

A free translation from Portuguese into English of the ITR – Quarterly Information originally issued in Portuguese.

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## **ITR - QUARTERLY INFORMATION THIRD QUARTER OF 2019**

# **COMPANHIA DE SANEAMENTO DO PARANÁ – SANEPAR**

**Interim financial information  
As at September 30, 2019**

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**Individual financial statements/ statements of financial position - assets**  
**(In thousands of Brazilian reais)**

<b>Code of Account</b>	<b>Account description</b>	<b>Current quarter 09/30/2019</b>	<b>Prior year 12/31/2018</b>
1	Total Assets	11,557,831	10,781,322
1.01	Current assets	1,075,165	1,064,530
1.01.01	Cash and cash equivalents	257,475	326,624
1.01.01.01	Cash and banks	14,426	35,003
1.01.01.02	Financial investments	243,049	291,621
1.01.03	Accounts receivable	710,045	639,054
1.01.03.01	Trade accounts receivable	710,045	639,054
1.01.04	Inventories	43,804	39,120
1.01.06	Recoverable taxes	301	15,396
1.01.06.01	Current recoverable taxes	301	15,396
1.01.08	Other current assets	63,540	44,336
1.01.08.03	Others	63,540	44,336
1.01.08.03.01	Restricted deposits	3,517	6,720
1.01.08.03.03	Other accounts receivable	60,023	37,616
1.02	Noncurrent assets	10,482,666	9,716,792
1.02.01	Long-term assets	3,095,226	2,589,082
1.02.01.04	Accounts receivable	22,509	22,070
1.02.01.04.01	Trade accounts receivable	22,509	22,070
1.02.01.07	Deferred taxes	533,076	490,938
1.02.01.07.01	Deferred Income and Social Contribution Taxes	533,076	490,938
1.02.01.10	Other noncurrent assets	2,539,641	2,076,074
1.02.01.10.03	Restricted deposits	55,383	52,948
1.02.01.10.04	Derivative financial instruments	320	0
1.02.01.10.05	Court deposits	293,795	203,452
1.02.01.10.06	Contractual financial assets	412,520	375,871
1.02.01.10.07	Contract of asset	1,728,595	1,393,188
1.02.01.10.08	Other receivables	49,028	50,615
1.02.02	Investments	18,259	22,585
1.02.03	Fixed assets	263,582	168,771
1.02.04	Intangible assets	7,105,599	6,936,354

**Individual financial statements/ statements of financial position - liabilities**

(In thousands of Brazilian reais)

<b>Code of Account</b>	<b>Account description</b>	<b>Current quarter 09/30/2019</b>	<b>Prior year 12/31/2018</b>
2	Total Liabilities	11,557,831	10,781,322
2.01	Current liabilities	1,262,236	1,358,832
2.01.01	Payroll and social charges	110,907	151,420
2.01.01.02	Labor liabilities	110,907	151,420
2.01.02	Trade accounts payable	194,290	190,742
2.01.03	Tax liabilities	88,647	68,133
2.01.04	Loans and financing	362,562	478,770
2.01.04.01	Loans and financing	136,862	142,156
2.01.04.02	Debentures	171,071	328,133
2.01.04.03	Financing from finance lease	54,629	8,481
2.01.05	Other liabilities	268,191	319,058
2.01.05.02	Others	268,191	319,058
2.01.05.02.01	Dividends and interest on equity capital payable	161,485	183,678
2.01.05.02.04	Concession contracts	31,035	60,456
2.01.05.02.05	Collaterals and contractual retentions	2,255	2,545
2.01.05.02.07	Unearned revenue	4,200	4,200
2.01.05.02.09	Other accounts payable	69,216	68,179
2.01.06	Provisions	237,639	150,709
2.01.06.02	Other provisions	237,639	150,709
2.01.06.02.04	Provisions for pension plan and health insurance	65,777	62,786
2.01.06.02.05	Labor provisions	171,862	87,923
2.02	Noncurrent liabilities	4,270,766	3,705,302
2.02.01	Loans and financing	2,748,445	2,292,548
2.02.01.01	Loans and financing	1,226,377	1,186,628
2.02.01.02	Debentures	1,209,517	840,854
2.02.01.03	Financing from finance lease	312,551	265,066
2.02.02	Other liabilities	54,491	71,955
2.02.02.02	Others	54,491	71,955
2.02.02.02.04	Taxes and contributions	707	991
2.02.02.02.06	Unearned revenue	5,950	9,100
2.02.02.02.07	Derivative financial instruments	322	0
2.02.02.02.08	Other accounts payable	47,512	61,864
2.02.04	Provisions	1,467,830	1,340,799
2.02.04.02	Other provisions	1,467,830	1,340,799
2.02.04.02.04	Provisions for pension plan and health insurance	920,866	879,002
2.02.04.02.05	Provisions	546,964	461,797
2.03	Equity	6,024,829	5,717,188
2.03.01	Realized capital stock	2,851,089	2,851,089
2.03.01.01	Paid-in capital stock	2,851,089	2,851,089
2.03.03	Revaluation surplus	71,009	75,111
2.03.03.01	Own assets	71,009	75,111
2.03.04	Income reserves	2,477,134	2,689,041
2.03.04.01	Statutory reserve	282,913	282,913
2.03.04.07	Tax incentive reserve	10,209	10,209
2.03.04.08	Additional proposed dividend	0	211,907
2.03.04.10	Investment plan	2,184,012	2,184,012
2.03.05	Retained earnings/(Accumulated losses)	524,108	0
2.03.06	Asset and liability valuation adjustments	5,264	5,722
2.03.08	Other comprehensive income	96,225	96,225

**Individual financial statements/ Statements of income**  
(In thousands of Brazilian reais)

Code of Account	Account description	Current quarter	Accumulated in current year	Prior quarter	Accumulated in prior year
		07/01/2019 to 09/30/2019	01/01/2019 to 09/30/2019	07/01/2018 to 09/30/2018	01/01/2018 to 09/30/2018
3.01	Revenue from sales of goods and/or services	1,185,336	3,383,208	1,045,190	3,064,255
3.02	Cost of goods sold and/or services rendered	-476,608	-1,357,699	-453,378	-1,237,302
3.03	Gross result	708,728	2,025,509	591,812	1,826,953
3.04	Operating expenses/revenues	-308,151	-936,317	-303,662	-861,658
3.04.01	Selling expenses	-91,370	-265,860	-80,475	-221,897
3.04.02	General and administrative expenses	-148,326	-423,731	-143,270	-439,283
3.04.05	Other operating expenses	-66,157	-242,206	-78,647	-197,581
3.04.05.01	Provision for contingencies	-21,881	-85,167	15,100	-12,351
3.04.05.02	Pension plan and health insurance	-14,952	-44,855	-21,455	-64,365
3.04.05.03	Profit sharing program	-26,277	-76,414	-53,097	-94,327
3.04.05.04	Other operating expenses (revenues)	-3,047	-35,770	-19,195	-26,538
3.04.06	Equity in earnings (losses) of controlled companies	-2,298	-4,520	-1,270	-2,897
3.05	Income (loss) before financial income (loss) and tax	400,577	1,089,192	288,150	965,295
3.06	Financial income (loss)	-44,056	-134,447	-68,126	-157,301
3.06.01	Financial revenues	14,804	43,355	14,962	46,304
3.06.02	Financial expenses	-58,860	-177,802	-83,088	-203,605
3.07	Income (loss) before taxes	356,521	954,745	220,024	807,994
3.08	Income and Social Contribution Taxes	-112,881	-261,032	-88,025	-235,520
3.09	Net income (loss) from continuing operations	243,640	693,713	131,999	572,474
3.11	Income/Loss for the period	243,640	693,713	131,999	572,474
3.99	Earnings per share – (Reais/Share)				
3.99.01	Basic earnings per share				
3.99.01.01	Preferred shares	0.49878	1.42017	0.27023	1.17198
3.99.01.02	Common shares	0.45344	1.29107	0.24566	1.06543
3.99.02	Diluted earnings per share				
3.99.02.01	Preferred shares	0.49878	1.42017	0.27023	1.17198
3.99.02.02	Common shares	0.45344	1.29107	0.24566	1.06543

Quarterly Information – 09/30/2019 - CIA SANEAMENTO DO PARANA - SANEPAR

**Individual financial statements/ Statements of comprehensive income**

(In thousands of Brazilian reais)

Code of Account	Account description	Current quarter	Accumulated in current year	Prior quarter	Accumulated in prior year
		07/01/2019 to 09/30/2019	01/01/2019 to 09/30/2019	07/01/2018 to 09/30/2018	01/01/2018 to 09/30/2018
4.01	Net income for the period	243,640	693,713	131,999	572,474
4.03	Comprehensive income for tl	243,640	693,713	131,999	572,474

**Individual financial statements/Statements of cash flows - indirect method**

<b>Code of account</b>	<b>Account description</b>	<b>Accumulated in</b>	<b>Accumulated in</b>
		<b>current year</b>	<b>prior year</b>
		<b>01/01/2019 to 09/30/2019</b>	<b>01/01/2018 to 09/30/2018</b>
6.01	Net cash from operating activities	1,055,836	1,006,210
6.01.01	Cash from operations	1,235,784	1,048,158
6.01.01.01	Net income for the period	693,713	572,474
6.01.01.02	Depreciation and amortization	251,337	201,036
6.01.01.03	Costs of fixed and intangible assets write-offs	7,367	8,093
6.01.01.04	Impairment	-2,133	-404
6.01.01.06	Discount to present value of financial assets	-11,818	-8,975
6.01.01.07	Allowance for doubtful accounts	14,823	5,439
6.01.01.08	Deferred Income and Social Contribution Taxes, net	-42,138	-32,110
6.01.01.09	Provision for contingencies	85,167	12,351
6.01.01.10	Pension plan and medical insurance	44,855	64,365
6.01.01.11	Interest on financing	150,885	165,682
6.01.01.12	Monetary variations on financing	12,594	57,942
6.01.01.13	Interest and monetary restatements Leasing	26,315	0
6.01.01.14	Exchange rate, net	-1	0
6.01.01.15	Exchange on derivative financial instrments	2	0
6.01.01.16	Equity in earnings (losses) of controlled companies	4,520	2,897
6.01.01.17	Appropriation of costs of funds raised from third parties	490	620
6.01.01.18	Adjustment to Fair Value – Investments	-194	-1,252
6.01.02	Changes in assets and liabilities	-179,948	-41,948
6.01.02.01	Trade accounts receivable	-86,253	-30,464
6.01.02.02	Recoverable taxes and contributions	15,095	24,267
6.01.02.03	Inventories	-4,684	-951
6.01.02.04	Court deposits	-90,343	-13,341
6.01.02.05	Other receivables and accounts receivable	-20,820	-36,348
6.01.02.06	Contractors and Suppliers	3,548	-19,535
6.01.02.07	Concession contracts	-29,421	-31,731
6.01.02.08	Taxes and contributions	6,259	-6,863
6.01.02.09	Salaries and social charges	43,426	81,837
6.01.02.10	Collaterals and contractual retentions	-290	118
6.01.02.11	Unearned revenues	-3,150	-3,150
6.01.02.13	Other accounts payable	-13,315	-5,787
6.02	Net cash from investing activities	-752,489	-694,973
6.02.01	Investments in fixed and intangible assets	-752,489	-693,197
6.02.02	Investments	0	-1,776
6.03	Net cash from financing activities	-372,496	-522,427
6.03.01	Financing	566,613	378,972
6.03.02	Amortization of financing	-341,511	-433,991
6.03.03	Payments of interest on financing	-142,743	-166,600
6.03.04	Payments of Mercantile Leases	-61,060	0
6.03.05	Costs of funds raised with third parties	-270	-797
6.03.06	Restricted deposits	768	-1,616
6.03.07	Payment of dividends and interest on equity	-394,293	-298,395
6.05	Increase (decrease) in cash and equivalents	-69,149	-211,190
6.05.01	Beginning balance of cash and cash equivalents	326,624	533,888
6.05.02	Ending balance of cash and cash equivalents	257,475	322,698

Quarterly Information – 09/30/2019 - CIA SANEAMENTO DO PARANA - SANEPAR

**Individual financial statements/ Statement of changes in equity - 01/01/2019 to 09/30/2019**

Code of account	Account description	Capital reserves, Granted			Retained earnings or accumulated losses	Other comprehensive income	Equity
		Paid-in capital stock	options and Treasury shares	Income reserves			
5.01	Initial balances	2,851,089	0	2,689,041	0	177,058	5,717,188
5.03	Adjusted beginning balances	2,851,089	0	2,689,041	0	177,058	5,717,188
5.04	Capital transactions with partners	0	0	-211,907	-174,165	0	-386,072
5.04.06	Dividends	0	0	-211,907	0	0	-211,907
5.04.07	Interest on equity	0	0	0	-174,165	0	-174,165
5.05	Total comprehensive income	0	0	0	698,273	-4,560	693,713
5.05.01	Net income for the period	0	0	0	693,713	0	693,713
5.05.02	Other comprehensive income	0	0	0	4,560	-4,560	0
5.05.02.06	Realization of revaluation surplus	0	0	0	6,216	-6,216	0
5.05.02.07	Taxes on the realization of revaluation surplus	0	0	0	-2,114	2,114	0
5.05.02.08	Realization of adjustment to attributed cost	0	0	0	693	-693	0
5.05.02.09	Taxes on realization of adjustment to attributed cost	0	0	0	-235	235	0
5.07	Ending balances	2,851,089	0	2,477,134	524,108	172,498	6,024,829



**Individual financial statements/ Statement of changes in equity - 01/01/2018 to 09/30/2018**

Code of account	Account description	Capital reserves, Granted		Retained earnings or		Other comprehensive income	Equity
		Paid-in capital stock	options and Treasury shares	Income reserves	accumulated losses		
5.01	Initial balances	2,851,089	0	2,162,899	0	138,666	5,152,654
5.03	Adjusted beginning balances	2,851,089	0	2,162,899	0	138,666	5,152,654
5.04	Capital transactions with partners	0	0	-162,816	-159,292	0	-322,108
5.04.06	Dividends	0	0	-162,816	-159,292	0	-322,108
5.05	Total comprehensive income	0	0	0	579,014	-6,540	572,474
5.05.01	Net income for the period	0	0	0	572,474	0	572,474
5.05.02	Other comprehensive income	0	0	0	6,540	-6,540	0
5.05.02.06	Realization of revaluation surplus	0	0	0	7,007	-7,007	0
5.05.02.07	Taxes on the realization of revaluation surplus	0	0	0	-2,382	2,382	0
5.05.02.08	Realization of adjustment to attributed cost	0	0	0	2,901	-2,901	0
5.05.02.09	Taxes on realization of adjustment to attributed cost	0	0	0	-986	986	0
5.07	Ending balances	2,851,089	0	2,000,083	419,722	132,126	5,403,020

<b>Individual financial statements/ Statements of value added</b>		<b>Accumulated in</b>	<b>Accumulated in</b>
<b>Code of account</b>	<b>Account description</b>	<b>current year</b>	<b>prior year</b>
		<b>01/01/2019 to 09/30/2019</b>	<b>01/01/2018 to 09/30/2018</b>
7.01	Revenues	3,585,785	3,267,369
7.01.01	Sales of merchandise, products and services	3,636,378	3,299,346
7.01.02	Other revenues	-35,770	-26,538
7.01.04	Reversal of/allowance for doubtful accounts	-14,823	-5,439
7.02	Inputs acquired from third parties	-1,097,511	-957,025
7.02.01	Costs of products, merchandise and services sold	-419,641	-384,480
7.02.02	Materials, energy, third-party services and others	-578,028	-511,587
7.02.04	Others	-99,842	-60,958
7.03	Gross value added	2,488,274	2,310,344
7.04	Withholdings	-251,337	-201,036
7.04.01	Depreciation, amortization and depletion	-251,337	-201,036
7.05	Net generated value added	2,236,937	2,109,308
7.06	Value added received by transfer	38,835	43,407
7.06.01	Equity in earnings (losses) of controlled companies	-4,520	-2,897
7.06.02	Financial revenues	43,355	46,304
7.07	Total value added to be distributed	2,275,772	2,152,715
7.08	Value added distribution	2,275,772	2,152,715
7.08.01	Personnel	754,307	742,676
7.08.01.01	Direct compensation	508,113	504,511
7.08.01.02	Benefits	212,271	206,088
7.08.01.03	Severance Pay Fund (FGTS)	33,923	32,077
7.08.02	Taxes, fees and contributions	646,721	597,447
7.08.02.01	Federal	643,911	594,622
7.08.02.02	State	443	497
7.08.02.03	Municipal	2,367	2,328
7.08.03	Return on debt capital	181,031	240,118
7.08.03.01	Interest	177,802	203,605
7.08.03.02	Rents	3,229	36,513
7.08.04	Return on equity capital	693,713	572,474
7.08.04.01	Interest on equity	174,165	159,292
7.08.04.03	Retained earnings/ Accumulated losses for the period	519,548	413,182

## 1. OPERATING DATA

### 1.1 MARKET

We present below the contracts in % of Total Revenue of the Company, as of September 30, 2019:

Municipalities	Contracts (% of Total Revenue)*				Coverage index		Total active units (in thousands)	
	Total revenue %	Remaining period of concession	Type of contract	Type of concession	Water	Sewage collections	Water	Sewage collections
Curitiba	23.8%	28.8 years	Program	Water & Sewage	100%	95.4%	820.9	784.2
Londrina	7.3%	26.8 years	Program	Water & Sewage	100%	92.1%	247.9	231.5
Maringá	5.2%	20.9 years	Concession	Water & Sewage	100%	100.0%	164.8	177.2
Ponta Grossa	3.5%	6.5 years	Concession	Water & Sewage	100%	90.7%	143.2	129.2
Foz Do Iguaçu	3.5%	24.4 years	Program	Water & Sewage	100%	78.2%	110.8	88.2
Cascavel	3.4%	5.2 years	Concession	Water & Sewage	100%	100.0%	125.4	128.4
São José dos Pinhais	2.9%	24.3 years	Program	Water & Sewage	100%	72.9%	112.9	83.5
Colombo	1.8%	28.6 years	Program	Water & Sewage	100%	63.8%	84.0	55.4
Guarapuava	1.6%	23.1 years	Program	Water & Sewage	100%	79.9%	64.8	52.7
Araucária	1.5%	13.0 years	Concession	Water & Sewage	100%	77.6%	51.6	40.1
Other	45.5%						2,049.4	1,202.6
<b>Total</b>					<b>100%</b>	<b>73.5%</b>	<b>3,975.7</b>	<b>2,973.0</b>

\* Information not reviewed by independent auditors.

The current rate of delivery with treated water is of 100.0% and the coverage of sewage collection is of 73.5% of the urban population within the concession area, with a treatment rate of 100% as per the Corporate Information System.

Revenues stem mainly from residential water connections, representing 90.8% of the total water connections existing at September 30, 2019.

The number of water connections in September 2019 is 1.7% higher than the number of connections existing in September 2018, which represents an increase of 51,969 water connections, as follows:

Number of Water Connections*	SET/19 (1)	%	SET/18 (2)	%	Var. % (1/2)
Residential	2,885,600	90.8	2,838,717	90.8	1.7
Commercial	228,498	7.2	223,987	7.2	2.0
Industrial	13,012	0.4	12,758	0.4	2.0
Public Utility	23,757	0.7	23,571	0.8	0.8
Public Administration	26,281	0.9	26,146	0.8	0.5
<b>Total</b>	<b>3,177,148</b>	<b>100.0</b>	<b>3,125,179</b>	<b>100.0</b>	<b>1.7</b>

\* Information not reviewed by independent auditors.

The number of sewage connections in September 2019 is 4.2% higher than the number of connections existing in September 2018, representing an increase of 88,181 new sewage connections, as shown below:

Number of Sewage Connections*	SEPT/19 (1)	%	SEPT/18 (2)	%	Var.% (1/2)
Residential	1,983,798	90.3	1,902,440	90.2	4.3
Commercial	178,421	8.1	172,647	8.2	3.3
Industrial	5,377	0.2	5,118	0.2	5.1
Public Utility	15,088	0.7	14,632	0.7	3.1
Public Administration	14,048	0.7	13,714	0.7	2.4
<b>Total</b>	<b>2,196,732</b>	<b>100.0</b>	<b>2,108,551</b>	<b>100.0</b>	<b>4.2</b>

\* Information not reviewed by independent auditors.

## 1.2 PRODUCTIVITY

In 3Q19, the measured volume of treated water was 125.2 million m<sup>3</sup> against 120.7 million m<sup>3</sup> in 3Q18, representing an increase of 3.7%, as shown below::

Measured Volume - million m <sup>3</sup> *	3Q19 (1)	3Q18 (2)	Var. % (1/2)	9M19 (3)	9M18 (4)	Var. % (3/4)
Residential	105.5	101.5	3.9	321.3	312.7	2.8
Commercial	10.5	10.1	4.0	31.2	30.4	2.6
Industrial	2.8	2.8	-	8.7	7.8	11.5
Public Utility	1.4	1.3	7.7	4.0	4.0	-
Public Administration	5.0	5.0	-	14.6	14.5	0.7
<b>Total</b>	<b>125.2</b>	<b>120.7</b>	<b>3.7</b>	<b>379.8</b>	<b>369.4</b>	<b>2.8</b>

\* Information not reviewed by independent auditors.

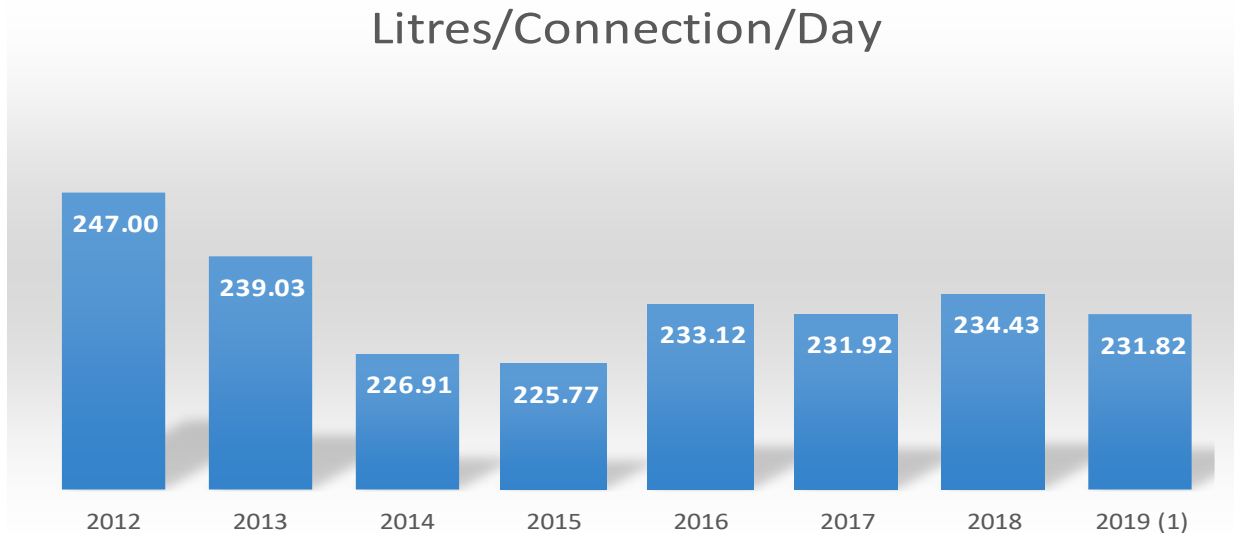
In 3Q19, the volume of treated water billed was 130.8 million m<sup>3</sup>, compared to 126.8 million m<sup>3</sup> in 3Q18, representing an increase of 3.2%, reflecting the increase in consumption due to the drier climate and temperatures higher than the historical average, as shown below:

Invoiced Water Volume - million m <sup>3</sup> *	3Q19 (1)	3Q18 (2)	Var. % (1/2)	9M19 (3)	9M18 (4)	Var. % (3/4)
Residential	109.7	106.3	3.2	333.5	326.0	2.3
Commercial	11.2	10.8	3.7	33.5	32.6	2.8
Industrial	3.6	3.5	2.9	10.6	10.3	2.9
Public Utility	1.2	1.2	-	3.4	3.4	-
Public Administration	5.1	5.0	2.0	14.8	14.7	0.7
<b>Totais</b>	<b>130.8</b>	<b>126.8</b>	<b>3.2</b>	<b>395.8</b>	<b>387.0</b>	<b>2.3</b>

The volume of sewage billed in the third quarter showed an increase of 5.3% as compared to the same period for the previous year, as shown below:

Invoiced Sewage Volume - million m <sup>3</sup> *	3Q19 (1)	3Q18 (2)	Var. % (1/2)	9M19 (3)	9M18 (4)	Var. % (3/4)
Residential	82.5	78.3	5.4	248.7	237.2	4.8
Commercial	10.4	9.8	6.1	30.7	29.4	4.4
Industrial	0.9	0.8	12.5	2.6	2.4	8.3
Public Utility	1.0	0.9	11.1	2.8	2.7	3.7
Public Administration	3.8	3.8	-	11.2	11.0	1.8
<b>Total</b>	<b>98.6</b>	<b>93.6</b>	<b>5.3</b>	<b>296.0</b>	<b>282.7</b>	<b>4.7</b>

\* Information not reviewed by independent auditors.

**DEMONSTRATIVE OF THE LOSS BY CONNECTION\***
**Litres/Connection/Day**


\* Information not reviewed by independent auditors.

(1) Accumulated amounts from January to September 2019.

Water*	3Q19 (1)	3Q18 (2)	Var. (1/2)	3Q17 (3)	Var. % (2/3)
Units served by the distribution network	3,975,705	3,904,196	1.8 %	3,821,335	2.2 %
Number of treatment stations	170	166	2.4 %	166	-
Number of wells	1,226	1,179	4.0 %	1,058	11.4 %
Number of surface catchment	229	230	-0.4 %	229	0.4 %
Km of laid network	55,131	53,808	2.5 %	52,353	2.8 %
Volume produced (m <sup>3</sup> )	580,856,787	567,774,838	2.3 %	568,133,691	-0.1 %
Loss rate:					
In distribution system - %	34.63	34.94	-0.31 p.p.	34.40	0.54 p.p.
In billings - %	31.87	32.27	-0.40 p.p.	25.97	6.30 p.p.
Evasion of revenues - % (default)	1.58	1.10	0.48 p.p.	1.07	0.03 p.p.

Sewage*	3Q19 (1)	3Q18 (2)	Var. (1/2)	3Q17 (3)	Var. % (3)
Units served by the collection network	2,972,998	2,855,124	4.1 %	2,723,459	4.8 %
Number of treatment stations	247	243	1.6 %	242	0.4 %
Km of laid network	36,624	35,655	2.7 %	34,082	4.6 %
Volume collected in m <sup>3</sup>	283,112,819	270,406,204	4.7 %	265,980,050	1.7 %

\* Information not reviewed by independent auditors.

## VOLUME OF WATER

The average volume available of the Integrated Supply System of Curitiba (SAIC) is formed by the dams Piraquara I, Piraquara II, Iraí and Passaúna.

In the Municipality of Foz do Iguaçu, Sanepar uses water from the dam of the hydroelectric power plant Itaipu Binacional, of Itaipu lake, in Paraná River.

The dams of Sanepar are considered of medium size in relation to storage volume, but large due to height/depth of more than 15 meters. At the end of the quarter, due to the lower in rainfall and increase in consumption, the average reserve volume is 91.6%.



## 2. FINANCIAL DATA

### 2.1 ECONOMIC PERFORMANCE

Operating revenue - In million of Reais	3Q19 (1)	3Q18 (2)	Var. % (1/2)	9M19 (3)	9M18 (4)	Var. % (3/4)
Revenues from water	768.7	676.7	13.6	2,196.6	2,002.4	9.7
Revenues from sewage	455.0	393.2	15.7	1,293.9	1,155.6	12.0
Revenues from services	37.5	43.1	-13.0	106.6	107.6	-0.9
Revenues from solid waste	2.7	2.4	12.5	8.7	7.3	19.2
Services provided to Municipalities	4.6	4.3	7.0	13.5	12.3	9.8
Donations made by clients	3.9	2.9	34.5	13.3	10.4	27.9
Other revenues	1.3	1.2	8.3	3.8	3.7	2.7
<b>Total</b>	<b>1,273.7</b>	<b>1,123.8</b>	<b>13.3</b>	<b>3,636.4</b>	<b>3,299.3</b>	<b>10.2</b>

Gross operating revenue increased 13.3%, from R\$1,123.8 million in 3Q18 to R\$1,273.7 million in 3Q19, an increase resulting from the tariff revision of IRT (Annual Tariff Adjustment) of 5.12% in 2018, fully impacting in 2019 the 8.37% Annual Tariff Adjustment - IRT, which became effective on 05/24/2019 and the expansion of water and sewage services and the increase in the number of connections.

Operating costs and expenses - In million of Reais	3Q19 (1)	3Q18 (2)	Var. % (1/2)	9M19 (3)	9M18 (4)	Var. % (3/4)
Personnel	-279.4	-260.1	7.4	-804.0	-769.0	4.6
Materials	-54.3	-38.2	42.1	-142.9	-111.4	28.3
Electricity	-121.6	-115.0	5.7	-346.1	-300.6	15.1
Third-party services	-160.9	-152.5	5.5	-454.1	-447.5	1.5
Depreciation and amortization	-85.3	-68.8	24.0	-251.4	-201.0	25.1
Losses in Realization of Credits	-3.3	-0.7	371.4	-14.8	-5.5	169.1
Municipal Sanitation and Environmental	-16.4	-14.4	13.9	-46.8	-29.6	58.1
Regulatory fee	-5.6	-5.2	7.7	-16.8	-15.6	7.7
Indemnifications for damages to third parties	-5.2	-28.9	-82.0	-13.1	-36.3	-63.9
Other Costs and Expenses	-10.5	-17.6	-40.3	-35.2	-51.8	-32.0
Expenses capitalized	26.2	24.2	8.3	77.9	69.8	11.6
Provision for contingencies	-21.9	15.1	245.0	-85.2	-12.4	587.1
Pension plan and medical insurance	-15.0	-21.5	-30.2	-44.9	-64.4	-30.3
Profit sharing program	-26.3	-53.1	-50.5	-76.4	-94.3	-19.0
Eventual and extraordinary losses	0.0	0.0	-	-28.7	0.0	100.0
Environmental fines	0.0	-18.5	-100.0	-0.8	-20.0	-96.0
Net assets write off	-3.2	-1.9	68.4	-6.5	-7.8	-16.7
Adjustment to Fair Value – Investments	0.1	1.3	-92.3	0.2	1.3	-84.6
Equity in earnings (losses)	-2.3	-1.3	76.9	-4.5	-2.9	55.2
<b>Total</b>	<b>-784.9</b>	<b>-757.1</b>	<b>3.7</b>	<b>-2,294.1</b>	<b>-2,099.0</b>	<b>9.3</b>

Operating costs and expenses accumulated in the third quarter of 2019 increase by 3.7% in comparison to the same period in 2018. The main changes resulted from:

- **Personnel:**

Growth of 7.4%, due to: i) Adjustment of 2.0% in salary due to the 2018 Annual Evaluation Cycle - PCCR (gain of a position by seniority or merit for employees who met the established criteria); ii) Salary increase of 3.94% (INPC), referring to the Collective Bargaining Agreement - ACT 2019/2020 (base date March 2019); iii) Adjustment of 6.33% of SANESAÚDE; and iv) The full impact this year of the Collective Bargaining Agreement - ACT 2018/2019;

- **Materials**

Growth of 42.1%, mainly in conservation materials and maintenance of administrative assets, electromechanical maintenance material, laboratory material and treatment material, mainly due to compliance with the Judgment Agreement - TAJ IBAMA. Treatment material increased from R\$56.9 million in 9M18 to R\$83.7 million in 9M19, a 47.1% change;

- **Electricity**

The growth of 5.7% in electricity allocated to operating costs, due to the 15.99% tariff adjustment as of 06/24/2018, fully impacting in 2019 and the 3.41% tariff adjustment. from 06/24/2019 and the reduction of the percentage from 15% to 12% discount for public water, sewage and sanitation services through the sectoral fund Energy Development Account (CDE) amended by Decree 9,642 of December 27, 2018;

- **Third Party Services**

Growth of 5.5% mainly in registration and billing services, surveillance services, collection services, network maintenance services and solid waste removal services;

- **Depreciation and amortization**

Increase of 24.0%, mainly due to the startup of intangible and / or fixed assets from October 2018 to September 2019, in the amount of R\$708.6 million (net of depreciation and write-off), and R\$12.7 million in 3Q19, due to the registration of right-of-use leases due to the adoption of CPC 06 R2;

- **Municipal Sanitation and Environmental Management Fund**

Increase of 13.9%, due to the signing of new Program Agreements, mainly with the Municipality of Curitiba, which represented R\$16.1 million in monthly transfers through 2019;

- **Provision for contingencies**

Growth of 245.0%, mainly due to the impact of environmental and civil provisions due to the filing of new lawsuits and the updating of existing stock values; and

- **Eventual or Extraordinary Losses**

Mainly due to the accounting of R\$28.6 million related to the compensation to the Municipality of Maringá, corresponding to assets incorporated to Sanepar's assets from June 1983 to February 2014, related to the execution of water and sewage networks, which were donated directly to Sanepar by the landowners, pursuant to 21st Addendum to Concession Agreement No. 241/80. Under the regulatory aspect, such assets hitherto recorded as non-onerous are now considered onerous, for the purposes of the composition of the Regulatory Asset Base - BAR.

## 2.2 ECONOMIC INDICATORS

Financial income (loss) - R\$ in million	3Q19 (1)	3Q18 (2)	Var. % (1/2)	9M19 (3)	9M18 (4)	Var. % (3/4)
<b>Financial revenues</b>						
Financial investments	6.3	6.6	-4.5	20.1	25.4	-20.9
Monetary variation gains	2.5	4.0	-37.5	7.1	9.1	-22.0
Other financial revenues	6.1	4.3	41.9	16.2	11.8	37.3
<b>Total financial revenues</b>	<b>14.9</b>	<b>14.9</b>	<b>0.0</b>	<b>43.4</b>	<b>46.3</b>	<b>-6.3</b>
<b>Financial expenses</b>						
Financing and Debenture Interest and Charges	-56.9	-50.0	13.8	-162.0	-141.3	14.6
Monetary variation losses	-1.1	-31.3	-96.5	-11.9	-57.2	-79.2
Other financial expenses	-0.9	-1.8	-50.0	-3.9	-5.1	-23.5
<b>Total financial expenses</b>	<b>-58.9</b>	<b>-83.1</b>	<b>-29.1</b>	<b>-177.8</b>	<b>-203.6</b>	<b>-12.7</b>
<b>Financial income (loss)</b>	<b>-44.0</b>	<b>-68.2</b>	<b>-35.5</b>	<b>-134.4</b>	<b>-157.3</b>	<b>-14.6</b>



The financial result changed positively by 35.5%, from -R \$ 68.2 million in 3Q18 to -R \$ 44.0 million in 3Q19, mainly due to the reduction of passive monetary variations by 96.5% (monetary restatement of debt). financial leasing recorded in the same period of 2018) and the 41.9% increase in other financial income (increase of NPV revenue on Contractual Financial Assets).

Net income (Loss)	3Q19 (1)	3Q18 (2)	Var. % (1/2)	9M19 (3)	9M18 (4)	Var. % (3/4)
<b>Operating income (Loss)</b>	<b>400.4</b>	<b>288.2</b>	<b>38.9</b>	<b>1,089.1</b>	<b>965.3</b>	<b>12.8</b>
Financial income (loss)	-44.0	-68.2	-35.5	-134.4	-157.3	-14.6
Taxes on income	-112.8	-88.0	28.2	-261.0	-235.5	10.8
<b>Net income</b>	<b>243.6</b>	<b>132.0</b>	<b>84.5</b>	<b>693.7</b>	<b>572.5</b>	<b>21.2</b>

The Company posted net income of R\$243.6 million in 3Q19, 84.5% higher than the net income of R\$132.0 million recorded in 3Q18. The result was mainly impacted by the 13.4% growth in net revenues and the comparative basis, impacted by non-recurring items in 3Q18.

The following is the reclassification of the result of 3Q19, excluding non-recurring items.

Non-recurrent items - In million of Reais	3Q19	3Q18	9M19	9M18
<b>Net income</b>	<b>243.6</b>	<b>132.0</b>	<b>693.7</b>	<b>572.5</b>
PAI and PDVTC	-	-	-	6.8
IBAMA Agreement	-	-	-	18.0
Passive monetary variation finance lease	-	26.5	-	43.9
Indemnifications for damages to third parties	-	16.2	28.7	16.2
Tax effects	-	-14.5	-3.3	-22.7
<b>Pro forma net income</b>	<b>243.6</b>	<b>160.2</b>	<b>719.1</b>	<b>634.7</b>
Net margin	20.6	15.3	21.3	20.7
EBITDA	485.7	373.2	1,369.2	1,207.3
EBITDA margin	41.0	35.7	40.5	39.4

Distribution of the Economic Wealth Generated - In million of Reais	3Q19 (1)	3Q18 (2)	Var. % (1/2)	9M19 (3)	9M18 (4)	Var. % (3/4)
Staff remuneration	262.6	272.1	-3.5	754.3	742.7	1.6
Government Compensation (Taxes)	245.4	208.9	17.5	646.7	597.4	8.3
Third-party compensation (rents)	1.2	12.3	-90.2	3.2	36.5	-91.2
Return on debt capital (interest and monetary variations)	58.9	83.1	-29.1	177.8	203.6	-12.7
Interest on equity and dividends	0.0	0.0	-	174.2	159.3	9.4
Net income for the period not distributed	243.7	132.0	-84.6	519.6	413.2	25.8
<b>Total Economic Wealth</b>	<b>811.8</b>	<b>708.4</b>	<b>14.6</b>	<b>2,275.8</b>	<b>2,152.7</b>	<b>5.7</b>

SANEPAR's growth and development strategy to operate on a public utility service market, also open to the private initiative, is based on the search for effective results, commitment to the quality of services provided and, in particular to addressing the needs of the granting power and shareholders.

The figures below display the economic-financial results achieved by the Company in supporting the investment programs, providing adequate conditions for the delivery of future demands.

Economic Indicators - In million of Reais	3Q19 (1)	3Q18 (2)	Var. % (1/2)	9M19 (3)	9M18 (4)	Var. % (3/4)
Net operating revenue (1)	1,185.3	1,045.3	13.4 %	3,383.2	3,064.3	10.4 %
Operating profit	400.4	288.2	38.9 %	1,089.1	965.3	12.8 %
Net income	243.6	132.0	84.5 %	693.7	572.5	21.2 %
% Operating margin	28.0	19.6	8.4 p.p.	26.3	24.5	1.8 p.p.
% Net margin	20.6	12.6	8.0 p.p.	20.5	18.7	1.8 p.p.
% Mean PL profitability	4.1	2.5	1.6 p.p.	11.8	10.8	1.0 p.p.
Net debt/ EBITDA (Accumulated 12 month)	-	-	-	1.6	1.6	-

At the close of 3Q19, the Company's total assets reached R\$11,557.8 million (R\$10,781.3 million at 12/31/2018), while total debt at the end of 3Q19 was R\$5,533.0 million (R\$5,064.1 million) million on 12/31/2018).

Of the total debt, R\$3,111.0 million (R\$2,771.3 million at 12/31/2018) refer to loans, financing, debentures and leases, an increase of 14.7% compared to the end of the year of 2018.

	Reference	SET/19	DEZ/18	Var.
Equity	R\$ Million	6,024.8	5,717.2	5.4 %
Share value	R\$	11.96	11.35	5.4 %
Indebtedness level	%	47.9	47.0	0.9 p.p.
Current ratio	R\$	0.85	0.78	9.0 %
Quick ratio	R\$	0.81	0.75	8.0 %

## EBITDA and Generation of Operating Cash

EBITDA in 3Q19, which represents the Company's operating income, was R\$485.7 million, compared to R\$357.0 million in 3Q18. EBITDA margin went from 34.2% to 41.0%. This performance was due to the 13.4% growth in net revenue, while costs and expenses that impacted EBITDA increase by 1.6%.

Operating cash flow in 3Q19 was R\$388.8 million, up 3.0% over 3Q18. EBITDA to Operational Cash Conversion was 80.0%.

EBITDA - R\$ Million	3Q19 (1)	3Q18 (2)	Var. % (1/2)	9M19 (3)	9M18 (4)	Var. % (3/4)
Net profit for the period	243.6	132.0	84.5 %	693.7	572.5	21.2 %
(+) Taxes on Income	112.8	88.0	28.2 %	261.0	235.5	10.8 %
(+) Financial income	44.0	68.2	-35.5 %	134.4	157.3	-14.6 %
(+) Depreciation and amortization	85.3	68.8	24.0 %	251.4	201.0	25.1 %
<b>EBITDA</b>	<b>485.7</b>	<b>357.0</b>	<b>36,1 %</b>	<b>1,340.5</b>	<b>1,166.3</b>	<b>14,9 %</b>
% EBITDA Margin	41.0	34.2	6.8 p.p.	39.6	38.1	1.5 p.p.
% EBITDA conversion into cash	80.0	105.7	-25.7 p.p.	78.8	86.3	-7.5 p.p.

## 2.3 INVESTMENTS

The investments made in the second quarter of 3Q19 totaled R\$288.5 million (R\$302.7 million in 3Q18), as shown below:

Investments – R\$ Million	3Q19 (1)	3Q18 (2)	Var. % (1/2)	9M19 (3)	9M18 (4)	Var. % (3/4)
Water	122.4	113.4	7.9	333.0	334.8	-0.5
Sewage	128.8	145.6	-11.5	332.5	289.9	14.7
Administrative and others	37.3	43.7	-14.6	87.0	124.0	-29.8
<b>Total</b>	<b>288.5</b>	<b>302.7</b>	<b>-4.7</b>	<b>752.5</b>	<b>748.7</b>	<b>0.5</b>

## 2.4 INDEBTEDNESS

Gross debt increased from R\$2,771.3 million in December 2018 to R\$3,111.0 in September 2019, representing an increase of R\$339.7 million. Net debt went from R\$ 2,444.7 million in December 2018 to R\$2,853,5 million in September 2019.

The leverage ratio, measured by the ratio "Net Debt / EBITDA (accumulated 12 months)" remained stable, remaining at 1.6x in 3Q19 and 3Q18, respectively.

The level of indebtedness was 47.9% at the end of 3Q19 (48.8% in 3Q18).

Next is the breakdown of loans. Financing, debentures and lease, with their respective interest rates, maturities and debt balances as at September 30, 2019:

Indebtedness - R\$ million	Annual interest rate	Index	Contract termination	Debt balance	%
Caixa Econômica Federal	6.62% a 12.00%	TR	07/19/2042	1,044.0	33.6
Coastal Capital Lease	11.14%	IPC-FIPE	12/15/2036	269.0	8.6
BNDES - PAC2	1.67% e 2.05%	TJLP	07/15/2029	258.2	8.3
Debentures 9th Issue – 1st series	0.38%	DI	06/11/2026	202.9	6.5
Debentures 4th Issue – 1st series	1.67%	TJLP	07/15/2027	187.4	6.0
Debentures 8th Issue – 2nd series	0.50%	DI	06/21/2023	157.6	5.1
Debentures 9th Issue – 2nd series	0.45%	DI	06/11/2026	153.7	4.9
Debentures 3rd Issue – 2nd series	6.99%	IPCA	11/15/2020	143.3	4.6
Debentures 4th Issue – 2nd series	7.44%	IPCA	07/15/2027	102.3	3.3
Operating Lease	6.78%	-	08/31/2024	98.2	3.2
Debentures 8th Issue – 1st series	0.41%	DI	06/21/2023	96.6	3.2
Debentures 2nd Issue – 2nd series	9.19%	IPCA	09/15/2024	93.6	3.0
Debentures 2nd Issue – 3rd series	1.92%	TJLP	09/15/2024	81.7	2.6
Debentures 2nd Issue – 1st series	1.92%	TJLP	09/15/2024	61.3	2.0
Debentures 7th Issue – 2nd series	4.79%	IPCA	11/15/2038	38.5	1.2
Debentures 7th Issue – 1st series	5.20%	IPCA	11/15/2038	31.4	1.0
BNDES	1.82% e 2.50%	TJLP	01/15/2023	31.4	1.0
Debentures 7th Issue – 4th series	6.57%	IPCA	11/15/2038	16.7	0.5
Banco Itaú - PSI	3.00% a 6.00%	-	01/15/2025	16.0	0.5
Debentures 7th Issue – 3rd series	6.97%	IPCA	11/15/2038	13.6	0.4
Banco do Brasil - PSI	3.00% a 6.00%	-	04/15/2024	13.3	0.4
KfW Bank	1.35%	EURO	12/30/2032	0.3	0.1
<b>Total</b>				<b>3,111.0</b>	<b>100.0</b>

\* IPCA as a variable component of the TLP

We present below the debt profile in relation to maturity:

Description - R\$ million	Debt balance	%
12 months	362.6	11.7
24 months	410.7	13.2
36 months	235.5	7.6
60 months	730.8	23.5
Over 60 months	1,371.4	44.0
<b>Total</b>	<b>3,111.0</b>	<b>100.0</b>

### 3. REGULATIONS

The Company was authorized by AGEPAR - Agência Reguladora de Serviços Públicos Delegados de Infraestrutura do Paraná (Delegated Public Infrastructure Utility Services Regulatory Agency of the State of Paraná) by means of Ratifying Resolution No. 003. of April 17 to apply a rate adjustment of 25.63% as provided for in article 3:

“Article 3 – Define that the application of the tariff revision approved pursuant to Article 2 of this Resolution will be deferred in 8 (eight) years, with the first installment corresponding in the year 2017 to an average repositioning of 8.53% (eight point fifty three percent), and the others in 7 (seven) installments of 2.11% (two point eleven percent), plus the corresponding financial correction and economic correction, which will be applied by applying the weighted average rate of daily financing as established in the Special System of Settlement and Custody (SELIC), in the terms defined in the Technical Note approved in Article 1 of this Resolution.”

In accordance with Technical Orientation OCPC 08 – Recognition of Certain Assets and Liabilities in Financial Reporting of Energy Distributors issued pursuant to Brazilian and International Accounting Standards, the Company does not record in its Financial Statements the amounts receivable resulting from deferral, considering that: (i) the realization or payment of these amounts depend of a future event not fully under the control of the entity – future billing of water and sewage services; (ii) it is not possible to know, when the receivables are generated, which are the debtors of these amounts; and (iii) the actual receipt of these amounts shall only occur if the concession is maintained.

The estimated receivable resulting from the difference between the Required Revenue and the Verified Revenue shall be measured and disclosed during the whole deferral period, representing, up to September 30, 2019, R\$1.244 billion. In actual terms, the index of 25.63% to be applied in 2017 resulted in 13.16% added to the Company’s tariff, with 11.02% still deferred until 2024.

#### Portion A Cost Variation Account (CVA)

Portion A cost variation offsetting account corresponds to the offset of the monthly differences, whether gains or losses, calculated as a result of the variations in the costs of electricity, chemical products and segment charges, adjusted by IPCA.

The CVA is determined from the historical cost verified in the period  $t - 1$  for the three components referred to above and passed by means of adjustments in the  $t$  period. However, the basic formulation of the tariff adjustment does not guarantee the perfect pass through of non-manageable costs to consumers, given that it does not consider, for example, the differences between reference and application markets.

As the calculation of the tariff adjustment assumes that exactly the same volume ( $m^3$ ) verified upon the calculation of the adjustment will happen in the following period, by the end of  $t$  period the balance of CVA would be zero.

Up to September 2019, the Company's CVA recorded a positive balance of R\$97.3 million that Sanepar shall recover.

### Adjusted EBITDA with non-manageable items - Information not reviewed by independent auditors

The Company is announcing pro forma adjusted EBITDA with non-manageable items as a metric to analyze the impacts of the offsetting of the "A" portion (electrical energy, treatment material, fees and charges) of the tariff model.

Adjusted EBITDA with non-manageable items is a non-accounting measurement and should not be considered in isolation as an operating indicator or cash flow or to measure the Company's liquidity or debt capacity.

The EBITDA calculation is as follows, considering the estimated amounts of non-manageable items, accumulated up to 3Q19:

EBITDA - R\$ million	9M19
<b>EBITDA</b>	<b>1,340.5</b>
<b>(+) Items no manageable</b>	<b>97.3</b>
Electrical energy	36.8
Treatment material	19.9
Fee and charges	40.6
<b>(=) Adjusted EBITDA with non-manageable items</b>	<b>1,437.8</b>
% EBITDA Margin	42.5

### Tariff Adjustment

The Board of Directors of the Paraná State Delegated Infrastructure Regulatory Agency - AGEPAR approved on April 16, 2019, by means of Homologative Resolution No. 006/2019, the Annual Rate Adjustment - IRT of 12.12944% on services rendered to from May 17, 2019 and also approved the application of the Sanitation Tariff Schedule.

Due to the partial homologation of the precautionary measure granted by means of the monocratic decision materialized in Order 478/19-GCFAMG, in view of the extraordinary accounting of the Court of Auditors of the State of Paraná - TCE (Case No. 312857/19), the approved adjustment by AGEPAR is being partially applied in 8.37135% (eight integers thirty seven thousand, one hundred thirty five hundredths of a thousandths), pro rata die as of May 24, 2019.

On October 23, 2019, the Paraná State Court of Auditors - TCE/PR revoked the precautionary measure issued in case 312857/19 and, therefore, reestablished the percentage of adjustment set by AGEPAR with the application of the 3.76%, from November 11, 2019. The 3.76% unbilled differential of customers between May 17, 2019 and September 30, 2019 represents the approximate amount of R\$65.7 million.

In relation to the period in which Sanepar remained without applying the full adjustment, the updated difference amount will be billed in 06 months, in the bills to be issued from November 19, 2019.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base Date September 30, 2019  
(In thousands of Brazilian Reais)

### 1. OPERATIONS

Companhia de Saneamento do Paraná – SANEPAR (also identified as “Company” or “Sanepar”), located at Rua Engenheiros Rebouças in Curitiba – Paraná, is a private company, controlled by the government of the state of Paraná and its municipalities, and engaged in rendering basic sanitation services, mainly water distribution, collection and treatment of sewage and solid waste, as well as studies, projects and construction work of new facilities, expansion of water distribution and collection and treatment of sewage networks, and rendering of advisory services and technical assistance in its areas of activity. The Company also collaborates with federal, state, municipal agencies and other entities in issues relevant to the achievement of its basic purposes.

By means of municipal concessions, the Company renders services of treatment and distribution of water and collection and treatment of sewage. Contract renewals have average term of 30 years. From a total of 346 municipalities served, about 8 (2.3%) of the contracts are currently being renewed for being expired, 54 (15.6%) expire from 2019 to 2027 and 284 (82.1%) were renewed and expire after 2028. In the case of non renewed concessions, the municipalities shall reimburse to the Company the residual amounts of the assets related to the concession upon termination.

In addition, the Company is discussing in court the validity of the additive term that renewed the concession with the municipality of Maringá. According to the determination of the Court of Justice of the State of Paraná, the contractual breach with the municipality can only occur after indemnification to the Company of the investments made.

The Company is registered with CVM (Brazilian Securities and Exchange Commission) as a public company type A (issuers authorized to negotiate any securities) and has its shares negotiated in São Paulo’s stock exchange (B3 – Brasil, Bolsa, Balcão), listed in Level 2 of Corporate Governance.

The Company has 40% interest in the Special Purpose Entity, organized as a closely-held corporation, named “CS Bioenergia S/A”, engaged in rendering services of proper final destination of solid and organic waste and of the sludge generated in the sewage stations, production of biogas and generation of energy, as mentioned in Note 12.

### 2. PRESENTATION OF THE FINANCIAL STATEMENTS

#### 2.1 Statement of Compliance

The financial statements are presented in conformity with Laws CPC 21 (R1) - Interim Statement issued by CPC - Pronouncements Committee Accounting Statements and IAS 34 - Interim Financial Reporting, issued by IASB - International Accounting Standards Board, applicable to the preparation of the Quarterly - ITR, and presented in a manner consistent with the rules and procedures established by the Brazilian Securities Commission - CVM.

The Interim Financial Information was authorized for disclosure by the Company’s Management on November 11, 2019.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base Date September 30, 2019  
(In thousands of Brazilian Reais)

### 2.2 Operational continuity

The Company's Management has carried out all its planning and actions aiming at the continuity of its business, so it evaluates that it has the conditions to make available all the resources to continue its operations. Management is not aware of any material uncertainties that may raise doubts about the Company's operating continuity, and so the interim financial information was prepared taking into account this assumption.

### 2.3 Measurement Basis

The Interim Financial Information was prepared considering historical cost as base value and financial assets measured at fair value.

### 2.4 Functional and Reporting Currency

All amounts presented in the Interim Financial Information, including the amounts in the notes, are stated in thousands of Brazilian Reais, which the Company's functional currency, unless otherwise stated.

## 3. MAIN ACCOUNTING PRACTICES

The main accounting practices used in the preparation of the Interim Financial Information for the quarter ended September 30, 2019 are consistent with the practices described in Note 3 of the Company's financial statements for the year ended December 31, 2018, except for the adoption of CPC 06 R2 - Leasing Operations, as follows:

### 3.1 Leases

As of January 1, 2019, all leases are accounted for through the recognition of a right of use asset and a lease liability, except for:

- Leases of low value assets; and
- Leases whose terms are 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor during the lease term, and the discount rate is determined by the incremental loan rate of the Company. Variable lease payments are included only in the measurement of the lease liability if it depends on an index or rate. In these cases, the initial measurement of the lease liability assumes that the variable element will remain unchanged throughout the lease term. Other variable lease payments are recorded in the period to which they refer.

At initial recognition, the carrying amount of the lease liability also includes:

- Expected amounts to be paid under any residual value guarantee;
- The exercise price of any purchase option granted in favor of the Company, if it is reasonably certain to evaluate this option; and
- Any penalties payable for the termination of the lease, if the lease term has been estimated based on the termination option being exercised.

Assets of right of use are initially measured at the amount of the lease liability, reduced by any lease incentives received and increased to:



# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base Date September 30, 2019

(In thousands of Brazilian Reais)

- Lease payments made at the beginning or before the start of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognized when the Company is required by contract to disassemble, remove or restore the leased asset.

After initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the outstanding balance and are reduced to lease payments made. Assets of use rights are amortized on a straight-line basis over the remaining term of the lease or during the remaining economic life of the asset if it is rarely considered less than the term of the lease.

When the Company reviews its estimate of the term of any lease, an adjustment is made to the carrying amount of the lease liability to reflect the payments to be made during the review period, which are discounted at the same discount rate applied at the beginning of the lease. The carrying amount of the lease liabilities is reviewed in a similar manner when the variable element of future lease payments dependent on a rate or index is reviewed. In both cases, an adjustment is made equivalent to the book value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) term of the lease.

When the Company renegotiates the contractual terms of a lease with its lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being rented for a price compatible value, regardless of the additional usage rights obtained, the change is accounted for as a separate lease in accordance with the above policy.
- In all other cases where the renegotiated term increases the scope of the lease (if this is an extension of the lease term, or one or more additional assets being leased), the lease liability is remeasured using the applicable discount rate on the date of the change, with the asset of the right of use being adjusted by the same value.
- If the renegotiation results in a reduction in the scope of the lease, both the carrying amount of the lease liability and the right of use are reduced in the same proportion to reflect the partial rescission of the lease with any difference recognized in the income for the year. The lease liability is then adjusted to ensure that its book value reflects the amount of the renegotiated payments during the renegotiated term, with lease payments modified discounted at the rate applicable on the date of the modification. The asset of the right of use is adjusted by the same value.

As part of the standard practice, for contracts that both entitle the Company to use an identified asset and require certain services to be provided by the lessor, the Company has elected to account for the entire contract as a lease, that is, allocates part of the contractual payments for any services provided by the supplier as part of the contract.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base Date September 30, 2019  
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### **Nature of Company's leases:**

The Company leases several properties in the municipalities where it operates, mainly from individuals, in the net amount of R\$34,344. In some of them, for leases to provide for payments to increase each year for inflation, or in others to be periodically redefined for market rent rates. In others, the rent amount is fixed over the term of the lease. In all cases, the rental periods do not exceed 5 years. The Company also leases certain equipment and vehicles, respectively, in the net amounts of R\$13,757 and R\$43,980.

Rental of real estate, equipment and vehicles comprise only fixed payments during the lease period.

The Company does not have variable rent payments in its lease agreements, nor does it have any sale and leaseback transactions.

The Company has contractual clauses in its property leases, allowing non-payment of penalties in certain circumstances. On a case-by-case basis, the Company will consider whether the absence of a breach clause exposes it to excessive risk. Typically, the factors considered in the decision to negotiate a contract disruption clause include:

- the duration of the lease term;
- the economic stability of the environment in which the property is located; and
- if the site represents a new area of operations for the Company.

At September 30, 2019, the carrying amounts of property lease liabilities are not reduced by the amount of the payments that would be avoided with the exercise of contract interruption clauses, since it was considered reasonably certain that the Company has no intention of interrupting the said contracts during their term, except for certain real estate rental contracts due to the forecast of change of certain departments of the Company to the new building at the final stage of construction at the address of its headquarters with change scheduled for 2019.

The vehicle rental agreement gives the Company the right to use the vehicles for the contractual term stipulated. Said contract does not stipulate a guaranteed residual value for the vehicle supplier, although there is no restriction on the mileage of the vehicles during the term of the vehicle, since the Company did not want to be operationally restricted in its ability to use the vehicles. In this way, the rent payments do not represent the payment of practically all the fair value of the vehicles.

The weighted average incremental loan rate applied to lease liabilities on January 1, 2019 was 6.88%.

The total lease liability recognized in the balance sheet as of January 1, 2019 and the Company's operating lease commitment as of December 31, 2018, they are gross of social contribution taxes (PIS and COFINS), and may be reconciled as follows:

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base Date September 30, 2019  
(In thousands of Brazilian Reais)

Description	12/31/2018
Commitment to operating lease	114,974
Effect of discount of rental commitments at the weighted average annual rate of 6.88%	(14,896)
<b>Total</b>	<b>100,078</b>

Asset	01/01/2019	Additions	Amortizations	09/30/2019
Vehicles	41,300	18,810	(16,130)	43,980
Mobile goods	21,833	384	(8,460)	13,757
Real estate	36,945	4,052	(6,653)	34,344
<b>Balance</b>	<b>100,078</b>	<b>23,246</b>	<b>(31,243)</b>	<b>92,081</b>

Liability	01/01/2019	Additions	Financial charges	Payments	09/30/2019
Current	40,026	51,000	5,033	(50,319)	45,740
Non-current	60,052	3,135	-	(10,741)	52,446
<b>Total</b>	<b>100,078</b>	<b>54,135</b>	<b>5,033</b>	<b>(61,060)</b>	<b>98,186</b>

### Modified retrospective approach:

In applying the modified retrospective approach, the Company took advantage of the following practical records:

- A single discount rate was applied to groups of leases with fairly similar characteristics; and
- Leases with a remaining term of 12 months or less from the application date were accounted for as short-term leases (ie not recognized in the balance sheet), although the initial lease term from the lease start date may have been greater than 12 months.

### 3.2 Contract of Asset

As set forth in ICPC 01 - Concession Agreements, the compensation received or receivable by the concessionaire, including in relation to construction services, shall comply with CPC 47 - Customer Contract Revenue, which establishes that revenue must be recorded when transfer of goods or services to customers when the performance obligation is effectively fulfilled.

The Company's concession agreements and program agreements provide that investments made are remunerated by public service users, recorded in Intangible Assets, and the other party will be compensated by the Granting Authority at the end of the concession, recorded in Financial Assets. During the construction period, the Company will recognize long-term assets arising from the agreement.

The Company opted to adopt the standard on the date of initial application as an adjustment to the opening balance, considering only open contracts prior to the date of application, and now classifies as project asset, in long-term assets, projects and works in progress. directly related to concession agreements and program contracts, which were previously recorded in intangible assets.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

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Contract assets are initially recognized at fair value and include borrowing costs capitalized during the period in which the asset is under construction.

The following are the balances related to the concession under construction, previously recorded as part of intangible assets in the works in progress account, which were reclassified to contract assets, as per note 11:

Assets	01/01/2018		12/31/2018
Non-current	Disclosed	Reclassification	Reclassified
Contract asset	-	1,393,188	1,393,188
Intangible asset	8,329,542	(1,393,188)	6,936,354

This reclassification did not affect the covenants (financial ratios) of loans, financing and debentures, liquidity, equity position, income statement, cash flow statement, distribution of dividends and interest on equity.

### **New standards, amendments and interpretations in force for fiscal years beginning on or after January 1, 2019**

Issuance of IFRIC interpretation 23 – Uncertainties in the treatment of income taxes. It establishes aspects of recognition and measurement of IAS 12 when there are uncertainties regarding the treatment of income tax related to current or deferred tax assets, based on taxable income, tax losses, tax bases, unused tax losses, non-tax credits used and tax rates. This interpretation is effective for fiscal years beginning on or after 1/01/2019. The Company has assessed the adoption of the standard and there are no material effects on the interim financial information;

Amendment of standard IAS 19 – Changes in the plan in cases of reduction or liquidation. Clarifies aspects of measurement and recognition in the result of the effects of reductions and settlements in employee benefit plans. This change in the standard is effective for years beginning on or after 1/01/2019. The Company does not expect impacts on possible future events of reductions and settlements in employee benefit plans;

Amendment of IFRS 3 – Definition of business. Clarifies aspects for the definition of business, in order to clarify when a transaction should have accounting treatment of business combination or acquisition of assets. This change in the standard is effective for years beginning on or after 1/01/2020. The Company does not expect significant impacts on possible future events of business combinations or acquisition of assets;

Amendment of IAS 1 and IAS 8 – Definition of materiality. Clarifies aspects of materiality for the framework of the accounting standard where this concept is applicable. These policy changes are effective for fiscal years beginning on or after 1/01/2020. The Company does not expect significant impacts on its Financial Statements.

## **4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

The Company is exposed to financial risks, however, they are all managed or mitigated to not significantly affect the results of its operations and are described in this Note.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base Date September 30, 2019  
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### 4.1 Financial risk management

**Business risk:** The Company's business relates primarily to capture, treat and distribute water, collect and treat sewage for 345 municipal centers operated in the State of Paraná and 1 in the State of Santa Catarina. The Company's results depend on the maintenance of concessions in the municipalities where it operates, usually the concession contracts and program contracts have a term of 30 years. These contracts foresee meeting targets for the expansion and maintenance of water and sewage systems, related to the rate of service of the water supply and sewage collection networks. In some situations, the municipality may terminate the contract before its final term or not authorize its renewal upon compensation at the fair value of the balances of investments not yet depreciated/amortized. The wealth in water resources and efficient systems reduce the risk of water shortage. The process of readjustment and review of the tariff is approved by the Regulatory Agency.

**Credit risk:** The Company is exposed to credit risk of the counterpart in its financial transactions (cash and cash equivalents, bank deposits and financial institutions) and accounts receivable (credit to customers and balances with related parties). The maximum exposure is equivalent to the accounting value as at September 30, 2019 and stated in Notes 6, 9 e 21. The risks related to trade accounts receivable are reduced because their composition includes a dispersed base which covers practically the entire population of the State of Paraná. Considering our type of business, we do not perform a credit history analyses, and adopt the practice of cutting the supply in case of default, with a minimum prior notice of thirty days. The level of losses on accounts receivable is considered normal for the sanitation sector.

The practice of cutting the supply is not applicable to the public bodies, however, Management is intensifying efforts to reduce delinquency levels with negotiations with these municipalities and attempting to offset accounts with those who have credits with the Company, In case there is no agreement, the company files for judicial recovery.

**Interest rate risk:** Interest rate risk is the risk that the fair value of future cash flows of a certain financial instrument changes due to variations in market interest rates. The Company's exposure to the risk of changes in market interest rates refers mainly to the Company's long-term obligations subject to variable interest rates.

This risk is due to the possibility of the Company incurring losses on account of interest rate fluctuations, which may increase the financial expenses on loans and financing.

**Sensitivity analysis of interest rate:** the following is the calculation sensitivity to a possible change in the rate of return on financial investments and interest on the principal of loans and financing subject to variable interest rates, which can have significant impact to the Company. If the return rates of investments and interest on the loans held in real varied around 25% and 50% more or less, with all other variables held constant, the effect on profit before taxes would have been R\$13,967 and R\$27,934 plus or minus in particular due to the revenues stemming from financial investments and interest rates expenses lower or higher than in the financial loans as variable interest rates described below:

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base Date September 30, 2019  
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Description	Index	+25%	-25%	+50%	-50%
Caixa FI Sanepar I Renda Fixa	DI	3,744	(3,744)	7,488	(7,488)
<b>Assets</b>		<b>3,744</b>	<b>(3,744)</b>	<b>7,488</b>	<b>(7,488)</b>
BNDES	TJLP	(518)	518	(1,036)	1,036
BNDES-PAC2	TJLP	(2,545)	2,545	(5,090)	5,090
Debentures 2nd Issuance - 1st to 3rd series	TJLP	(1,819)	1,819	(3,638)	3,638
Debentures 2nd Issuance - 2nd series	IPCA	(785)	785	(1,570)	1,570
Debentures – 3rd Issuance - 2nd series	IPCA	(966)	966	(1,932)	1,932
Debentures – 4th Issuance - 1st series	TJLP	(2,199)	2,199	(4,398)	4,398
Debentures – 4th Issuance - 2nd series	IPCA	(686)	686	(1,372)	1,372
Debentures – 6th Issuance - 2nd series	DI	(1,953)	1,953	(3,906)	3,906
Debentures - 7th Issuance - 1st to 4th series	IPCA	(127)	127	(254)	254
Debentures - 8th Issuance - 1st and 2nd series	DI	(3,130)	3,130	(6,260)	6,260
Debentures - 9th Issuance - 1st and 2nd series	DI	(1,725)	1,725	(3,450)	3,450
Lease of Right of Use	DI	(1,258)	1,258	(2,516)	2,516
<b>Liabilities</b>		<b>(17,711)</b>	<b>17,711</b>	<b>(35,422)</b>	<b>35,422</b>
<b>Effects on Income before Taxation</b>		<b>(13,967)</b>	<b>13,967</b>	<b>(27,934)</b>	<b>27,934</b>

The TR considered in the 12-month period was of 0.00% and the TJLP, 6.55%, obtained from BACEN - Banco Central do Brasil, IPCA rate of 2.89 %, obtained from IBGE – Instituto Brasileiro de Geografia e Estatística, and DI rate of 6.25% obtained from B3 – Brasil, Bolsa e Balcão.

**Exchange Rate Sensitivity Analysis:** The following are the impacts that would be generated by changes in risk variables related to derivative financial instruments intended to hedge foreign currency lending. The Company estimates that the probable scenario is a 5.5% reduction in the dollar quotation, according to market expectations. The probable scenario uses the exchange rate projected according to the Focus report released by the Central Bank of Brazil - BACEN.

Considering the notional amount of €70.3 thousand (R\$319.8 thousand), the value of the euro quotation as R\$4.5425 for September 30, 2019 (Ptax - Central Bank) and considering the assumption of the value of Euro 0.92 for each Dollar, below is the 25% and 50% exchange variation for appreciation and depreciation in relation to exposure:

Description	Probable	+25%	-25%	+50%	-50%
Risk of reduced - Euro (-5.5%)	17	(80)	80	(160)	160

**Liquidity risk:** Liquidity risk is the possibility that the Company might not have sufficient funds to meet its commitments due to the different currencies and realization / settlement terms for their rights and obligations. The Company structures the maturities of non-derivative financial agreements, as shown in Note 14, so as not to affect its liquidity. The management of liquidity and cash flow is performed daily by the Company's management, to ensure that the operating cash generation and the upfront funding raise, when necessary, are sufficient to maintain its schedule of commitments, not generating liquidity risks. Additionally, Company Management approved the dividends and treasury and Market risks policy.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

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**Derivative Financial Instruments:** In accordance with the Company's Risk, Treasury and Market Management Policy, in order to mitigate the risks related to foreign exchange exposure, 3 financial institutions were hired to perform hedge operations, without speculative character, when Receipt of proceeds from a loan from Banco KfW for a 15-year term, through the swap of the debt variation in Euros + 1.35% of interest per year for a percentage of the CDI. The Company does not apply the hedge accounting policy to this agreement, measuring it at fair value through profit or loss, presented in the financial result. The debt of this loan is shown in Note 14.

On 09/30/2019 the Company has swap contracts (Euro + interest X CDI) as shown below:

Financial Instruments - Swap Contract			
Notional amount - EUR	Fair Value of the Asset Position	Fair Value of the Liability Position	Derivative, net
70	320	322	(2)

### 4.2. Capital risk management

The purpose of the capital management of the Company is to guarantee a strong credit *rating* to financial institutions and an optimal capital ratio in order to support business and maximize values to the shareholders. The Company manages its capital structure by means of adjustments and adequacy to current economic conditions. With this objective, the company can make payments of dividends, enter into new loans, issue promissory notes and contract operations with derivatives. For the period ended on September 30, 2019, there was no change in the objectives, policies or capital structure processes.

In order to preserve its liquidity and payment capability, the Company uses as leverage metrics on net debt / equity and debt Net / EBITDA. For net debt effect purposes, loans, financing, debentures and lease, minus cash and cash equivalents:

Description	09/30/2019	12/31/2018
Loans, financing, debentures and lease	3,111,007	2,771,318
Cash and cash equivalents	(257,475)	(326,624)
Net debt	2,853,532	2,444,694
EBITDA*	6,024,289	5,717,188
Equity	1,816,226	1,642,028
Ratio Net Debt/Net Equity	0.47	0.43
Ration Net Debt/EBITDA	1.57	1.49

\* EBITDA information not reviewed by independent auditors.

### 4.3. Financial Instruments

The financial instruments are recognized in the Company's Financial Information, as follows:

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base Date September 30, 2019  
(In thousands of Brazilian Reais)

	09/30/2019	12/31/2018
<b>Assets</b>		
<b>Fair value measured through income</b>		
Financial investments	243,049	291,621
Financial instrument - Swap	320	-
Restricted deposits	58,900	59,668
<b>Amortized cost</b>		
Cash and banks	14,426	35,003
Trade accounts receivables	732,554	661,124
Contractual financial assets	412,520	375,871
<b>Total</b>	<b>1,461,769</b>	<b>1,423,287</b>
<b>Liabilities</b>		
<b>Fair value measured through income</b>		
Financial instrument - Swap	322	-
<b>Amortized cost</b>		
Loans, financing, debentures and finance lease	3,111,007	2,771,318
Contractors and Suppliers	194,290	190,742
Concession agreements	31,035	60,456
<b>Total</b>	<b>3,336,654</b>	<b>#VALOR!</b>

Financial instruments related to financial investments are classified as Level 2, in the hierarchy of fair value.

## 5. CASH AND CASH EQUIVALENTS

These have the following composition:

Description	09/30/2019	12/31/2018
Unrestricted bank deposits	805	9,324
Restricted bank deposits	13,621	25,679
	14,426	35,003
Financial investments	243,049	291,621
<b>Total cash and cash equivalents</b>	<b>257,475</b>	<b>326,624</b>

Financial investments are close to fair value and have short-term characteristics, high liquidity and low risk of change in value. They consist of fixed income funds invested in Investment Funds whose portfolio is comprised mostly of government securities of the Federal Government and Bank Certificate of Deposit contracted at a floating rate of 100.50% to 102.00% of the CDI in accordance with the contracted and completed period of application, with average remuneration of 100.19% of the CDI (99.00% in 2018).



# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base Date September 30, 2019  
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### 6. TRADE ACCOUNTS RECEIVABLES, NET

#### a) The balances of trade receivables break down per maturity as follows:

Description	09/30/2019	12/31/2018
Falling due accounts receivable	282,739	241,474
Accounts receivable from installment payments	59,710	56,272
Adjustment to Present Value	(4,170)	(4,723)
Accounts to be billed (Unbilled consumption)	191,892	186,170
	<u>530,171</u>	<u>479,193</u>
Overdue accounts receivable		
From 1 to 30 days	139,191	120,087
From 31 to 60 days	33,109	30,689
From 61 to 90 days	12,036	13,320
From 91 to 180 days	21,386	21,157
Over 180 days	187,425	172,634
Allowance for losses on doubtful accounts	(190,764)	(175,956)
	<u>202,383</u>	<u>181,931</u>
<b>Total accounts receivable, net</b>	<b><u>732,554</u></b>	<b><u>661,124</u></b>
<b>Current</b>	<b>710,045</b>	<b>639,054</b>
<b>Noncurrent</b>	<b>22,509</b>	<b>22,070</b>

We present below the breakdown of total trade accounts receivables due, net of the allowance for doubtful:

Description	Trade accounts receivable	Allowance for doubtful	Adjustment to present value	09/30/2019	12/31/2018
Municipal administration	99,287	(48,480)	(3,056)	47,751	43,754
Private	809,261	(142,284)	(1,114)	665,863	606,020
Federal Entity	1,911	-	-	1,911	1,230
Government State	17,029	-	-	17,029	10,120
<b>Total</b>	<b>927,488</b>	<b>(190,764)</b>	<b>(4,170)</b>	<b>732,554</b>	<b>661,124</b>

#### b) Changes in the allowance for doubtful accounts were as follows:

Description	09/30/2019	12/31/2018
Balances at beginning of period	(175,956)	(171,150)
Amounts recorded as expenses	(14,823)	(7,747)
Write-offs, net of recoveries	15	2,941
<b>Balances at end of period</b>	<b>(190,764)</b>	<b>(175,956)</b>

The balance of the allowance for doubtful accounts breaks down as follows:

Description	09/30/2019	12/31/2018
Private customers	142,284	126,754
Municipal Administrations	48,480	49,202
<b>Total</b>	<b>190,764</b>	<b>175,956</b>

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- c) The balances of short- and long-term trade accounts receivable arising from installment payments have been discounted to present value. The changes in present value adjustment was as follows:

Description	09/30/2019	12/31/2018
Balances at beginning of year	(4,723)	(2,453)
Adjustment to Present Value	553	(2,270)
<b>Balances at end of year</b>	<b>(4,170)</b>	<b>(4,723)</b>

## 7. RECOVERABLE TAXES AND CONTRIBUTIONS

These have the following composition:

Description	09/30/2019	12/31/2018
Income tax to offset	301	12,517
Social contribution tax to offset	-	2,553
Withheld taxes and contributions – public agencies	-	326
<b>Total</b>	<b>301</b>	<b>15,396</b>
<b>Current</b>	<b>301</b>	<b>15,396</b>

## 8. RESTRICTED DEPOSITS

Restricted deposits breakdown as follows:

Description	09/30/2019	12/31/2018
National Water Agency - ANA	-	1,773
Health National Foundation - FUNASA	3,517	4,947
Reserves kept in CAIXA (1)	55,383	52,948
<b>Total</b>	<b>58,900</b>	<b>59,668</b>
<b>Current</b>	<b>3,517</b>	<b>6,720</b>
<b>Noncurrent</b>	<b>55,383</b>	<b>52,948</b>

(1) Reserve accounts linked to financing contracts in amounts sufficient to meet contractual clauses.

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### 9. OTHER ACCOUNTS RECEIVABLE

These break down as follows:

Description	09/30/2019	12/31/2018
Advances to employees	34,765	13,481
Reimbursable payments	18,392	16,054
Guarantee deposits	1,805	2,095
Municipal Fund for the Environment (1)	49,350	50,675
Prepaid expenses	3,887	4,988
Bonds and other receivables	852	938
<b>Total</b>	<b>109,051</b>	<b>88,231</b>
<b>Current</b>	<b>60,023</b>	<b>37,616</b>
<b>Noncurrent</b>	<b>49,028</b>	<b>50,615</b>

(1) Anticipation of transfer to the Municipal Funds of the Environment, as provided in a program contract.

### 10. CONTRACTUAL FINANCIAL ASSETS

Changes in financial assets are as follows:

Description	12/31/2018	Additions	NPV Revenue	NPV Expense	09/30/2019
Investment Not Amortized	1,110,314	68,751	-	-	1,179,065
Adjustment to Present Value	(734,443)	(43,920)	11,850	(32)	(766,545)
<b>Total</b>	<b>375,871</b>	<b>24,831</b>	<b>11,850</b>	<b>(32)</b>	<b>412,520</b>

The equivalent discount rate applied to calculate the present value adjustment was 4.1% (spread between the IPCA projected for the period and the Company's WACC rate) and took into account Program Contracts with terms of 22 to 30 years.

### 11. CONTRACT ASSET

It has the following movement:

Description	12/31/2018	Additions	Capitalisation of interest	Write-off and Loss	Transfer to Intangible asset	09/30/2019
Projects and Works in Progress	1,319,120	643,127	16,265	1,692	(362,136)	1,618,068
Inventories for Construction Work	74,068	36,459	-	-	-	110,527
<b>Total</b>	<b>1,393,188</b>	<b>679,586</b>	<b>16,265</b>	<b>1,692</b>	<b>(362,136)</b>	<b>1,728,595</b>

Up to the 3rd Quarter of 2019, the amount of R\$679,586 (R\$724,432 in the same period of 2018) was recorded as projects and works in progress, due to the expansion of the Water Supply System, mainly in the municipalities of Cascavel, São José dos Pinhais, Ponta Grossa, Pato Branco and Londrina, and expansion of sewage collection and treatment systems mainly in the municipalities of Londrina, Pontal do Paraná, Matinhos, Maringá and Paranavaí.

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Until this quarter ended September 30, 2019, interest and other financial charges on the resources and loans that financed the Company's projects and works were capitalized, in the amount of R\$16,264 (R\$25,108 in the same period of 2018). The average rate used to determine the amount of capitalized borrowing costs in relation to total costs was 9.9%.

## 12. INVESTMENTS

Description	09/30/2019	12/31/2018
Investment in joint venture - CS Bioenergia S.A.	15,959	20,479
Other investment	2,300	2,106
<b>Total</b>	<b>18,259</b>	<b>22,585</b>

### Investments in joint venture – CS Bioenergia S.A.

The Company owns 40% of CS Bioenergia SA, a company located next to the Belém Sewage Treatment Plant (ETE), which aims to properly explore and dispose of solid, organic waste and sludge produced in said ETE, in addition to producing of biogas and energy generation through the biodigestion process. CS Bioenergia S.A. partially started its operation in June 2017 and is still in the pre-operational phase. The financial contribution made by the Company comprises the amount of R\$31,334 recorded in its capital stock. The Company's interest is accounted for using the equity method in the investee's financial statements, which are summarized below:

Statement of financial position – CS Bioenergia S.A.	09/30/2019	12/31/2018
Current assets	2,919	6,873
Noncurrent assets	60,040	67,377
• Fixed assets	41,178	43,279
• Finance lease	16,564	17,856
• Other	2,298	6,242
<b>Total Assets</b>	<b>62,959</b>	<b>74,250</b>
Current liabilities	10,810	7,154
• Loans, financing and finance lease	6,668	3,475
• Other	4,142	3,679
Noncurrent liabilities	12,252	15,899
• Loans, financing and finance lease	12,252	15,899
Equity	39,897	51,197
<b>Total Liabilities and Equity</b>	<b>62,959</b>	<b>74,250</b>

Statement of income (loss) – CS Bioenergia S.A.	09/30/2019	12/31/2018
Revenues	2,779	5,452
(-) Operational expenses	(11,387)	(11,727)
Financial income (loss)	(2,693)	(3,298)
<b>Loss for the year</b>	<b>(11,301)</b>	<b>(9,573)</b>

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Changes in the investment in the period are as follows:

Description	09/30/2019	12/31/2018
Balance at beginning of year	20,479	18,832
Financial contribution	-	5,476
Equity in earnings (losses) of controlled company (percentage of interest 40%)	(4,520)	(3,829)
<b>Balance at end of year</b>	<b>15,959</b>	<b>20,479</b>

### Other investments

The Company has investment quotas in FINAM (Amazon Investment Fund) arising from the application of Tax Incentive Income Tax in the amount of R\$2,201 and several investments over which it does not exercise significant influence in the amount of R\$522, which are brought to value fair considering the quotation on 09/30/2019, equivalent to R\$2,300.

## 13. FIXED AND INTANGIBLE ASSETS

### a) Fixed assets

These have the following composition:

By account			09/30/2019	12/31/2018
Description	Cost	Accumulated depreciation	Net amount	
Administration	420,766	(157,960)	262,806	168,120
Other fixed assets	1,746	(970)	776	651
<b>Total</b>	<b>422,512</b>	<b>(158,930)</b>	<b>263,582</b>	<b>168,771</b>

By nature				09/30/2019	12/31/2018
Description	Annual depreciation rate	Cost	Accumulated depreciation	Net amount	
Plots of land	-	2,929	-	2,929	2,372
Civil construction	*1.84%	113,848	(23,627)	90,221	53,534
Leasehold	2%	2,121	(727)	1,394	1,329
Facilities	*5.83%	3,905	(2,468)	1,437	1,590
Equipment	*6.23%	72,637	(25,752)	46,885	45,197
Furniture and fixtures	7.14%	43,588	(19,111)	24,477	23,745
IT equipment	*19.82%	57,286	(31,779)	25,507	11,323
Vehicles	*13.05%	99,133	(38,159)	60,974	19,104
Machinery, tractors and similar	*19.35%	25,079	(16,870)	8,209	9,124
Tools	6.67%	1,416	(437)	979	1,024
Patrimonial assets to incorporate	-	570	-	570	429
<b>Totais</b>		<b>422,512</b>	<b>(158,930)</b>	<b>263,582</b>	<b>168,771</b>

\* Weighted average rate

# Companhia de Saneamento do Paraná - SANEPAR

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### b) Intangible assets

These have the following composition:

By lines			09/30/2019	12/31/2018
Description	Cost	Accumulated amortization	Net amount	
Water mains	4,584,042	(1,569,405)	3,014,637	2,889,919
Sewage mains	5,130,750	(1,172,434)	3,958,316	3,926,332
Solid waste	4,565	(2,982)	1,583	-
System Use and Operation Rights	125,103	(71,353)	53,750	55,156
Other intangible assets	149,960	(72,647)	77,313	64,947
<b>Total</b>	<b>9,994,420</b>	<b>(2,888,821)</b>	<b>7,105,599</b>	<b>6,936,354</b>

By nature				09/30/2019	12/31/2018
Description	Annual amortization rate	Cost	Accumulated amortization	Net amount	
Plots of land	-	167,605	-	167,605	164,454
Wells	*3.10%	147,535	(38,170)	109,365	104,168
Dams	*2.67%	141,191	(57,044)	84,147	86,397
Civil construction	*2.59%	2,182,052	(529,511)	1,652,541	1,616,198
Leasehold	*2.67%	26,849	(3,540)	23,309	20,804
Piping	*2.64%	5,242,385	(1,330,887)	3,911,498	3,830,359
Building connections	3.33%	746,790	(237,657)	509,133	482,499
Facilities	*5.83%	166,923	(63,455)	103,468	103,714
Hydrometers	10%	203,771	(80,795)	122,976	109,414
Macro-meters	10%	6,194	(4,152)	2,042	1,916
Equipments	*6.23%	611,134	(287,077)	324,057	316,846
Furniture and fixtures	7.14%	6,361	(3,558)	2,803	2,930
IT equipment	*19.82%	86,786	(82,116)	4,670	5,278
Computer programs	20%	60,836	(42,335)	18,501	18,269
Vehicles	*13.05%	24,445	(17,390)	7,055	7,699
Machinery, tractors and similar	*19.35%	22,887	(19,537)	3,350	4,945
Tools	6.67%	272	(193)	79	87
Rights of Use of Transmission Lines	6.25%	156	(133)	23	25
Environmental protection and preservatic	20%	24,494	(19,918)	4,576	4,329
Concession of the Mun. of Curitiba (1)	1.50%	125,000	(71,250)	53,750	55,156
Concession of the Mun. of Cianorte (2)	5%	103	(103)	-	-
Patrimonial assets to incorporate	-	651	-	651	867
<b>Total</b>		<b>9,994,420</b>	<b>(2,888,821)</b>	<b>7,105,599</b>	<b>6,936,354</b>

\* Weighted average rate

- (1) Concession right established in the onerous concession contract signed on December 6, 2001 and early renewed on June 5, 2018 by the signature of the program contract, in conformity with Law No. 11.445, of January 5, 2007, and other related legal acts.
- (2) Concession right of the onerous concession contract entered into with the Municipality of Cianorte to provide public utility services of collection, treatment and final disposition of solid waste for a period of 20 years.

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### Lease:

The Company has: (i) lease agreement for assets valued at R\$199.3 million due to the expansion of the sanitary sewage system of the municipalities of Matinhos and Pontal do Paraná, for a term of 240 (two hundred and forty) months, whose payment began in February 2017, with a substantial transfer of the risks and benefits of the assets which will be owned by the Company at the end of the agreement, and (ii) lease agreements vehicles, movable and immovable property, where the risks and benefits of using the property with the landlord. The obligations arising from these contracts are as explained in note 14.

As of September 30, 2019, the carrying amount for each category of assets under lease commitments recorded in Intangible Assets is as follows:

By lines			09/30/2019	12/31/2018
Description	Cost	Accumulated amortization	Net amount	
Buildings	37,434	(1,416)	36,018	36,488
Piping	147,315	(5,450)	141,865	144,075
Building connections	8,227	(539)	7,688	7,893
Facilities	309	(47)	262	278
Equipment	6,013	(814)	5,199	5,480
<b>Financial Lease</b>	<b>199,298</b>	<b>(8,266)</b>	<b>191,032</b>	<b>194,214</b>
Car Rental	60,110	(16,130)	43,980	-
Rental Movable Goods	22,217	(6,652)	15,565	-
Rental of Real Estate	40,997	(8,460)	32,537	-
<b>Financial Lease - Right of use</b>	<b>123,324</b>	<b>(31,242)</b>	<b>92,082</b>	<b>-</b>
<b>Total</b>	<b>322,622</b>	<b>(39,508)</b>	<b>283,114</b>	<b>194,214</b>
<b>Fixed Assets</b>	<b>121,215</b>	<b>(30,774)</b>	<b>90,441</b>	<b>-</b>
<b>Intangible Assets</b>	<b>201,407</b>	<b>(8,734)</b>	<b>192,673</b>	<b>-</b>

The Company recorded in the result the amount of R\$3,229 related to low value and short term (less than 12 months) lease agreements.

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### c) Changes to fixed and Intangible assets in the 3<sup>rd</sup> Quarter 2019:

Description	12/31/2018	Additions	Depreciation and amortization	Write-offs and losses	Transfers to Work	Transfer	09/30/2019
<b>Fixed assets</b>							
Plots and land	2,372	557	-	-	-	-	2,929
Civil construction	53,534	40,243	(8,392)	(4)	4,842	(2)	90,221
Leasehold	1,329	-	(30)	-	95	-	1,394
Facilities	1,590	-	(123)	-	-	(30)	1,437
Equipment	45,197	6,097	(3,011)	(73)	-	(1,325)	46,885
Furniture and fixtures	23,745	2,649	(1,874)	(9)	-	(34)	24,477
IT Equipment	11,323	25,350	(10,934)	(27)	-	(205)	25,507
Vehicles	19,104	64,237	(22,277)	-	-	(90)	60,974
Machinery, tractors and similar	9,124	-	(1,929)	-	-	1,014	8,209
Tools	1,024	17	(62)	-	-	-	979
Patrimonial assets to incorporate	429	141	-	-	-	-	570
<b>Total Fixed Assets</b>	<b>168,771</b>	<b>139,291</b>	<b>(48,632)</b>	<b>(113)</b>	<b>4,937</b>	<b>(672)</b>	<b>263,582</b>
<b>Intangible Asset</b>							
Plots of land	164,454	1,705	-	-	1,446	-	167,605
Wells	104,168	-	(1,362)	-	6,590	(31)	109,365
Dams	86,397	-	(2,243)	(7)	-	-	84,147
Civil construction	1,616,198	4,478	(37,644)	(272)	76,347	(6,566)	1,652,541
Leasehold	20,804	81	(506)	-	3,181	(251)	23,309
Piping	3,830,359	10,384	(93,928)	(178)	181,990	(17,129)	3,911,498
Building connections	482,499	164	(16,889)	(427)	44,633	(847)	509,133
Facilities	103,714	2,066	(7,504)	-	5,061	131	103,468
Hydrometers	109,414	-	(13,494)	(2,238)	29,294	-	122,976
Macro-meters	1,916	6	(235)	-	355	-	2,042
Equipment	316,846	22,088	(19,559)	(3,488)	6,759	1,411	324,057
Furniture and fixtures	2,930	114	(236)	(39)	-	34	2,803
IT Equipment	5,278	5	(659)	(164)	5	205	4,670
Computer programs	18,269	4,545	(4,313)	-	-	-	18,501
Vehicles	7,699	4	(738)	-	-	90	7,055
Machinery, tractors and similar	4,945	9	(591)	-	-	(1,013)	3,350
Tools	87	-	(9)	-	1	-	79
Rights of Use of Transmission Lines	25	-	(2)	-	-	-	23
Environmental protection and preservation	4,329	74	(1,387)	-	1,537	23	4,576
Concession of the Mun. of Curitiba	55,156	-	(1,406)	-	-	-	53,750
Patrimonial assets to incorporate	867	-	-	-	-	(216)	651
<b>Subtotal intangible assets</b>	<b>6,936,354</b>	<b>45,723</b>	<b>(202,705)</b>	<b>(6,813)</b>	<b>357,199</b>	<b>(24,159)</b>	<b>7,105,599</b>
<b>Grand Total</b>	<b>7,105,125</b>	<b>185,014</b>	<b>(251,337)</b>	<b>(6,926)</b>	<b>(a) 362,136</b>	<b>(b) (24,831)</b>	<b>7,369,181</b>

(a) Amount transferred from the Contract Assets account (Note 11);

(b) Amount transferred to the Contractual Financial Assets account, referring to the expected residual value receivable at the end of the program contracts, net of the Present Value Adjustment for the period (Note 10).



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### 14. LOANS, FINANCING, DEBENTURES AND FINANCE LEASE

#### a) Composition of loans, financing, debentures and finance lease is as follows:

Description	Effective Annual Interest Rate	Index	09/30/2019			12/31/2018		
			Current	Noncurrent	Total	Current	Noncurrent	Total
<b>Currency</b>								
Debentures 6th Issuance – 2nd series	0.82%	DI	-	-	-	174,179	-	174,179
Debentures 3rd Issuance – 2nd series	6.99%	IPCA	73,445	69,848	143,293	68,972	67,876	136,848
Debentures 8th Issuance – 1st series	0.41%	DI	1,624	94,950	96,574	58	94,900	94,958
Debentures 8th Issuance – 2nd series	0.50%	DI	2,732	154,820	157,552	141	154,771	154,912
BNDES	1.82% e 2.50%	TJLP	13,518	17,876	31,394	31,243	23,550	54,793
Banco do Brasil – PSI	3.00% a 6.00%	-	3,388	9,864	13,252	3,391	12,391	15,782
Debentures 2nd Issuance – 1st series	1.92%	TJLP	12,399	48,876	61,275	12,390	57,862	70,252
Debentures 2nd Issuance – 2nd series	9.19%	IPCA	18,983	74,627	93,610	20,872	90,704	111,576
Debentures 2nd Issuance – 3rd series	1.92%	TJLP	16,532	65,168	81,700	16,519	77,150	93,669
Debentures 9th Issuance – 1st series	0.38%	DI	3,868	199,037	202,905	-	-	-
Banco Itaú – PSI	3.00% a 6.00%	-	3,571	12,471	16,042	3,576	15,127	18,703
Debentures 9th Issuance – 2nd series	0.45%	DI	2,970	150,755	153,725	-	-	-
Debentures 4th Issuance – 1st series	1.67%	TJLP	24,401	163,068	187,469	22,814	168,820	191,634
Debentures 4th Issuance – 2nd series	7.44%	IPCA	13,312	88,975	102,287	12,107	89,825	101,932
BNDES – PAC2	1.67% e 2.05%	TJLP	36,255	221,979	258,234	33,239	228,310	261,549
Finance lease	11.14%	IPC-FIPE	8,889	260,104	268,993	8,481	265,066	273,547
Finance lease – Right of use	6.78%	-	45,740	52,447	98,187	-	-	-
Debentures 7th Issuance – 1st series*	5.20%	IPCA	264	31,137	31,401	1	12,123	12,124
Debentures 7th Issuance – 2nd series*	4.79%	IPCA	304	38,240	38,544	2	15,153	15,155
Debentures 7th Issuance – 3rd series	6.97%	IPCA	110	13,469	13,579	36	5,186	5,222
Debentures 7th Issuance – 4th series	6.57%	IPCA	127	16,547	16,674	42	6,484	6,526
Caixa Econômica Federal	6.62% a 12.00%	TR	80,130	963,867	1,043,997	70,707	907,250	977,957
<b>Total in R\$</b>			<b>362,562</b>	<b>2,748,125</b>	<b>3,110,687</b>	<b>478,770</b>	<b>2,292,548</b>	<b>2,771,318</b>
<b>Foreign currency</b>								
KfW Bank	1.35%	EURO	-	320	320	-	-	-
<b>Total Foreign currency</b>			<b>-</b>	<b>320</b>	<b>320</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balances at end of the period</b>			<b>362,562</b>	<b>2,748,445</b>	<b>3,111,007</b>	<b>478,770</b>	<b>2,292,548</b>	<b>2,771,318</b>
Loans and financing			136,862	1,226,377	1,363,239	142,156	1,186,628	1,328,784
Debentures			171,071	1,209,517	1,380,588	328,133	840,854	1,168,987
Finance lease			54,629	312,551	367,180	8,481	265,066	273,547

\* IPCA as a variable component of the TLP

#### Foreign Currency Debt:

On December 11, 2017, the Company signed a loan agreement with KfW Bank of EUR 50 million, with interest subsidy provided by the Federal Republic of Germany for projects that meet the eligibility criteria of the development policy as per terms that meet the OECD - Organization for Economic Co-operation and Development requirements for recognition as Official Development Assistance. The first release of funds took place in August 2019.

The Company will use the Loan exclusively to finance the promotion of the DKTI climate-friendly biogas technology promotion program in the state of Paraná regarding: (i) rehabilitation, expansion and construction of sewage treatment systems and plants; (ii) collection, treatment, disposal and use of biogas from sewage treatment plants; (iii) sludge treatment; (iv) equipment and accessories; and (v) consulting services.

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The Company will promote the execution of the contractually planned activities and Banco KfW will disburse the amounts by 06/30/2023. Half-yearly payment of a 0.25% commitment fee will be due per year on the amount not yet disbursed and interest of 1.35% per year. on the amount disbursed. The debt will be repaid in 21 semi-annual payments as of December 30, 2022.

Throughout the term of the agreement, the Company shall comply with the covenants pursuant to item f (iv) of this Note.

The Company contracted hedge derivative financial instruments to mitigate foreign exchange risk, assuming as a counterparty a CDI variation, as described in Note 4.1. In the third quarter of 2019, KfW bank released €70 thousand, and two swaps were carried out in the period to hedge interest rate and exchange variation, without speculative character, converting the financial charges to 132% of CDI (average), which represents the percentage of 8.45% for a rate of 6.4% of the CDI.

The composition of the Company's loans, financing, debentures and lease expressed in Brazilian Reais subject to variable and fixed interest rates are shown below:

Index	09/30/2019	12/31/2018
TR (Reference Rate)	1,043,997	977,957
TJLP (Long-Term Interest Rate)	620,072	671,897
IPCA (National Amplified Consumer Price Index)	439,388	389,383
DI	610,756	424,049
IPC-FIPE	268,993	273,547
No Monetary Adjustment	127,801	34,485
	<b>3,111,007</b>	<b>2,771,318</b>

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### b) Description of loans, financing, debentures and finance lease:

Description	Period of Issuance	Final Maturity	Amount Contracted	Number of Debentures	Payments	
					Amortization	Interest
Debentures 3rd Issuance – 2nd series	2013	2020	100,330	10,033	2019/2020	Six-monthly
Debentures 8th Issuance – 1st series	2018	2021	95,000	9,500	2021	Six-monthly
Debentures 8th Issuance – 2nd series	2018	2023	155,000	15,500	2023	Six-monthly
BNDES - 3 Contratos	2007	2023	295,967	-	Monthly	Quarterly during grace period and monthly at amortization
Debentures 9th Issuance – 1st series	2019	2024	199,150	19,915	2024	Six-monthly
Banco do Brasil - PSI - 11 Contracts	2013 to 2014	2024	30,793	-	Monthly	Quarterly during grace period and monthly at amortization
Debentures 2nd Issuance - 1st and 3rd series	2011	2024	276,609	7,000	Monthly	Quarterly during grace period and monthly at amortization
Debentures 2nd Issuance – 2nd series	2011	2024	118,547	3,000	Annual	Annual
Banco Itaú - PSI - 13 Contracts	2013 to 2014	2025	33,175	-	Monthly	Quarterly during grace period and monthly at amortization
Debentures 9th Issuance – 2nd series	2019	2026	150,850	15,085	2026	Six-monthly
Debentures 4th Issuance – 1st series	2014	2027	230,012	7,000	Monthly	Quarterly during grace period and monthly at amortization
Debentures 4th Issuance – 2nd series	2014	2027	98,576	3,000	Monthly	Quarterly during grace period and monthly at amortization
BNDES - PAC2 - 5 Contracts	2011 to 2014	2029	682,649	-	Monthly	Quarterly during grace period and monthly at amortization
Finance lease	2013	2036	460,592	-	Monthly	Monthly
Finance lease – Right of use - 132 Contracts	2014 to 2019	2019 to 2024	137,232	-	Monthly	Monthly
Debentures 7th Issuance – 1st series	2018	2038	47,279	19,733	Monthly	Quarterly during grace period and monthly at amortization
Debentures 7th Issuance – 2nd series	2018	2038	120,437	50,267	Monthly	Quarterly during grace period and monthly at amortization
Debentures 7th Issuance – 3rd series	2018	2038	20,263	8,457	Monthly	Quarterly during grace period and monthly at amortization
Debentures 7th Issuance – 4th series	2018	2038	51,616	21,543	Monthly	Quarterly during grace period and monthly at amortization
KfW Bank (Euro)	2017	2032	50,000	-	Six-monthly	Six-monthly
Caixa Econômica Federal - 334 Contracts	2003 to 2018	2042	3,515,166	-	Monthly	Monthly

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### c) The amortization timeline is as follows:

Description	2019	2020	2021	2022	2023	2024	2025 to 2042	Total
Debentures 2nd Issue	7,874	47,168	47,168	47,168	47,168	40,039	-	236,585
Debentures 3rd Issue	73,486	69,807	-	-	-	-	-	143,293
Debentures 4th Issue	10,048	36,886	36,886	36,886	36,886	36,886	95,278	289,756
Debentures 7th Issue	805	-	427	5,850	5,850	5,850	81,416	100,198
Debentures 8th Issue	4,356	-	94,868	-	154,902	-	-	254,126
Debentures 9th Issue	6,839	-	-	-	-	198,966	150,825	356,630
<b>Subtotal Debentures</b>	<b>103,408</b>	<b>153,861</b>	<b>179,349</b>	<b>89,904</b>	<b>244,806</b>	<b>281,741</b>	<b>327,519</b>	<b>1,380,588</b>
BNDES	7,772	7,661	7,661	7,661	639	-	-	31,394
BNDES - PAC2	9,628	35,503	35,503	31,469	30,156	30,156	85,819	258,234
Banco do Brasil - PSI	862	3,369	3,369	3,369	2,093	190	-	13,252
Banco Itaú - PSI	915	3,542	3,542	3,542	3,056	1,420	25	16,042
Caixa Econômica Federal	21,027	78,383	72,937	65,785	55,276	58,720	691,869	1,043,997
KfW Bank	-	-	-	15	30	30	245	320
<b>Subtotal loans and financing</b>	<b>40,204</b>	<b>128,458</b>	<b>123,012</b>	<b>111,841</b>	<b>91,250</b>	<b>90,516</b>	<b>777,958</b>	<b>1,363,239</b>
Financing lease	4,461	6,748	7,418	8,164	8,995	9,922	223,285	268,993
Financing lease - Right of use	15,921	39,661	21,397	11,311	8,681	1,216	-	98,187
<b>Subtotal financing lease</b>	<b>20,382</b>	<b>46,409</b>	<b>28,815</b>	<b>19,475</b>	<b>17,676</b>	<b>11,138</b>	<b>223,285</b>	<b>367,180</b>
<b>Total</b>	<b>163,994</b>	<b>328,728</b>	<b>331,176</b>	<b>221,220</b>	<b>353,732</b>	<b>383,395</b>	<b>1,328,762</b>	<b>3,111,007</b>

As at September 30, 2019, present value of minimum future financial obligations in reference to Finance Lease is shown below:

Description	Minimum Future Payments	Finance charges	09/30/2019	12/31/2018
			Present Value of Minimum Future Payments	Present Value of Minimum Future Payments
<b>Finance Lease</b>				
Less than one year	36,798	(27,909)	8,889	8,482
Later than one year and not later than 5 years	137,793	(104,389)	33,404	31,076
Over 5 years	400,989	(174,289)	226,700	233,989
<b>Subtotal</b>	<b>575,580</b>	<b>(306,587)</b>	<b>268,993</b>	<b>273,547</b>
<b>Finance Lease - Right of use</b>				
Less than one year	50,315	(4,575)	45,740	-
Later than one year and not later than 5 years	57,020	(4,573)	52,447	-
<b>Subtotal</b>	<b>107,335</b>	<b>(9,148)</b>	<b>98,187</b>	<b>-</b>
<b>Total</b>	<b>682,915</b>	<b>(315,735)</b>	<b>367,180</b>	<b>273,547</b>

The weighted average of the discount rate applied was 10.6% per annum for the Rental of Coastal Assets and 6.78% per year for vehicles, real estate and movable property.

# Companhia de Saneamento do Paraná - SANEPAR

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### d) Changes in loans, financing, debentures and Finance Lease were:

Description	09/30/2019		12/31/2018	
	Current	Noncurrent	Current	Noncurrent
<b>Balances at beginning of year</b>	<b>478,770</b>	<b>2,292,548</b>	<b>562,548</b>	<b>2,154,290</b>
Releases	-	566,613	-	490,910
Interest and fines	177,200	-	220,724	-
Monetary Variations	-	12,594	-	64,029
Transfers	226,553	(226,553)	470,910	(470,910)
Amortization	(545,314)	-	(775,587)	-
Costs of funds raised with third parties	190	30	175	(1,228)
Exchange rate	-	1	-	-
Finance lease	25,163	103,212	-	55,457
<b>Balances at end of year</b>	<b>362,562</b>	<b>2,748,445</b>	<b>478,770</b>	<b>2,292,548</b>

### e) The main events in the year were as follows:

Until the third quarter of 2019, the Company obtained and amortized funds from third parties, as stated below:

Index	Releases	Amortization
Debentures 2nd Issue	-	59,144
Debentures 3rd Issue	-	4,620
Debentures 4th Issue	18,950	42,146
Debentures 6th Issue	-	181,991
Debentures 7th Issue	59,587	2,092
Debentures 8th Issue	-	8,265
Debentures 9th Issue	350,000	-
BNDES	-	26,070
BNDES - PAC2	22,000	41,442
Banco do Brasil - PSI	-	2,941
Banco Itaú - PSI	-	3,280
Caixa Econômica Federal	115,756	112,263
KfW Bank	320	-
Financing lease - Right of use (1)	128,375	61,060
<b>Total</b>	<b>694,988</b>	<b>545,314</b>

(1) - Not represents financial impact.

### f) Restrictive Contractual Clauses – Covenants

Covenants and restrictive clauses linked to the loans, financing and debentures are shown below:

#### (i) Covenants in BNDES contracts and in 2nd, 4th and 7th Issuance of Debentures

Index	Limit	Range	Realized
EBITDA Debt Service	Equal to or higher than 1.5	Less than 1.5 and equal to or higher than 1.2	2.5
Net Bank Debt/ EBITDA	Equal to or under than 3.0	Equal to or under 3.8 and higher than 3.0	1.6
Other Onerous Debt/ EBITDA	Equal to or under than 1.0	Equal to or under 1.3 and higher than 1.0	0.5

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### (ii) Covenants of contracts of the 3rd, 6th, 8th and 9th Issuance of Debentures

Index	Limit	Realized
Adjusted EBITDA /Net Financial Expenses	Equal to or higher than 1.5	10.4
Net Bank Debt / adjusted EBITDA	Equal to or under than 3.0	1.5

### (iii) Covenants of contracts of the Caixa Econômica Federal

Index	Limit	Realized
Adjusted EBITDA /Net Financial Expenses	Equal to or higher than 1.5	10.4
Net Bank Debt / adjusted EBITDA	Equal to or under 3.0	1.5
Other Onerous Debt/Adjusted EBITDA	Equal to or under 1.0	0.5

### (iv) Covenants of contracts of the KfW Bank

Index	Limit	Realized
EBITDA / Debt service	Equal to or higher than 1.5	2.5
Net Bank Debt / Adjusted EBITDA	Equal to or under than 3.0	1.6
Other Onerous Debt / Adjusted EBITDA	Equal to or under 1.0	0.5
Levels of debt	Equal to or under 60	47.9

For BNDES contracts and the 2<sup>nd</sup>, 4<sup>th</sup> and 7<sup>th</sup> Issuance of Debentures, the Company shall maintain throughout the term of the financing agreements the limit ratios, calculated on a quarterly basis and related to cumulative values for the past 12 months.

In case one or more of the Company covenants should exhibit for a minimum of two (02) quarters, consecutive or not, within 12 months, ratios within the range mentioned above, the monthly amount for the installment of the transferred rights granted in escrow in the terms of the clause “Fiduciary Assignment of Rights” for each of the contracts will be automatically increased by twenty percent (20%).

For contracts in item (ii), of the 3<sup>rd</sup>, 8<sup>th</sup> and 9<sup>th</sup> issuances of simple debentures, not convertible into shares, the type species, considering that it does not confer any special or general privilege to the holders, the Company must maintain the ratios mentioned above throughout the period and until the final maturity.

In relation to the contracts of item (iii) of the Caixa Econômica Federal, related to the 3<sup>rd</sup> phase of Normative Instruction 14 and Normative Instruction 29, pursuant to Item 16.1 of Clause Six of said agreements, the Company shall maintain throughout the term and until the final maturity the indexes pointed above.

With respect to the KfW Bank item (iv) agreement, pursuant to paragraph 11.11 of the loan agreement, the Borrower undertakes to comply at all times with the stipulated financial ratios.

As of September 30, 2019, the Company is fully complying with the restrictive covenants stipulated by the issuance of debentures and financing from BNDES and Caixa Econômica Federal.

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### 15. CONCESSION AGREEMENT

The Company advanced the maturity the onerous concession contract entered into with the Municipality of Curitiba and signed on June 5, 2018, a Program Contract for a 30-year term for the operation of the public utility services of water supply and collection, removal and treatment of sewage. As compensation for the early maturity, the Company shall transfer to the municipality of Curitiba through the Municipal Basic Sanitation Fund, the amount of R\$88,771 in three (03) instalments, the first paid upon the signature of the contract, the second paid in March 2019 and the third to be paid in November 2019. The balance recorded in current liabilities on September 30, 2019 is R\$31,035, which will be monetarily adjusted by IPCA.

### 16. TAXES AND CONTRIBUTIONS

The composition is as follows:

Description	09/30/2019	12/31/2018
Income tax payable	34,426	-
Social contribution payable	13,359	-
COFINS (tax on sales) payable	24,283	24,292
PASEP (tax on sales) payable	5,265	5,265
IPTU (Property tax) - installment payment (1)	1,200	1,443
Taxes and Contributions Withheld at Source	10,821	38,124
<b>Total taxes and contributions</b>	<b>89,354</b>	<b>69,124</b>
<b>Current</b>	<b>88,647</b>	<b>68,133</b>
<b>Noncurrent</b>	<b>707</b>	<b>991</b>

- (1) This amount is in reference to IPTU (Urban Property Tax) by the City of Curitiba, relevant to the legal expropriation of property subject to an area occupied by ETE CIC/Xisto, for the period 2002-2013, encompassing interest, and monetary indexed and legal fees of 10% on the total amount of debt. The amount of debt of R\$1,664, was divided by the Company in 90 monthly installments restated by the IPCA, plus moratorium interest of 1% per month, and until 09/30/2019, 61 installments had been paid for the amount of R\$1,805.

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### 17. INCOME AND SOCIAL CONTRIBUTION TAXES

#### a) Reconciliation of Income Tax and Social Contribution Expenses Recorded in the Statements of Income

Description	09/30/2019		09/30/2018	
	Income Tax	Social Contribution Tax	Income Tax	Social Contribution Tax
Income before Income and Social Contribution Taxes	954,745	954,745	807,994	807,994
<b>Income and social contribution taxes - current rate</b>	<b>(238,686)</b>	<b>(85,927)</b>	<b>(201,999)</b>	<b>(72,719)</b>
Benefit of deduction of Interest on equity capital	43,541	15,675	39,823	14,336
NPV - Net Present Value	-	-	269	97
Workers' Meal Program – PAT (1)	8,849	-	7,820	-
Corporate Citizen Incentive (2)	413	-	541	-
Equity in earnings (losses) of the controlled companies	(1,130)	(407)	(724)	(261)
Finance lease	-	-	(11,362)	(4,090)
Other	(2,429)	(931)	(5,279)	(1,972)
<b>Total expenses</b>	<b>(189,442)</b>	<b>(71,590)</b>	<b>(170,911)</b>	<b>(64,609)</b>
<b>Total Income and Social Contribution taxes</b>		<b>(261,032)</b>		<b>(235,520)</b>
<b>Effective rate</b>		<b>27.3%</b>		<b>29.1%</b>

(1) According to Law no. 6,321, of 04/14/1976;

(2) According to Decree 7,052, of December 23, 2009, regulating Law no. 11,770, of 09/09/2008

#### b) Current and deferred income and social contribution taxes

The composition of these items for the period is as follows:

Description	09/30/2019	09/30/2018
Income tax	(220,680)	(194,789)
Social Contribution Tax	(82,490)	(72,840)
Realization of Deferred Income Tax	31,238	23,878
Realization of Deferred Social Contribution	10,900	8,231
<b>Total</b>	<b>(261,032)</b>	<b>(235,520)</b>

Possible tax impacts for the recognition of actuarial gains and losses in Net Equity are disclosed in the statement of Comprehensive Income.

#### c) Deferred income and social contribution taxes

The composition of the basis for deferred income tax and social contribution on assets and liabilities for future realization is as follows:



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Description	Estimated realization term	09/30/2019				12/31/2018
		Calculation basis	Income tax	Contribution Tax	Total	Total
<b>ASSETS</b>						
NPV on Contractual Financial Assets	30 years	766,545	191,636	68,989	260,625	249,711
Financing lease	20 years	268,993	67,248	24,209	91,457	93,006
Pension and Health Plans	15 years	986,643	246,661	88,798	335,459	320,208
Impairment on assets	10 years	12,095	3,023	1,089	4,112	4,838
Civil, Labor, Tax and Environmental Provisions	5 years	546,964	136,741	49,227	185,968	157,011
Financing lease - Right of use	5 years	98,186	24,547	8,836	33,383	-
Allowance for doubtful accounts	3 years	44,498	11,124	4,005	15,129	14,994
PAI – Encouraged Retirement Program	2 years	1,640	410	148	558	2,813
Provision for PPR	1 year	73,733	18,433	6,636	25,069	31,787
Fair Value – Investment FINAM	1 year	423	106	38	144	210
NPV of accounts receivable	1 year	4,170	1,043	375	1,418	1,606
<b>Total</b>			<b>700,972</b>	<b>252,350</b>	<b>953,322</b>	<b>876,184</b>
<b>LIABILITIES</b>						
NPV on Contractual Financial Assets	30 years	737,097	184,274	66,339	250,613	242,567
IRPJ Deferred on Construction and Improvements	24 years	122,294	30,573	-	30,573	31,535
Finance lease	20 years	191,032	47,758	17,193	64,951	66,032
Donations from Public Agencies	20 years	10,321	2,580	929	3,509	3,471
Revaluation surplus	13 years	107,589	26,897	9,683	36,580	38,694
Financing lease - Right of use	5 years	92,082	23,021	8,287	31,308	-
Attribution of New Cost to Fixed Assets	3 years	7,976	1,994	718	2,712	2,947
<b>Total</b>			<b>317,097</b>	<b>103,149</b>	<b>420,246</b>	<b>385,246</b>
<b>Total Net</b>			<b>383,875</b>	<b>149,201</b>	<b>533,076</b>	<b>490,938</b>

### d) d) Estimated Future Realization of Deferred Income Tax and Social Contribution

The estimated future realization of deferred tax assets and deferred tax liabilities as at September 30, 2019 is as follows:

Periods of Realization	Deferred Tax Assets			Deferred Tax Liabilities		
	Income Tax	Social Contribution Tax	Total	Income Tax	Social Contribution Tax	Total
2019	8,514	3,065	11,579	4,645	1,554	6,199
2020	53,040	19,095	72,135	18,580	6,215	24,795
2021	43,543	15,675	59,218	18,580	6,215	24,795
2022 to 2024	228,220	82,159	310,379	47,664	15,739	63,403
2025 to 2027	79,293	28,546	107,839	36,830	11,839	48,669
2028 to 2030	78,976	28,431	107,407	36,830	11,839	48,669
2031 to 2033	78,976	28,431	107,407	32,439	10,258	42,697
2034 to 2036	41,977	15,112	57,089	30,243	9,467	39,710
2037 to 2039	26,150	9,414	35,564	27,453	8,463	35,916
2040 to 2042	19,164	6,899	26,063	22,372	6,634	29,006
2043 to 2045	19,164	6,899	26,063	18,427	6,634	25,061
2046 to 2048	19,164	6,899	26,063	18,427	6,634	25,061
2049 to 2051	4,791	1,725	6,516	4,607	1,658	6,265
<b>Total</b>	<b>700,972</b>	<b>252,350</b>	<b>953,322</b>	<b>317,097</b>	<b>103,149</b>	<b>420,246</b>

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### 18. REVENUE TO BE APPROPRIATED

The Company renewed the cession contract for operation of financial services with Caixa Econômica Federal for a sixty-month term (sixty), starting in March/2017, for the amount of R\$21,000. Revenues corresponding to this contract are recognized on a monthly basis, for the term of the contract, on the accrual basis. The amount recognized in the results until third quarter of 2019 was of R\$3,150 (R\$3,150 for the same period in 2018), The balance as at September 30, 2019 was of R\$10,150 (R\$13,300 as at 12/31/2018), with R\$4,200 (R\$4,200 as at 12/31/2018) entered in current liability and R\$5,950 (R\$9,100 as at 12/31/2018) in non-current liabilities.

### 19. PROVISIONS, CONTINGENT LIABILITIES AND COURT DEPOSITS

#### a) Provisions

The Company books provisions for civil, labor, tax and environmental claims classified as probable losses, with the following changes:

Nature	12/31/2018	Additions	Reversals	Payments	09/30/2019
Labor claims (i)	229,509	94,414	(5,566)	(13,209)	305,148
Civil claims (ii)	208,129	14,741	(7,634)	(9,129)	206,107
Environmental claims (iii)	6,689	14,250	(2,019)	(730)	18,190
Tax claims (iv)	17,470	49	-	-	17,519
<b>Total</b>	<b>461,797</b>	<b>123,454</b>	<b>(15,219)</b>	<b>(23,068)</b>	<b>546,964</b>

#### b) Contingent liabilities

The Company, given the nature of the claim proceedings in which it is involved and supported by the opinion of its legal advisors, discloses its contingent liabilities that are expected to incur possible losses, for these actions, no provisions were made for possible losses, as established by CPC 25 of the Accounting Pronouncement Committee.

The position of contingent liabilities with possible loss for civil, environmental and tax claims, is as follows:

Nature	Contingent liabilities	
	09/30/2019	12/31/2018
Labor claims (i)	52,029	44,382
Civil claims (ii)	410,833	375,364
Environmental claims (iii)	327,099	339,737
Tax claims (iv)	18,964	16,554
<b>Total</b>	<b>808,925</b>	<b>776,037</b>

#### (i) Labor

Labor claims are mostly related to claims filed by former employees of the company and providers (joint responsibility), who vindicate salary differences and labor charges. The main suits involving the Company are in relation to: i) plan for jobs and wages; ii) premium for unhealthy and nocturnal; (iii) functional reintegration; iv) wage equalization; v) reduction of the employer contribution to the health plan; vi) FGTS fines 40% and vii) work accident.

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### (ii) Civil

Civil proceedings are related to requests for compensation of customers and suppliers, and third-party damages, the main suits involving the Company are in relation to: i) reimbursement of costs incurred for the replacement of materials; ii) other proceedings resulting from indemnification related to the suspension of the contract, traffic accidents, property damage, loss of profits, among others.

### (iii) Environmental

Environmental claims are in connection with violation notices issued by different environmental agencies, mainly for: i) damages to the environment and leaks/extra leakage of sewage collection systems, and discharge of effluents of sewage treatment plants not compliant with parameters required by legislation; ii) installation and operation of water and sewage treatment plants without environmental license.

### (iv) Taxes

Tax proceedings are mainly in relation to queries connected to collection of ISSQN (Tax over Services of Any Nature) due to divergent interpretations of the law, The main claims with which the Company is involved include the municipalities of Piraquara, Paranavai, Campo Mourão, Campina da Lagoa, Pinhais and Porecatu.

### c) Court deposits

The Company has made court deposits that will only be recovered in case of a favorable sentence for the Company,

The breakdown is as follows:

Nature	Court deposits	
	09/30/2019	12/31/2018
Labor claims	185,257	137,502
Civil claims	98,358	54,555
Environmental claims	2,534	5,689
Tax claims	7,646	5,706
<b>Total</b>	<b>293,795</b>	<b>203,452</b>

## 20. PENSION PLAN AND MEDICAL INSURANCE

Sanepar sponsors the Fundação Sanepar de Previdência e Assistência Social – FUSAN, non-profit legal entity, with the main purpose of managing the company's retirement plan that targets supplementing pension benefits for Company staff.

The retirement/pension plan managed by FUSAN has the following main features: defined contribution during the working phase and defined benefit with lifetime income for retirees, pensioners and risk benefits (disability retirement, death pension, sickness and accident). Until the third quarter of 2019, the Sponsor passed on the amount of R\$23,123 (R\$21,651 for the same period in 2018) as contribution to FUSAN.

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The technical reserves for purposes of meeting the standards established by Previc - National Superintendency of Complementary Pensions are determined by the actuary responsible for the pension plan.

The Company also sponsors the Fundação Sanepar de Assistência Social, a non-profit social welfare association that manages health care for active and retired Sanepar employees, called SaneSaúde.

SaneSaúde is a collective of medical and dental care insurance plan, self-managed, financed by pre-payment, and the contributions made on average 63.9% for the sponsor and 36.1% for active and retired beneficiaries through defined monthly contributions for the regulation of the plan, which are determined annually based on actuarial calculations, which take into account the age of the beneficiary, and the existence of limiting factors for use of the services offered.

As a contribution to the Foundation, until the third quarter of 2019, the Company transferred the amount of R\$51,423 (R\$48,315 for the same period in 2018).

Additionally, for the purposes of compliance with the determinations contained in CPC 33 (R1), approved by CVM Deliberation 695, Mirador Atuarial Ltda., for the year ended December 31, 2018, that was hired and issued detailed reports that support the information included in this Note, consistent with the same information at the time.

The information below shows the actuarial position of liabilities related to pension and health care plans:

Description	Pension Plan	Medical Insurance	09/30/2019	12/31/2018
Current	22,703	43,074	65,777	62,786
Noncurrent	317,834	603,032	920,866	879,002
<b>Liabilities recognized at the end of the year</b>	<b>340,537</b>	<b>646,106</b>	<b>986,643</b>	<b>941,788</b>

The table below shows the projected expenses for the year of 2019:

Description	Pension Plan	Medical Insurance	2019
Current service cost	7,142	5,733	12,875
Interest cost	103,118	56,855	159,973
Expected return on the plan's assets	(73,464)	(41)	(73,505)
Contributions of the sponsor/participants	(16,622)	(22,915)	(39,537)
<b>Total</b>	<b>20,174</b>	<b>39,632</b>	<b>59,806</b>

The amount of R\$59,806 was the actuarial estimate for expected variation in the plans for year 2019, which is being booked by the Company on a monthly basis with an accrual until the third quarter of 2019 the amount of R\$44,855 (R\$64,365 for the same period in 2018). At the end of 2019, a new actuarial review will be performed to determine the accounting adjustments in the plans. If abnormal variations in the rules of the pension and health care plan occur during the year, or even in the base of participants, which have not occurred to date, an interim actuarial review can be performed.

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### 21. RELATED-PARTY TRANSACTIONS

As at September 30, 2019, the State of Paraná holds credits for interest on Self Owned Capital for the amount of R\$32,710 (R\$29,917 for the same period in 2018). The Company also supplied water and sewage services to the state of Paraná for a revenue of R\$90,692 and R\$87,227 through the third quarter of 2019 and 2018, respectively.

The Company provides water and sanitary sewage services to a number of city administrations, in particular in the state of Paraná, with which it maintains Concession Contracts and Municipal Program Contracts, with the revenues from said contracts with municipal administrations being, until the third quarter of 2019, R\$75,693 (R\$73,972 for the same period in 2018). The Company also provides services in urban solid waste management in some municipalities of the State of Paraná, with the revenue being R\$8,728 (R\$7,317 for the same period in 2018). In addition, the Company has accounts receivable from these prefectures in the amount of R\$99,287 in September 30, 2019 (R\$96,358 in December 31, 2018), as shown in Note 6a.

The Company transacted with CS Bioenergia S.A., and until the third quarter of 2019, it obtained revenues from treatment of sewage effluents in the amount of R\$897 (R\$386 for the same period in 2018), rental of property in the amount of R\$149 (R\$194 for the same period in 2018) and the supply of water and sewage services in the amount of R\$1,477 (R\$827 for the same period in 2018), and expenses related to the removal of sludge from Sewage Treatment Plant - ETE Belem in the amount of R\$2,570 (R\$4,256 for the same period in 2018).

The Company also carries out operations with the Sanepar Foundations (Health Plan and Pension Plan), and until the third quarter of 2019 obtained revenues for the supply of water and sewage services in the amount of R\$14 (R\$13 for the same period in 2018), expenses of rent of property in the amount of R\$449 (R\$380 for the same period in 2018) and of employer contributions to the employee benefit plans in the amount of R\$74,546 (R\$69,966 for the same period in 2018), as described in note 20.

All transactions with related parties were practiced by Sanepar's Management under the same market conditions as practiced with its other customers, except for some municipalities that have discounts on invoices of water supply and sewage, depending on the set maximum consumption in each special contract with the government to obtain the benefit.

#### **Management compensation**

The overall annual management compensation for the year ending December 31, 2019 was approved by 55<sup>a</sup>/2019 Annual General Meeting (AGO) of April 24, 2019, for the amount of R\$13,918. For 2018, the approval was issued by the 54<sup>a</sup>/2018 Annual General Meeting (AGO) held on 26 April, 2018, for the amount of R\$13,918.

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The following are the payments made to managers

Description	09/30/2019	06/30/2018
Remuneration	7,259	5,170
Charges and Benefits	2,013	1,329
Social charges	1,878	1,235
Health plan (Sanesaúde)	39	36
Sanepar Foundation (Fusan)	82	58
Supplementary programmes	14	-
<b>Total</b>	<b>9,272</b>	<b>6,499</b>

## 22. OTHER ACCOUNTS PAYABLE

The composition is as follows:

Description	09/30/2019	12/31/2018
Programs Linked to Agência Nacional de Águas - ANA	-	2,099
Contracts and Agreements with third parties	8,880	10,397
Agreements with municipal administrations	15,128	15,707
Collaterals and amounts reimbursable	18,189	10,643
Labor Indemnities – PAI/PDVTC	-	689
Installment payment IBAMA – PRD Law No. 13.494/2017 (1)	68,480	81,316
Municipal Sanitation and Environmental Management Fund	5,801	8,942
Other account payables	250	250
<b>Total</b>	<b>116,728</b>	<b>130,043</b>
<b>Current</b>	<b>69,216</b>	<b>68,179</b>
<b>Noncurrent</b>	<b>47,512</b>	<b>61,864</b>

- (1) Installment payment of debts referring to 31 environmental assessment notices from the Brazilian Institute of Environment and Renewable Natural Resources – IBAMA, in accordance with the Non-Tax Debt Settlement Program – PRD created by Law No, 13,494/2017. Until 12/31/2017, 20% of consolidated debt amounting to R\$29,083 (adhesion to installment payment) was settled and the remaining was paid in installment up to 60 monthly installments, adjusted at SELIC interest rate, and until 09/30/2019, 21 installments in the amount of R\$33,413 were paid.

## 23. EQUITY

### a) Capital Stock

Capital stock, fully paid-in, is composed by 503,735,173 shares, with no par value, being 167,911,753 common shares and 335,823,420 preferred shares. In addition to the common and preferred shares, the Company started to negotiate Share Deposit Certificates (“Units”), being each “Unit” formed by one common share and four preferred shares.

Preferential shares are not entitled to vote, but they have assured: (i) equally participate with ordinary shares in the distribution of shares or any other bonds or benefits, including incorporation of reserves to capital stock; (ii) priority treatment in the reimbursement of capital in case of the Company’s liquidation; and (iii) the right to receive compensation, of at least 10% higher than the amount attributed to each ordinary share.

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The equity amount of each share as at September 30, 2019 is R\$11.96 (R\$11.35 as at December 31, 2018).

The Capital stock underwritten and fully paid in as at September 30, 2019 is of R\$2,854,952, that net of the share issuance costs is of R\$2,851,089, and the shareholding structure is the following:

Shareholders	Number of shares					
	Common	%	Preferred	%	Total	%
State of Paraná	100,914,575	60.1	1	-	100,914,576	20.0
Municipal Administrations	-	-	1,975,776	0.6	1,975,776	0.4
Foreign Investors	33,780,843	20.1	175,307,842	52.2	209,088,685	41.5
Other Investors	33,216,335	19.8	158,539,801	47.2	191,756,136	38.1
<b>Total</b>	<b>167,911,753</b>	<b>100.0</b>	<b>335,823,420</b>	<b>100.0</b>	<b>503,735,173</b>	<b>100.0</b>

### b) Revaluation surplus

The reevaluation surplus was realized until the third quarter, transferring to Retained earnings the amount of R\$4,102 (R\$4,625 for the same period in 2018), net of Income Tax and Social Contribution. The realization of this reserve occurs in the same ratio as of right down and depreciation of assets registered in the fixed and intangible assets line, object of said reevaluation.

The changes in the realization of the Reevaluation Surplus were as follows:

Description	09/30/2019	09/30/2018
<b>Balances at beginning of year</b>	<b>75,111</b>	<b>81,204</b>
Realization of revaluation surplus	(6,216)	(7,007)
Realization of Taxes on the Revaluation surplus	2,114	2,382
<b>Balances at end of year</b>	<b>71,009</b>	<b>76,579</b>

### c) Valuation Adjustments to Equity

Constituted in accordance with article 182 of the Brazilian Corporation Law, referring to the equity valuation adjustments, while not computed in the income for the year in accordance with the accrual basis, the counterparts of increases or decreases in amounts attributed to assets and liabilities, as a result of their valuation at fair value.

Durint this quarter it was transferred to retained earnings, the amount of R\$458 (R\$1,915 in the same period of 2018), net of income tax and social contribution. The realization of this account occurs in the same proportion of the write-offs and depreciation of property, plant and equipment and intangible assets, to which new values have been assigned.

The changes in the realization of the Valuation Adjustments were as follows:

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Description	09/30/2019	09/30/2018
<b>Balance at beginning of year</b>	<b>5,722</b>	<b>8,007</b>
Realization of Adjustments to Assigned Cost.	(693)	(2,901)
Realization of Taxes on Adjustments to Assigned Cost	235	986
<b>Balance at end of year</b>	<b>5,264</b>	<b>6,092</b>

### d) Reserve for Investment Plan

The investment plan reserve corresponds to remaining profit, after constituting the legal reserve, the fiscal incentives reserve, and the distribution of interest on shareholders' equity and dividends. The limit for constituting this reserve is the value of the paid-in shareholders capital. The funds allocated to the investment plan reserve will be invested in construction projects and expansion of water supply systems, collection and treatment of sewage, as established in the Company's investment plans.

### e) Legal Reserve

Constituted pursuant to the Brazilian Corporation Law and the Bylaws, based on 5% of net income for each year, up to a limit of 20% social integration. The legal reserve may only be used to increase capital or absorb accumulated losses. Also in accordance with the Brazilian Corporate Law, Management respects the capital limit for the constitution of profit reserves.

### f) Tax incentive reserve

Constituted related to the portion of net income from donations and government subsidies, in accordance with article 195-A of the Brazilian Corporation Law.

### g) Other Comprehensive Income

Pursuant to CPC 33 (R1) - Employee Benefits, adjustments to the fair value of actuarial liabilities related to employee benefit plans (Note 20) arising from actuarial gains or losses are recorded directly in Shareholders' Equity.

### h) Shareholders' compensation

The Company Bylaws provide for the mandatory distribution of dividends of 25% of the adjusted net income in accordance with the Brazilian Corporate Law. Holders of preferential shares was assigned interest on shareholders' equity (dividend) per share 10% higher than that of holders of common shares.

The tax laws allow companies to proceed, within certain limits, with payments of interest on shareholders' equity to shareholders and to treat said payments as deductible expenses in calculating Income Tax and Social Contribution owed. This distribution, applicable to mandatory dividends payable by the Company, is treated for accounting purposes as a deduction of the shareholders' equity, similar to dividends. On these values is withheld income tax at the rate of 15%, and paid by the Company upon the payment of interest.



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On April 24, 2019, the Shareholder Meeting approved the payment of Interest on Equity Capital and Additional Dividends, credited to shareholders in the year of 2018, for the gross amount of R\$423,814, which net of Withholding Income Tax represented R\$394,758, and up to 09/30/2019, the amount of R\$394,291 was settled.

The amount of remuneration to shareholders, per share, was as follows:

Description	2018	2017
Common Shares	0.78876	0.60603
Preferred shares	0.86763	0.66663
Value for 1 "Unit"	4.25930	1.66949

In June of 2019, the Company's Management proposed and the Board of Directors approved, according to the 6th/2019 Ordinary Meeting of the Board of Directors of June 18, 2019, the interest on shareholders' equity at a rate of 50%, observing the legal limit of TJLP variation in the period, based on the results obtained in the first half of 2019. The gross amount of Interest on Equity, calculated for the first half of 2019, was R\$174,165, with the amount retained. R\$13,973 as Withholding Income Tax. This credit generated a tax savings of R\$59,216.

### i) Earnings per share

The table below establishes the calculation of the profit per share (in thousands, except amounts per share):

Basic and diluted earnings (loss) por share	09/30/2019	09/30/2018
<b>Numerator</b>		
Net profit for the period attributed to Company shareholders		
Common Shares	216,785	178,898
Preferred shares	476,928	393,576
<b>Denominator (in thousands of shares)</b>		
Weighted average of number of common shares	167,911,753	167,911,753
Weighted average of number of preferential shares	335,823,420	335,823,420
<b>Basic and diluted earnings (loss)</b>		
Per ordinary share	1.29107	1.06543
Per preferential share	1.42017	1.17198
Per UNIT	6.97175	5.75335

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### 24. OPERATING REVENUES

Operating Revenues composition, by nature, is the following:

Description	07/01/2019 to 09/30/2019	07/01/2018 to 09/30/2018	01/01/2019 to 09/30/2019	01/01/2018 to 09/30/2018
<b>Revenue</b>				
Revenues from Water	768,733	676,767	2,196,609	2,002,417
Revenues from Sewage	454,976	393,186	1,293,892	1,155,608
Revenues from services	37,481	43,069	106,601	107,562
Revenues from Solid Waste	2,789	2,423	8,729	7,317
Services Provided to Municipalities	4,613	4,243	13,490	12,271
Donations made by clients	3,833	2,939	13,260	10,425
Other Revenue	1,277	1,226	3,797	3,746
<b>Total operating revenues</b>	<b>1,273,702</b>	<b>1,123,853</b>	<b>3,636,378</b>	<b>3,299,346</b>
<b>Deductions from Operating Revenues</b>				
COFINS	(72,622)	(64,652)	(208,065)	(193,226)
PASEP	(15,744)	(14,011)	(45,105)	(41,865)
<b>Total Deductions</b>	<b>(88,366)</b>	<b>(78,663)</b>	<b>(253,170)</b>	<b>(235,091)</b>
<b>Total operating revenues, net</b>	<b>1,185,336</b>	<b>1,045,190</b>	<b>3,383,208</b>	<b>3,064,255</b>

The Company incurred revenues and costs from construction contracts linked to the program contracts of R\$45,723 (R\$150,386 for the same period in 2018), until the third quarter of 2019, i.e., with a null margin. These revenues are shown net of construction costs.

### 25. COST OF PRODUCTS AND SERVICES

The composition of costs, by nature, is the following:

Description	07/01/2019 to 09/30/2019			07/01/2018 to 09/30/2018		
	Water	Sewage	Total	Water	Sewage	Total
Personnel	(72,800)	(28,348)	(101,148)	(66,501)	(24,515)	(91,016)
Materials	(21,283)	(19,083)	(40,366)	(16,203)	(9,905)	(26,108)
Electricity	(107,994)	(13,675)	(121,669)	(104,340)	(10,637)	(114,977)
Third-party services	(59,622)	(44,721)	(104,343)	(53,706)	(39,901)	(93,607)
Depreciation and amortization	(34,829)	(33,280)	(68,109)	(31,809)	(31,599)	(63,408)
Indemnities of third-party damages	(2,932)	(1,016)	(3,948)	(14,009)	(12,931)	(26,940)
Other costs	(26,599)	(10,426)	(37,025)	(28,499)	(8,823)	(37,322)
<b>Total</b>	<b>(326,059)</b>	<b>(150,549)</b>	<b>(476,608)</b>	<b>(315,067)</b>	<b>(138,311)</b>	<b>(453,378)</b>

Description	01/01/2019 to 09/30/2019			01/01/2018 to 09/30/2018		
	Water	Sewage	Total	Water	Sewage	Total
Personnel	(211,064)	(81,067)	(292,131)	(198,896)	(71,601)	(270,497)
Materials	(61,400)	(44,553)	(105,953)	(52,514)	(26,248)	(78,762)
Electricity	(308,333)	(37,797)	(346,130)	(270,196)	(30,419)	(300,615)
Third-party services	(172,754)	(121,353)	(294,107)	(159,140)	(112,531)	(271,671)
Depreciation and amortization	(102,980)	(99,051)	(202,031)	(92,932)	(90,933)	(183,865)
Indemnities of third-party damages	(4,662)	(4,740)	(9,402)	(16,183)	(13,601)	(29,784)
Other costs	(77,778)	(30,167)	(107,945)	(78,045)	(24,063)	(102,108)
<b>Total</b>	<b>(938,971)</b>	<b>(418,728)</b>	<b>(1,357,699)</b>	<b>(867,906)</b>	<b>(369,396)</b>	<b>(1,237,302)</b>

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### 26. SELLING, ADMINISTRATIVE AND OTHER EXPENSES

The composition of these expenses, by nature, is the following:

Description	07/01/2019 to 09/30/2019	07/01/2018 to 09/30/2018	01/01/2019 to 09/30/2019	01/01/2018 to 09/30/2018
<b>Selling</b>				
Personnel	(32,517)	(31,109)	(95,243)	(84,913)
Materials	(1,186)	(1,060)	(3,264)	(2,604)
Third-party services	(28,419)	(24,161)	(78,176)	(68,854)
Depreciation and amortization	(3,073)	(967)	(8,927)	(3,977)
Municipal Sanitation and Environmental Management Fund	(16,419)	(14,252)	(46,768)	(29,539)
Losses in Realization of Credits	(3,300)	(622)	(14,823)	(5,439)
Indemnities of third-party damages	(977)	(1,350)	(2,585)	(4,568)
Sanepar Rural program	(777)	(138)	(1,378)	(839)
Other expenses	(4,702)	(6,816)	(14,696)	(21,164)
<b>Total selling expenses</b>	<b>(91,370)</b>	<b>(80,475)</b>	<b>(265,860)</b>	<b>(221,897)</b>
<b>Administrative</b>				
Personnel	(145,794)	(138,008)	(416,660)	(413,606)
Materials	(12,703)	(11,040)	(33,635)	(30,025)
Third-party services	(28,199)	(34,787)	(81,898)	(106,998)
Depreciation and amortization	(14,024)	(4,463)	(40,379)	(13,194)
Regulatory fee	(5,599)	(5,208)	(16,792)	(15,622)
Travel expenses	(2,006)	(2,504)	(5,299)	(6,462)
Environmental and social programs	(1,186)	(2,133)	(5,360)	(8,100)
Exhibitions, congresses and events	(130)	(994)	(402)	(5,127)
Indemnities of third-party damages	(278)	(667)	(1,109)	(1,987)
Other expenses	(3,933)	(6,396)	(12,995)	(16,571)
Transfers to Selling expenses and cost (1)	39,256	38,750	112,859	108,617
Expenses Capitalized (2)	26,270	24,180	77,939	69,792
<b>Total administrative expenses</b>	<b>(148,326)</b>	<b>(143,270)</b>	<b>(423,731)</b>	<b>(439,283)</b>
<b>Other operating revenues (expenses)</b>				
<b>Expenses</b>				
Eventual or extraordinary losses (3)	3	-	(28,713)	-
Environmental fines	19	(18,507)	(776)	(19,995)
Write-off of assets	(3,164)	(1,891)	(6,475)	(7,795)
Adjustment to Fair Value – Investments	95	1,203	194	1,252
<b>Total other operating revenues (expenses), net</b>	<b>(3,047)</b>	<b>(19,195)</b>	<b>(35,770)</b>	<b>(26,538)</b>

- (1) These amounts are first recorded as administrative expenses and later transferred to costs of selling expenses;
- (2) These amounts refer to capitalized administrative expenses, as they relate to projects and works in progress, allocated directly by the Company's Management;
- (3) Amount of R\$28,690 related to compensation to the municipality of Maringá, in respect of assets incorporated into the Company's equity, arising from the execution of water and sewage networks donated directly by the landowners to the Company, from June 1983 to February, 2014.

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### 27. PROFIT SHARING PROGRAM

The Company accrued R\$76,414 (R\$53,097 in the same period of 2018), of which R\$2,681 related to the provision for the 2018 Profit Sharing Program and R\$73,733 to the Profit Sharing provision up to 3rd quarter of 2019, which is recorded in the Salaries and Social Charges account, in current liabilities.

### 28. FINANCIAL INCOME (LOSS)

Description	07/01/2019 to 09/30/2019	07/01/2018 to 09/30/2018	01/01/2019 to 09/30/2019	01/01/2018 to 09/30/2018
<b>Financial revenues</b>				
Financial investments	6,311	6,521	20,112	25,341
Monetary variation gains	2,405	4,065	7,067	9,136
Gain with derivative financial instrument	1	-	1	-
Other financial revenues	6,087	4,376	16,175	11,827
<b>Total financial revenues</b>	<b>14,804</b>	<b>14,962</b>	<b>43,355</b>	<b>46,304</b>
<b>Financial expenses</b>				
Financing and Debenture Interest and Charges and leases	(56,854)	(49,969)	(161,990)	(141,260)
Monetary variation losses	(1,109)	(31,366)	(11,892)	(57,249)
Exchange rate variation - losses	(2)	-	(2)	-
Other financial expenses	(895)	(1,753)	(3,918)	(5,096)
<b>Total financial expenses</b>	<b>(58,860)</b>	<b>(83,088)</b>	<b>(177,802)</b>	<b>(203,605)</b>
<b>Financial income (loss), net</b>	<b>(44,056)</b>	<b>(68,126)</b>	<b>(134,447)</b>	<b>(157,301)</b>

### 29. INFORMATION BY BUSINESS SEGMENT

The Company has two clearly identifiable business segments, to wit, water treatment and distribution and sewage collection and treatment. The process of collecting and treating solid waste was considered in the sewage segment. The operational profit by segment is represented by the revenue, with deductions of direct costs and direct and indirect operating expenses that can be allocated to these segments, The identifiable assets and liabilities per segment are presented separately. Corporate assets and liabilities were not directly attributed to each business segment. The Company evaluates the performance targeting, based on information generated by the accounting records, and miscellaneous expenses are allocated by means of apportionment, as shown in following table:

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Other operating revenues	17,475	13,072	30,547	15,239	11,203	26,442
<b>Total gross operating Revenue</b>	<b>2,293,475</b>	<b>1,342,903</b>	<b>3,636,378</b>	<b>2,092,600</b>	<b>1,206,746</b>	<b>3,299,346</b>
Revenue Deductions (PASEP and COFINS)	(144,816)	(108,354)	(253,170)	(135,479)	(99,612)	(235,091)
<b>Net operating revenue</b>	<b>2,148,659</b>	<b>1,234,549</b>	<b>3,383,208</b>	<b>1,957,121</b>	<b>1,107,134</b>	<b>3,064,255</b>
Cost	(938,971)	(418,728)	(1,357,699)	(867,906)	(369,396)	(1,237,302)
<b>Gross profit</b>	<b>1,209,688</b>	<b>815,821</b>	<b>2,025,509</b>	<b>1,089,215</b>	<b>737,738</b>	<b>1,826,953</b>
Selling expenses	(152,093)	(113,767)	(265,860)	(127,879)	(94,018)	(221,897)
Administrative expenses	(242,407)	(181,324)	(423,731)	(253,159)	(186,124)	(439,283)
Other operating revenues (expenses)	(23,049)	(12,721)	(35,770)	(16,964)	(9,574)	(26,538)
Equity in earnings (losses) of controlled companies	-	(4,520)	(4,520)	-	(2,897)	(2,897)
Financial income (loss), net	(56,728)	(77,719)	(134,447)	(35,267)	(122,034)	(157,301)
Profit sharing program	(43,715)	(32,699)	(76,414)	(54,361)	(39,966)	(94,327)
Provisions	(48,751)	(36,416)	(85,167)	(7,238)	(5,113)	(12,351)
Pension plan and medical insurance	(25,658)	(19,197)	(44,855)	(37,093)	(27,272)	(64,365)
<b>Income before taxes and contributions</b>	<b>617,287</b>	<b>337,458</b>	<b>954,745</b>	<b>557,254</b>	<b>250,740</b>	<b>807,994</b>
Income and social contribution taxes	(168,769)	(92,263)	(261,032)	(162,432)	(73,088)	(235,520)
<b>Net income for the period</b>	<b>448,518</b>	<b>245,195</b>	<b>693,713</b>	<b>394,822</b>	<b>177,652</b>	<b>572,474</b>
Operating margin	26.9%	25.1%	26.3%	26.6%	20.8%	24.5%
Net margin	20.9%	19.9%	20.5%	20.2%	16.0%	18.7%
<b>EBITDA</b>	<b>805,201</b>	<b>535,328</b>	<b>1,340,529</b>	<b>695,352</b>	<b>470,979</b>	<b>1,166,331</b>
EBITDA margin	37.5%	43.4%	39.6%	35.5%	42.5%	38.1%
Investments in fixed /Intangible assets in the year (a)	376,578	375,911	752,489	400,713	347,942	748,655
Shareholding Interest – CS Bioenergia	-	15,959	15,959	-	17,711	17,711
Indebtedness – Loans, Financing, Debentures and Finance Lease	1,223,691	1,887,316	3,111,007	1,048,381	1,725,743	2,774,124
Contract of assets, Fixed assets and intangible assets, net	4,060,667	5,037,109	9,097,776	3,678,315	4,623,548	8,301,863
Depreciation and amortization for the period	(131,186)	(120,151)	(251,337)	(102,831)	(98,205)	(201,036)
Accounts receivable (current and non-current) (b)	600,332	327,156	927,488	539,982	280,553	820,535
Total assets	5,158,679	6,399,152	11,557,831	4,672,468	5,873,173	10,545,641
Total current and noncurrent liabilities	2,459,611	3,073,391	5,533,002	2,211,834	2,930,787	5,142,621
Number of Users – Not Audited/Reviewed (c)	3,177,148	2,196,732	-	3,125,179	2,108,551	-
Volume Thousand m3 Invoiced – Not Audited/Reviewed (d)	395,753	296,028	-	384,561	282,732	-

- (a) The amounts invested in administrative assets were allocated in proportion to the investments of each segment;
- (b) Presented by the gross value;
- (c) The users included in the sewage sector are practically all included in the water sector;
- (d) Billed volumes of the sewage sector are derived from the billed volumes of the water utility sector.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base Date September 30, 2019  
(In thousands of Brazilian Reais)

### 30. INSURANCE

The Company has insurance contract with MAPFRE Seguros Gerais S/A covering its main assets located in a number of localities throughout the State of Paraná, for the amount of R\$1,437,172, with coverage term from 03/12/2019 to 03/10/2020, basic cover for fire, wind and electrical damages to the equipment.

Assets	Amount insured
Buildings	654,596
Machinery, equipment and vehicles	715,556
Inventory	67,020
<b>Total</b>	<b>1,437,172</b>

Additionally, the Company has legal guarantee insurance policies to guarantee values that would be deposited and/or replace the values already deposited and/or seized property in legal proceedings of labor, civil, environmental, and tax proceedings. Until September 30, 2019, the Company offered guarantees through Guarantee Insurance in 129 legal proceedings in the amount of R\$286,006 with Pottencial Seguradora S/A.

The Company also entered into an agreement with Starr Internacional Brasil Seguradora S/A to cover civil liability insurance for directors and officers of Sanepar (D & O - Directors and Officers) with national and international coverage, with a maximum limit of Indemnity R\$20,000, with validity of the contract for 365 days ending on 09/08/2020.

### 31. OPERATION “RÁDIO PATRULHA” AND ITS EFFECTS ON THE COMPANY

At the end of 2018, the announcement of Mr. Nelson Leal Júnior was published in the scope of the operation called “Rádio Patrulha”, which mention, among others, former managers of the Company.

As part of the process of collaboration with the authorities in the investigation of the facts and for the adequate clarification and protection of the Company's interests in the matter, Sanepar's Management has taken, among others, the following main actions:

i) Installed an investigative procedure conducted by the Company's Internal Audit, based on technical standards recommended by the applicable rules, which included access to all available documentation, as well as hearing people related to the facts placed under suspicion by the police investigation operation. The internal procedure resulted in two reports: the “Special Audit Preliminary Report No. 004/2019 of 05/29/2019 and the “Special Audit Preliminary Report No. 004/2019 of 07/30/2019. Both reveal certain occasional flaws in the internal controls in force at the time the events occurred, without, however, identifying any illegal practices or conduct related to the referred operation “Rádio Patrulha”;

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base Date September 30, 2019

(In thousands of Brazilian Reais)

ii) Hired a specialized legal opinion, issued on 07/09/2019 by Prof. Dr. Emerson Gabardo - OAB No. 25,736, for the analysis of the internal procedures performed by the Company, which concludes that they were adequate and sufficient to support the conclusions reached by the analyzes and investigations carried out within the Organization;

iii) Submitted the internal audit reports and legal opinion mentioned to the Public Prosecution Service of the State of Paraná, through Letter 008/2019-AUD, of 29/05/2019 and Official Letter 259/2019, of 08/06/2019;

iv) Disclosed in Material Fact to the Market, dated August 13, 2019, detailed information on the matter, known up to that time, noting that the results of the investigations did not allow inferring the existence of potential or potential impacts that could substantially affect the financial statements for the quarter ended June 30, 2019 and the related financial information comparing with prior periods;

v) Finally, on August 15, 2019, at its 6th / 2019 Extraordinary Meeting, the Board of Directors approved the creation of the “External Investigation Commission” composed of three independent members. At its 7th / 2019 Extraordinary Meeting, held on August 23, 2019, members of the Committee were elected by Mr. Adriano Cives Seabra (independent member of the Board of Directors), Francisco Petros Oliveira Lima Papathanasiadis and José Francisco Compagno (independent external members). Since its appointment, the External Investigation Commission is reviewing the work already carried out and the corresponding documentation, with the purpose of planning the strategy and performing the forensic work, with the support of independent consultants to carry out the investigations.

Although all the evidence obtained to date does not allow any conclusion or connection of the Company with the references to its name contained in the operation called “Rádio Patrulha”, Sanepar's Management continues to follow the development of the investigations, collaborating with the authorities and taking all appropriate measures in the matter as required under the circumstances.

## 32. SUBSEQUENT EVENTS

### **Tariff Adjustment**

The Court of Auditors of the State of Paraná - TCE/PR, on October 23, 2019, revoked the precautionary measure issued in the case no. 312857/19 and, thus, reestablished the readjustment percentage set by AGEPAR with the application of the 3.76% differential, from November 11, 2019.

In relation to the period in which Sanepar remained without applying the full adjustment, the updated difference amount will be billed in 06 months, in the bills to be issued from November 19, 2019.



## **INDEPENDENT AUDITOR'S REPORT ON THE INTERIM FINANCIAL STATEMENTS**

To  
Shareholders, Advisers and Board of Directors of  
Companhia de Saneamento do Paraná - Sanepar  
Curitiba – PR

### **Introduction**

We were engaged to review the interim financial information of **Companhia de Saneamento do Paraná – Sanepar (“Company”)** contained within the Quarterly Financial Information – ITR, for the quarter ended on September 30, 2019, which comprise the balance sheet on September 30, 2019 and the related statements of income and comprehensive income for the three and nine-month period then ended, and the statement of changes in equity and cash flows for the nine-month period then ended, as well as a summary of the significant accounting practices and other notes.

The Management of the Company is responsible for the preparation of the interim financial information in accordance with NBC TG 21 – Interim Financial Reporting and with the International Accounting Standard (IAS) 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of this interim financial information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the Quarterly Financial Information - ITR. Our responsibility is to express a conclusion on this interim financial information based on our review. Due to the matters described in the paragraphs included in the section “Basis for abstention of a conclusion,” we were not able to perform sufficient review procedures to serve as grounds for our conclusion.

### **Scope of the review**

Due to the matters described in the paragraphs under the section “Basis for abstention of a conclusion,” it was not possible to conduct our review in accordance with Brazilian and International Standard on Review of interim financial information (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). This report is, therefore, issued without a conclusion paragraph. A review of the interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and accordingly does not allow us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. As mentioned earlier in this paragraph, this report is being issued with the abstention from conclusion.





### **Basis for abstention from conclusion on the interim financial information**

As mentioned in Note 31, the Company and certain former members of its Governance under the Operation “Rádio Patrulha” were mentioned in a statement by Mr. Nelson Leal Júnior, which was published at the end of the 2018 financial year. The whistleblower stated that there was a scheme for collecting improper advantages in several areas of the Paraná State Government, including the Company. In response, the Company's Governance (“Governance”) determined for its internal audit to carry out a preliminary assessment focused exclusively on the existence of a possible relationship between the Company and three (3) companies mentioned in the report. The results of this work were presented in a preliminary report issued on November 5, 2018, which was presented to us only during the audit closing works of December 31, 2018. On April 16, 2019, the Board of Directors approved the engagement of an external committee to coordinate an independent investigation (“External Research Commission”). The effective establishment of this Committee took place on August 23, 2019.

On August 2, 2019, the Company submitted to us (i) complementary internal audit reports to the preliminary assessment report, issued on May 29 and July 30, 2019, and (ii) external legal opinion, agreed on June 25, 2019 and issued on July 9, 2019, concluding that the work of the internal audit is effective. These documents supported the Governance's conclusion that no evidence of an improper advantageous collection scheme was identified, and that an independent investigation is unnecessary, therefore it has not been implemented so far. As a result of our review of the documentation submitted and interviews with those responsible for the internal audit, we noted that these reports did not address certain protocols for investigative procedures normally used in forensic investigations, which would apply to the Company's case.

As a result of the findings on the above-mentioned whistleblowing, the Federal Prosecutor's Office (“*Ministério Público Federal*”) and the Attorney General's Office in the State of Paraná (“*Procuradoria da República do Estado do Paraná*”) - “Força Tarefa” filed a prosecution, dated June 3, 2019, at the 23rd Federal Courts of the Judiciary Subsection of Curitiba - PR, against several people, including a former member of the Company's Governance, mentioning the existence of an improper advantages collection scheme in several areas of the Paraná State Government, including the Company, it is noteworthy that despite the prosecution being public several of its attachments have not been published.

Therefore, due to the material limitations described above, we were not able to determine whether or not there were potential impacts on the quarterly financial information (ITR) for the quarter period ended September 30, 2019 and the related comparative accounting information.

### **Abstention from conclusion on the interim financial information**

Due to the matters described in the paragraphs under the section “Basis for abstention of a conclusion,” it was not possible to conduct sufficient review procedures to conclude whether we were aware of any fact that would lead us to believe that the interim financial information included in the aforementioned quarterly financial information are not prepared, in all material respects, in accordance with NBC TG 21 and IAS 34 applicable to the preparation of the Quarterly Financial Information (ITR), as well as by the presentation of these financial statements in accordance with the standards issued by the Brazilian Securities and Exchange Commission. Consequently, this report is issued with abstention from conclusion.



## **Other issues**

### **Statement of added value**

We were also engaged to review the interim statement of added value (DVA) for the nine-month period ended September 30, 2019, prepared under the responsibility of the Company's management and presented as supplementary information for purposes of IAS 34. This information have been subject to review procedures performed in conjunction with the review of interim financial information and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in NBC TG 09 – Statement of Value Added. Due to the significance of the matters included in the section “Basis for abstention from conclusion on the interim financial information,” we were not able to perform sufficient review procedures that would enable us to concluded that we became aware of any significant matter that might lead us to believe that the value added statements were not prepared, in all material aspects, in accordance with the criteria set out in this Standard and consistently in relation to interim financial statements taken as a whole. Consequently, this report is issued with abstention from conclusion.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Curitiba, November 11, 2019.



**BDO RCS Auditores Independentes SS  
CRC 2 PR 006853/F-9**

**Paulo Sérgio Tufani  
Contador CRC 1 SP 124504/O-9 - S - PR**

## STATEMENT

Through this instrument, the Executive Board of Companhia de Saneamento do Paraná – Sanepar, mixed capital state administration corporation, publicly traded, with headquarters at Rua Engenheiros Rebouças no. 1376, Curitiba – PR, registered in the CNPJ under no. 76.484.013/0001-45, for the purposes of the dispositions of items V and VI of article 25 of CVM Instruction no. 480/2009, has reviewed, discussed and agrees with Sanepar’s interim financial statements for the period ended on September 30, 2019.

Curitiba, October 28, 2019.

**CLAUDIO STABILE**  
President

**ABEL DEMETRIO**  
Director of Finances and Investor  
Relations

**PAULO ALBERTO DEDAVID**  
Director of Operations

**JOEL DE JESUS MACEDO**  
Director of Investments

**ELERIAN DO ROCIO ZANETTI**  
Commercial Director

**ANDREI DE OLIVEIRA RECH**  
Legal Director

**PRISCILA MARCHINI BRUNETTA**  
Administrative Director

**JULIO CESAR GONCHOROSKY**  
Director of Environment and Social Action

## STATEMENT

Through this instrument, the Executive Board of Companhia de Saneamento do Paraná – Sanepar, mixed capital state administration corporation, publicly traded, with headquarters at Rua Engenheiros Rebouças no. 1376, Curitiba – PR, registered in the CNPJ under no. 76.484.013/0001-45, for the purposes of the dispositions of items V and VI of article 25 of CVM Instruction no. 480/2009, has reviewed, discussed and does not agree with the Disclaimer of Opinion stated in the audit report issued by BDO RCS Auditores Independentes regarding the interim financial statements of Sanepar for the period ended on September 30, 2019, for the reasons disclosed to the market in the Material Fact of August 13, 2019 and note 31 referring to the 2nd and 3rd quarters of 2019, in particular considering (i) the absence of an indication that the matters that would have led to the abstention of opinion may have occurred or be relevant; (ii) that, despite this, the Company has taken the necessary measures to investigate the facts, both internally and independently.

Curitiba, November 11, 2019.

**CLAUDIO STABILE**

President

**ABEL DEMETRIO**

Director of Finances and Investor  
Relations

**PAULO ALBERTO DEDAVID**

Director of Operations

**JOEL DE JESUS MACEDO**

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Director of Environment and Social Action