Dollar (IDB)	85,554	R\$ 3.31	R\$ 4.14	R\$ 4.96
TJLP (BNDES and 3rd issue of debentures)	69,568	6.75%	8.44%	10.13%
TR (Caixa Econômica Federal)	130,469	1.01%	1.26%	1.51%
<b>Subtotal</b>	<b>1,046,068</b>			
Transaction Costs	(46,014)			
Subordinated Shares	(77,102)			
	<b>922,952</b>			
<b>Not subject to risks</b>				
Banco do Brasil FCO	8,361			
ITAU special limit	10			
Accounting balance	<b>931,323</b>			

Source of indexes: FOCUS-BACEN report of December 29, 2017.

### 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, however, actively managing the debt and seeking to reduce exposure in foreign currency, prioritizing the assumption of new debt with the domestic market.

### 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 granting municipality has the right to terminate the contracts before their expiration or not to

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authorize their renewal, through indemnification of the investment balances not yet amortized.

### **Estimation of fair value**

The Company does not have financial instruments, business combinations, assets held for sale, 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.

### **(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.

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 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.

### **(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 Company has followed the evolution of the dollar and changes in the macroeconomic scenario, carrying out debt sensitivity studies through scenario projections and viability analysis of the implementation of hedge instruments such as NDF - (Non Deliverable Forward) - contract for purchase or sale of currency, without physical delivery, which aims at preventing further impacts on the Company's availability.

The Sensitivity Analysis projected in December 2017 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 indicators of global economic activity, so far, have been favorable. In the domestic scenario, the perspective is to resume economic activity and improve the business environment.

The dollar rate in the payment of the installment that matured in October 2017 was R\$ 3.17. As for the payment of the installment due in April 2018, the payment was made at the dollar rate of R\$ 3.41.

The dollar values for these scenarios were based on publications made by the Central Bank of Brazil,



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Market Report - FOCUS (Market Expectations) and COPOM notes from December 2017.

### 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	12/31/2017	12/31/2016
Total Loans	931,323	1,065,306
(-) Cash and cash equivalents	(78,588)	(37,037)
(=) Net Debt	852,735	1,028,269
(+) Total Shareholders' Equity	2,552,421	2,230,954
(=) Total Capital	<u>3,405,156</u>	<u>3,259,223</u>
Financial Leverage Ratio	25.04%	31.55%

## 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:	Amendments to IFRS 12 - Disclosure of interests in other	The application of this change did not impact the disclosures

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2015-2017 Cycle	entities - clarification of the scope of the standard.	or amounts recognized in the annual Financial Statements.
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### 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
IFRS 9 - Financial Instruments	Changes in rating and measurement, mainly in the measurement of impairment and hedge accounting. □	The Company evaluated the main aspects of the standard and believes that it will not have an impact on the rating and measurement of losses on its financial assets and liabilities, as well as in relation to hedge accounting, as it does not have any operations of this nature.
IFRS 15 - Revenue from Contracts with Customers	Introduces a comprehensive framework for determining whether and when revenue is recognized and how revenue is measured. IFRS 15 will replace the current standards for the recognition of revenues, including IAS 18 / CPC 30 (R1) Revenue, IAS 11 / CPC 17 (R1) Construction Contracts and IFRIC 13 Interpretation A - Customer Loyalty Programs.	The Company assessed the impacts on its contracts with customers, including consumers with special billing characteristics and concluded that it will not have significant impacts 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	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. □

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standards, including IAS 17 / CPC 06 (R1) Leasing Operations and IFRIC 4, SIC 15 and SIC 27 / ICPC 03 Complementary Aspects of Leasing Operations.

### **5. Restatement of the financial statements for the years ended December 31, 2017 and 2016, and base date of January 1, 2016**

The Company's Management, due to the conclusion of the independent forensic audit work carried out based on "Operação Decantação", as per note 38, made certain adjustments to its financial statements for the year ended December 31, 2018.

The Company's Management 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:



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### December 31, 2017 Balance Sheet (Restated)

Asset	December 31, 2017				Liability	December 31, 2017			
	Published	Re-rating	Adjustments	Restated		Published	Re-rating	Adjustments	Restated
<b>Current Liability</b>					<b>Current Liability</b>				
Cash and cash equivalents	78,588	-		78,588	Loans and Financing	154,343	-	-	154,343
Credits Receivable from Users	244,903	-		244,903	Debentures	47,908	-	-	47,908
Stocks	48,185	-	8,356	56,541	Suppliers	218,815	-	-	218,815
Taxes to recover	5,113	-		5,113	Consortiums	4,307	-	-	4,307
Securities	7,304	-		7,304	Labor obligations	136,734	-	-	136,734
Advanced Expenses and Advanced	25,777	-		25,777	Tax Obligations	61,290	-	-	61,290
Sub-delegation	8,607	-		8,607	Dividends payable	-	2,551	-	2,551
Other Accounts Receivable	3,820	-		3,820	Installments	24,435	-	-	24,435
	<b>422,297</b>	-	<b>8,356</b>	<b>430,653</b>	Sub-delegation	1,744	-	-	1,744
					Contractual Advance	1,994	-	-	1,994
					Other Accounts Payable	3,877	-	-	3,877
						<b>655,447</b>	<b>2,551</b>	-	<b>657,998</b>
<b>Non-Current</b>					<b>Non-Current</b>				
<b>Long-term asset realizable</b>					Loans and Financing	560,949	-	-	560,949
Credits Receivable from Users	9,004	-		9,004	Debentures	168,123	-	-	168,123
Judicial Deposits	41,647	(37,666)		3,981	Installments	16,253	-	-	16,253
Deferred Taxes - Assets	289,263	(17,409)	(28,135)	243,719	Consortiums	90,780	-	-	90,780
Sub-delegation	340,589	-		340,589	Provision for judicial claims	71,295	(9,766)	(17,963)	43,566
Securities	16,001	-		16,001	PAC Grants	92,337	-	-	92,337
Other Accounts Receivable	40	-		40	Labor obligations	6,144	-	-	6,144
	<b>696,544</b>	<b>(55,075)</b>	<b>(28,135)</b>	<b>613,334</b>	Tax Obligations	13,699	-	-	13,699
					Sub-delegation	340,589	-	-	340,589
					Deferred Taxes	17,409	(17,409)	-	-
					Contractual Advance	6,813	-	-	6,813
						<b>1,384,391</b>	<b>(27,175)</b>	<b>(17,963)</b>	<b>1,339,253</b>
Investments	9	-		9	<b>Net Equity</b>				
Fixed asset	173,389	-		173,389	Share Capital	2,515,546	-	-	2,515,546
Intangible Asset	3,367,401	27,900	(53,710)	3,313,691	Capital Reserves	140,413	(140,413)	-	-
	<b>3,540,799</b>	<b>27,900</b>	<b>(53,710)</b>	<b>3,514,989</b>	Legal Reserve	4,196	537	-	4,733
					Investment Reserve	0	7652	-	7,652
					Equity Valuation Adjustment	33,794	-	-	33,794
					Accumulated Losses	(74,147)	129,673	(55,526)	-
						<b>2,619,802</b>	<b>(2,551)</b>	<b>(73,489)</b>	<b>2,561,725</b>
<b>Total Asset</b>	<b>4,659,640</b>	<b>(27,175)</b>	<b>(73,489)</b>	<b>4,558,976</b>	<b>Total Liability</b>	<b>4,659,640</b>	<b>(27,175)</b>	<b>(73,489)</b>	<b>4,558,976</b>

## Saneamento de Goiás S.A.

### Reconciliation of shareholders' equity on December 31, 2017:

Effects on Equity 2017			
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
			<b>8,356</b>
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 (f)	(6,108)
			<b>(28,136)</b>
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)
			<b>(53,709)</b>
<b>Total Effect</b>			<b>(73,489)</b>

### December 31, 2017 Income Statement (Restated)

	December 31, 2017		
	Disclosed	Adjustment	Restated
<b>Net Revenue</b>			-
Revenues from Water and Sewage Services	1,984,438	-	1,984,438
Construction Revenues	76,288	-	76,288
Revenues from Technical Services	1,445	-	1,445
Sub-delegation Grant	9,100	-	9,100
	<b>2,071,271</b>	-	<b>2,071,271</b>
<b>Costs</b>			
Services Costs	(1,034,664)	-	(1,034,664)
Construction Costs	(76,288)	-	(76,288)
	<b>(1,110,952)</b>	-	<b>(1,110,952)</b>
<b>Gross Profit</b>	<b>960,319</b>	-	<b>960,319</b>
Administrative Expenses	(508,177)	-	(508,177)
Commercial Expenses	(194,775)	-	(194,775)
Tax Expenses	(11,559)	-	(11,559)
Provisions / Reversals - Credit Losses / Recovery	(90,120)	(16,282)	(106,402)
Other Operating Expenses	(7,133)	(1,288)	(8,421)
Other Operating Revenues	3,750	-	3,750
	<b>(808,014)</b>	<b>(35,533)</b>	<b>(843,547)</b>
<b>Income before Financial Result</b>	<b>152,305</b>	<b>(35,533)</b>	<b>116,772</b>
Net Financial Result	(73,250)	-	(73,250)
<b>Income Before Taxes on Profit</b>	<b>79,055</b>	<b>(35,533)</b>	<b>43,522</b>
Income tax of legal entity and current social contribution	(36,418)	-	(36,418)
Income tax of legal entity and deferred social contribution	237,938	(11,983)	225,955
<b>Net Profit for the Financial Year</b>	<b>280,575</b>	<b>(29,553)</b>	<b>251,022</b>
Profit per Share	0.11154		0.09979

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### Reconciliation of the Income Statement on December 31, 2017:

Effects on DR 2017			
Financial Year	Line Item	Description	Amount
2017	Other Operating Expenses	Stock - Physical Inventory Adjustment (a)	(1,288)
2017	Deferred Taxes	Derecognition of deferred IR/CSLL (c)	(5,875)
2017	Deferred Taxes	Derecognition of Deferred IR/CSLL (f)	(6,108)
			<b>(11,983)</b>
2017	Provisions / Reversals	Provision for losses in works (d)	(37,255)
2017	Provisions / Reversals	Reversal of Stock Losses (b)	3,010
2017	Provisions / Reversals	Reversal of Tax Provisions (e)	17,963
			<b>(16,282)</b>
<b>Total Effect</b>			<b>(29,553)</b>



## Saneamento de Goiás S.A.

### December 31, 2016 Balance Sheet (Restated)

Asset	Disclosed Balance	Re-rating	Adjustments	Restated Balance	Liability	Disclosed Balance	Re-rating	Adjustments	Restated Balance
<b>Current</b>		-			<b>Current</b>				
Cash and cash equivalents	37,037	-	-	37,037	Loans and Financing	195,952	-	-	195,952
Credits Receivable from Users	240,365	-	-	240,365	Debentures	51,941	-	-	51,941
Stocks	40,521	-	6,634	47,155	Suppliers	305,692	-	-	305,692
Taxes Recoverable	2,300	-	-	2,300	Consortiums	1,364	-	-	1,364
Advanced Expenses and Advanced	10,386	-	-	10,386	Labor obligations	95,907	9,937	-	105,844
Sub-delegation	14,390	-	-	14,390	Tax Obligations	64,319	(8,976)	-	55,343
Other Accounts Receivable	3,787	-	-	3,787	Installments	9,561	-	-	9,561
	<b>348,786</b>		<b>6,634</b>	<b>355,420</b>	Encouraged Job Termination	961	(961)	-	-
					Sub-delegation	1,462	-	-	1,462
<b>Non-Current</b>					Dividends	17,090	-	-	17,090
<b>Long-term asset realizable</b>					Contractual Advance	116	-	-	116
Credits Receivable from Users	11,709	-	-	11,709	Other Accounts Payable	2,437	-	-	2,437
Judicial Deposits	40,749	(36,872)	-	3,877		<b>746,802</b>			<b>746,802</b>
Deferred Taxes - Assets	123,231	(17,650)	(16,153)	89,428	<b>Non-Current</b>				
Sub-delegation	235,989	-	-	235,989	Loans and Financing	728,900	-	-	728,900
Securities	25,634	-	-	25,634	Debentures	88,513	-	-	88,513
Other Accounts Receivable	34,667	-	-	34,667	Installments	21,067	-	-	21,067
	<b>471,979</b>	<b>(54,522)</b>	<b>(16,153)</b>	<b>401,304</b>	Consortiums	66,085	-	-	66,085
					Provision for judicial claims	93,347	(6,792)	-	86,555
					PAC Grants	241,843	-	-	241,843
					Labor obligations	-	-	-	-
Investments	-	-	-	-	Tax Obligations	70,027	-	-	70,027
Fixed asset	135,080	-	-	135,080	Sub-delegation	235,989	-	-	235,989
Intangible Asset	3,611,305	30,080	(16,454)	3,624,931	Deferred Taxes	17,650	(17,650)	-	-
	<b>3,746,385</b>	<b>30,080</b>	<b>(16,454)</b>	<b>3,760,011</b>		<b>1,563,421</b>	<b>(24,442)</b>		<b>1,538,979</b>
					<b>Net Equity</b>				
					Share Capital	2,450,509	-	-	2,450,509
					Capital Reserves	140,413	(140,413)	-	-
					Legal Reserve	4,196	-	-	4,196
					Equity Valuation Adjustment	34,261	-	-	34,261
					Accumulated Losses	(372,452)	140,413	(25,973)	(258,012)
						<b>2,256,927</b>	<b>-</b>	<b>(25,973)</b>	<b>2,230,954</b>
<b>Total Asset</b>	<b>4,567,150</b>	<b>(24,442)</b>	<b>(25,973)</b>	<b>4,516,735</b>	<b>Total Liability</b>	<b>4,567,150</b>	<b>(24,442)</b>	<b>(25,973)</b>	<b>4,516,735</b>



## Saneamento de Goiás S.A.

### Reconciliation of shareholders' equity for the year ended December 31, 2016:

Effects on Equity 2016			
Financial	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)
			<b>6,634</b>
2015	Deferred Taxes	Derecognition of deferred IR/CSLL (c)	(4,004)
2016	Deferred Taxes	Derecognition of deferred IR/CSLL (c)	(12,149)
			<b>(16,153)</b>
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)
			<b>(16,454)</b>
<b>Total Effect</b>			<b>(25,973)</b>

### Reconciliation of the Income Statement on 12/31/2016:

	December 31, 2016		
	Disclosed	Adjustment	Restated
<b>Net Revenue</b>			
Revenues from Water and Sewage Services	1,832,722	-	1,832,722
Construction Revenues	226,211	-	226,211
Revenues from Technical Services	1,384	-	1,384
Sub-delegation Grant	9,100	-	9,100
	<b>2,069,417</b>	-	<b>2,069,417</b>
<b>Costs</b>			
Services Costs	(890,248)	-	(890,248)
Construction Costs	(226,211)	-	(226,211)
	<b>(1,116,459)</b>	-	<b>(1,116,459)</b>
<b>Gross Profit</b>	<b>952,958</b>	-	<b>952,958</b>
Administrative Expenses	(504,472)	-	(504,472)
Commercial Expenses	(134,010)	-	(134,010)
Tax Expenses	(12,411)	-	(12,411)
Provisions / Reversals - Credit Losses / Recovery	(129,691)	(3,667)	(133,358)
Other Operating Expenses	(3,844)	(3,441)	(7,285)
Other Operating Revenues	1,855	-	1,855
	<b>(782,573)</b>	<b>(7,108)</b>	<b>(789,681)</b>
<b>Income before Financial Result</b>	<b>170,385</b>	<b>(7,108)</b>	<b>163,277</b>
Net Financial Result	(128,550)	-	(128,550)
<b>Income Before Taxes on Profit</b>	<b>41,835</b>	<b>(7,108)</b>	<b>34,727</b>
Income tax of legal entity and current social contribution	(35,119)	-	(35,119)
Income tax of legal entity and deferred social contribution	112,054	(12,148)	99,906
<b>Net Profit for the Financial Year</b>	<b>118,770</b>	<b>(19,256)</b>	<b>99,514</b>
Profit per Share	0.04847		0.04061

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### Reconciliation of net profits and losses for the year ended December 31, 2016:

Effects on DR 2016			
Financial Year	Line Item	Description	Amount
2016	Other Operating Expenses	Stock - Physical Inventory Adjustment (a)	(3,441)
2016	Deferred Taxes	Derecognition of deferred IR/CSLL (c)	(12,148)
2016	Provisions	Provision for losses in works (d)	(2,735)
2016	Provisions / Reversals	Stock - Reversal of Stock Losses (b)	(932)
			(3,667)
<b>Total Effect</b>			<b>(19,256)</b>

(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 write off adjustment on provision for losses in works, on the order of R\$ 64,785, provisioned on December 31, 2017, the nature of this provision does not allow deductibility.

(d) On December 31, 2017, the amount of R\$ 64,785 was provisioned to cover possible findings identified in the preliminary report of the Forensic Audit. On March 31, 2019, after the conclusion of the works and the Forensic report, the Company recorded an estimate that totaled R\$ 118,494, requiring a supplement of R\$ 53,709.

(e) 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 demand 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 "e".

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

	12/31/2017	12/31/2016
Cash	24	11
Fixed Fund	106	12
Banks - Current Account / Collection	17,768	8,140
Banks - Construction-linked accounts	1,232	4,165
Banks - Collection to be released (a)	12,820	11,089
Financial Investments (b)	46,638	13,620
	<b>78,588</b>	<b>37,037</b>

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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:

Bank	Account	12/31/2017			12/31/2016	
		Investment	Amount	Remuneration	Amount	Remuneration
Itaú	140956	Fundo PP	153	0.66% S.A*	394	0.72% S.A
Itaú	2989-4	Fundo PP	41,863	0.68% S.A	1,182	0.82% S.A
BB	5334-5	CDB	421	92% CDI	-	92% CDI
BB	6013-5	CDB	1,610	97% CDI	1,468	97% CDI
BB	105500-3	CDB	3	96.50% CDI	3	96.50% CDI
BBM	7004392	CDB	1,195	100% CDI	-	100% CDI
Safra	23190-0	CDB	10	101% CDI - Curve	12	101% CDI - Curve
Bradesco	600-9	CDB	1,382	97.5% CDI	1,453	97.5% CDI
Bradesco	11450-2	CDB	1	97.5% CDI	3	97.5% CDI
Credit Suisse	56188-4	CDB	-	97.50% CDI	1	97.50% CDI
CEF	500636	CDB	-	98% CDI	6,821	98% CDI
CEF	1110-4	Fundo FIC	-	1.01% S.A	2,283	1.09% S.A
			<b>46,638</b>		<b>13,620</b>	

\*S.A.: Balance Invested

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 confirmatory 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	12/31/2017	12/31/2016
<b>Current</b>					
Caixa Econômica Federal	several	CDB/Fundo FIC	98% /80% of CDI	7,304	-
				<b>7,304</b>	<b>-</b>
<b>Non-Current</b>					
Caixa Econômica Federal	several	CDB/Fundo FIC	98% /80% of CDI	13,541	23,299
Credit Suisse	55977231	CDB	97.50% CDI	2,460	1,385
BBM S/A	704392	CDB	100% CDI	-	950
				<b>16,001</b>	<b>25,634</b>
				<b>23,305</b>	<b>25,634</b>

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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 and BBM is a guarantee for the amortization of the minimum monthly installments of the 2nd issue of Debentures. In June 2017, reserves that refer to contracts with BNDES were transferred to Current assets.

### 8. Credits receivable from users

Current	12/31/2017			12/31/2016		
	Private	Public	Total	Private	Public	Total
Billed to be due	89,238	9,595	98,833	83,975	23,617	107,592
Maturing for more than 30 days	16,753	5,838	22,591	15,797	4,757	20,554
Overdue up to 30 days	75,787	7,309	83,096	67,079	7,170	74,249
Overdue from 31 to 60 days	25,647	5,580	31,227	21,227	3,680	24,907
Overdue from 61 to 90 days	10,576	5,188	15,764	9,386	2,854	12,240
Overdue from 91 to 120 days	8,626	4,218	12,844	7,473	3,186	10,659
Overdue from 121 to 180 days	13,783	7,748	21,531	11,862	4,516	16,378
Overdue from 181 to 360 days	4,303	14,145	18,448	3,097	3,173	6,270
Overdue from 361 days to 5 years	10,940	16,755	27,695	6,347	6,497	12,844
Overdue over 5 years	1,113	1,393	2,506	653	1,013	1,666
Collection to be noted	1,135	-	1,135	699	-	699
(-) PECLD	(101,037)	(65,247)	(166,284)	(81,847)	(39,898)	(121,745)
Amounts to be billed for water / sewage	76,447	-	76,447	74,680	-	74,680
(-) AVP Accounts receivable	(669)	(261)	(930)	(473)	(155)	(628)
<b>(-) AVP Credits Receivable</b>	<b>232,642</b>	<b>12,261</b>	<b>244,903</b>	<b>219,955</b>	<b>20,410</b>	<b>240,365</b>
<b>Non-Current</b>						
Credits receivable	13,322	25,195	38,517	13,703	1,044	14,747
(-) AVP Credits Receivable	(2,616)	(6,772)	(9,388)	(2,718)	(320)	(3,038)
(-) PECLD	(5,535)	(14,590)	(20,125)	-	-	-
<b>Total Non-Current</b>	<b>5,171</b>	<b>3,833</b>	<b>9,004</b>	<b>10,985</b>	<b>724</b>	<b>11,709</b>
<b>Total General</b>			<b>253,907</b>			<b>252,074</b>

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, 2017 were R\$ 44,889 (R\$ 52,045 in 2016), according to note 33. The credits with the Government of Goiás are added for tax purposes, according to art. 6 of Law 9.430/96 in the amount of R\$ 2,028 in the financial year 2017.

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

<b>Balance on 12/31/16</b>	<b>(124,783)</b>
(-) Constitution of a net allowance for doubtful accounts (n.33)	(61,626))
<b>Balance on 12/31/2017</b>	<b>(186,409)</b>

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### 9. Stocks

	12/31/2017	12/31/2016
Treatment plants materials	3,819	3,088
Materials for gaskets and pipe protection	899	812
Electrical materials and equipment	78	137
Pipes, connections for networks and pipelines	44,387	26,791
Materials for building connections	6,895	6,470
Water meters	4,672	4,003
Sewer pipes, connections and parts	11,013	7,193
Water Valves	4,537	4,558
Pump motor set	77	92
Miscellaneous materials	4,100	2,886
Civil works stock transfer	(13,388)	-
(-) Provision for Stock Loss	(10,548)	(8,875)
	<b>56,541</b>	<b>47,155</b>

In the 2<sup>nd</sup> 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 following adjustments to the stocks line item on December 31, 2016 and December 31, 2017, according to explanatory note 5.

### 10. Taxes to be recovered

	12/31/2017	12/31/2016
IRPJ (a)	2,572	610
IRRF	1,851	1,690
CSLL (a)	690	-
	<b>5,113</b>	<b>2,300</b>

(a) Refers to the negative balance of IRPJ and CSLL (overpayments by estimate) in the year.

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### 11. Prepaid expenses and advances

	12/31/2017	12/31/2016
Investment Fund Credit Rights - FIDC IV (a)	9,009	4,195
Banco do Brasil Investimentos (b)	11,054	-
Postgraduation advances	127	50
Advances for travel expenses	79	161
13th salary advances	3	3
Vacation advances	5,505	5,977
	<b>25,777</b>	<b>10,386</b>

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 price contract regime, in the implementation of the primary public offering of book entry shares. This commission was paid in the financial year 2018.

### 12. Judicial deposit

	12/31/2017	12/31/2016
Judicial Deposits - Labor	249	117
Judicial deposits - Civil / tax	3,732	3,760
	<b>3,981</b>	<b>3,877</b>

### 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.

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On April 25, 2017, the disposal of all of Odebrecht Ambiental's shares to Brookfield Partners LP was completed, constituting the new holding company called BRK Ambiental Participações S.A, with the contract 1327/2013 operated by BRK Ambiental Goiás S.A. This operation was carried out with the prior consent of Saneago.

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;
- Payment of a grant to Saneago of R\$ 273,000 in 30 (thirty) annual installments, duly updated by the IPCA (Price Index to the Final Consumer);
- Service and expansion of the collection, removal and treatment of sanitary sewage systems in 6 (six) years, and the universalization must reach at least 90% (ninety percent) of the population served with public water supply;
- Integrated Commercial Action, under the management of Saneago, of public water and sanitary sewage services, in the sub-delegation area, with the sub-delegate being responsible for registering users, performing water meter reading, issuing and simultaneously delivering single bills / invoices for collection, water cutting and reconnection, micro metering among other ancillary activities related to the provision of water supply and sanitary sewage services.

The amounts referring to the grant are recorded in Current Assets in proportion to the duration of the contract and duly updated by the IPCA, with a corresponding consideration to the Income Statement for the Year. Investments made by the sub-delegate and not amortized are recorded in Non-Current Assets, representing a right of receipt by Saneago, and in consideration for Non-Current Liabilities, which represents an obligation of Saneago before the sub-delegate.

	Asset		Liability	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
<b>Sub-delegation</b>				
Grant	8,607	14,390	1,744	1,462
	Non-Current		Non-Current	
Sewerage system investments	340,589	235,989	340,589	235,989
	<b>349,196</b>	<b>250,379</b>	<b>342,333</b>	<b>237,451</b>

### 14. Other accounts receivable

	12/31/17	12/31/2016
Advances to Contractors / Suppliers <sup>□</sup>	91	164
Services Provided to Third Parties	26	260
Águas Lindas Consortium	413	413
Miscellaneous advances	3,703	3,666
(-) Provision for Losses	(413)	(716)
<b>(-) AVP Credits Receivable</b>	<b>3,820</b>	<b>3,787</b>



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State of Goiás - SEPLAN (a)	-	17,256
State of Goiás JSCP and Dividends (b)	-	17,371
Goiás Parcerias	40	40
<b>Total Non-Current</b>	<b>40</b>	<b>34,667</b>

### a) State of Goiás - SEPLAN

Advance to the Government of the State of Goiás for Works in Progress, through a Covenant entered into by and between the State of Goiás and Saneago, with the intervention of the State Office of Finance, the State Office of Planning and Development of the State Attorney General for joint action to expropriate flooded rural lands due to the construction of the Ribeirão João Leite Dam, as well as the protection strip, with the goal of expanding the Water Supply System of this Capital and of the Municipalities of the Metropolitan Region. The term of the present Covenant started on the date of its signature and expired on December 31, 2009.

On December 31, 2014, this advance, which was in the works in progress line item, was transferred to other receivables - State of Goiás - SEPLAN in the amount of R\$ 17,256, considering that the State will not transfer this area to Saneago, transforming it in park. In April 2017 the amount was received in cash via bank transfer.

### b) State of Goiás - JSCP and Dividends

The State of Goiás received the amount of R\$ 55,981, higher than the total limit to be distributed, which was R\$ 38,610, causing an overpayment of R\$ 17,371. In April 2017 the amount was received in cash via bank transfer.

## 15. Deferred taxes

Deferred Taxes - Assets	Base Date	12/31/2017			12/31/2016		
	Calculus -	IRPJ	CSLL	Total	IRPJ	CSLL	Total
PCLD - Credits Receivable	186,409	46,602	16,777	63,379	31,196	11,230	42,426
Provision for Stock Loss	14,149	3,537	1,273	4,811	2,366	852	3,218
Provision for Investment Loss	640	160	58	218	162	58	218
Provision for Contingencies	43,565	10,891	3,921	14,812	21,639	7,790	29,429
Provision for Encouraged Job	-	-	-	-	240	87	327
Provision for Property / Credit	413	103	37	140	179	64	243
Provision for Contracts without	32,765	8,191	2,949	11,140	8,191	2,949	11,140
Provision for Works Losses	139,845	34,961	12,586	47,547	37,977	13,671	51,648
Tax Loss (a)	350,237	87,559	31,521	119,080	27,183	9,786	36,969
<b>Total</b>	<b>768,025</b>	<b>192,006</b>	<b>69,122</b>	<b>261,128</b>	<b>129,133</b>	<b>46,486</b>	<b>175,620</b>
Deferred tax credits not recognized				-			(68,541)
Deferred tax credits recognized				261,128			107,079
<b>Deferred Tax Liabilities</b>							
Equity Valuation Adjustment		12,801	4,608	17,409	12,978	4,672	17,650
<b>Total Net Deferred Taxes</b>				<b>243,719</b>			<b>89,429</b>

### Deferred Tax Movement

Balance held in deferred tax assets on 12/31/16	107,079
(+) Constitution of deferred tax assets	225,955

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(+) Use of tax loss in PERT	(71,906)
<b>Balance held in deferred tax assets on 12/31/2017</b>	<b>261,128</b>
<b>Provision in income statement for the year - 12/31/17</b>	
Profit before tax	61,485
Combined rate 34%	(20,905)
(+/-) IRPJ / CSLL on permanent and temporary additions	246,860
<b>Provision in income statement for the year</b>	<b>225,955</b>

In December 2017, tax losses were offset with installments with the Federal Revenue Service as per note 21, item III.

Based on studies and future growth prospects, the Company keeps its tax assets limited to the lowest value between the amount of future profits and the temporary differences / tax losses that can be offset (on December 31, 2016 it was limited to the projection of future profits).

Year	Profit Estimate	Year	Profit Estimate
2018	98,611	2023	121,759
2019	99,501	2024	118,596
2020	117,744	2025	115,514
2021	148,623	2026	112,513
2022	125,007	2027	109,590
	<b>589,486</b>		<b>577,972</b>
		<b>Total General</b>	<b>1,167,458</b>

### 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	12/31/2017	12/31/2016
CAAB a)	10	10
Brasil Telecom S/A.	65	66
Cia. Urbanização de Goiânia	515	515
Transurb	20	40
Metrobus	26	6
Other Investments	13	11
	<b>649</b>	<b>648</b>
Provision for Losses	(640)	(648)
	<b>9</b>	<b>-</b>

a) CAAB - State Law No. 15.249 dated July 15, 2005 authorizes the creation of a subsidiary company of

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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

	12/31/2017	12/31/2016
General Use Goods	118,560	106,092
General Use Goods - Assigned Cost	65,705	66,015
General Use Goods - Leasing	7,270	7,272
Accumulated Depreciation - Assigned Cost	(14,502)	(14,103)
Accumulated Depreciation - Leasing	(2,129)	(675)
Accumulated Depreciation	(72,630)	(67,033)
General Use Goods	1,383	1,170
Funds to be realized by the Corumbá Consortium	69,732	36,342
	<b>173,389</b>	<b>135,080</b>

The movement of fixed assets can be demonstrated as follows:

Accounts	Balance on 12/31/2016	Additions	Write-offs	Depreciation / Amortization	Movement A - Debit	Movement B - Credit	Transfer of Works	Transfer To Fixed Asset	Balance on 12/31/2017
General Use Goods	106,092	9,591	(683)	-	15,068	(14,877)	3,369	-	118,560
General Use Goods - Assigned Cost	66,015	-	(239)	-	1,788	(1,859)	-	-	65,705
General Use Goods - Leasing	7,272	-	(1)	-	1,421	(1,422)	-	-	7,270
Contracts without Concession (a)	32,765	-	-	-	-	-	-	-	32,765
Contracts without Concession (a)	(32,765)	-	-	-	-	-	-	-	(32,765)
Accumulated Depreciation -	(14,103)	-	-	(640)	1,346	(1,105)	-	-	(14,502)
Accumulated Depreciation -	(675)	-	-	(1,454)	181	(181)	-	-	(2,129)
Accumulated Depreciation	(67,032)	-	-	(28,906)	32,348	(9,040)	-	-	(72,630)
General Use Goods	1,170	213	-	-	376	-	-	(376)	1,383
Funds to be realized - construction	36,342	-	-	-	33,390	-	-	-	69,732
Total	135,080	9,804	(922)	(31,000)	85,918	(28,484)	3,369	(376)	173,389

#### 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, Saenago filed an action for damages, Lawsuit No. 950338033. 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. On June 12, 2017, Saenago filed a counter-appeal to the appeal and filed an adhesive appeal. Currently, the records are completed by the rapporteur for dispatch or judgment of the appeal.

**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

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R\$ 142,000. Currently, the records are completed by the judge to determine the production of evidence.

### 18. Intangible Asset

	12/31/2017	12/31/2016
<b>Works in progress</b>	<b>512,977</b>	<b>804,464</b>
Water System	185,131	470,903
Sewerage System	314,161	324,843
Civil works stock	13,685	302
Inter-American Development Bank (IDB) Program	-	8,416
<b>Intangible in Use</b>	<b>2,828,613</b>	<b>2,820,466</b>
Water System	2,435,855	2,119,588
Sewerage System	2,733,206	2,668,396
Works in progress - inexpensive	126,022	249,197
Intangible Accumulated Amortization	(2,276,517)	(2,075,378)
Contributions to be Realized - Águas Lindas	53,764	44,447
Provision for Losses	(271,617)	(215,865)
Land regularization	27,900	30,081
	<b>3,341,591</b>	<b>3,624,930</b>

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

Accounts	Balance on 12/31/2016	Additions	Write-offs	Accumulated / Amortization	Movement A - Debit	Movement A - Credit	Transfer of Works	Transfer To Fixed Asset	Balance on 12/31/2017
<b>Works in progress</b>	<b>804,464</b>	<b>72,207</b>	<b>(50)</b>	<b>-</b>	<b>192,583</b>	<b>(213,391)</b>	<b>-</b>	<b>(342,834)</b>	<b>512,977</b>
Water System	470,903	35,612	(50)	-	88,026	(121,824)	-	(287,535)	185,131
Sewerage System	324,843	36,595	-	-	91,169	(91,562)	-	(46,883)	314,161
Civil works stock	302	-	-	-	13,388	(5)	-	-	13,685
Inter-American Development Bank (IDB) Program	8,416	-	-	-	-	-	-	(8,416)	-
<b>Intangible in Use</b>	<b>2,820,466</b>	<b>40,116</b>	<b>(1,287)</b>	<b>(179,571)</b>	<b>190,604</b>	<b>(373,432)</b>	<b>357,164</b>	<b>9,199</b>	<b>2,828,613</b>
Water System	2,119,588	17,123	(466)	-	12,161	(8,167)	295,615	-	2,435,855
Sewerage System	2,668,396	875	(821)	-	5,803	(2,596)	61,549	-	2,733,206
Works in progress - inexpensive (a)	249,197	13,488	-	-	63,740	(183,080)	-	17,324	126,022
Accumulated Amortization Intangible Asset	(2,075,378)	-	-	(179,571)	81,188	(102,756)	-	-	(2,276,517)
Funds to be realized - Águas Lindas	44,447	-	-	-	9,317	-	-	-	53,764
Provision for Losses	(215,865)	-	-	-	-	(55,752)	-	-	(271,617)
Land regularization	30,081	8,630	-	-	18,395	(21,081)	-	(8,125)	27,900
<b>Total Intangible</b>	<b>3,624,930</b>	<b>112,324</b>	<b>(1,337)</b>	<b>(179,571)</b>	<b>383,186</b>	<b>(586,823)</b>	<b>357,164</b>	<b>(368,283)</b>	<b>3,341,591</b>

### 18.A - Works in progress - inexpensive

	12/31/2017	12/31/2016
Inexpensive - Water	114,101	186,989
Inexpensive - Sewage	11,921	62,208
	<b>126,022</b>	<b>249,197</b>

## Saneamento de Goiás S.A.

a) The movement of works in progress not reversible can be demonstrated as follows:

Accounts	Balance on 12/31/2016	Additions	Write-offs	Accumulated / Amortization	Movement A - Debit	Movement A - Credit	Transfer of Works	Transfer To Fixed Asset	Balance on 12/31/2017
Inexpensive - Water	186,989	8,744	-	-	63,732	(141,351)	-	(4,014)	114,101
Inexpensive - Sewage	62,208	4,744	-	-	8	(41,729)	-	(13,310)	11,921
	<b>249,197</b>	<b>13,488</b>	<b>-</b>	<b>-</b>	<b>63,740</b>	<b>(183,080)</b>	<b>-</b>	<b>(17,324)</b>	<b>126,022</b>

### b) 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 savings account and;

## Saneamento de Goiás S.A.

d) 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 12/31/2016	Entry - PAC	Completed Works - Adjustments	Provision for Losses	In-kind returns	Balance on 12/31/2017
Itumbiara	0244776-27	14,649	-	(14,649)	-	-	-
Valparaíso	0218021-51	1,697	-	(1,583)	-	-	114
Valparaíso	0218343-40	4,649	-	(4,605)	-	-	44
Luziânia	0218328-52	1,465	-	-	-	-	1,465
Goiânia - Vila Adélia	0226024-57	13,446	-	(6,152)	-	-	7,294
Goiânia - Reservoir	0226020-10	1,883	-	(1,883)	-	-	-
Trindade	0237774-62	1,111	-	(806)	-	(305)	-
Trindade	0237772-43	1,674	-	(485)	-	-	1,189
Aparecida de Goiânia	0218326-33	4,358	-	(1,280)	-	(3,078)	-
Cristalina	0226017-65	2,799	-	(2,491)	-	-	308
Novo Gama	0218336-59	540	-	(540)	-	-	-
Goiânia - Left Margin	0226021-24	5,535	-	(5,517)	-	(18)	-
Novo Gama	0226018-79	971	-	-	-	-	971
St. Antônio do Descoberto	0218331-07	388	-	-	(388)	-	-
Goiânia - Meia Ponte Norte	0226023-42	2,170	-	(2,170)	-	-	-
Goiânia - Anicuns	0226022-38	2,742	-	(2,742)	-	-	-
Anápolis	0226019-83	-	-	-	-	-	-
Planaltina	0218330-94	2,067	-	(1,956)	-	(48)	63
Novo Gama	0226015-46	1,945	-	(1,816)	-	-	129
Goiânia - Meia Ponte	0226025-62	8,171	-	(3,647)	-	(1,995)	2,529
Luziânia	0226026-76	36,971	-	-	(4,930)	(298)	31,743
Goiânia - João Leite	0296771-70	37,888	-	(37,888)	-	-	-
Luziânia	0231460-45	57	-	-	-	-	57
St. Antônio do Descoberto	0350796-17	1,795	155	-	(795)	(18)	1,137
Goiânia	0350788-10	17,349	9,608	-	(2,919)	(281)	23,757
Pirenópolis	0350884-88	1,430	-	-	-	-	1,430
Aparecida de Goiânia	0351738-28	7,457	-	-	(4,246)	-	3,211
Goiânia Jd. Petrópolis SES	0408678-27	-	-	-	-	-	-
Anápolis SES	0408691-99	7,369	2,818	(3,680)	-	(31)	6,476
<b>Provisions for Losses</b>							
<b>Total PAC</b>		<b>182,576</b>	<b>12,581</b>	<b>(93,890)</b>	<b>(13,278)</b>	<b>(6,072)</b>	<b>81,917</b>
<b>Other Programs</b>							
Pipeline João Leite	1524/01	2,764	-	(2,035)	-	-	729
Pipeline João Leite	0187/06	48,279	-	(46,807)	-	-	1,472
	172263-						
Novo Gama	97/04	137	-	(137)	-	-	-
Amaralina - FUNASA	25	248	-	-	-	-	248



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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	242	141	-	-	-	383
<b>Goiânia- Reforestation</b>	<b>0153005/16</b>	<b>1,020</b>	<b>-</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>1,011</b>
Total - Other Programs		<u>59,267</u>	<u>141</u>	<u>(48,988)</u>	<u>-</u>	<u>-</u>	<u>10,420</u>
<b>Total General</b>		<u>241,843</u>	<u>12,722</u>	<u>(142,878)</u>	<u>(13,278)</u>	<u>(6,072)</u>	<u>92,337</u>
Unused funds returns						<u>(984)</u>	
<b>Total Funds Returned</b>						<u>(7,056)</u>	





# Saneamento de Goiás S.A.

## 19.1. Loans and Financing

Bank	Type	Contract	Start	Maturity	Fee	Transaction Costs	Transaction costs to be appropriated	Funding	Guarantee	12/31/2017	12/31/2016
BANCO DO BRASIL	Loan	330700890	04/04/2013	02/10/2017	10.95%	2,091	-	54,200	(a)	-	2,596
BANCO DO BRASIL	Loan	330701095	04/09/2015	02/13/2018	4.5%+CDI	309	18	16,500	(d)	1,383	9,715
BANCO DO BRASIL	Loan	330701235	12/27/2017	01/06/2023	2.9%+CDI	940	940	30,000	(h)	30,040	-
BBM	Loan	6008830/16	06/03/2016	06/03/2019	10.03%+CDI	349	165	20,000	(f)	11,043	18,488
BIC	Loan	1247284	02/03/2014	08/01/2018	6.17%+CDI	500	-	20,000	(e)	5,789	12,317
BIC	Loan	1253784	03/27/2014	04/04/2017	6.17%+CDI	100	-	10,000	(a)	-	3,306
BIC	Loan	1273745	06/29/2015	07/16/2018	7.83%+CDI	151	-	15,000	(a)	-	9,594
BMG	Loan	255810738/15	07/21/2015	07/20/2018	7.31%+CDI	492	-	15,000	(a)	-	8,682
DAYCOVAL	Loan	76351/15	08/05/2015	08/15/2017	8.73%+CDI	62	-	5,078	(a)	-	2,003
DAYCOVAL	Loan	77488-1/16	02/22/2016	03/07/2018	10.03%+CDI	78	-	5,078	(a)	-	3,546
FIBRA	Loan	0106716/16	06/29/2016	06/28/2019	9.38%+CDI	303	128	15,000	(f)	9,020	15,034
INTER S.A.	Loan	7563560/16	2/15/2016	03/08/2018	10.03%+CDI	128	12	8,000	(f)	1,656	6,215
INTER S.A.	Loan	7607770/16	07/18/2016	07/18/2018	10.03%+CDI	47	-	3,000	(a)	-	2,678
PANAMERICANO	Loan	76115/16	02/01/2016	04/10/2017	7%+CDI	294	-	10,000	(a)	-	3,369
PANAMERICANO	Loan	72256/16	07/27/2016	04/10/2018	9%+CDI	416	35	12,500	(c)	4,203	12,643
SAFRA	Loan	1395957/16	02/29/2016	09/08/2016	8.73%+CDI	163	-	10,000	(a)	-	6,087
SAFRA	Loan	1396457/16	06/03/2016	05/15/2018	11.19%+CDI	165	-	20,000	(a)	-	3,566
SAFRA	Loan	1396724/16	07/29/2016	07/19/2018	9.38%+CDI	103	-	3,000	(a)	-	2,386
SEMEAR	Loan	9908229	03/30/2016	04/10/2017	10.03%+CDI	94	-	3,000	(a)	-	2,300
BANCO DO BRASIL	Loan	848,421	Guaranteed Account		-	-	-	-	(a)	-	9,300
IBM	Loan	Leasing	-	-	3.48%+CDI	-	-	-	(a)	4,177	6,424
FIDC IV	Loan	-	12/15/2015	12/15/2022	3%+CDI	47,828	39,535	600,000	(i)	539,384	600,000
Subordinated Quotas FIDC IV	Loan	-	-	-	-	-	-	-	-	(77,102)	(35,474)
Special Limit - ITAU - Águas Lindas	Loan	-	-	-	-	-	-	-	-	10	-
Transaction Costs	Loan	-	-	-	-	-	-	-	-	(40,833)	(48,166)
CEF	Financing	several	-	2024	5.73%+TR	-	-	-	(g)	16,969	22,473
CEF	Financing	410461-57	12/31/2013	05/14/2037	8.5%+TR	119,484	13,276	132,760	(k)	5,330	5,298
CEF	Financing	0410526-20	12/31/2013	04/14/2037	8.5%+TR	33,585	2,825	36,410	(k)	25,091	24,937
CEF	Financing	0410517-19	02/14/2014	05/14/2037	8.5%+TR	17,352	913	18,265	(k)	6,028	7,008
CEF	Financing	0410538-64	03/27/2015	05/14/2037	8.5%+TR	47,535	4,009	51,544	(k)	32,930	33,206
CEF	Financing	0410512-69	12/27/2015	01/14/2038	8.5%+TR	31,093	1,636	32,729	(k)	25	25
CEF	Financing	0410534-26	12/27/2015	01/14/2038	8.5%+TR	42,180	15,430	57,610	(k)	-	32
CEF	Financing	26340190232-94	06/29/2006	04/30/2028	12%+TR	2,707	478	3,185	(b)	2,020	2,009
CEF	Financing	26340190233-07	06/29/2006	06/30/2030	12%+TR	35,293	3,921	39,214	(b)	23,347	23,016



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CEF	Financing	2635248557-66	06/30/2008	11/12/2030	8.5%+TR	6,000	600	6,600	(b)	4,584	4,707	
CEF	Financing	2634248555-47	10/09/2009	06/14/2031	9%+TR	9,500	500	10,000	(b)	7,364	7,734	
CEF	Financing	2634248548-42	12/30/2009	06/14/2031	9%+TR	10,000	1,882	11,882	(b)	6,780	7,043	
Inter-American Development Bank (IDB)	Financing	1414/OC	12/11/2002	10/11/2027	5.82%+VC	\$47,600	-	\$47,000	(b)	85,555	92,720	
BNDES	Financing	06205041/018e026	12/22/2006	12/15/2017	2.51%+TJLP	124,930	-	124,930	(l)	-	19,292	
BNDES	Financing	06205042/014	12/22/2006	12/15/2017	2.51%+TJLP	67,216	-	67,216		-	4,708	
BNDES	Financing	11208021	12/14/2011	12/15/2021	2.51%+TJLP	31,154	-	31,154	(j)	2,138	2,645	
BANCO DO BRASIL	Financing	40/01033-3	09/10/2012	04/01/2022	2.94%	2,360	-	2,360	(d)	1,499	1,867	
BANCO DO BRASIL	Financing	40/00984-x	12/20/2012	01/01/2028	2.94%	6,846	-	6,846	(d)	6,862	6,837	
BANCO DO BRASIL	Financing	40/01203-4	04/30/2014	11/01/2017	7.65%	7,284	-	7,284	(d)	-	2,686	
										<b>715,292</b>	<b>924,852</b>	
										<b>Current</b>	<b>154,343</b>	<b>195,952</b>
										<b>Non-Current</b>	<b>560,949</b>	<b>728,900</b>

### Legend - Guarantees:

- (a) Ended.
- (b) No Guarantee
- (c) Earmarking revenues of 1.72%
- (d) Earmarking revenues of 10% 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 2.2%.
- (h) Earmarking revenue of 20% of the outstanding balance at the end of each month
- (i) Earmarking revenue of 45.0%
- (j) Earmarking revenue of R\$ 2 million, adjusted annually by the IPCA since August 2011.
- (k) Earmarking revenue of reserve account equivalent to 3 (three) times the monthly debt service of the contract.
- (l) Earmarking revenue equivalent to 15% of the monthly income.



## Saneamento de Goiás S.A.

### 19.2. Debentures

Bank	Start	Maturity	annual contractual fee	Guarantees	Transaction Costs	Transaction cost to be appropriated	Amount Collected	12/31/2017	12/31/2016
IX. Debentures (2 <sup>nd</sup> Issue)	09/15/2013	09/15/2018	7.5% + IPCA	(a)	1,611	242	100,350	23,750	54,587
X. Debentures (3 <sup>rd</sup> Issue)	08/04/2015	08/14/2022	10.35% + TJLP	(b)	5,362	3,491	208,000	67,430	90,689
XI. Debentures (4 <sup>th</sup> Issue)	12/28/2017	12/15/2021	2.95% + CDI	(c)	1,448	1,448	130,000	130,032	-
Transaction Costs					-	-	-	(5,181)	(4,822)
					<b>8,421</b>	<b>5,181</b>	<b>438,350</b>	<b>216,031</b>	<b>140,454</b>
							<b>Current</b>	47,908	51,941
							<b>Non-Current</b>	168,123	88,513

**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

Description	12/31/2017
Loans and Financing	715,292
Debentures	216,031
	<b>931,323</b>



## Saneamento de Goiás S.A.

Non-current statement by maturity range	12/31/2017
2019	194,347
2020	198,717
2021	182,278
2022 onwards	355,981
	<b>931,323</b>

### 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 October 11, 2017 was 1.47% per semester (2.97% per year). Amortizations are in semiannual installments, beginning on October 11, 2008 and ending on October 11, 2027.

### Debentures, 2<sup>nd</sup> Issue)

Private instrument of deed of the 2<sup>nd</sup> issue of simple debentures, not convertible into shares, unsecured (without preference), with additional real guarantee, in 12 series, for public distribution with restricted placement efforts, from Saneago (issuer), authorized based on the resolutions taken at the Management Board' Meeting held on August 20, 2013, pursuant to article 59 and its paragraph 1 of Law 6.404, dated 12/15/76 and its amendments, as well as contracting financial institutions authorized to operate in the capital market to carry out the placement and distribution, pursuant to CVM Instruction 476, dated January 16, 2009.

Number of debentures issued	Unit value	Total	Adjusted Amount released in Oct / 2013
100,000	1,000	100,000,000	100,350,000

The debenture issuance operation contains restrictive clauses that were not fully met in 2015 due to non-compliance with non-pecuniary obligations and financial indexes related to debt coverage.

This requirement was eliminated on April 15, 2016, when the General Meeting of debenture holders of the 2<sup>nd</sup> (Issue), decided not to decree the operation's early maturity.

At a general meeting held on October 23, 2017, between the Company and the debenture holders due to non-compliance with financial ratios related to debt coverage, with their semiannual liabilities, they decided not to decree the advanced maturity of the issuance in accordance with clause 4.11.1 for the period up to 30 June 2017.

At the end of 2017, the Company did not breach the financial ratios related to debt coverage, as required by the private instrument of deed for the 2<sup>nd</sup> issue of debentures.

### Debentures, 3<sup>rd</sup> Issue)

## Saneamento de Goiás S.A.

Public coordination and distribution contract, with restricted placement efforts of simple debentures, not convertible into shares, in 2 (two) series of the type with real guarantee, of the 3rd (third) issue of Saneago No. CSBRA20150600111, having as Lead Coordinator, the Banco de Investimento Credit Suisse (Brasil) S.A. and Banco Santander along with the lead coordinator, hereinafter coordinators. The approval took place at the Management Board' Meeting (RCA) held on July 24, 2015, pursuant to article 59 of Law No. 6,404 of 12/15/1976.

Number of debentures issued	Unit value	Amount Collected	Series
9,000	10,000	90,000,000	1 <sup>st</sup>

It is important to note that the 2<sup>nd</sup> series of the transaction in the amount of 118,000,000 was not disbursed and the issuance contract was terminated on September 12, 2016.

The debenture issuance operation contains restrictive clauses that have not been fully met. At a general meeting held on December 14, 2015, between the Company and the debenture holders, they decided to change the date for compliance with financial ratios related to debt coverage at the end of each financial year of the Company, as of December 31, 2016.

At the end of 2016, the Company did not breach the financial ratios related to debt coverage, as required by the private instrument of deed for the 3<sup>rd</sup> issue of debentures.

At the end of 2017, the Company did not breach the financial ratios related to debt coverage, as required by the private instrument of deed for the 2<sup>nd</sup> issue of debentures.

### Debentures, 4<sup>th</sup> Issue)

In December 2017, a private instrument was created for the deed of the 4<sup>th</sup> (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.

At the end of 2017, the Company did not breach the financial ratios related to debt coverage, as required by the private instrument of deed for the 4<sup>th</sup> issue of debentures.

### BNDES



## Saneamento de Goiás S.A.

The respective loan and financing agreements with BNDES contain restrictive clauses that protect the creditor's interest by establishing conditions that should not be breached (covenants) that have not been fully met, related to debt coverage and the 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.

### 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 evaluation event was created, establishing conditions that should not be breached and which may imply in advanced maturity of the debt if not fully met, related to the debt coverage to be verified every six months, effective as of the end of the 2<sup>nd</sup> half of 2017.

There was no breach of the financial ratios related to debt coverage for the 2<sup>nd</sup> half of 2017.

### Banco do Brasil

On December 20, 2017, a Bank Credit note - CCB No. 330,701,235 was signed between Saneago and Banco do Brasil. This note contains restrictions where the Bank may declare all obligations in the deed overdue and demand immediate payment if they are not met.

There was no breach of the financial ratios related to debt coverage for the 2<sup>nd</sup> half of 2017.

### CEF

On December 29, 2017, a Bank Credit note - Sanitation and infrastructure, CCB No. 0503211-09 was signed between Saneago and CEF, aimed at expanding the Water Supply System in Aparecida de Goiânia, through integration with Goiânia, from the Jão Leite Producer System with the Meia ponte System, called the Linhão project, in the municipality of Aparecida de Goiânia. There was no disbursement in December 2017.

There was no breach of the financial ratios related to debt coverage for the 2<sup>nd</sup> half of 2017.

### 19.3. Transactions made in Loans and Financing

Funding	Payments made	Appropriated charges	Funding	Payments made	Appropriated charges
01/01/2017 to 12/31/2017	01/01/2017 to 12/31/2017	01/01/2017 to 12/31/2017	01/01/2016 to 12/31/2016	01/01/2016 to 12/31/2016	01/01/2016 to 12/31/2016

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				16		
Caixa Econômica Federal - CEF	-	13,046	7,425	40,763	10,237	7,026
CEF - With FGTS Funds.	-	5,283	4,868	18	6,722	6,667
Inter-American Development Bank (IDB)	-	10,665	3,499	-	11,367	(17,284)
National Bank for Economic and Social Development	-	25,953	1,446	-	31,973	4,457
Banco do Brasil S/A	39,300	34,060	1,543	83,683	109,446	6,021
Banco Industrial e Comercial S/A - BIC	-	21,683	2,256	-	19,315	6,298
Banco Daycoval	-	5,876	327	5,078	8,316	2,187
Banco Safra	-	13,134	1,096	29,837	39,763	3,958
Banco Panamericano	-	13,726	1,917	22,500	9,041	2,553
Banco Intermedium	-	8,310	1,073	11,047	4,076	1,922
BMG	-	9,097	415	-	7,684	2,200
Subordinated Quotas FIDC III	-	-	-	-	-	(6,907)
Fundo de Invest. Direitos Cred. SANEAGO INFR. IV	-	146,762	86,146	-	106,577	111,693
Subordinated Quotas FIDC IV	-	28,999	(12,629)	-	-	-
Banco IBM -Leasing	-	2,680	433	-	1,533	674
Banco Semear	-	2,611	311	3,000	1,170	469
Banco BBM S/A	90,000	103,880	6,435	20,000	4,119.00	2,607
Banco Fibra	-	8,334	2,320	15,000	1,690.00	1,724
Debentures	130,000	71,611	17,548	-	51,472	25,386
Banco Itaú special limit	10	-	-	-	-	-
Transaction Costs	-	4,360	11,358	-	38,763	8,598
Income from Financial Investments	-	-	(1,317)	-	-	(5,074)
<b>Total</b>	<b>259,310</b>	<b>530,070</b>	<b>136,470</b>	<b>230,926</b>	<b>463,264</b>	<b>165,175</b>

### 20. Labor obligations

	12/31/2017	12/31/2016
<b>Current</b>		
Salaries Payable	23,007	26,831
Alimony and Terminations	31	-
PREVSAN	5,993	6,741
CAESAN	2,223	2,235
Vacation Provisions	41,687	36,967
Provision for FGTS	3,328	2,955
Voluntary Job Termination Program (a)	8,367	961
Consignments	1,653	1,592
INSS to collect on salaries, vacations and 13th salary	50,445	27,562
	<b>136,734</b>	<b>105,844</b>
<b>Non-Current</b>		
Voluntary Job Termination Program (a)	6,144	-
	<b>6,144</b>	-

- a) It refers to the amounts of food vouchers and medical assistance guaranteed by the Encouraged Job Termination Program and agreed in the collective bargaining agreement for the next 24 months.

### 21. Tax Obligations

	12/31/2017	12/31/2016
<b>Current</b>		
COFINS	21,552	10,331

## Saneamento de Goiás S.A.

Social Contribution	1,249	148
I.N.S.S. (Withheld)	2,199	1,356
I.R.P.J	3,467	-
I.R.R.F.	122	150
I.S.S.	795	697
Installment of the Federal Revenue of Brazil (a)	12,584	25,251
IRRF Payroll	13,071	13,422
PIS	4,637	2,230
Withholding of Federal Contributions	518	588
Others	1,096	1,170
	<b>61,290</b>	<b>55,343</b>
<b>Non-Current</b>		
Installment of the Federal Revenue of Brazil	<b>13,699</b>	<b>70,027</b>

### III) Federal Revenue of Brazil

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 Liabilities	Non-Current Liabilities	Installment Balance
Installment balance on 02/28/17	17,187	40,102	57,289
Remaining balance (a)	(10,312)	(33,228)	(43,540)
<b>Re-installment balance on 03/06/2017</b>	<b>6,875</b>	<b>6,874</b>	<b>13,749</b>

PIS/COFINS	Current Liabilities	Non-Current Liabilities	Installment Balance
Installment balance on 02/28/17	8,299	26,217	34,516
Remaining balance (a)	(4,301)	(21,019)	(25,320)
Reversal of charges	-	(1,200)	(1,200)
<b>Re-installment balance on 03/06/2017</b>	<b>3,998</b>	<b>3,998</b>	<b>7,996</b>

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)
<b>Re-installment balance on 03/06/2017</b>	<b>89</b>	<b>90</b>	<b>179</b>

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



## Saneamento de Goiás S.A.

### 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 / Fees	Total
Installment	6,928	3,769	3,589	3,591	17,877
Number of installments	Principal	Fine	Interests	Charges / Fees	Total
4	346	277	499	224	1,346
145	38	18	11	19	86

## Saneamento de Goiás S.A.

### 22. Installments

	Start	Final	Number of Installments	Update	12/31/2017	12/31/2016
I CELG - Águas Lindas	11/22/2003	10/22/2018	180	(a)	113	199
CELG	02/16/2015	01/16/2017	24	1% per month	-	549
II AGR	12/10/2015	12/10/2030	180	(b)	12,949	13,346
III STIUEG	06/26/2017	03/26/2018	10	Not Applicable*	6,074	383
IV Mardem e Fraga advogados	03/17/2016	01/20/2017	10	Not Applicable*	-	61
V Thiago Fraga	06/26/2017	03/26/2018	10	Not Applicable*	1,009	-
VI SENAI	08/31/2015	03/31/2017	20	SELIC + 1%	-	220
VII SESI	08/31/2015	03/31/2017	20	SELIC + 1%	-	533
VIII CAESAN	10/06/2014	06/06/2015	9	Without adjustment	-	1,386
IX CODEGO	06/11/2016	05/11/2019	36	Passbook savings account	8,945	12,874
I ABC - Agência Brasil Central	07/20/2016	02/20/2018	20	Without adjustment	197	919
XI Goiânia City Hall	04/28/2017	11/28/2018	20	Without adjustment	8,858	-
XII OI S/A	09/14/2017	12/14/2018	19	Without adjustment	2,257	-
Others					286	158
					<b>66,970</b>	<b>125,905</b>
				<b>Current</b>	24,435	9,561
				<b>Non-Current</b>	16,253	21,067

#### Legend - Update:

(a) According to the mains tariff.

(b) Monetary restatement 0.5% per month + interest 0.5% per month

\* Refers to installments of labor claims lost by the company against the Union of Industry workers of the State of Goiás (STIUEG).

## Saneamento de Goiás S.A.

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### 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.

#### b) CELG D - CELG Distribuição S.A.

On January 23, 2015, Saneago and CELG - Distribuição S/A - CELG D, signed an Instrument of Agreement and Debt Recognition, DC-DPCP 001/2015 (Department of Corporate Customers) referring to previous debts totaling R\$ 12,048.

### 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.

<b>Total Consolidated</b>	
Principal	10,808
Formal Fine	2,797
Fine	42
Interests	133
<b>TOTAL</b>	<u><u>13,780</u></u>

### 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.

## Saneamento de Goiás S.A.

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 replacement, according to the schedule below:

Amount	Maturity
2,502	06/26/2017
2,152	07/26/2017
2,148	08/26/2017
2,150	09/26/2017
2,151	10/26/2017
2,146	11/26/2017
2,153	12/26/2017
2,143	01/26/2018
2,151	02/26/2018
1,962	03/26/2018
<b>21,658</b>	

#### IV) Marden e Fraga Advogados Associados

a) Attorneys' fees resulting from the agreement ratified on March 17, 2016 between Saneago and STIUEG, Process No. RTOrd 0011476-78.2015.5.18.0003.

b) Attorneys' fees resulting from the agreement ratified on May 20, 2017 between Saneago and STIUEG, Process No. RTOrd 0010914-26.2016.5.18.0006.

#### V) Thiago Fraga Sociedade Individual de Advocacia

Attorneys' fees resulting from the agreement ratified on May 20, 2017 between Saneago and STIUEG, Process No. RTOrd 0010914-26.2016.5.18.0006. Where in accordance with Clause five, paragraph 3 of the sentence handed down, Saneago must pay the seventh, eighth, ninth and tenth installments directly to this beneficiary.

#### VI) SENAI - National Service of Industrial Training

In August / 2015, Saneago adhered to the debt installment in the amount of R\$ 1,245 related to the contribution to SENAI, as detailed below:

Competence	Calculation Base (R\$)	SENAI 1.5%	Interest on arrears (%)	Interest on arrears (R\$)	Fine (%)	Fine (R\$)	Total
12/14	28,482,037	285	5.87	17	20	57	359
03/15	27,518,581	275	3.06	8	20	55	338
04/15	26,463,122	265	2.07	5	20	53	323
05/15	29,660,588	297	1.00	3	13	37	337
		<b>1,122</b>		<b>33</b>		<b>202</b>	<b>1,357</b>
	<b>Withholding</b>	<b>(112)</b>		<b>-</b>		<b>-</b>	<b>-</b>
		<b>1,010</b>		<b>33</b>		<b>202</b>	<b>1,245</b>

## Saneamento de Goiás S.A.

### VII) SESI - National Service of Industrial Training

In August / 2015 Saneago adhered to the debt installment in the amount of R\$ 3,015 related to the contribution to SESI, as detailed below:

Competence	Calculation Base (R\$)	SESI 1.5%	Interest on arrears (%)	Interest on arrears (R\$)	Fine (%)	Fine (R\$)	Total
11/14	26,880,154	403	6.81	27	20	81	511
12/14	28,482,037	427	5.87	25	20	85	537
13/14	24,594,659	369	6.81	25	20	74	468
03/15	27,518,581	413	3.06	13	20	83	509
04/15	26,463,122	397	2.07	8	20	79	484
05/15	29,660,588	445	1.00	5	13	56	506
		<u>2,454</u>		<u>103</u>		<u>458</u>	<u>3,015</u>

### VIII) CAESAN - Saneago Employee Assistance Fund

On November 4, 2014, the Company and CAESAN signed an installment payment in the amount of R\$ 2,548 related to the differences resulting from the application of the new methodology for calculating the transfer of Saneago, from 2.5% of the payroll to 40% of the expenses of CAESAN, to sponsor the costing of the Health Plan, derived from Addendum No. 2254/2013.

The Company was unable to make payments on the due date, however, payments were resumed in 2017 and the installment was paid on October 27, 2017.

### IX) 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:

Lawsuit	Amount	Lawsuit	Amount
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
	<u>6,426</u>		<u>8,023</u>
		<b>Total</b>	<b><u>14,449</u></b>

### X) 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.

### XI) Goiânia City Hall

On April 24, 2017, an Instrument of Agreement was signed between Saneago and the Municipality of

## Saneamento de Goiás S.A.

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.

### XII) 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.

### 22.a) Payments made and accrued charges for the years

	Payments made 01/01/2017 to 12/31/2017	Appropriated charges 01/01/2017 to 12/31/2017	Payments made 01/01/2016 to 12/31/2016	Appropriated charges 01/01/2016 to 12/31/2016
ABES - Associação Eng. Environmental Sanitation	100	-	-	-
Agência Goiana de Comunicação	722	-	131	-
AGR - Agency for Regulation of Goiás	1,977	1,580	1,977	1,625
CAESAN - Caixa Ass. Med. SANEAGO	1,873	-	-	-
CELG	553	5	6,645	405
CELG -Águas Lindas	193	106	149	45
CODEGO - Comp. Desen. Econ. de Goiás	4,784	855	2,450	876
Eloi Mendes Roriz	-	-	1,015	-
Evoluti Ambiental (HOLLUS)	1,187	-	-	-
GAE-Construção e Comércio Ltda.	-	-	597	-
INSS	14,177	1,837	15,686	7,374
JOFEGE	1,098	-	-	-
Mardem e Fraga Advogados	1,558	-	591	-
MP-GO - Rio Verde	-	-	3,600	-
MP-GO- ETE Pq. Ateneu	-	-	250	-
OI S/A	1,123	-	-	-
PIS/COFINS	5,174	(124)	16,060	3,925
PLANAHP	850	-	-	-
Valparaíso City Hall	1,236	-	-	-
Goiânia City Hall	7,231	-	20,022	1,146
PREVSAN	-	-	6,066	418
Rafael Maciel Soc. Advogados	108	-	-	-
Federal Revenue Service of Brazil - IRRF	93	(33)	120	70
RT Incorporações e Participações	250	-	-	-
SENAI - Serviço Social da Indústria	223	3	832	79
SESI - Serviço Social da Indústria	541	8	2,016	190
STIUEG	15,977	-	4,857	-
Valdete Alves Gouveia	-	-	500	-
Others	183	-	354	1
	<b>61,211</b>	<b>4,237</b>	<b>83,918</b>	<b>16,154</b>

## Saneamento de Goiás S.A.

### 23. Other Accounts Payable

	12/31/2017	12/31/2016
Escrows	3,381	1,868
Corporate Credit Card	387	314
Other Accounts	109	255
	<u>3,877</u>	<u>2,437</u>

### 24. Provisions for judicial claims

	12/31/2017	12/31/2016
Civil Claims	25,871	43,726
Labor Claims	17,605	42,232
AGR - Agency for Regulation of Goiás	90	597
	<u>43,566</u>	<u>86,555</u>

Below we highlight the movement of provisions:

	12/31/2016	Recognized Provisions	Reversals	12/31/2017
Civil Claims (b)	43,726	18,634	(36,489)	25,871
Labor Claims	42,232	1,583	(26,210)	17,605
AGR - Agency for Regulation of Goiás	597	-	(507)	90
<b>Total</b>	<u>86,555</u>	<u>20,217</u>	<u>(63,206)</u>	<u>43,566</u>

### b) Civil and Labor Lawsuits

The Company is an integral part of several lawsuits with civil, labor and tax claims rated as probable losses by the legal advisors, duly provisioned in accordance with Resolution CVM 594/09 and CPC 25, the most relevant of which are shown below:

Nature	Lawsuit	Description	Plaintiff	Estimate	Charges	Total
Tax	10120007382/2007-74	IRPJ Infraction Notice	RFB	7,124	3,833	10,957
Labor	0010242-85.2016.5.18.0016	Collective Action - rest between shifts schedule	STIUEG	3,000	660	3,660
Labor	0011614-08.2016.5.18.0004	Collective Action - DSR improperly granted	STIUEG	3,000	660	3,660
Labor	0011048-32.2015.5.18.0013	Collective Action - rest between shifts schedule	STIUEG	2,000	440	2,440
Civil	306126-57.2013	Non-existence of debits	Municipality of Ipameri	1,853	408	2,261
Labor	0001590-79.2011.5.18.0008	Reintegration - Dismissal without Just Cause	Pedro Marcio Mundim	1,500	807	2,307
Civil	108848.77.2015	Collection Action	Ticket Serviços S/A	1,442	317	1,759
Civil	271556.49.2002.8.09.0142	Damages for expropriation	Irmãos Mendonça Cond. Rural	1,189	640	1,829
			<b>Total</b>	<u>21,108</u>	<u>7,765</u>	<u>28,873</u>

## Saneamento de Goiás S.A.

### Possible causes

The Company does not provision for lawsuits rated as possible causes of losses, defined by its legal advisors, which are subject to constant assessment.

	12/31/2017		12/31/2016	
	Estimated Amount	Quantity	Estimated Amount	Quantity
Civil (a)	308,967	1,348	146,147	1,114
Tax (b)	81,522	17	356,420	19
Labor	3,246	16	10,189	39
	<b>393,735</b>	<b>1,381</b>	<b>512,756</b>	<b>1,172</b>

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 declaratory injunctions and compensation for lack of water.

b) Resulting from inspection by the Federal Government, State and Municipality, where fines were alleged for failure to pay taxes, which in fact did not occur. 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
200704213731	Municipality of Minaçu	68,294
144562-97.2016	Sérgio Martins de Souza Queiroz	67,556
200803501387	Municipality of Minaçu	65,966
10120005927/2003-84	Federal Revenue Service of Brazil	57,185
200803501557	Municipality of Minaçu	22,122
10120005929/2003-73	Federal Revenue Service of Brazil	18,590
139085-68.2009	Public Prosecutor's Office of the State of Goiás	16,523
5299729.85	Public Prosecutor's Office of the State of Goiás	11,824
215530-65.2004	Public Prosecutor's Office of the State of Goiás	10,770
378681-38-2014	Public Prosecutor's Office of the State of Goiás	6,129
250140-93.2009	Public Prosecutor's Office of the State of Goiás	4,921
407844-63.201.8.09.00	Estal Limpeza e Serviços Gerais Ltda.	3,405
0070170-97.2010.8.17.0001	Pumaty Plant	3,303
201702520883	Municipality of São Luis De Montes Belos	3,022
		<b>359,610</b>

### 25. Jointly controlled businesses

#### 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



## Saneamento de Goiás S.A.

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 December 31, 2017, the consortium CAESB holds 66.97% and Saneago 33.03%, the difference being recognized in Saneago's non-current liabilities.

Balance Sheet - Águas Lindas Consortium				
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
<b>Asset</b>				
<b>Current</b>				
Cash and cash equivalents	1,463	1,236	5,225	8,244
Accounts Receivable from Users	5,254	4,876	21	-
	<u>6,717</u>	<u>6,112</u>		
<b>Non-Current</b>				
Accounts Receivable from Users	816	762		
Judicial Deposits	245	426		
	<u>1,061</u>	<u>1,188</u>		
<b>Fixed asset</b>	187	197		
Works in progress	115,612	100,117		
Intangible Asset	45,725	46,528		
	<u>161,524</u>	<u>146,842</u>		
<b>Total Asset</b>	<u>169,302</u>	<u>154,142</u>		
<b>Liability</b>				
<b>Current</b>				
Suppliers			213	208
Loans			737	676
Installments				
Other Accounts			<u>6,196</u>	<u>9,128</u>
<b>Non-Current</b>				
Installments			163	207
Provision for Contingencies			572	269
			<u>735</u>	<u>476</u>
<b>Net Equity</b>				
Equity Fund			142,240	133,713
Legal Reserve			20,131	10,825
			<u>162,371</u>	<u>144,538</u>
<b>Total Liability</b>			<u>169,302</u>	<u>154,142</u>

### 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



## Saneamento de Goiás S.A.

Occidental 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 December 31, 2017, the consortium CAESB holds 73.73% and Saneago 26.27%, the difference being recognized in Saneago's non-current liabilities.

Balance Sheet - Corumbá Consortium					
	12/31/2017	12/31/2016		12/31/2017	12/31/2016
<b>Asset</b>			<b>Liability</b>		
<b>Current</b>			<b>Current</b>		
Total Current Assets	-	-	Suppliers	5,179	8,703
	-	-	<b>Total Current Liabilities</b>	<b>5,179</b>	<b>8,703</b>
<b>Non-Current</b>					
Works in progress	289,051	221,255			
<b>Total Non-Current Assets</b>	<b>289,051</b>	<b>221,255</b>	<b>Net Equity</b>		
			Fundo de Participação - Saneago	74,576	71,424
			Fundo de Participação - Caesb	209,296	141,128
				<b>283,872</b>	<b>212,552</b>
<b>Total Asset</b>	<b>289,051</b>	<b>221,255</b>	<b>Total Liability</b>	<b>289,051</b>	<b>221,255</b>

## 26. Employee benefits

### 26.1 - 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 November 30, 2017.

Calculation of Net Liabilities (Assets)	12/31/2017	12/31/2016
<b>1. Deficit / (surplus) determined</b>		
1. Actuarial obligations determined in the actuarial valuation	830,278	729,874
2. Fair value of plan assets	(836,992)	(739,399)
<b>3. Deficit / (surplus) determined</b>	<b>(6,714)</b>	<b>(9,525)</b>

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<b>2. Effect of the asset ceiling and Additional Liabilities</b>		
1. Effect of the asset ceiling	6,714	9,525
2. Additional Liabilities	-	-
3. Effect of the asset ceiling and Additional Liabilities	6,714	9,525
<b>3. Net liabilities / (assets) resulting from CPC 33 (R1)</b>		
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 2017 of R\$ 6,714 and on December 31, 2016 of R\$ 9,525.

### 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.

Economic and Financial	12/31/2017	12/31/2016
Actuarial discount rate - actual rate	5.35	5.78
Expected Actual Return on Assets	5.35	5.78
Actual wage growth rate for active employees	3	3
Actual growth in plan benefits during receipt	0	0
Capacity factor on benefits	98	98
Capacity factor on salaries	98	98
Expected inflation	3.96	4.87
Nominal discount rate	9.52	10.93
Expected nominal return on plan assets <sup>□</sup>	9.52	10.93
Nominal wage growth rate for active employees	7.08	8.02
Actual growth in plan benefits during receipt	3.96	4.87

Demographic	12/31/2017	12/31/2016
Overall mortality	AT 2000 smoothed by 10% segregated by gender	AT 2000 smoothed by 10% segregated by gender
Mortality of the disabled	MI-85 segregated by gender	MI-85 segregated by gender
Disability entry	TASA 1927	TASA 1927
Annual turnover rate	1% per year, linear	1% per year, linear
Family Composition	Assets: Average Family / Assisted Actual family	Assets: Average Family / Assisted Actual family

### 26.2 - 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

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the regime of contracting by adhesion, in the form and conditions provided for in the specific Benefits 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 December 31, 2017 was R\$ 18,394 (R\$ 13,943 on December 31, 2016), and actuarial obligations calculations are not required.

### 26.3 - Profit sharing

Article 70 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.

### 27. Net Equity

a) Share Capital	12/31/2017		12/31/2016	
	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)	(674,491,223)	(674,491)
<b>Share Capital</b>	<b>2,515,546,368</b>	<b>2,515,546</b>	<b>2,450,508,777</b>	<b>2,450,509</b>

#### Table of Common Shares 12/31/2017

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
	<b>100.00</b>	<b>2,037,905</b>	<b>462,095</b>	<b>2,500,000</b>

#### Table of Preferred Shares 12/31/2017

Shareholder	%	Paid in shares	To be paid in	Total
State of Goiás	74.32	354,992	105,322	460,314
State Social Security Fund	25.67	122,637	42,021	164,658
Others	0.01	12	16	28
<b>TOTAL</b>	<b>100.00</b>	<b>477,641</b>	<b>147,359</b>	<b>625,000</b>

Profit (Loss) per Share Description	12/31/2017	12/31/2016
Paid-in Capital	2,515,546	2,450,509
Profit in the financial year	239,167	99,514
	<b>0.09508</b>	<b>0.04061</b>

The Bylaws 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

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shareholder, it has assisted the Company in obtaining funds for investment in basic sanitation.

### b) Pay-In of Capital

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. (In May 2016, the State returned R\$ 4,188 to CEF for the same reason).

Pay-In	12/31/2017			Pay-In	12/31/2016		
	Ordinary shares	Preferred shares	Total		Ordinary shares	Preferred shares	Total
State of Goiás	52,030	13,007	65,037	State of Goiás	(3,350)	(838)	(4,188)
Goiás Parcerias	-	-	-	Goiás Parcerias	-	-	-
	<u>52,030</u>	<u>13,007</u>	<u>65,037</u>		<u>(3,350)</u>	<u>(838)</u>	<u>(4,188)</u>

### 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.

#### Equity Valuation Adjustment

Equity Valuation Adjustment  
Deferred taxes on assigned cost (Note 14)

	12/31/2017	12/31/2016
Equity Valuation Adjustment	51,203	51,911
Deferred taxes on assigned cost (Note 14)	(17,409)	(17,650)
	<u>33,794</u>	<u>34,261</u>

## 28. Net Operating Revenue

#### Gross Revenues

Water Supply Service  
Sewerage Service  
Technical Services

	12/31/2017	12/31/2016
Water Supply Service	1,546,635	1,429,995
Sewerage Service	602,579	551,597
Technical Services	1,445	1,384

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Sub-delegation Grant	9,100	9,100
Estimated Revenue	1,768	7,401
Construction Revenue	76,288	226,211
	<u>2,237,815</u>	<u>2,225,688</u>
<b>Incident Taxes and Returns</b>		
PIS	(29,301)	(27,375)
COFINS	(135,872)	(127,790)
ISS	-	(2)
Returns and Rebates	(1,371)	(1,104)
	<u>(166,544)</u>	<u>(156,271)</u>
<b>Net Operating Revenue</b>	<u><u>2,071,271</u></u>	<u><u>2,069,417</u></u>

### 29. Service / Construction Costs

	12/31/2017	12/31/2016
Personnel	(443,377)	(306,665)
Material	(78,540)	(72,691)
Electricity	(190,367)	(199,658)
Third Party Services	(123,568)	(103,559)
General Costs	(19,241)	(13,996)
Amortization	(179,571)	(193,679)
	<u>(1,034,664)</u>	<u>(890,248)</u>
Construction Cost	(76,288)	(226,211)
	<u><u>(1,110,952)</u></u>	<u><u>(1,116,459)</u></u>

### 30. Administrative and Commercial Expenses

	12/31/2017		12/31/2016	
	Administrative	Commercial	Administrative	Commercial
Personnel	(425,610)	(80,379)	(416,515)	(39,841)
Material	(4,710)	(352)	(7,598)	(461)
Third Party Services	(39,424)	(58,752)	(70,279)	(42,901)
Concession Remuneration	-	(51,253)	-	(49,051)
General Expenses	(7,629)	(3,844)	(2,867)	(1,505)
Depreciation	(29,150)	(58)	(6,278)	(145)
Depreciation of Assigned Cost	(442)	(2)	(383)	(4)
Property Depreciation - Leasing	(1,212)	(135)	(552)	(102)
	<u>(508,177)</u>	<u>(194,775)</u>	<u>(504,472)</u>	<u>(134,010)</u>

## Saneamento de Goiás S.A.

### 31. Net provisions / reversals

	12/31/2017	12/31/2016
Prescribed Credits Losses	(44,889)	(52,045)
Provision / Reversal for Contingency	42,988	(22,530)
Provision / Reversal of Allowance for Doubtful Accounts	(61,626)	23,574
Provision / Reversal of Losses in Stock	(1,362)	(3,065)
Provision / Reversal of Encouraged Job Termination Program	962	11,614
Provision / Reversal of Losses in Construction Works	(42,475)	(90,906)
	<b>(106,402)</b>	<b>(133,358)</b>

### 32. Net Financial Result

	12/31/2017	12/31/2016
<b>Financial Revenues</b>		
Interest, Fines and Income	56,788	56,719
Monetary Correction	28,401	19,121
Exchange Variation	9,868	31,526
	<b>95,057</b>	<b>107,366</b>
<b>Financial Expenses</b>		
Interests / Fines / Charges and Other Expenses	(141,766)	(197,413)
Granted Discounts	-	(814)
Adjustment to Current Value - AVP	(1,726)	(67)
Monetary Correction	(13,204)	(25,467)
Exchange Variation	(11,611)	(12,155)
	<b>(168,307)</b>	<b>(235,916)</b>
<b>Net Financial Result</b>	<b>(73,250)</b>	<b>(128,550)</b>

### 33. Commitments assumed

The Company has program contracts with 38 municipalities in the state of Goiás, in which the investments to be made within the term of the contract are defined, as detailed below:

Municipalities	Current Contract Signature	Program Contract Maturity	Contract Amount	Amount Invested until 12/31/2017 SANEAGO	Amount Invested until 12/31/2017 BRK Ambiental	Total
Aparecida de Goiânia	11/01/2011	11/01/2041	988,848	124,349	205,668	330,017
Aragoiânia	12/26/2012	12/26/2042	27,926	981	-	981
Avelinópolis	01/22/2016	01/22/2046	1,724	33	-	33

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Barro Alto	12/26/2012	12/26/2042	32,703	1,586	-	1,586
Brazabrantes	02/06/2014	02/06/2044	8,056	724	-	724
Cachoeira Alta	07/27/2015	07/27/2045	26,167	853	-	853
Campestre de Goiás	01/12/2016	01/6/2046	645	999	-	999
Campinaçu	08/12/2015	08/12/2045	13,146	8,886	-	8,886
Cezarina	12/17/2012	12/17/2042	23,352	12,142	-	12,142
Cidade Ocidental	11/01/2011	11/01/2041	243,394	13,371	-	13,371
Cristalina	02/07/2014	02/07/2044	58,952	16,334	-	16,334
Diorama	07/24/2017	07/24/2047	1,091	18	-	18
Divinópolis	10/05/2017	10/05/2047	675	138	-	138
Flores de Goiás	08/14/2014	08/14/2044	4,221	206	-	206
Guarani de Goiás	09/15/2010	09/15/2040	962	559	-	559
Hidrolândia	08/03/2016	08/03/2046	9,737	2,213	-	2,213
Indiara	04/30/2014	04/30/2044	32,180	16,897	-	16,897
Israelândia	11/24/2009	11/24/2039	3,300	83	-	83
Itajá	12/19/2012	12/19/2042	2,328	233	-	233
Jataí	11/01/2011	11/01/2041	114,116	31,425	40,587	72,012
Jussara	12/26/2016	12/26/2046	5,759	218	-	218
Luziânia	12/01/2015	12/01/2045	366,853	16,742	-	16,742
Mambaí	03/11/2016	03/07/2046	1,689	325	-	325
Minaçu	02/06/2014	02/06/2044	39,716	8,847	-	8,847
Morrinhos	11/30/2010	11/30/2040	46,917	15,444	-	15,444
Morro Agudo de Goiás	02/23/2016	05/02/2046	1,198	226	-	226
Mozarlândia	12/28/2016	12/28/2046	1,894	121	-	121
Palmelo	10/29/2012	10/29/2042	1,039	52	-	52
Petrolina de Goiás	10/20/2011	10/20/2041	6,797	2,024	-	2,024
Pires do Rio	11/03/2008	11/03/2038	10,529	22,650	-	22,650
Asset	06/12/2017	06/12/2047	19,945	2,312	-	2,312
Rio Verde	11/01/2011	11/01/2041	249,889	51,736	67,375	119,111
Santa Cruz de Goiás	06/28/2013	06/28/2043	1,497	260	-	260
Santo Antônio da Barra	12/29/2015	12/26/2045	3,977	375	-	375
Santo Antônio de Goiás	12/02/2015	12/02/2045	15,868	296	-	296
Santo Antônio do Descoberto	06/10/2016	06/10/2046	55,686	20,202	-	20,202
São Luiz de Montes Belos	12/19/2012	12/19/2042	41,928	1,972	-	1,972
Trindade	11/01/2011	11/01/2041	169,222	19,423	34,508	53,931
<b>Total</b>			<b>2,633,926</b>	<b>395,255</b>	<b>348,138</b>	<b>743,393</b>
<i>Amortization of investments made by BRK Ambiental</i>						<i>(7,549)</i>
						<b>340,589</b>

### 34. Insurance (Unaudited)

On July 5, 2018, the Civil Liability Insurance for Managers and Officers (D&O Insurance) was contracted for 12 (twelve) months and on July 4, 2019 the contract was extended for another 12 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 period of retroactivity or the term of insurance policy, provided that such loss does not exceed the maximum contracted guarantee limit of 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 insurance for its operating assets.



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### 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	12/31/2017			12/31/2016		
	Updated	Installment	Total	Updated	Installment	Total
Federal Public Bodies	567	-	567	632	56	688
State Public Bodies	80,473	1,709	82,182	44,025	144	44,169
Public Municipal Authority	27,254	21,189	48,443	25,395	18,542	43,937
Other Bodies	8,653	1,960	10,613	5,435	2,191	7,626
Philanthropic Organizations	436	237	673	409	131	540
	<b>117,383</b>	<b>25,095</b>	<b>142,478</b>	<b>75,896</b>	<b>21,064</b>	<b>96,960</b>

#### 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 December 31, 2017, R\$ 34,161 had been paid, in portfolio R\$ 31,013 (on 12/31/2016, R\$ 29,607 was paid, in portfolio R\$ 27,222).

b) Among the contracts in force, 29 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, asphalt paving, recovering public places and even assigning areas for the construction of Company offices. On December 31, 2017, the balance of accounts receivable, overdue and to be due, referring to debts of the municipalities to which the Company provides services is R\$ 48,442, and 25 account reconciliations were performed, with an adjustment of R\$ 1,467 (December 31, 2016 R\$ 20,588, and 34 account reconciliations were performed, with an adjustment of R\$ 2,086).

### 36. Administrators' Remuneration



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The expenses related to the remuneration of the members of the Management Board, Supervisory Board and Board of Directors were R\$ 5,097 on December 31, 2017 (R\$ 4,465 on December 31, 2016).

### **a) Management Board and Collegiate Board of Directors**

The Management Board is the normative and deliberative body and is composed of a minimum of 7 (seven) and a maximum of 9 (nine) members, who will receive monthly remuneration of 18% (eighteen percent) of the average remuneration paid to the Directors of the Company, according to Art. 47 of the Bylaws.

The Board of Directors is a collegiate executive body with powers to exercise the management of the Company, and has the following composition: Chief Executive Officer, Vice-President Director, Corporate Management Director, Investor Relations and Regulation Director, Production Director, Construction Management Director and Legal Counsel.

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, pursuant to art. 56, paragraph 5 of the Company's Bylaws.

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.

### **b) Supervisory Board and Statutory Audit Committee**

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, profit sharing, pursuant to Art. 34 of the Bylaws.

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

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 in accordance with Article 48 of the Bylaws.

It consists of at least 5 (five) members, the election of substitutes is prohibited, observing the minimum requirements set forth in Law 13.303/2016 and elected by the Management Board, as provided for in Article 55 of the Bylaws. The Management Board will establish the monthly remuneration of its effective members, observing the minimum limit, for each one, of 14% (fourteen percent) of the average of the remuneration assigned to the Directors, not counting benefits, and profit sharing.

## 37. Supplementary information to cash flows

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

	<u>12/31/2017</u>	<u>12/31/2016</u>		<u>12/31/2017</u>	<u>12/31/2016</u>
<b>Asset</b>			<b>Liability</b>		
Credits Receivable from Users	(1,833)	(45,225)	Suppliers	(86,877)	37,876
PCLD-Losses / Reversals / AVP	(132,012)	(134,468)	Fixed asset transfer	403	-
Restatement 2017	-	79,116	2018 Revaluation - Municipality	-	17,195
	<u>(133,845)</u>	<u>(100,577)</u>		<u>(86,474)</u>	<u>37,876</u>
Stock - Balance sheet variation	(9,386)	7,722	Labor obligations	37,034	23,143
Losses / Reversal of Estimated losses -	(4,684)	6	Reratings - 2018/2019	9,936	(8,976)
Transfer of Fixed Asset	(10,556)	5,325		<u>46,970</u>	<u>14,167</u>
Restatement 2017	-	(2,139)			
Adjustment June 2019	3010	(932)	Consortiums	27,637	23,550
	<u>(21,616)</u>	<u>9,982</u>	Restatement 2017 - Transfer of	(27,586)	(26,463)
Other Accounts Receivable	34,594	(871)	Re-rating 2017	-	7,581
Encontro de Contas Águas Lindas Repres	(8,050)	(4,179)		<u>51</u>	<u>4,668</u>
Reversal, Provision	303	2120			
	<u>26,847</u>	<u>(2,930)</u>	Tax Obligations	50,381	73,082
Judicial Deposit	(898)	1,820	Tax transferred from debentures	24	(184)
Transfer of land regularization additions	(8,630)	-	Reratings - 2018/2019	8,976	(64,787)
Provision / Ver. for expropriation	3,768	-		<u>59,381</u>	<u>8,111</u>
Variation 2015/2016, Restatement 2018	-	(1,852)	Installment	-	(117,944)
Restatement June 2019	-	(3,915)	Reratings - 2018	-	(95,277)
	<u>(5,760)</u>	<u>(3,947)</u>		<u>-</u>	<u>(22,667)</u>
Variation in deferred taxes					



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Deferred Taxes Effects on DR	225,955	99,906	Equity Valuation Adjustment	(668)	(687)
Tax Deferred, Cost Assigned PL effects	241	270	Depreciation of assigned cost	640	584
Deferred Tax Offset Tax Loss	(71,906)		Deferred Tax Variation,	241	270
	<u>154,290</u>	<u>100,176</u>		<u>213</u>	<u>167</u>
Additions to Equity notes 17 and 18	122,127	290,548			
Restatement 2017 -Encontro Contas Águas	-	(70)			
Reversal of Additions	-	(26)			
Leasing - Acquisition	-	(4,022)			
Provision for expropriation	(2,975)	2,914			
	<u>119,152</u>	<u>289,344</u>			

37.a) Refers to account adjustments made between the Águas Lindas and Corumbá consortiums, from previous financial years, which affected the Intangible assets / income in 2017 and, in compliance with item 20 letter (c), CPC 03(R2), profit was adjusted for these effects. According to item 16 CPC 03 (R2), only disbursements that result in an asset recognized in the financial statements are rated as an investment activity.

37.b) Pursuant to Subscription Promise Contract and Payment of Subordinates Quotas of the Credit Rights Investment Fund of Saneamento de Goiás S.A - Saneago - Infraestrutura IV. The Director also approved the realization of 2,700 (two thousand and seven hundred) subordinated quotas, to be subscribed and paid in exclusively by the assignor, totaling R\$ 27,000 (twenty-seven million reais) equivalent to the Amortization Reserve. In 2017, Saneago made new payments of R\$ 28,999 as a result of the increase in this reserve. The number of shares remains the same.

### 38. Decanting operation

On August 24, 2016, an operation called Decantação was initiated, 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 overpricing 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;

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(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.

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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.

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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 (Oldest date of one of the contracts object to the operação decantação that was signed in 2007).



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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
<b>Sample (Period 2007/2017):</b>		
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	<b>6.383</b> %
<b>Extrapolation of samples in the universe of works contracts (Period 2007/2017)</b>		
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
<b>Subtotal</b>	(D+E) F	<b>1,785,111,980</b>
Estimated provision on contracts related to the "Operação Decantação"	(F*C/100) G	<b>113,943,821</b>
Amount provisioned on December 31, 2017	H	64,785,432
<b>Subtotal</b>	(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	<b>53,709,052</b>

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 Public Prosecutor's Office (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



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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 1<sup>st</sup> Operation phase would still be executing contracts with Saneago. However, the Company trusts the governance measures adopted after 2016, which include:

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.



# Saneamento de Goiás S.A.

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