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ITR - QUARTERLY INFORMATION SECOND QUARTER OF 2019

COMPANHIA DE SANEAMENTO DO PARANÁ – SANEPAR

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

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Individual financial statements/ statements of financial position - assets

(In thousands of Brazilian reais)

Code of Account	Account description	Current quarter 06/30/2019	Prior year 12/31/2018
1	Total Assets	11.397.015	10.781.322
1.01	Current assets	1.136.172	1.064.530
1.01.01	Cash and cash equivalents	344.703	326.624
1.01.01.01	Cash and banks	17.598	35.003
1.01.01.02	Financial investments	327.105	291.621
1.01.03	Accounts receivable	667.170	639.054
1.01.03.01	Trade accounts receivable	667.170	639.054
1.01.04	Inventories	39.292	39.120
1.01.06	Recoverable taxes	32.027	15.396
1.01.06.01	Current recoverable taxes	32.027	15.396
1.01.08	Other current assets	52.980	44.336
1.01.08.03	Others	52.980	44.336
1.01.08.03.01	Restricted deposits	5.058	6.720
1.01.08.03.02	Other accounts receivable	47.922	37.616
1.02	Noncurrent assets	10.260.843	9.716.792
1.02.01	Long-term assets	1.351.670	1.195.894
1.02.01.04	Accounts receivable	20.901	22.070
1.02.01.04.01	Trade accounts receivable	20.901	22.070
1.02.01.07	Deferred taxes	543.010	490.938
1.02.01.07.01	Deferred Income and Social Contribution Taxes	543.010	490.938
1.02.01.10	Other noncurrent assets	787.759	682.886
1.02.01.10.03	Restricted deposits	54.539	52.948
1.02.01.10.05	Court deposits	281.963	203.452
1.02.01.10.06	Contractual financial assets	401.760	375.871
1.02.01.10.07	Other receivables	49.497	50.615
1.02.02	Investments	20.463	22.585
1.02.03	Fixed assets	261.019	168.771
1.02.04	Intangible assets	8.627.691	8.329.542

Individual financial statements/ statements of financial position - liabilities

(In thousands of Brazilian reais)

Code of Account	Account description	Current quarter 06/30/2019	Prior year 12/31/2018
2	Total Liabilities	11.397.015	10.781.322
2.01	Current liabilities	1.433.270	1.358.832
2.01.01	Payroll and social charges	195.687	151.420
2.01.01.02	Labor liabilities	195.687	151.420
2.01.02	Trade accounts payable	186.267	190.742
2.01.03	Tax liabilities	53.183	68.133
2.01.04	Loans and financing	526.511	478.770
2.01.04.01	Loans and financing	139.361	142.156
2.01.04.02	Debentures	337.500	328.133
2.01.04.03	Financing from finance lease	49.650	8.481
2.01.05	Other liabilities	271.400	319.058
2.01.05.02	Others	271.400	319.058
2.01.05.02.01	Dividends and interest on equity capital payable	164.618	183.678
2.01.05.02.04	Concession contracts	30.921	60.456
2.01.05.02.05	Collaterals and contractual retentions	2.220	2.545
2.01.05.02.06	Unearned revenue	4.200	4.200
2.01.05.02.08	Other accounts payable	69.441	68.179
2.01.06	Provisions	200.222	150.709
2.01.06.02	Other provisions	200.222	150.709
2.01.06.02.04	Provisions for pension plan and health insurance	64.779	62.786
2.01.06.02.05	Labor provisions	135.443	87.923
2.02	Noncurrent liabilities	4.182.556	3.705.302
2.02.01	Loans and financing	2.690.406	2.292.548
2.02.01.01	Loans and financing	1.210.408	1.186.628
2.02.01.02	Debentures	1.166.806	840.854
2.02.01.03	Financing from finance lease	313.192	265.066
2.02.02	Other liabilities	60.155	71.955
2.02.02.02	Others	60.155	71.955
2.02.02.02.04	Taxes and contributions	812	991
2.02.02.02.05	Unearned revenue	7.000	9.100
2.02.02.02.06	Other accounts payable	52.343	61.864
2.02.04	Provisions	1.431.995	1.340.799
2.02.04.02	Other provisions	1.431.995	1.340.799
2.02.04.02.04	Provisions for pension plan and health insurance	906.912	879.002
2.02.04.02.05	Provisions	525.083	461.797
2.03	Equity	5.781.189	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	72.360	75.111
2.03.03.01	Own assets	72.360	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	-	211.907
2.03.04.10	Investment plan	2.184.012	2.184.012
2.03.05	Retained earnings/(Accumulated losses)	278.964	-
2.03.06	Asset and liability valuation adjustments	5.417	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
		04/01/2019 to 06/30/2019	01/01/2019 to 06/30/2019	04/01/2018 to 06/30/2018	01/01/2018 to 06/30/2018
3.01	Revenue from sales of goods and/or services	1.099.291	2.197.872	1.019.641	2.019.065
3.02	Cost of goods sold and/or services rendered	-451.434	-881.091	-401.759	-783.924
3.03	Gross result	647.857	1.316.781	617.882	1.235.141
3.04	Operating expenses/revenues	-329.479	-628.166	-284.185	-557.996
3.04.01	Selling expenses	-89.664	-174.490	-79.512	-141.422
3.04.02	General and administrative expenses	-143.471	-275.405	-153.055	-296.013
3.04.05	Other operating expenses	-95.373	-176.049	-50.610	-118.934
3.04.05.01	Provision for contingencies	-22.506	-63.286	1.389	-27.451
3.04.05.02	Pension plan and health insurance	-14.951	-29.903	-21.455	-42.910
3.04.05.03	Profit sharing program	-27.197	-50.137	-23.738	-41.230
3.04.05.04	Other operating expenses (revenues)	-30.719	-32.723	-6.806	-7.343
3.04.06	Equity in earnings (losses) of controlled companies	-971	-2.222	-1.008	-1.627
3.05	Income (loss) before financial income (loss) and tax	318.378	688.615	333.697	677.145
3.06	Financial income (loss)	-44.609	-90.391	-33.345	-89.175
3.06.01	Financial revenues	15.755	28.551	17.691	31.342
3.06.02	Financial expenses	-60.364	-118.942	-51.036	-120.517
3.07	Income (loss) before taxes	273.769	598.224	300.352	587.970
3.08	Income and Social Contribution Taxes	-41.244	-148.151	-46.788	-147.495
3.09	Net income (loss) from continuing operations	232.525	450.073	253.564	440.475
3.11	Income/Loss for the period	232.525	450.073	253.564	440.475
3.99	Earnings per share – (Reais/Share)				
3.99.01	Basic earnings per share				
3.99.01.01	Preferred shares	0,47603	0,92139	0,51910	0,90174
3.99.01.02	Common shares	0,43275	0,83763	0,47191	0,81976
3.99.02	Diluted earnings per share				
3.99.02.01	Preferred shares	0,47603	0,92139	0,51910	0,90174
3.99.02.02	Common shares	0,43275	0,83763	0,47191	0,81976

Quarterly Information – 06/30/2019 - 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
		04/01/2019 to 06/30/2019	01/01/2019 to 06/30/2019	04/01/2018 to 06/30/2018	01/01/2018 to 06/30/2018
4.01	Net income for the period	232.525	450.073	253.564	440.475
4.03	Comprehensive income for tl	232.525	450.073	253.564	440.475

Individual financial statements/Statements of cash flows - indirect method

Code of account	Account description	Accumulated in	Accumulated in
		current year	prior year
		01/01/2019 to 06/30/2019	01/01/2018 to 06/30/2018
6.01	Net cash from operating activities	667.100	628.885
6.01.01	Cash from operations	792.079	748.106
6.01.01.01	Net income for the period	450.073	440.475
6.01.01.02	Depreciation and amortization	166.131	132.198
6.01.01.03	Costs of fixed and intangible assets write-offs	3.851	6.075
6.01.01.04	Impairment	-1.730	-277
6.01.01.06	Discount to present value of financial assets	-7.795	-4.571
6.01.01.07	Allowance for doubtful accounts	11.523	4.817
6.01.01.08	Deferred Income and Social Contribution Taxes, net	-52.072	-38.829
6.01.01.09	Provision for contingencies	63.286	27.451
6.01.01.10	Pension plan and medical insurance	29.903	42.910
6.01.01.11	Interest on financing	97.923	109.796
6.01.01.12	Monetary variations on financing	11.050	26.068
6.01.01.13	Interest and monetary restatements Leasing	17.471	-
6.01.01.14	Equity in earnings (losses) of controlled companies	2.222	1.627
6.01.01.15	Appropriation of costs of funds raised from third parties	343	415
6.01.01.16	Adjustment to Fair Value – Investments	-100	-49
6.01.02	Changes in assets and liabilities	-124.979	-119.221
6.01.02.01	Trade accounts receivable	-38.470	-36.456
6.01.02.02	Recoverable taxes and contributions	-16.631	-18.223
6.01.02.03	Inventories	-172	-1.803
6.01.02.04	Court deposits	-78.511	-23.200
6.01.02.05	Other receivables and accounts receivable	-9.188	-27.322
6.01.02.06	Contractors and Suppliers	-4.475	-28.282
6.01.02.07	Concession contracts	-29.535	-32.163
6.01.02.08	Taxes and contributions	-29.100	-26.223
6.01.02.09	Salaries and social charges	91.787	81.942
6.01.02.10	Collaterals and contractual retentions	-325	-98
6.01.02.11	Unearned revenues	-2.100	-2.100
6.01.02.13	Other accounts payable	-8.259	-5.293
6.02	Net cash from investing activities	-463.984	-447.470
6.02.01	Investments in fixed and intangible assets	-463.984	-446.014
6.02.02	Investments	-	-1.456
6.03	Net cash from financing activities	-185.037	-373.212
6.03.01	Financing	439.187	321.413
6.03.02	Amortization of financing	-101.195	-284.052
6.03.03	Payments of interest on financing	-90.732	-105.074
6.03.04	Payments of Mercantile Leases	-40.936	-
6.03.05	Costs of funds raised with third parties	-271	-798
6.03.06	Restricted deposits	71	-6.306
6.03.07	Payment of dividends and interest on equity	-391.161	-298.395
6.05	Increase (decrease) in cash and equivalents	18.079	-191.797
6.05.01	Beginning balance of cash and cash equivalents	326.624	533.888
6.05.02	Ending balance of cash and cash equivalents	344.703	342.091

Individual financial statements/ Statement of changes in equity - 01/01/2019 to 06/30/2019

Code of account	Account description	Capital reserves, Granted			Retained earnings or	Other comprehensive	Equity
		Paid-in capital stock	options and Treasury shares	Income reserves	accumulated losses	income	
5.01	Initial balances	2.851.089	-	2.689.041	-	177.058	5.717.188
5.03	Adjusted beginning balances	2.851.089	-	2.689.041	-	177.058	5.717.188
5.04	Capital transactions with partners	-	-	-211.907	-174.165	-	-386.072
5.04.06	Dividends	-	-	-211.907	-	-	-211.907
5.04.07	Interest on equity	-	-	-	-174.165	-	-174.165
5.05	Total comprehensive income	-	-	-	453.129	-3.056	450.073
5.05.01	Net income for the period	-	-	-	450.073	-	450.073
5.05.02	Other comprehensive income	-	-	-	3.056	-3.056	-
5.05.02.06	Realization of revaluation surplus	-	-	-	4.168	-4.168	-
5.05.02.07	Taxes on the realization of revaluation surplus	-	-	-	-1.417	1.417	-
5.05.02.08	Realization of adjustment to attributed cost	-	-	-	462	-462	-
5.05.02.09	Taxes on realization of adjustment to attributed cost	-	-	-	-157	157	-
5.07	Ending balances	2.851.089	-	2.477.134	278.964	174.002	5.781.189

Individual financial statements/ Statement of changes in equity - 01/01/2018 to 06/30/2018

Code of account	Account description	Capital reserves, Granted		Income reserves	Retained earnings or accumulated losses	Other comprehensive income	Equity
		Paid-in capital stock	options and Treasury shares				
5.01	Initial balances	2.851.089	-	2.162.899	-	138.666	5.152.654
5.03	Adjusted beginning balances	2.851.089	-	2.162.899	-	138.666	5.152.654
5.04	Capital transactions with partners	-	-	-162.816	-159.292	-	-322.108
5.04.06	Dividends	-	-	-162.816	-	-	-162.816
5.04.07	Interest on equity	-	-	-	-159.292	-	-159.292
5.05	Total comprehensive income	-	-	-	445.108	-4.633	440.475
5.05.01	Net income for the period	-	-	-	440.475	-	440.475
5.05.02	Other comprehensive income	-	-	-	4.633	-4.633	-
5.05.02.06	Realization of revaluation surplus	-	-	-	4.803	-4.803	-
5.05.02.07	Taxes on the realization of revaluation surplus	-	-	-	-1.633	1.633	-
5.05.02.08	Realization of adjustment to attributed cost	-	-	-	2.217	-2.217	-
5.05.02.09	Taxes on realization of adjustment to attributed cost	-	-	-	-754	754	-
5.07	Ending balances	2.851.089	-	2.000.083	285.816	134.033	5.271.021

Individual financial statements/ Statements of value added		Accumulated in	Accumulated in
Code of account	Account description	current year	prior year
		01/01/2019 to 06/30/2019	01/01/2018 to 06/30/2018
7.01	Revenues	2.318.430	2.163.333
7.01.01	Sales of merchandise, products and services	2.362.676	2.175.493
7.01.02	Other revenues	-32.723	-7.343
7.01.04	Reversal of/allowance for doubtful accounts	-11.523	-4.817
7.02	Inputs acquired from third parties	-714.646	-616.553
7.02.01	Costs of products, merchandise and services sold	-269.034	-233.486
7.02.02	Materials, energy, third-party services and others	-372.210	-323.388
7.02.04	Others	-73.402	-59.679
7.03	Gross value added	1.603.784	1.546.780
7.04	Withholdings	-166.131	-132.198
7.04.01	Depreciation, amortization and depletion	-166.131	-132.198
7.05	Net generated value added	1.437.653	1.414.582
7.06	Value added received by transfer	26.329	29.715
7.06.01	Equity in earnings (losses) of controlled companies	-2.222	-1.627
7.06.02	Financial revenues	28.551	31.342
7.07	Total value added to be distributed	1.463.982	1.444.297
7.08	Value added distribution	1.463.982	1.444.297
7.08.01	Personnel	491.730	470.593
7.08.01.01	Direct compensation	334.673	312.008
7.08.01.02	Benefits	134.722	137.463
7.08.01.03	Severance Pay Fund (FGTS)	22.335	21.122
7.08.02	Taxes, fees and contributions	401.272	388.471
7.08.02.01	Federal	398.470	385.730
7.08.02.02	State	443	441
7.08.02.03	Municipal	2.359	2.300
7.08.03	Return on debt capital	120.907	144.758
7.08.03.01	Interest	118.942	120.517
7.08.03.02	Rents	1.965	24.241
7.08.04	Return on equity capital	450.073	440.475
7.08.04.01	Interest on equity	174.165	159.292
7.08.04.03	Retained earnings/ Accumulated losses for the period	275.908	281.183

1. OPERATING DATA

1.1 MARKET

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

Municipalities	Contracts (% of Total Revenue)*				Coverage index		Total active units (in millions)	
	Total revenue %	Remaining period of concession	Type of contract	Type of concession	Water	Sewage collections	Water	Sewage collections
Curitiba	23.8%	29.0 years	Program	Water & Sewage	100%	95.1%	819.8	780.5
Londrina	7.3%	27.0 years	Program	Water & Sewage	100%	91.6%	246.5	228.4
Maringá	5.2%	21.2 years	Concession	Water & Sewage	100%	100.0%	163.3	175.2
Ponta Grossa	3.5%	6.8 years	Concession	Water & Sewage	100%	90.7%	141.8	127.9
Foz do Iguaçu	3.5%	24.7 years	Program	Water & Sewage	100%	77.9%	110.1	87.3
Cascavel	3.4%	5.4 years	Concession	Water & Sewage	100%	99.9%	124.4	126.9
São José dos Pinhais	2.9%	24.5 years	Program	Water & Sewage	100%	72.3%	112.7	82.8
Colombo	1.8%	28.8 years	Program	Water & Sewage	100%	63.1%	84.0	54.7
Guarapuava	1.6%	23.3 years	Program	Water & Sewage	100%	79.2%	64.5	52.0
Araucária	1.5%	13.3 years	Concession	Water & Sewage	100%	73.7%	51.5	38.0
Other	45.5%						2,038.4	1,186.5
Totais					100%	73.0%	3,957.0	2,940.2

* 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 73.0% 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 June 30, 2019.

The number of water connections in June 2019 is 1.6% higher than the number of connections existing in June 2018, which represents an increase of 51,136 water connections, as follows:

Number of Water Connections*	JUN/19 (1)	%	JUN/18 (2)	%	Var. % (1/2)
Residential	2,873,783	90.8	2,828,366	90.9	1.6
Commercial	227,480	7.2	222,264	7.1	2.3
Industrial	12,925	0.4	12,741	0.4	1.4
Public Utility	23,685	0.7	23,491	0.8	0.8
Public Administration	26,202	0.9	26,077	0.8	0.5
Total	3,164,075	100.0	3,112,939	100.0	1.6

* Information not reviewed by independent auditors.

The number of sewage connections in June 2019 is 4.6% higher than the number of connections existing in June 2018, representing an increase of 94,840 new sewage connections, as shown below:

Number of Sewage Connections*	JUN/19 (1)	%	JUN/18 (2)	%	Var.% (1/2)
Residential	1,963,079	90.3	1,875,746	90.2	4.7
Commercial	177,034	8.1	170,567	8.2	3.8
Industrial	5,274	0.2	5,056	0.2	4.3
Public Utility	14,950	0.7	14,464	0.7	3.4
Public Administration	13,930	0.7	13,594	0.7	2.5
Total	2,174,267	100.0	2,079,427	100.0	4.6

* Information not reviewed by independent auditors.

1.2 PRODUCTIVITY

In 2Q19, the billed volume of treated water was 127.9 million m³, compared to 130.3 million m³ in 2Q18, representing a 1.8% reduction, reflecting the reduction in consumption in 2Q19, which showed a volume of rainfall higher than the average for the period, while 2Q18 was extremely dry, which naturally increases water consumption, as shown below:

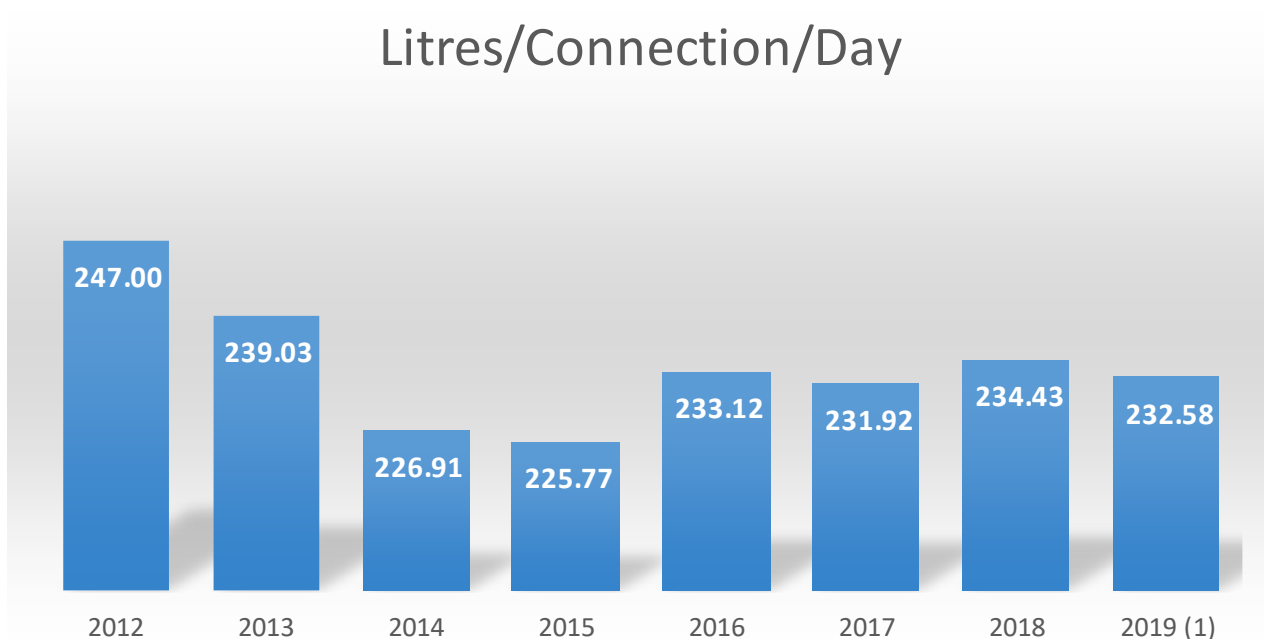
Invoiced Water Volume - million m ³ *	2Q19 (1)	2Q18 (2)	Var. % (1/2)	6M19 (3)	6M18 (4)	Var. % (3/4)
Residential	107.4	109.6	-2.0	223.8	219.7	1.9
Commercial	11.0	11.0	0.0	22.3	21.8	2.3
Industrial	3.4	3.4	0.0	7.0	6.8	2.9
Public Utility	1.1	1.1	0.0	2.2	2.2	0.0
Public Administration	5.0	5.2	-3.8	9.7	9.7	0.0
Total	127.9	130.3	-1.8	265.0	260.2	1.8

* Information not reviewed by independent auditors.

The volume of sewage billed in the second quarter showed an increase of 0.6% as compared to the same period for the previous year, as shown below:

Invoiced Sewage Volume - million m ³ *	2Q19 (1)	2Q18 (2)	Var. % (1/2)	6M19 (3)	6M18 (4)	Var. % (3/4)
Residential	80.3	79.8	0.6	166.2	158.9	4.6
Commercial	10.0	9.9	1.0	20.3	19.6	3.6
Industrial	0.9	0.9	0.0	1.7	1.6	6.2
Public Utility	0.9	0.9	0.0	1.8	1.8	0.0
Public Administration	3.9	3.9	0.0	7.4	7.2	2.8
Total	96.0	95.4	0.6	197.4	189.1	4.4

* Information not reviewed by independent auditors.

DEMONSTRATIVE OF THE LOSS BY CONNECTION*


* Information not reviewed by independent auditors.

(1) Accumulated amounts from January to June 2019.

Water*	2Q19 (1)	2Q18 (2)	Var. (1/2)	2Q17 (3)	Var. % (2/3)
Units served by the distribution network	3,956,974	3,886,782	1,8 %	3,790,300	2,5 %
Number of treatment stations	165	166	-0,6 %	164	1,2 %
Number of wells	1,131	1,172	-3,5 %	1,050	11,6 %
Number of surface catchment	238	229	3,9 %	230	-0,4 %
Km of laid network	54,736	53,317	2,7 %	52,094	2,3 %
Volume produced (m ³)	387,774,728	379,510,532	2,2 %	377,722,316	0,5 %
Loss rate:					
In distribution system - %	34.38	34.47	-0,09 p.p.	33.88	0,59 p.p.
In billings - %	31.71	31.89	-0,18 p.p.	22.47	9,42 p.p.
Evasion of revenues - % (default)	1.72	1.51	0,21 p.p.	1.54	-0,03 p.p.

Sewage*	2Q19 (1)	2Q18 (2)	Var. (1/2)	2Q17 (3)	Var. % (3)
Units served by the collection network	2,940,247	2,815,678	4.4%	2,686,856	4.8%
Number of treatment stations	247	246	0.4%	239	2.9%
Km of laid network	36,402	35,453	2.7%	33,547	5.7%
Volume collected in m ³	188,974,856	181,114,186	4.3%	177,359,575	2.1%

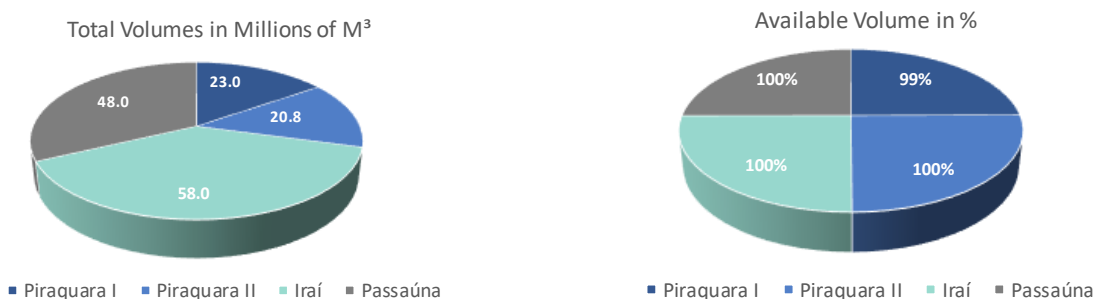
* Information not reviewed by independent auditors.

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 increase in rainfall, the average reserve volume is 99.9%.



2. FINANCIAL DATA

2.1 ECONOMIC PERFORMANCE

Operating revenue - In million of Reais	2Q19 (1)	2Q18 (2)	Var. % (1/2)	6M19 (3)	6M18 (4)	Var. % (3/4)
Revenues from water	711.0	666.8	6.6	1,427.9	1,325.7	7.7
Revenues from sewage	420.9	385.8	9.1	838.9	762.4	10.0
Revenues from services	34.6	33.8	2.4	69.1	64.5	7.1
Revenues from solid waste	3.0	2.6	15.4	6.0	4.9	22.4
Services provided to Municipalities	4.5	4.0	12.5	8.9	8.0	11.3
Donations made by clients	6.2	4.5	37.8	9.4	7.5	25.3
Other revenues	1.2	1.2	0.0	2.5	2.5	0.0
Total	1,181.4	1,098.7	7.5	2,362.7	2,175.5	8.6

Gross operating revenue increased 7.5%, from R\$1,098.7 million in 2Q18 to R\$1,181.4 million in 2Q19, 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	2Q19 (1)	2Q18 (2)	Var. % (1/2)	6M19 (3)	6M18 (4)	Var. % (3/4)
Personnel	-279.2	-269.8	3.5	-524.6	-508.9	3.1
Materials	-45.8	-36.3	26.2	-88.6	-73.2	21.0
Electricity	-111.6	-92.5	20.6	-224.5	-185.6	21.0
Third-party services	-147.6	-154.5	-4.5	-293.2	-295.0	-0.6
Depreciation and amortization	-83.7	-66.4	26.1	-166.1	-132.2	25.6
Losses in Realization of Credits	-5.6	-8.3	-32.5	-11.5	-4.8	139.6
Municipal Sanitation and Environmental	-14.6	-8.1	80.2	-30.4	-15.2	100.0
Regulatory fee	-5.6	-5.2	7.7	-11.2	-10.4	7.7
Sanepar rural program	-0.4	-0.3	33.3	-0.6	-0.7	-14.3
Indemnifications for damages to third parties	-6.7	-4.1	63.4	-7.9	-7.4	6.8
Expenses capitalized	27.0	27.1	-0.4	51.7	45.6	13.4
Provision for contingencies	-22.5	1.3	-1,830.8	-63.3	-27.5	130.2
Pension plan and medical insurance	-14.9	-21.4	-30.4	-29.9	-42.9	-30.3
Profit sharing program	-27.2	-23.7	14.8	-50.1	-41.2	21.6
Eventual and extraordinary losses	-28.7	-	-	-28.7	-	-
Environmental fines	-0.1	-1.5	-93.3	-0.8	-1.5	-46.7
Net assets write off	-1.9	-5.4	-64.8	-3.3	-5.9	-44.1
Adjustment to Fair Value – Investments	0.0	0.0	-	0.1	0.0	-
Equity in earnings (losses)	-0.9	-1.0	-10.0	-2.2	-1.6	37.5
Other Costs and Expenses	-10.8	-15.8	-31.6	-24.1	-33.5	-28.1
Total	-780.8	-685.9	13.8	-1,509.2	-1,341.9	12.5

Operating costs and expenses accumulated in the second quarter of 2019 increase by 13.8% in comparison to the same period in 2018. The main changes resulted from:

- **Personnel:**

Growth of 3.5%, 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) Salary increase between 2.00% and 4.04%, according to employee class, referring to the Collective Bargaining Agreement - ACT 2018/2019 (base date March 2018) - linear value of R\$105.00 a salary recomposition - readjustment of 1.81% (INPC) in the food voucher - readjustment of 6.45% of SANESAÚDE, all of which impacting fully in 2019;

- **Materials**

Growth of 26.2%, mainly in electromechanical maintenance materials, laboratory material, treatment material (including to comply with TAJ IBAMA - Judicial Agreement) and network maintenance material. Treatment material increased from R\$38.4 million in the first half of 2018 to R\$51.6 million in the first half of 2019, a 34.4% change;

- **Electricity**

Growth of 20.5% in electricity allocated to operating costs, due to the tariff adjustment of 15.99% as of 06/24/2018, fully impacting in 2019 and the tariff adjustment of 3.41% as of from 06/24/2019;

- **Depreciation and amortization**

Increase of 26.1%, mainly due to the startup of intangible and / or fixed assets, from July 2018 to June 2019, in the amount of R\$764.9 million (net of depreciation and write-off), and R\$12.1 million in 2Q19, due to the registration of right-of-use leases by the adoption of CPC 06 R2;

- **Municipal Sanitation and Environmental Management Fund**

Increase of 80.2%, due to the signing of new Program Agreements, mainly with the Municipality of Curitiba, which represented R \$ 10.4 million in monthly transfers in the first half of 2019;

- **Other Costs and Expenses**

Reduction of 33.7%, mainly expenses with programs and agreements for social, educational, environmental and research development, transfer expenses for the use of water sources and expenses with fees, licenses and licensing;

- **Provision for contingencies**

Growth of 1,830.8%, mainly due to the impact of labor 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	2Q19 (1)	2Q18 (2)	Var. % (1/2)	6M19 (3)	6M18 (4)	Var. % (3/4)
Financial revenues						
Financial investments	7.7	9.5	-18.9	13.8	18.8	-26.6
Monetary variation gains	3.0	2.8	7.1	4.6	5.1	-9.8
Other financial revenues	5.0	5.4	-7.4	10.1	7.5	34.7
Total financial revenues	15.7	17.7	-11.3	28.5	31.4	-9.2
Financial expenses						
Financing and Debenture Interest and Charges	-54.0	-46.2	16.9	-105.1	-91.3	15.1
Monetary variation losses	-5.0	-3.5	42.9	-10.8	-25.9	-58.3
Other financial expenses	-1.3	-1.3	0.0	-3.0	-3.3	-9.1
Total financial expenses	-60.3	-51.0	18.2	-118.9	-120.5	-1.3
Financial income (loss)	-44.6	-33.3	33.9	-90.4	-89.1	1.5

The financial result changed negatively by 33.9% from -R\$33.3 million in 2Q18 to -R\$44.6 million in 2Q19, mainly due to the increase in interest and financing rates, loans, debentures and leasing in 16.9% (due to the accounting of interest expense and monetary restatement on leasing in the amount of R\$17.5 million) and the 18.9% reduction in short-term investments (reduction of the CDI rate).

Net income (loss)	2Q19 (1)	2Q18 (2)	Var. % (1/2)	6M19 (3)	6M18 (4)	Var. % (3/4)
Operating income (loss)	318.5	333.7	-4.6	688.7	677.1	1.7
Financial income (loss)	-44.6	-33.3	33.9	-90.4	-89.1	1.5
Taxes on income	-41.3	-46.8	-11.8	-148.2	-147.5	0.5
Net income	232.6	253.6	-8.3	450.1	440.5	2.2

The Company posted net income of R\$232.6 million in 2Q19, 8.3% below the net income of R\$253.6 million recorded in 2Q18. The result was mainly impacted by the 13.8% increase in costs and expenses.

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

Non-recurrent items - In million of Reais	2Q19	2Q18	6M19	6M18
Net income	232.6	253.6	450.1	440.5
PAI and PDVTC	-	-	-	6.8
IBAMA Agreement	-	-	-	18.0
Passive monetary variation finance lease	-	-	-	17.4
Municipal compensation of Maringá	28.7	-	28.7	-
Tax effects	-3.3	-	-3.3	-8.2
Pro forma net income	258.0	253.6	475.5	474.5
Net margin	23.5	24.9	21.6	23.5
EBITDA	430.9	400.1	883.5	834.1
EBITDA margin	39.2	39.2	40.2	41.3

Distribution of the Economic Wealth Generated - In million of Reais	2Q19 (1)	2Q18 (2)	Var. % (1/2)	6M19 (3)	6M18 (4)	Var. % (3/4)
Staff remuneration	261.5	250.1	4.6	491.7	470.6	4.5
Government Compensation (Taxes)	169.5	170.6	-0.6	401.3	388.5	3.3
Third-party compensation (rents)	0.5	12.1	-95.9	2.0	24.2	-91.7
Return on debt capital (interest and monetary variations)	60.3	50.9	18.5	118.9	120.5	-1.3
Interest on equity and dividends	174.2	159.3	9.4	174.2	159.3	9.4
Net income for the period not distributed	58.4	94.3	38.1	275.9	281.2	-1.9
Total Economic Wealth	724.4	737.3	-1.7	1,464.0	1,444.3	1.4

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	2Q19 (1)	2Q18 (2)	Var. % (1/2)	6M19 (3)	6M18 (4)	Var. % (3/4)
Net operating revenue (1)	1,099.3	1,019.6	7.8%	2,197.9	2,019.0	8.9%
Operating profit	318.5	333.7	-4.6%	688.7	677.1	1.7%
Net income	232.6	253.6	-8.3%	450.1	440.5	2.2%
% Operating margin	23.2	27.3	-4.1 p.p.	25.3	27.0	-1.7 p.p.
% Net margin	21.2	24.9	-3.7 p.p.	20.5	21.8	-1.3 p.p.
% Mean PL profitability	4.0	4.8	-0.8 p.p.	7.8	8.5	-0.7 p.p.
Net debt/ EBITDA (Accumulated 12 month)	-	-	-	1.7	1.7	-

At the close of 2Q19, the Company's total assets reached R\$11,397.0 million (R\$10,781.3 million at 12/31/2018), while total debt at the end of 2Q19 was R\$5,615.8 million (R\$5,064.1 million) million on 12/31/2018).

Of the total debt, R\$3,216.9 million (R\$2,771.3 million at 12/31/2018) refer to loans, financing, debentures and leases, an increase of 16.1% compared to the end of the year of 2018.

	Reference	JUN/19	DEZ/18	Var.
Equity	R\$ Million	5,781.2	5,717.2	1.1%
Share value	R\$	11.48	11.35	1.1%
Indebtedness level	%	49.3	47.0	2.3 p.p.
Current ratio	R\$	0.79	0.78	1.3%
Quick ratio	R\$	0.76	0.75	1.3%

EBITDA and Generation of Operating Cash

EBITDA in 2Q19, which represents the Company's operating income, was R\$402.2 million, compared to R\$400.1 million in 2Q18. EBITDA margin went from 39.2% to 36.6%. This performance was due to the 12.5% growth in costs and expenses that impact EBITDA, while net revenue increased by 7.8%.

Operating cash flow in 2Q19 was R\$382.8 million, up 17.2% over 2Q18. EBITDA to Operational Cash Conversion was 95.2%.

EBITDA	2Q19 (1)	2Q18 (2)	Var. % (1/2)	6M19 (3)	6M18 (4)	Var. % (3/4)
Net profit for the period	232.6	253.6	-8.3 %	450.1	440.5	2.2 %
(+) Taxes on Income	41.3	46.8	-11.8 %	148.2	147.5	0.5 %
(+) Financial income	44.6	33.3	33.9 %	90.4	89.1	1.5 %
(+) Depreciation and amortization	83.7	66.4	26.1 %	166.1	132.2	25.6 %
TOTAL	402.2	400.1	0.5 %	854.8	809.3	5.6 %
% EBITDA margin	36.6	39.2	-2.6 p.p.	38.9	40.1	-1.2 p.p.
% EBITDA conversion into cash	95.2	81.6	13.6 p.p.	78.0	77.7	0.3 p.p.

2.3 INVESTMENTS

The investments made in the second quarter of 2019 totaled R\$251.3 million (R\$241.2 million in 2Q18), as shown below:

Investments – R\$ Million	2Q19 (1)	2Q18 (2)	Var. % (1/2)	6M19 (3)	6M18 (4)	Var. % (3/4)
Water	113.2	118.4	-4.4	210.6	221.4	-4.9
Sewage	111.8	80.4	39.1	203.7	144.3	41.2
Administrative and others	26.3	42.4	-38.0	49.7	80.3	-38.1
Total	251.3	241.2	4.2	464.0	446.0	4.0

2.4 INDEBTEDNESS

Gross debt increased from R\$2,771.3 million in December 2018 to R\$3,216.9 in the 2Q19, representing an increase of R\$445.6 million. Net debt went from R\$ 2,444.7 million in December 2018 to R\$2,872,2 million in June 2019.

The leverage ratio, measured by the ratio "Net Debt / EBITDA (accumulated 12 months)" remained stable, remaining at 1.7x in 2Q19 and 2Q18, respectively.

The level of indebtedness was 49.3% at the end of 2Q19 (47.0% in 2Q18).

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

Indebtedness	Annual interest rate	Index	Contract termination	Debt balance	%
Caixa Econômica Federal (Federal Bank)	6.62% to 12.00%	TR	07/19/2042	1,012.6	31.5
Coastal Capital Lease	11.14%	IPC-FIPE	12/15/2036	270.5	8.4
BNDES – PAC2	1.67% and 2.05%	TJLP	07/15/2029	267.1	8.3
Debentures 9th Issue – 1st series	0.39 %	DI	06/11/2024	199.7	6.2
Debentures 4th Issue – 1st series	1.67%	TJLP	07/15/2027	181.0	5.6
Debentures 6th Issue – 2nd series	0.83%	DI	08/15/2019	174.3	5.4
Debentures 8th Issue – 2nd series	0.51%	DI	06/21/2023	155.0	4.8
Debentures 9th Issue – 2nd series	0.46 %	DI	06/11/2026	151.2	4.7
Debentures 3rd Issue – 2nd series	6.99%	IPCA	11/15/2020	140.4	4.4
Debentures 2nd Issue – 2nd series	9.19%	IPCA	09/15/2024	119.5	3.7
Debentures 4th Issue – 2nd series	7.44%	IPCA	07/15/2027	98.4	3.1
Debentures 8th Issue – 1st series	0.42%	DI	06/21/2021	95.0	3.0
Operating Lease	6.88%	-	31/05/2024	92.3	2.9
Debentures 2nd Issue – 3rd series	1.92%	TJLP	09/15/2024	85.8	2.7
Debentures 2nd Issue – 1st series	1.92%	TJLP	09/15/2024	64.3	2.0
BNDES	1.82% and 2.50%	TJLP	01/15/2023	39.1	1.2
Banco Itaú – PSI	3.00 to 6.00%	-	01/15/2025	16.9	0.5
Debentures 7th Issue – 2nd series*	4.79%	IPCA	11/15/2038	15.4	0.5
Banco do Brasil – PSI	3.00 to 6.00%	-	04/15/2024	14.1	0.4
Debentures 7th Issue – 1st series*	5.20%	IPCA	11/15/2038	12.3	0.4
Debentures 7th Issue – 4 th series	6.57%	IPCA	11/15/2038	6.7	0.2
Debentures 7th Issue – 1rd series	6.97%	IPCA	11/15/2038	5.3	0.1
Total				3,216.9	100.0

* 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	526.5	16.4
24 months	408.4	12.7
36 months	217.8	6.8
60 months	731.4	22.7
Over 60 months	1,332.8	41.4
Total	3,216.9	100.0

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 June 30, 2019, R\$1.159 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 June 2019, the Company's CVA recorded a positive balance of R\$74.6 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 2Q19:

EBITDA - R\$ million	6M19
EBITDA	854.8
(+) Items no manageable	74.6
Electrical energy	22.0
Treatment material	8.2
Fee and charges	44.4
(=) Adjusted EBITDA with non-manageable items	929.4
% EBITDA Margin	42.3

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.

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base Date June 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 2028 and 284 (82.1%) were renewed and expire after 2029. 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 6.404/76, 11.638/07 and 11.941/09 and were prepared in accordance with Brazilian Accounting Practices which include the Brazilian Corporate Law, the Pronouncements, Guidelines and Interpretations issued by CPC (Committee of Accounting Pronouncements) and also based on the standards and accounting procedures determined by CVM.

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base Date June 30, 2019

(In thousands of Brazilian Reais)

The Interim Financial Information was authorized for disclosure by the Company's Management on August 06, 2019.

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 June 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

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- 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:

- 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.

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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.

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\$34,928. In some of them, it is customary 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\$16,263 and R\$38,005.

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 June 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.

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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:

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)
Total	100,078

Asset	01/01/2019	Additions	Amortizations	06/30/2019
Vehicles	41,300	8,059	(11,354)	38,005
Mobile goods	21,833	51	(5,621)	16,263
Real estate	36,945	2,884	(4,901)	34,928
Balance	100,078	10,994	(21,876)	89,196

Liability	01/01/2019	Additions	Financial charges	Payments	06/30/2019
Current	40,026	26,904	3,248	(29,277)	40,901
Non-current	60,052	3,135	-	(11,792)	51,395
Total	100,078	30,039	3,248	(41,069)	92,296

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.

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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.

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;

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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.

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 June 30, 2019 and stated in Notes 6, 9 e 20. 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.

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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\$9,327 and R\$18,654 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:

Description	Index	+25%	-25%	+50%	-50%
Caixa FI Sanepar I Renda Fixa	DI	2,607	(2,607)	5,214	(5,214)
Assets		2,607	(2,607)	5,214	(5,214)
BNDES	TJLP	(389)	389	(778)	778
BNDES-PAC2	TJLP	(1,747)	1,747	(3,494)	3,494
Debentures 2nd Issuance - 1st to 3rd series	TJLP	(1,298)	1,298	(2,596)	2,596
Debentures 2nd Issuance - 2nd series	IPCA	(690)	690	(1,380)	1,380
Debentures – 3rd Issuance - 2nd series	IPCA	(861)	861	(1,722)	1,722
Debentures – 4th Issuance - 1st series	TJLP	(1,512)	1,512	(3,024)	3,024
Debentures – 4th Issuance - 2nd series	IPCA	(612)	612	(1,224)	1,224
Debentures – 6th Issuance - 2nd series	DI	(1,543)	1,543	(3,086)	3,086
Debentures - 7th Issuance - 1st to 4th series	IPCA	(70)	70	(140)	140
Debêntures - 8th Issuance - 1st and 2nd series	DI	(2,100)	2,100	(4,200)	4,200
Debêntures - 9th Issuance - 1st and 2nd series	DI	(300)	300	(600)	600
Lease of Right of Use	DI	(812)	812	(1,624)	1,624
Liabilities		(11,934)	11,934	(23,868)	23,868
Effects on Income before Taxation		(9,327)	9,327	(18,654)	18,654

The TR considered in the 12-month period was of 0.00% and the TJLP, 6.71%, obtained from BACEN - Banco Central do Brasil, IPCA rate of 3.37 %, obtained from IBGE – Instituto Brasileiro de Geografia e Estatística, and DI rate of 6.32% obtained from B3 – Brasil, Bolsa e Balcão.

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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.

Derivatives: the Company has no swap contracts or transactions that may be characterized as derivative financial instruments, and does not have speculative investments or other assets risk, and its market transactions and loans and financing are not exposed to fluctuations in foreign currencies, not requiring entering into hedge instruments.

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 June 30, 2019, here 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. For net debt effect loans, financing, debentures and lease, minus cash and cash equivalents:

Description	06/30/2019	12/31/2018
Loans, financing, debentures and lease	3,216,917	2,771,318
Cash and cash equivalents	(344,703)	(326,624)
Net debt	2,872,214	2,444,694
EBITDA	5,781,189	5,717,188
Equity	1,687,431	1,642,028
Ratio Net Debt/Net Equity	0.50	0.43
Ratio Net Debt/EBITDA	1.70	1.49

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4.3. Financial Instruments

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

	06/30/2019	12/31/2018
Assets		
Fair value measured through income		
Financial investments	327,105	291,621
Restricted deposits	59,597	59,668
Amortized cost		
Cash and banks	17,598	35,003
Trade accounts receivables	688,071	661,124
Contractual financial assets	401,760	375,871
Total	1,494,131	1,423,287
Liabilities		
Amortized cost		
Loans, financing, debentures and finance lease	3,216,917	2,771,318
Contractors and Suppliers	186,267	190,742
Concession agreements	30,921	60,456
Total	3,434,105	3,022,516

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	06/30/2019	12/31/2018
Unrestricted bank deposits	1,156	9,324
Restricted bank deposits	16,442	25,679
	17,598	35,003
Financial investments	327,105	291,621
Total cash and cash equivalents	344,703	326,624

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 99.73% of the CDI (99.00% in 2018).

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6. TRADE ACCOUNTS RECEIVABLES, NET

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

Description	06/30/2019	12/31/2018
Falling due accounts receivable	259,453	241,474
Accounts receivable from installment payments	55,548	56,272
Adjustment to Present Value	(4,416)	(4,723)
Accounts to be billed (Unbilled consumption)	179,666	186,170
	<u>490,251</u>	<u>479,193</u>
Overdue accounts receivable		
From 1 to 30 days	131,466	120,087
From 31 to 60 days	33,372	30,689
From 61 to 90 days	12,933	13,320
From 91 to 180 days	23,455	21,157
Over 180 days	184,063	172,634
Allowance for losses on doubtful accounts	(187,469)	(175,956)
	<u>197,820</u>	<u>181,931</u>
Total accounts receivable, net	688,071	661,124
Current	667,170	639,054
Noncurrent	20,901	22,070

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	06/30/2019	12/31/2018
Municipal administration	96,560	(50,512)	(3,149)	42,899	43,754
Private	769,775	(136,957)	(1,267)	631,551	606,020
Federal Entity	1,839	-	-	1,839	1,230
Government State	11,782	-	-	11,782	10,120
Total	879,956	(187,469)	(4,416)	688,071	661,124

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

Description	06/30/2019	12/31/2018
Balances at beginning of period	(175,956)	(171,150)
Amounts recorded as expenses	(11,523)	(7,747)
Write-offs, net of recoveries	10	2,941
Balances at end of period	(187,469)	(175,956)

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

Description	06/30/2019	12/31/2018
Private customers	136,957	126,754
Municipal Administrations	50,512	49,202
Total	187,469	175,956

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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	06/30/2019	12/31/2018
Balances at beginning of year	(4,723)	(2,453)
Adjustment to Present Value	307	(2,270)
Balances at end of year	(4,416)	(4,723)

7. RECOVERABLE TAXES AND CONTRIBUTIONS

These have the following composition:

Description	06/30/2019	12/31/2018
Income tax to offset	25,067	12,517
Social contribution tax to offset	6,848	2,553
Withheld taxes and contributions – public agencies	112	326
Total	32,027	15,396
Current	32,027	15,396

8. RESTRICTED DEPOSITS

Restricted deposits breakdown as follows:

Description	06/30/2019	12/31/2018
National Water Agency - ANA	604	1,773
Health National Foundation - FUNASA	4,454	4,947
Reserves kept in CAIXA (1)	54,539	52,948
Total	59,597	59,668
Current	5,058	6,720
Noncurrent	54,539	52,948

(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	06/30/2019	12/31/2018
Advances to employees	25,309	13,481
Reimbursable payments	15,715	16,054
Guarantee deposits	1,770	2,095
Municipal Fund for the Environment (1)	49,819	50,675
Prepaid expenses	3,904	4,988
Bonds and other receivables	902	938
Total	97,419	88,231
Current	47,922	37,616
Noncurrent	49,497	50,615

(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	06/30/2019
Investment Not Amortized	1,110,314	50,028	-	-	1,160,342
Adjustment to Present Value	(734,443)	(31,934)	7,810	(15)	(758,582)
Total	375,871	18,094	7,810	(15)	401,760

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	06/30/2019
Projects and Works in Progress	1,319,120	396,841	11,144	1,477	(233,979)	1,494,603
Inventories for Construction Work	74,068	17,991	-	-	-	92,059
Total	1,393,188	414,832	11,144	1,477	(233,979)	1,586,662

The balance of the "Projects and Works in Progress" account as of June 30, 2019, refers to 129 (137 on 12/31/2018) expansion and implementation of Water Supply Systems in 99 (110 on 12/31/2018) locations, in the amount of R\$673,649 (R\$625,046 at 12/31/2018); 202 (138 on 12/31/2018) works related to Sewage Collection and Treatment Systems in 139 (106 on 12/31/2018) locations, in the amount of R\$601,673 (R\$483,561 on 12/31/2018), and R\$219,281 (R\$210,513 on 12/31/2018) from investments in various projects and operational works in the systems operated by the Company.

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Until this quarter ended June 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\$11,144 (R\$18,532 in the same period of 2018). The average rate used to determine the amount of capitalized borrowing costs in relation to total costs was 10.2%.

12. INVESTMENTS

Description	06/30/2019	12/31/2018
Investment in joint venture - CS Bioenergia S.A.	18,257	20,479
Other investment	2,206	2,106
Total	20,463	22,585

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.	06/30/2019	12/31/2018
Current assets	4,872	6,873
Noncurrent assets	63,312	67,377
• Fixed assets	43,568	43,279
• Finance lease	17,024	17,856
• Other	2,720	6,242
Total Assets	68,184	74,250
Current liabilities	12,656	7,154
• Loans, financing and finance lease	9,058	3,475
• Other	3,598	3,679
Noncurrent liabilities	9,885	15,899
• Loans, financing and finance lease	9,885	15,899
Equity	45,643	51,197
Total Liabilities and Equity	68,184	74,250

Statement of income (loss) – CS Bioenergia S.A.	06/30/2019	12/31/2018
Revenues	1,664	5,452
(-) Operational expenses	(5,560)	(11,727)
Financial income (loss)	(1,658)	(3,298)
Loss for the year	(5,554)	(9,573)

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Changes in the investment in the period are as follows:

Description	06/30/2019	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%)	(2,222)	(3,829)
Balance at end of year	18,257	20,479

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 06/30/2019, equivalent to R\$2,206.

13. FIXED AND INTANGIBLE ASSETS

a) Fixed assets

These have the following composition:

By account			06/30/2019	12/31/2018
Description	Cost	Accumulated depreciation	Net amount	
Administration	405,757	(145,089)	260,668	168,120
Other fixed assets	1,365	(1,014)	351	651
Total	407,122	(146,103)	261,019	168,771

By nature				06/30/2019	12/31/2018
Description	Annual depreciation rate	Cost	Accumulated depreciation	Net amount	
Plots of land	-	2,372	-	2,372	2,372
Civil construction	*1.84%	110,888	(21,372)	89,516	53,534
Leasehold	2%	2,091	(716)	1,375	1,329
Facilities	*5.83%	3,960	(2,431)	1,529	1,590
Equipment	*6.23%	71,198	(24,922)	46,276	45,197
Furniture and fixtures	7.14%	43,653	(18,689)	24,964	23,745
IT equipment	*19.82%	57,416	(28,521)	28,895	11,323
Vehicles	*13.05%	88,622	(32,738)	55,884	19,104
Machinery, tractors and similar	*19.35%	25,354	(16,297)	9,057	9,124
Tools	6.67%	1,412	(417)	995	1,024
Patrimonial assets to incorporate	-	156	-	156	429
Totais		407,122	(146,103)	261,019	168,771

* Weighted average rate

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b) Intangible assets

These have the following composition:

By lines			06/30/2019	12/31/2018
Description	Cost	Accumulated amortization	Net amount	
Water mains	4,517,512	(1,543,252)	2,974,260	2,889,919
Sewage mains	5,075,863	(1,140,792)	3,935,071	3,926,332
Solid waste	4,195	(2,819)	1,376	-
System Use and Operation Rights	125,102	(70,883)	54,219	55,156
Other intangible assets	147,499	(71,396)	76,103	64,947
Total	9,870,171	(2,829,142)	7,041,029	6,936,354

By nature				06/30/2019	12/31/2018
Description	Annual amortization rate	Cost	Accumulated amortization	Net amount	
Plots of land	-	164,944	-	164,944	164,454
Wells	*3.10%	143,647	(37,715)	105,932	104,168
Dams	*2.67%	141,212	(56,310)	84,902	86,397
Civil construction	*2.59%	2,169,585	(517,186)	1,652,399	1,616,198
Leasehold	*2.67%	26,806	(3,367)	23,439	20,804
Piping	*2.64%	5,172,230	(1,299,356)	3,872,874	3,830,359
Building connections	3.33%	727,382	(233,053)	494,329	482,499
Facilities	*5.83%	165,965	(60,933)	105,032	103,714
Hydrometers	10%	196,456	(80,426)	116,030	109,414
Macro-meters	10%	6,033	(4,071)	1,962	1,916
Equipments	*6.23%	605,226	(283,094)	322,132	316,846
Furniture and fixtures	7.14%	6,488	(3,562)	2,926	2,930
IT equipment	*19.82%	87,045	(82,165)	4,880	5,278
Computer programs	20%	59,305	(40,851)	18,454	18,269
Vehicles	*13.05%	24,200	(17,121)	7,079	7,699
Machinery, tractors and similar	*19.35%	22,611	(19,270)	3,341	4,945
Tools	6.67%	273	(191)	82	87
Rights of Use of Transmission Lines	6.25%	156	(132)	24	25
Environmental protection and preservatio	20%	24,416	(19,456)	4,960	4,329
Concession of the Mun. of Curitiba (1)	1.50%	125,000	(70,781)	54,219	55,156
Concession of the Mun. of Cianorte (2)	5%	102	(102)	-	-
Patrimonial assets to incorporate	-	1,089	-	1,089	867
Total		9,870,171	(2,829,142)	7,041,029	6,936,354

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

By lines			06/30/2019	12/31/2018
Description	Cost	Accumulated amortization	Net amount	
Buildings	37,434	(1,259)	36,175	36,488
Piping	147,315	(4,714)	142,601	144,075
Building connections	8,226	(470)	7,756	7,893
Facilities	309	(41)	268	278
Equipment	6,013	(721)	5,292	5,480
Financial Lease	199,297	(7,205)	192,092	194,214
Car Rental	49,358	(11,353)	38,005	-
Rental Movable Goods	21,857	(5,594)	16,263	-
Rental of Real Estate	39,644	(4,716)	34,928	-
Financial Lease - Right of use	110,859	(21,663)	89,196	-
Total	310,156	(28,868)	281,288	194,214
Fixed Assets	108,506	(21,342)	87,164	-
Intangible Assets	201,650	(7,526)	194,124	-

The Company recorded in the result the amount of R\$1,965 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 2nd Quarter 2019:

Description	12/31/2018	Additions	Depreciation and amortization	Write-offs and losses	Transfers to Work	Transfers	06/30/2019
Fixed assets							
Plots and land	2,372	-	-	-	-	-	2,372
Civil construction	53,534	37,968	(5,554)	(2)	3,570	-	89,516
leasehold	1,329	-	(20)	-	66	-	1,375
Facilities	1,590	25	(86)	-	-	-	1,529
Equipment	45,197	4,269	(2,000)	(120)	-	(1,070)	46,276
Furniture and fixtures	23,745	2,255	(1,241)	(10)	-	215	24,964
IT Equipment	11,323	25,059	(7,287)	(11)	-	(189)	28,895
Vehicles	19,104	50,949	(14,297)	-	-	128	55,884
Machinery, tractors and similar	9,124	-	(1,293)	-	-	1,226	9,057
Tools	1,024	13	(41)	-	-	(1)	995
Patrimonial assets to incorporate	429	-	-	-	-	(273)	156
Total Fixed Assets	168,771	120,538	(31,819)	(143)	3,636	36	261,019
Intangible Asset							
Plots of land	164,454	284	-	-	217	(11)	164,944
Wells	104,168	-	(907)	1	2,692	(22)	105,932
Dams	86,397	-	(1,495)	-	-	-	84,902
Civil construction	1,616,198	4,061	(24,950)	98	62,919	(5,927)	1,652,399
Leasehold	20,804	78	(331)	6	3,130	(248)	23,439
Piping	3,830,359	6,974	(62,223)	(40)	109,208	(11,404)	3,872,874
Building connections	482,499	93	(11,138)	(205)	23,559	(479)	494,329
Facilities	103,714	1,576	(4,976)	93	4,625	-	105,032
Hydrometers	109,414	-	(8,843)	(1,162)	16,622	(1)	116,030
Macro-meters	1,916	6	(155)	-	196	(1)	1,962
Equipment	316,846	13,799	(13,113)	(2,102)	5,632	1,070	322,132
Furniture and fixtures	2,930	110	(158)	(14)	-	58	2,926
IT Equipment	5,278	4	(448)	(148)	5	189	4,880
Computer programs	18,269	3,013	(2,828)	-	-	-	18,454
Vehicles	7,699	-	(491)	-	-	(129)	7,079
Machinery, tractors and similar	4,945	9	(387)	-	-	(1,226)	3,341
Tools	87	-	(6)	-	1	-	82
Rights of Use of Transmission Lines	25	-	(2)	-	-	1	24
Environmental protection and preservation	4,329	-	(924)	18	1,537	-	4,960
Concession of the Mun. of Curitiba	55,156	-	(937)	-	-	-	54,219
Patrimonial assets to incorporate	867	222	-	-	-	-	1,089
Subtotal intangible assets	6,936,354	30,229	(134,312)	(3,455)	230,343	(18,130)	7,041,029
Grand Total	7,105,125	150,767	(166,131)	(3,598)	(a) 233,979	(a) (18,094)	7,302,048

- (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:

Descrição	Effective Annual Interest Rate	Index	06/30/2019			12/31/2018		
			Current	Noncurrent	Total	Current	Noncurrent	Total
Debentures 6th Issuance – 2nd series	0.83%	DI	174,290	-	174,290	174,179	-	174,179
Debentures 3 rd Issuance – 2nd series	6.99%	IPCA	70,797	69,598	140,395	68,972	67,876	136,848
Debentures 8th Issuance – 1st series	0.42%	DI	83	94,933	95,016	58	94,900	94,958
Debentures 8th Issuance – 2nd series	0.51%	DI	182	154,804	154,986	141	154,771	154,912
BNDES	1.82% and 2.50%	TJLP	19,297	19,792	39,089	31,243	23,550	54,793
Banco do Brasil – PSI	3.00% to 6.00%	-	3,388	10,706	14,094	3,391	12,391	15,782
Debentures 2 nd Issuance – 1st series	1.92%	TJLP	12,396	51,930	64,326	12,390	57,862	70,252
Debentures 2 nd Issuance – 2nd series	9.19%	IPCA	26,463	93,004	119,467	20,872	90,704	111,576
Debentures 2 nd Issuance – 3rd series	1.92%	TJLP	16,528	69,240	85,768	16,519	77,150	93,669
Debentures 9th Issuance – 1st series	0.39%	DI	646	199,029	199,675	-	-	-
Banco Itaú – PSI	3.00% to 6.00%	-	3,570	13,357	16,927	3,576	15,127	18,703
Debentures 9th Issuance – 2nd series	0.46%	DI	502	150,751	151,253	-	-	-
Debentures 4th Issuance – 1st series	1.67%	TJLP	22,815	158,171	180,986	22,814	168,820	191,634
Debentures 4th Issuance – 2nd series	7.44%	IPCA	12,398	86,033	98,431	12,107	89,825	101,932
BNDES – PAC2	1.67% and 2.05%	TJLP	36,230	230,852	267,082	33,239	228,310	261,549
Finance lease	11.14%	IPC-FIPE	8,749	261,797	270,546	8,481	265,066	273,547
Finance lease – Right of use	6.88%	-	40,901	51,395	92,296	-	-	-
Debentures 7th Issuance – 1st series*	5.20%	IPCA	143	12,148	12,291	1	12,123	12,124
Debentures 7th Issuance – 2 nd series*	4.79%	IPCA	171	15,184	15,355	2	15,153	15,155
Debentures 7th Issuance – 3 rd series	6.97%	IPCA	40	5,324	5,364	36	5,186	5,222
Debentures 7th Issuance – 4th series	6.57%	IPCA	46	6,657	6,703	42	6,484	6,526
Caixa Econômica Federal	6.62% to 12.00%	TR	76,876	935,701	1,012,577	70,707	907,250	977,957
Balances at end of the year			526,511	2,690,406	3,216,917	478,770	2,292,548	2,771,318
Loans and financing			139,361	1,210,408	1,349,769	142,156	1,186,628	1,328,784
Debentures			337,500	1,166,806	1,504,306	328,133	840,854	1,168,987
Finance lease			49,650	313,192	362,842	8,481	265,066	273,547

* IPCA as a variable component of the TLP

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	06/30/2019	12/31/2018
TR (Reference Rate)	1,012,577	977,957
TJLP (Long-Term Interest Rate)	637,251	671,897
IPCA (National Amplified Consumer Price Index)	398,006	389,383
DI	775,220	424,049
IPC-FIPE	270,546	273,547
No Monetary Adjustment	123,317	34,485
	3,216,917	2,771,318

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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 6th Issuance – 2nd series	2016	2019	170,000	17,000	2019	Six-monthly
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 Contracts	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 - 116 Contracts	2014 to 2019	2019 to 2024	109,913	-	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
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 a 2042	Total
Debentures 2nd Issue	41,130	47,112	47,112	47,112	47,112	39,983	-	269,561
Debentures 3rd Issue	70,797	69,598	-	-	-	-	-	140,395
Debentures 4th Issue	17,974	34,478	34,478	34,478	34,478	34,478	89,053	279,417
Debentures 6th Issue	174,290	-	-	-	-	-	-	174,290
Debentures 7th Issue	401	-	120	2,317	2,317	2,317	32,241	39,713
Debentures 8th Issue	265	-	94,835	-	154,902	-	-	250,002
Debentures 9th Issue	1,148	-	-	-	-	198,954	150,826	350,928
Subtotal Debentures	306,005	151,188	176,545	83,907	238,809	275,732	272,120	1,504,306
BNDES	15,467	7,661	7,661	7,661	639	-	-	39,089
BNDES - PAC2	18,478	35,503	35,503	31,469	30,156	30,156	85,817	267,082
Banco do Brasil - PSI	1,704	3,369	3,369	3,369	2,093	190	-	14,094
Banco Itaú - PSI	1,800	3,542	3,542	3,542	3,056	1,420	25	16,927
Caixa Econômica Federal	38,222	78,256	72,046	63,621	52,867	56,163	651,402	1,012,577
Subtotal loans and financing	75,671	128,331	122,121	109,662	88,811	87,929	737,244	1,349,769
Financing lease	6,015	6,748	7,418	8,164	8,995	9,922	223,284	270,546
Financing lease - Right of use	23,231	34,988	17,028	8,289	8,432	328	-	92,296
Subtotal financing lease	29,246	41,736	24,446	16,453	17,427	10,250	223,284	362,842
Total	410,922	321,255	323,112	210,022	345,047	373,911	1,232,648	3,216,917

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

Description	Minimum Future Payments	Finance charges	06/30/2019	12/31/2018
			Present Value of Minimum Future Payments	Present Value of Minimum Future Payments
Finance Lease				
Less than one year	34,448	(25,699)	8,749	8,482
Later than one year and not later than 5 years	137,793	(105,186)	32,607	31,076
Over 5 years	409,602	(180,412)	229,190	233,989
Subtotal	581,843	(311,297)	270,546	273,547
Finance Lease - Right of use				
Less than one year	45,604	(4,703)	40,901	-
Later than one year and not later than 5 years	55,654	(4,259)	51,395	-
Subtotal	101,258	(8,962)	92,296	-
Total	683,101	(320,259)	362,842	273,547

The weighted average of the discount rate applied was 10.6% per annum for the Rental of Coastal Assets and 6.88% per year for vehicles, real estate and movable property.

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

Description	06/30/2019		12/31/2018	
	Current	Noncurrent	Current	Noncurrent
Balances at beginning of year	478,770	2,292,548	562,548	2,154,290
Releases	-	439,187	-	490,910
Interest and fines	115,394	-	220,724	-
Monetary Variations	-	11,050	-	64,029
Transfers	155,542	(155,542)	470,910	(470,910)
Amortization	(232,863)	-	(775,587)	-
Costs of funds raised with third parties	122	(50)	175	(1,228)
Finance lease	9,546	103,213	-	55,457
Balances at end of year	526,511	2,690,406	478,770	2,292,548

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

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

Index	Releases	Amortization
Debentures 2nd Issue	-	20,336
Debentures 3rd Issue	-	4,619
Debentures 4th Issue	-	27,760
Debentures 6th Issue	-	6,062
Debentures 7th Issue	-	1,330
Debentures 8th Issue	-	8,265
Debentures 9th Issue	350,000	-
BNDES	-	17,686
BNDES - PAC2	22,000	27,545
Banco do Brasil - PSI	-	1,969
Banco Itaú - PSI	-	2,197
Caixa Econômica Federal	67,187	74,158
Financing lease - Right of use (1)	112,759	40,936
Total	551,946	232,863

(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	2.7
Net Bank Debt/ EBITDA	Equal to or under than 3.0	Equal to or under 3.8 and higher than 3.0	1.7
Other Onerous Debt/ EBITDA	Equal to or under than 1.0	Equal to or under 1.3 and higher than 1.0	0.6

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

Index	Limit	Realized
Net Bank Debt / adjusted EBITDA	Equal to or higher than 1.5	8.4
Adjusted EBITDA /Net Financial Expenses	Equal to or under than 3.0	1.6

(iii) Covenants of contracts of the Caixa Econômica Federal

Index	Limit	Realized
Adjusted EBITDA /Net Financial Expenses	Equal to or higher than 1.5	8.4
Net Bank Debt / adjusted EBITDA	Equal to or under 3.0	1.6
Other Onerous Debt/Adjusted EBITDA	Equal to or under 1.0	0.6

For BNDES contracts and the 2nd, 4th and 7th 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 3rd, 6th, 8th and 9th 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 3rd 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.

As of June 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.

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 June 30, 2019 is R\$30,921, which will be monetarily adjusted by IPCA.

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16. TAXES AND CONTRIBUTIONS

The composition is as follows:

Description	06/30/2019	12/31/2018
COFINS (tax on sales) payable	23,128	24,292
PASEP (tax on sales) payable	5,013	5,265
IPTU (Property tax) - installment payment (1)	1,294	1,443
Taxes and Contributions Withheld at Source	24,560	38,124
Total taxes and contributions	53,995	69,124
Current	53,183	68,133
Noncurrent	812	991

- (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/Shale, 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 06/30/2019, 58 installments had been paid for the amount of R\$1,683.

17. INCOME AND SOCIAL CONTRIBUTION TAXES

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

Description	06/30/2019		06/30/2018	
	Income Tax	Social Contribution Tax	Income Tax	Social Contribution Tax
Income before Income and Social Contribution Taxes	598,224	598,224	587,970	587,970
Income and social contribution taxes - current rate	(149,556)	(53,840)	(146,993)	(52,917)
Benefit of deduction of Interest on equity capital	43,541	15,675	39,823	14,336
Workers' Meal Program – PAT (1)	-	-	5,444	-
Corporate Citizen Incentive (2)	261	-	362	-
Equity in earnings (losses) of the controlled companies	(555)	(200)	(407)	(146)
Finance lease	-	-	(4,550)	(1,638)
Other	(2,530)	(947)	(559)	(250)
Total expenses	(108,839)	(39,312)	(106,880)	(40,615)
Total Income and Social Contribution taxes	(148,151)		(147,495)	
Effective rate	24.8%		25.1%	

(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

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b) Current and deferred income and social contribution taxes

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

Description	06/30/2019	06/30/2018
Income tax	(147,297)	(135,615)
Social Contribution Tax	(52,926)	(50,709)
Realization of Deferred Income Tax	38,458	28,735
Realization of Deferred Social Contribution	13,614	10,094
Total	(148,151)	(147,495)

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:

Description	Estimated realization term	06/30/2019			12/31/2018	
		Calculation basis	Income tax	Social Contribution Tax	Total	
ASSETS						
NPV on Contractual Financial Assets	30 years	758,581	189,645	68,272	257,917	249,711
Financing lease	20 years	270,547	67,637	24,349	91,986	93,006
Pension and Health Plans	15 years	971,691	242,923	87,452	330,375	320,208
Impairment on assets	10 years	12,498	3,124	1,125	4,249	4,838
Civil, Labor, Tax and Environmental Provisions	5 years	525,083	131,271	47,257	178,528	157,011
Financing lease - Right of use	5 years	92,295	23,074	8,307	31,381	-
Allowance for doubtful accounts	3 years	46,064	11,516	4,146	15,662	14,994
PAI – Encouraged Retirement Program	2 years	4,038	1,010	363	1,373	2,813
Provision for PPR	1 year	143,630	35,907	12,927	48,834	31,787
Fair Value – Investment FINAM	1 year	518	129	47	176	210
NPV of accounts receivable	1 year	4,416	1,104	397	1,501	1,606
TOTAL			707,340	254,642	961,982	876,184
LIABILITIES						
NPV on Contractual Financial Assets	30 years	732,021	183,005	65,882	248,887	242,567
IRPJ Deferred on Construction and Improvements	24 years	123,582	30,895	-	30,895	31,535
Finance lease	20 years	192,092	48,023	17,288	65,311	66,032
Donations from Public Agencies	20 years	10,249	2,563	922	3,485	3,471
Revaluation surplus	13 years	109,636	27,409	9,867	37,276	38,694
Financing lease - Right of use	5 years	89,196	22,299	8,028	30,327	-
Attribution of New Cost to Fixed Assets	3 years	8,208	2,052	739	2,791	2,947
Total			316,246	102,726	418,972	385,246
Total Net			391,094	151,916	543,010	490,938

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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 June 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	43,282	15,581	58,863	10,376	3,461	13,837
2020	45,387	16,340	61,727	17,788	5,932	23,720
2021	42,765	15,396	58,161	17,788	5,932	23,720
2022 to 2024	219,983	79,194	299,177	46,117	15,187	61,304
2025 to 2027	78,011	28,084	106,095	36,386	11,684	48,070
2028 to 2030	77,694	27,970	105,664	36,386	11,684	48,070
2031 to 2033	77,694	27,970	105,664	32,030	10,116	42,146
2034 to 2036	35,858	12,909	48,767	29,851	9,332	39,183
2037 to 2039	27,137	9,769	36,906	28,149	8,719	36,868
2040 to 2042	18,965	6,827	25,792	22,231	6,588	28,819
2043 to 2045	18,965	6,827	25,792	18,301	6,588	24,889
2046 to 2048	18,965	6,827	25,792	18,301	6,588	24,889
2049 to 2051	2,634	948	3,582	2,542	915	3,457
Total	707,340	254,642	961,982	316,246	102,726	418,972

18. REVENUE TO BE APPROPRIATED

The Company renewed the session 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 second quarter of 2019 was of R\$2,100 (R\$2,100 for the same period in 2018), The balance as at June 30, 2019 was of R\$11,200 (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\$7,000 (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	06/30/2019
Labor claims (i)	229,509	68,914	(4,331)	(4,671)	289,421
Civil claims (ii)	208,129	5,541	(4,830)	(5,287)	203,553
Environmental claims (iii)	6,689	10,663	(2,016)	(730)	14,606
Tax claims (iv)	17,470	33	-	-	17,503
Total	461,797	85,151	(11,177)	(10,688)	525,083

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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	
	06/30/2019	12/31/2018
Labor claims (i)	50,677	44,382
Civil claims (ii)	402,689	375,364
Environmental claims (iii)	341,830	339,737
Tax claims (iv)	17,234	16,554
Total	812,430	776,037

(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.

(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; 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 and Porecatu.

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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	
	06/30/2019	12/31/2018
Labor claims	173,776	137,502
Civil claims	98,086	54,555
Environmental claims	2,534	5,689
Tax claims	7,567	5,706
Total	281,963	203,452

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 second quarter of 2019, the Sponsor passed on the amount of R\$15,050 (R\$13,991 for the same period in 2018) as contribution to FUSAN.

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 second quarter of 2019, the Company transferred the amount of R\$33,465 (R\$31,306 for the same period in 2018).

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

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

Description	Pension Plan	Medical Insurance	06/30/2019	12/31/2018
Current	22,366	42,413	64,779	62,786
Noncurrent	313,127	593,785	906,912	879,002
Liabilities recognized at the end of the year	335,493	636,198	971,691	941,788

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)
Total	20,174	39,632	59,806

The amount of R\$59,806 was the actuarial estimate for expected variation in the plans for year 2018, which is being booked by the Company on a monthly basis with an accrual until the second quarter of 2019 the amount of R\$29,903 (R\$42,910 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,

21. RELATED-PARTY TRANSACTIONS

As at June 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\$58,786 and R\$56,626 through the second 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 second quarter of 2019, R\$48,803 (R\$47,592 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\$5,940 (R\$4,894 for the same period in 2018). In addition, the Company has accounts receivable from these prefectures in the amount of R\$96,560 in June 30, 2019 (R\$96,358 in December 31, 2018), as shown in Note 6a.

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The Company transacted with CS Bioenergia S.A., and until the second quarter of 2019, it obtained revenues from treatment of sewage effluents in the amount of R\$712 (R\$220 for the same period in 2018), rental of property in the amount of R\$99 (R\$146 for the same period in 2018) and the supply of water and sewage services in the amount of R\$945 (R\$431 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\$1,442 (R\$2,755 for the same period in 2018).

The Company also carries out operations with the Sanepar Foundations (Health Plan and Pension Plan), and until the second quarter of 2019 obtained revenues for the supply of water and sewage services in the amount of R\$9 (R\$8 for the same period in 2018), expenses of rent of property in the amount of R\$300 (R\$238 for the same period in 2018) and of employer contributions to the employee benefit plans in the amount of R\$48,695 (R\$45,297 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^a/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^a/2018 Annual General Meeting (AGO) held on 26 April, 2018, for the amount of R\$13,918.

The following are the payments made to managers

Description	06/30/2019	06/30/2018
Remuneration	4,804	5,170
Charges and Benefits	1,218	1,329
Social charges	1,137	1,235
Health plan (Sanesaúde)	26	36
Sanepar Foundation (Fusan)	55	58
Total	6,022	6,499

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22. OTHER ACCOUNTS PAYABLE

The composition is as follows:

Description	06/30/2019	12/31/2018
Programs Linked to Agência Nacional de Águas - ANA	716	2,099
Contracts and Agreements with third parties	9,402	10,397
Agreements with municipal administrations	14,492	15,707
Collaterals and amounts reimbursable	18,956	10,643
Labor Indemnities – PAI/PDVTC	-	689
Installment payment IBAMA – PRD Law No. 13.494/2017 (1)	73,031	81,316
Municipal Sanitation and Environmental Management Fund	4,936	8,942
Other account payables	251	250
Total	121,784	130,043
Current	69,441	68,179
Noncurrent	52,343	61,864

- (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 06/30/2019, 18 installments in the amount of R\$28,845 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.

The equity amount of each share as at June 30, 2019 is R\$11.48 (R\$11.35 as at December 31, 2018).

The Capital stock underwritten and fully paid in as at June 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:

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Shareholders	Number of shares					
	Common	%	Preferred	%	Total	%
State of Paraná	100,914,575	60.1	1	-	100,914,576	20.0
Municipal Administrations	-	-	2,285,969	0.7	2,285,969	0.5
Foreign Investors	33,535,763	20.0	174,100,907	51.8	207,636,670	41.2
Other Investors	33,461,415	19.9	159,436,543	47.5	192,897,958	38.3
Total	167,911,753	100.0	335,823,420	100.1	503,735,173	100.0

b) Revaluation surplus

The revaluation surplus was realized until the second quarter, transferring to Retained earnings the amount of R\$2,751 (R\$3,170 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 revaluation.

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

Description	06/30/2019	06/30/2018
Balances at beginning of year	75,111	81,204
Realization of revaluation surplus	(4,168)	(4,803)
Realization of Taxes on the Revaluation surplus	1,417	1,633
Balances at end of year	72,360	78,034

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.

During this quarter it was transferred to retained earnings, the amount of R\$305 (R\$1,463 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:

Description	06/30/2019	06/30/2018
Balance at beginning of year	5,722	8,007
Realization of Adjustments to Assigned Cost.	(462)	(2,217)
Realization of Taxes on Adjustments to Assigned Cost	157	754
Balance at end of year	5,417	6,544

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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 19) 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.

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 06/30/2019, the amount of R\$391,158 was settled.

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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 the second quarter 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	06/30/2019	06/30/2018
Numerator		
Net profit for the period attributed to Company shareholders		
Common Shares	140,648	137,648
Preferred shares	309,425	302,827
Denominator (in thousands of shares)		
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
Basic and diluted earnings (loss)		
Per ordinary share	0.83763	0.81976
Per preferential share	0.92139	0.90174

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24. OPERATING REVENUES

Operating Revenues composition, by nature, is the following:

Description	04/01/2019 to 06/30/2019	04/01/2018 to 06/30/2018	01/01/2019 to 06/30/2019	01/01/2018 to 06/30/2018
Revenue				
Revenues from Water	710,954	666,704	1,427,876	1,325,650
Revenues from Sewage	420,892	385,852	838,916	762,422
Revenues from services	34,586	33,754	69,120	64,493
Revenues from Solid Waste	2,950	2,560	5,940	4,894
Services Provided to Municipalities	4,485	4,075	8,877	8,028
Donations made by clients	6,259	4,484	9,426	7,486
Other Revenue	1,296	1,245	2,521	2,520
Total operating revenues	1,181,422	1,098,674	2,362,676	2,175,493
Deductions from Operating Revenues				
COFINS	(67,501)	(64,961)	(135,443)	(128,574)
PASEP	(14,630)	(14,072)	(29,361)	(27,854)
Total Deductions	(82,131)	(79,033)	(164,804)	(156,428)
Total operating revenues, net	1,099,291	1,019,641	2,197,872	2,019,065

The Company had revenues and incurred in costs from construction contracts linked to the program contracts of R\$30,229 (R\$67,633 for the same period in 2018), until the second 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	04/01/2019 to 06/30/2019			04/01/2018 to 06/30/2018		
	Water	Sewage	Total	Water	Sewage	Total
Personnel	(72,740)	(28,305)	(101,045)	(69,899)	(25,375)	(95,274)
Materials	(19,761)	(14,085)	(33,846)	(17,670)	(7,802)	(25,472)
Electricity	(98,918)	(12,636)	(111,554)	(83,064)	(9,426)	(92,490)
Third-party services	(57,540)	(38,709)	(96,249)	(55,340)	(36,831)	(92,171)
Depreciation and amortization	(34,279)	(33,008)	(67,287)	(30,565)	(30,033)	(60,598)
Indemnities of third-party damages	(988)	(3,496)	(4,484)	(1,453)	(467)	(1,920)
Other costs	(26,304)	(10,665)	(36,969)	(25,457)	(8,377)	(33,834)
Total	(310,530)	(140,904)	(451,434)	(283,448)	(118,311)	(401,759)

Description	01/01/2019 to 06/30/2019			01/01/2018 to 06/30/2018		
	Water	Sewage	Total	Water	Sewage	Total
Personnel	(138,264)	(52,719)	(190,983)	(132,395)	(47,086)	(179,481)
Materials	(40,117)	(25,470)	(65,587)	(36,311)	(16,343)	(52,654)
Electricity	(200,339)	(24,122)	(224,461)	(165,856)	(19,782)	(185,638)
Third-party services	(113,132)	(76,632)	(189,764)	(105,434)	(72,630)	(178,064)
Depreciation and amortization	(68,151)	(65,771)	(133,922)	(61,123)	(59,334)	(120,457)
Indemnities of third-party damages	(1,730)	(3,724)	(5,454)	(2,174)	(670)	(2,844)
Other costs	(51,179)	(19,741)	(70,920)	(49,546)	(15,240)	(64,786)
Total	(612,912)	(268,179)	(881,091)	(552,839)	(231,085)	(783,924)

Companhia de Saneamento do Paraná - SANEPAR

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26. SELLING, ADMINISTRATIVE AND OTHER EXPENSES

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

Description	04/01/2019 to 06/30/2019	04/01/2018 to 06/30/2018	01/01/2019 to 06/30/2019	01/01/2018 to 06/30/2018
Selling				
Personnel	(32,977)	(28,560)	(62,726)	(53,804)
Materials	(1,072)	(779)	(2,078)	(1,544)
Third-party services	(25,221)	(23,812)	(49,757)	(44,693)
Depreciation and amortization	(3,031)	(1,395)	(5,854)	(3,010)
Municipal Sanitation and Environmental Management Fund	(14,598)	(8,184)	(30,349)	(15,287)
Losses in Realization of Credits	(5,595)	(8,362)	(11,523)	(4,817)
Indemnities of third-party damages	(1,441)	(834)	(1,608)	(3,218)
Sanepar Rural program	(417)	(265)	(601)	(701)
Other expenses	(5,312)	(7,321)	(9,994)	(14,348)
Total selling expenses	(89,664)	(79,512)	(174,490)	(141,422)
Administrative				
Personnel	(145,159)	(145,907)	(270,866)	(275,598)
Materials	(10,894)	(9,992)	(20,932)	(18,985)
Third-party services	(26,184)	(38,481)	(53,699)	(72,211)
Depreciation and amortization	(13,409)	(4,447)	(26,355)	(8,731)
Regulatory fee	(5,598)	(5,209)	(11,193)	(10,414)
Travel expenses	(1,962)	(2,442)	(3,293)	(3,958)
Environmental and social programs	(1,497)	(1,058)	(4,174)	(5,967)
Exhibitions, congresses and events	(224)	(2,181)	(272)	(4,133)
Indemnities of third-party damages	(731)	(784)	(831)	(1,320)
Other expenses	(3,723)	(6,011)	(9,062)	(10,175)
Transfers to Selling expenses and cost (1)	38,898	36,403	73,602	69,867
Expenses Capitalized (2)	27,012	27,054	51,670	45,612
Total administrative expenses	(143,471)	(153,055)	(275,405)	(296,013)
Other operating revenues (expenses)				
Expenses				
Eventual or extraordinary losses (3)	(28,716)	-	(28,716)	-
Environmental fines	(84)	(1,450)	(795)	(1,488)
Write-off of assets	(1,955)	(5,380)	(3,311)	(5,904)
Adjustment to Fair Value – Investments	36	24	99	49
Total other operating revenues (expenses), net	(30,719)	(6,806)	(32,723)	(7,343)

- (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 Service Units.
- (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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(In thousands of Brazilian Reais)

27. PROFIT SHARING PROGRAM

The Company accrued R\$50,137 (R\$41,230 in the same period of 2018), of which R\$2,681 related to the provision for the 2018 Profit Sharing Program and R\$47,456 to the Profit Sharing provision up to 2nd quarter of 2019, which is recorded in the Salaries and Social Charges account, in current liabilities.

28. FINANCIAL INCOME (LOSS)

Description	04/01/2019 to 06/30/2019	04/01/2018 to 06/30/2018	01/01/2019 to 06/30/2019	01/01/2018 to 06/30/2018
Financial revenues				
Financial investments	7,651	9,571	13,801	18,820
Monetary variation gains	3,081	2,764	4,662	5,071
Other financial revenues	5,023	5,356	10,088	7,451
Total financial revenues	15,755	17,691	28,551	31,342
Financial expenses				
Financing and Debenture Interest and Charges and leases	(54,006)	(46,217)	(105,136)	(91,291)
Monetary variation losses	(5,005)	(3,521)	(10,783)	(25,883)
Other financial expenses	(1,353)	(1,298)	(3,023)	(3,343)
Total financial expenses	(60,364)	(51,036)	(118,942)	(120,517)
Financial income (loss), net	(44,609)	(33,345)	(90,391)	(89,175)

29. INFORMATION BY BUSINESS SEGMENT

The Company has two clearly identifiable business segments, to wit, water distribution and treatment 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:

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base Date June 30, 2019

(In thousands of Brazilian Reais)

Description	01/01/2019 to 06/30/2019			01/01/2018 to 06/30/2018		
	Water	Sewage	Total	Water	Sewage	Total
Direct operating revenue	1.479.966	861.886	2.341.852	1.374.512	782.947	2.157.459
Other operating revenues	11.933	8.891	20.824	10.415	7.619	18.034
Total gross operating Revenue	1.491.899	870.777	2.362.676	1.384.927	790.566	2.175.493
Revenue Deductions (PASEP and COFINS)	(94.434)	(70.370)	(164.804)	(90.337)	(66.091)	(156.428)
Net operating revenue	1.397.465	800.407	2.197.872	1.294.590	724.475	2.019.065
Cost	(612.912)	(268.179)	(881.091)	(552.839)	(231.085)	(783.924)
Gross profit	784.553	532.228	1.316.781	741.751	493.390	1.235.141
Selling expenses	(99.990)	(74.500)	(174.490)	(81.672)	(59.750)	(141.422)
Administrative expenses	(157.818)	(117.587)	(275.405)	(170.949)	(125.064)	(296.013)
Other operating revenues (expenses)	(20.025)	(12.698)	(32.723)	(5.180)	(2.163)	(7.343)
Equity in earnings (losses) of controlled companies	-	(2.222)	(2.222)	-	(1.627)	(1.627)
Financial income (loss), net	(37.668)	(52.723)	(90.391)	(21.947)	(67.228)	(89.175)
Profit sharing program	(28.731)	(21.406)	(50.137)	(23.811)	(17.419)	(41.230)
Provisions	(36.276)	(27.010)	(63.286)	(15.905)	(11.546)	(27.451)
Pension plan and medical insurance	(17.133)	(12.770)	(29.903)	(24.781)	(18.129)	(42.910)
Income before taxes and contributions	386.912	211.312	598.224	397.506	190.464	587.970
Income and social contribution taxes	(95.820)	(52.331)	(148.151)	(99.716)	(47.779)	(147.495)
Net income for the year	291.092	158.981	450.073	297.790	142.685	440.475
Operating margin	25,9%	24,3%	25,3%	28,7%	24,1%	27,0%
Net margin	20,8%	19,9%	20,5%	23,0%	19,7%	21,8%
EBITDA	511.188	343.558	854.746	487.349	321.994	809.343
EBITDA margin	36,6%	42,9%	38,9%	37,6%	44,4%	40,1%
Investments in fixed /Intangible assets in the year (a)	235.842	228.142	463.984	270.020	175.994	446.014
Shareholding Interest – CS Bioenergia	-	18.257	18.257	-	18.660	18.660
Indebtedness – Loans, Financing, Debentures and Finance Lease	1.244.352	1.972.565	3.216.917	1.089.139	1.695.467	2.784.606
Contract of Asset, Fixed assets and intangible assets, net	3.961.029	4.927.681	8.888.710	3.580.227	4.496.738	8.076.965
Depreciation and amortization for the year	(86.608)	(79.523)	(166.131)	(67.896)	(64.302)	(132.198)
Accounts receivable (current and non-current) (b)	571.687	308.269	879.956	544.363	280.894	825.257
Total assets	5.078.792	6.318.223	11.397.015	4.605.806	5.784.857	10.390.663
Total current and noncurrent liabilities	2.462.507	3.153.319	5.615.826	2.196.337	2.923.305	5.119.642
Number of Users – Not Audited/Reviewed (c)	3.164.075	2.174.267	-	3.112.939	2.079.427	-
Volume Thousand m3 Invoiced – Not Audited/Reviewed (d)	264.971	197.425	-	258.477	189.098	-

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

Companhia de Saneamento do Paraná - SANEPAR

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(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
Total	1,437,172

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 June 30, 2019, the Company offered guarantees through Guarantee Insurance in 123 legal proceedings in the amount of R\$279,928 with Pottencial Seguradora S/A.

The Company initiated the bidding process in order to maintain the insurance coverage in the civil liability modality. The process will be concluded in early September, 2019.

31. “RADIO PATROL” OPERATION AND ITS REFLEXES IN THE COMPANY

In preparing the quarterly information for the period ended on June 30, 2019, the Company considered all available information and monitored the investigations related to Mr. Nelson Leal Júnior's report in connection with the operation called “Radio Patrol”, which mention, among others, to former managers of the Company.

In this context, the Company endeavored the conduction of investigative procedures led by the Internal Audit and the hiring of a specialized external Legal Opinion on the application and relevance of the procedures being adopted. The preliminary report on the outcome of the internal investigation has already been delivered and the supplementary report and the Legal Opinion will be formally forwarded to the appropriate authorities in the near future.

Although all the evidence obtained so far does not allow any establishment or connection between the Company and the allegations contained in the “Radio Patrol” Operation, the Management will continue to monitor the investigation progress and maintain close contact with the authorities regarding their developments.

Additionally, the Company's Management approved the creation of an “External Investigation Commission” which will be responsible for coordinating the applicable forensic investigations.



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 June 30, 2019, which comprise the balance sheet on June 30, 2019 and the related statements of income and comprehensive income for the three and six-month period then ended, and the statement of changes in equity and cash flows for the six-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 Technical Pronouncement CPC 21 (R1) – 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”). However, this engagement was not effective until the conclusion of our work on the interim financial information of June 30, 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. In this regard, the internal audit has not, to date, carried out any audit procedures to assess possible impacts of this prosecution that included a former member of the Company's Governance.

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 June 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 CPC 21 (R1) 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 for the six-month period ended June 30, 2019, prepared under the responsibility of the Company's management, whose disclosure in the interim financial information is required in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Financial Information – ITR and considered as supplemental information by the International Financial Accounting Standards (IFRS), which do not require the disclosure of the Statement of Added Value. These statements were subject to the same review procedures described above. 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 conclude 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, consistently with the 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, August 12, 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 insets 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 June 30, 2019.

Curitiba, July 29, 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 insets V and VI of article 25 of CVM Instruction no. 480/2009, has reviewed, discussed and does not agree with the conclusion abstention stated in the audit report issued by BDO RCS Auditores Independentes concerning the Sanepar's interim financial statements for the period ended on June 30, 2019.

Curitiba, August 12, 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

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