

## Independent Auditor's Report on the Financial Statements

THE  
DIRECTORY BOARD OF THE  
SINGLE SOCIAL SECURITY FUND OF THE STATE OF RIO DE  
JANEIRO - RIO PREVIDÊNCIA  
Rio de Janeiro - RJ

### Opinion with a Remark

We have audited the financial statements of the SINGLE SOCIAL SECURITY FUND OF THE STATE OF RIO DE JANEIRO - RIO PREVIDÊNCIA (Entity), which comprises the balance sheet, financial and budgetary statements as of December 31, 2017 and the related statements of changes in equity and cash flows for the year then ended, as well as the corresponding explanatory notes, including a summary of the main accounting policies.

In our opinion, except for the effects of the subject described in the following section entitled as “Basis for an opinion with a remark” the accounting demonstrations above adequately present, in all relevant aspects, the patrimonial position and financial entity in December 31, 2017, the performance of its operations and patrimonial variations for the exercise due this date, in agreement with the accounting practices adopted in Brazil applicable to entities of the public sector and with Private Regime of Social Security – RPPS.

### The basis of the opinion with a remark

We requested a confirmation of the balances of investments and bank balances, for December 31, 2017, though we did not receive a response of this confirmation, limiting our work.

In virtue to the actual economic conjecture of the State of Rio de Janeiro, the actives to whom the entity is entitled to with the government of the State of Rio de Janeiro does not have an expectation of realization. With all RIOPREVIDÊNCIA, as the social security fund only has the responsibility of the State Treasure, there is no impact (of deficit) to the public servers. In case the Fund does not have financial resources to cover the actuarial deficit, the State of Rio de Janeiro by Law has to contribute to the maintenance of the Entity.

The entity has registered in its non-current liabilities as technical provisions, the amount of R\$ 119,732,760,592, 69. We were presented with the actuarial report responsible for calculations referring to the 2016 financial year, not being presented the actuarial valuation report of 2017; consequently, it was not possible for us to form an opinion on the adequacy of the amounts recorded under this heading.

In December 31 of 2017, the entity presented an amount of R\$51.186.416.058,67, referring to the adjustment of previous exercises, which basically refers to the updating of the mathematical provisions of 2016. Which we could not provide audit procedures. Because of this, we were not able to form an opinion as to the adequacy of the amounts recorded under this heading.

The management of the entity did not provide a letter from those responsible for legal advice regarding the judicial and administrative debts of the single social security fund of the state of Rio de Janeiro - social security for the 2017 fiscal year, constituting a limitation in the execution of our examinations.

Our audit was conducted in accordance with Brazilian and international auditing standards. Our responsibilities, in accordance with such standards, are described in the following section entitled "Auditor's Responsibilities for the Audit of Financial Statements." We are independent in relation to the entity, in accordance with the relevant ethical principles set forth in the professional ethics code of the accountant and the professional standards issued by the Federal Accounting Council, and we comply with the other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to substantiate our opinion.

#### Operational Continuity

The aforementioned financial statements presented in accordance with accounting practices adopted in Brazil applicable to an entity in normal activity, which presuppose the realization of assets, as well as the settlement of obligations in the normal course of business. As shown in the financial statements, the normal continuity of the entity will depend on the ability to realize its assets in amounts sufficient to cover short and long-term obligations. Since we cannot measure, the calculation of net equity coverage and the actuarial liability discovered. The reversal of the current situation will be subject to the success of implementations adopted, in addition to others that should be carried out over the next few years. This situation indicates the existence of relevant uncertainty that may raise the significant doubt as to the company's capacity for operational continuity. If the fund does not have financial resources to cover its actuarial deficit, the state of Rio de Janeiro, by law should make the necessary contribution to the maintenance of the entity.

#### Other subjects

The entity has a securitization operation of royalties on special reimbursement of royalties and participation in the natural oil and gas exploration - technical note DIN / GOP n ° 01/2015. To carry out the operation in the international market, a specific purpose company was created, RIO OIL FINANCE TRUST, which the purpose was to purchase all royalties on royalties and special participation of RIOPREVIDENCIA, CEF and BB with the total credit. In the year 2014, the Entity raised R \$ 3.1 billion in debt securities in foreign markets, the burden of this operation was the royalties of oil and special participations that the autarchy would receive in the future. Since the first operation, the price of the dollar has risen relative to the real, which has affected the fund's financial flow and this fact has resulted in an index of Operation Coverage (ratio between the volume of revenue earned annually by the flow and the volume of payment of the seniors) less than 1.5x. This index established contractually if it is injured it results that the structure enters into phase of payment of the principal and charges of the titles. The FUND in negotiations with international investors managed to avoid the early maturity of its bonds with the oil royalties. Most international creditors accepted the agreement proposed in October 2015 by the FUND that offered three compensations to

international investors who bought the papers: waiver fee: the retention of part of their revenues for six months and the increase in interest of the notes maturing in 2024 and 2027. The entity is today in the 5th waiver of the aforementioned transaction with the partial rescission agreements of the amortization acceleration period and the balances of the main reserve accounts of the transaction will no longer be used for accelerated amortization purposes . It should also be noted that if the negotiations do not agree on RIOPREVIDENCIA, as a pension fund is the responsibility of the State Treasury alone, there is no impact (of the deficit) on the public servant. In the event that the Fund does not have a financial recourse to cover its actuarial deficit, the State of Rio de Janeiro shall, by law, make the necessary contribution to the maintenance of the Entity.

Other information accompanying the financial statements and the auditor's report

The administration of the SINGLE SOCIAL SECURITY FUND OF THE STATE OF RIO DE JANEIRO - RIO PREVIDENCIA is responsible for such other information that includes the Administrative Report.

Our opinion on the financial statements does not cover the Management Report and we do not express any form of audit conclusion on this report.

In connection with the audit of the accounting demonstrations, our responsibility is to read the Administration Report, , when it is made available to us and, in doing so, consider whether that report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

### **Responsibility of management and governance for financial statements**

Management is responsible for the preparation and adequate presentation of the financial statements in accordance with the accounting practices adopted in Brazil applicable to entities of the public sector and with the Social Security System - RPPS and the internal controls that it has determined as necessary to allow the preparation of financial statements accounting for any material misstatement, whether caused by fraud or error.

In the preparation of the financial statements, management is responsible for assessing the ability of the ONLY FUND FOR THE SOCIAL SECURITY OF THE STATE OF RIO DE JANEIRO - RIO PREVIDENCIA to continue operating, disclosing, when applicable, matters related to its operational continuity and the use of such accounting basis in the preparation of the financial statements, unless the administration intends to liquidate the SUNDAY OF SOCIAL SECURITY FUND OF THE STATE OF RIO DE JANEIRO - RIO PREVIDENCIA or cease its operations, or has no realistic alternative to avoid the closure of operations.

Those responsible for the governance of the UNIFIED FUND OF SOCIAL SECURITY IN THE STATE OF RIO DE JANEIRO - RIO PREVIDENCIA are those responsible for supervising the process of preparation of the financial statements.

Responsibilities of the auditor for the audit of the financial statements

Our purpose is to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether its caused by fraud or error, and issue an audit report containing our opinion. Reasonable security is a high level of security, but, no, a guarantee that the audit will always detect any relevant distortions. Distortions may be due to fraud or error and are considered relevant when, individually or jointly, they can influence, from a reasonable perspective, the economic decisions of the users taken based on the financial statements.

As part of the audit conducted in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. Besides that:

- We identify and evaluate the risks of material misstatement in the financial statements, whether caused by fraud or error, we plan and perform audit procedures in response and such risks, as well as, we obtain audit evidence appropriate and sufficient to substantiate our opinion. The risk of not detecting material misstatement resulting from fraud is greater than that arising from error, since fraud may involve the act of circumventing internal controls collusion, falsification, omission or false intentional representations.
- We obtain an understanding of the internal controls relevant to the audit to plan audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the SINGLE SOCIAL SECURITY FUND OF THE STATE RIO DE JANEIRO - RIO PREVIDÊNCIA.
- We evaluate the adequacy of the accounting policies used and the reasonableness of accounting estimates and respective disclosures made by management.
- We conclude on the adequacy of management's use of the operating continuity accounting basis and, based on audit evidence obtained, whether there is material uncertainty regarding events or conditions that could raise significant doubt in relation to events or conditions that may raises significant doubt regarding the operational continuity capacity of the SINGLE SOCIAL SECURITY FUND OF THE STATE OF RIO DE JANEIRO - RIO PREVIDENCIA. If we conclude that there is material uncertainty, we should draw attention in our audit report to the respective disclosures in the financial statements or include modification in our opinion if the disclosures are inadequate. Our findings are based on the future audit evidence that may lead to the SINGLE SOCIAL SECURITY FUND OF THE STATE OF RIO DE JANEIRO - RIO PREVIDENCIA. If we find that there is significant inertia, we should draw attention in our audit report to the respective disclosures in the financial statements or include modification in our opinion if the disclosures are inadequate. Our findings are based on audit evidence obtained as of the date of our report. However, future events or conditions may lead to the ONLY FUND OF SOCIAL SECURITY OF THE STATE OF RIO DE JANEIRO - RIO PREVIDÊNCIA not to remain in operational continuity.

- We evaluate the overall presentation, structure and content of financial statements, including disclosures and whether the financial statements represent the corresponding transactions and events in a manner consistent with the objective of adequate presentation.

São Paulo, March 20th, 2018.

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