

# HEALTH AND SUSTAINABILITY FOR SOCIETY



MANAGEMENT REPORT AND  
ACCOUNTING STATEMENTS **2019**

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# PRESENTATION

The 2019 Management Report and Accounting Statements clearly show the Company's results in a year marked by important challenges for the sanitation sector. In this publication, shareholders, market analysts, customers, employees, suppliers and the interested public can follow the steps taken by the company to advance in meeting its goals, proving the solidity of the Company.

The Report follows the accounting practices adopted in Brazil, in accordance with the *International Financial Reporting Standards* (IFRS), with the requirements of the Level 2 governance model, of B3, with the Law of State-Owned Companies (13,303/2016) and other regulations of the regulation bodies. The document portrays the period from January 1 to December 31, 2019.

In this process of transparency, Sanepar will publish the Sustainability Report in the first semester of 2020, giving greater visibility to its socio-environmental and governance actions.

# MESSAGE FROM THE MANAGEMENT

**Innovation for sustainability  
in order to promote  
environmental sanitation  
and generate value for  
society**

In line with the guidelines of the State Government, innovation was the watchword in 2019. Innovation to provide greater efficiency and effectiveness. Competitiveness and transparency in production processes is the way for Sanepar to remain at the forefront, providing quality environmental sanitation services to Paraná.

Technology was our ally in this process, with the installation of modular sewage treatment plants, built more quickly, and occupying a smaller area, with the possibility of expanding more quickly and with efficiency gain compared to traditional systems. In 2019, Sanepar also invested in improving the existing sewage treatment processes, in order to meet contractual goals, legal requirements and commitments made.

From the use of biogas from waste treatment, solar energy and hydroenergetic conversion into sanitary infrastructures, Sanepar invests in clean energy generation, seeking to continuously reduce this very representative cost for the Company.

A more robust and transparent Sanepar, the



Mananciais da Serra. Picture: Jair Ferreira

Company needs a continuous, dynamic and participatory effort. With this in mind, the company carried out the Strategic Revisitation, an intense work that resulted in the realignment of the Mission and Vision and in the definition of the Company's Purpose. This will offer us a glimpse of Sanepar's future, determining paths and results and directing the performance of the company and its managers.

In line with the Company's strategic objectives, managers signed the Management Agreement, which is a tool in which action plans are agreed with the board of directors to be developed in the coming years. The Management Agreement generates a sense of belonging, facilitates the monitoring of deliveries and seeks to leverage results.

In December 2019, the Company advanced in the pursuit of management excellence, with the launch of the Integrated Sanepar Management Excellence System (SIEGS), which proposes the integration of Quality programs, such as Use o Bom Senso, the Sanitation Management Excellence Model (MEGSA) and ISO 9001 and ISO 14001.

Bill 4.162/2019, which amends Law 11,445/2007 (regulatory milestone for sanitation) proposed by the Federal Government, is requiring special attention by the Company, as it is presented in a way that can lead to disorganization and legal uncertainty. The universalization will be achieved by combining planning and promoting efficiency, using the best in the public and private sectors, promoting joint solutions.

### **MORE HEALTH**

Whether in the maintenance or expansion of its water and sewage systems, Sanepar works to bring health to the population, since, as already disclosed by the World Health Organization (WHO), for every dollar invested in sanitation, 4 dollars in health are saved.

### **PRIDE**

Despite all the adversities and challenges, Sanepar ends 2019 knowing that it has fulfilled its role once again with the responsibility of a public service provider, committed to its customers, shareholders and the public involved.

# 01







# SANEPAR

Our work fills your life with health

Created in order to promote the development of basic sanitation in the State, in January 1963 (Law 4,684), Companhia de Saneamento do Paraná (Sanepar) has been fulfilling its role throughout its history.

Ensuring access to treated water for 100% of the urban population of 345 municipalities in Paraná and the city of Porto União in Santa Catarina is undoubtedly a major factor for the social and economic development of the State. The advancement of sewage collection and treatment services demonstrates that the Company has been relentless in its effort to promote public health.

Due to its indicators, the company is above the national average for sanitation. Among the Paraná people supplied by Sanepar, 100% receive treated water, compared to 83.6% of Brazilians; the sewage collection of 74.2% in Paraná is above the national index of 53.2% of collected sewage; and the contrast is even greater when comparing the treatment service: Sanepar treats 100% of the sewage collected against 46.3% of the country's average treatment levels, according to the National Sanitation Information System (SNIS 2018).

This discrepancy in sanitation between several regions of Brazil reflects inequality in several other sectors, such as per capita profit, illiteracy rates, life expectancy and infant mortality. And, as in a cycle of cause and effect, everything is directly related to the quality of public services, such as health, education and infrastructure in general, which demonstrates that investments in sanitation are in line with the Government policy of the State of Paraná.

The company is aware of its leading position in the country's sanitation and has acted fearlessly to find new ways to further leverage its investments. It went public to attract investors, who now number more than 64,000 shareholders in various parts of the world, without neglecting its role as a public service provider.

Sanepar and all its employees know that making drinking water from water pipes available 24 hours a day and collecting and treating sewage are essential for health promotion and disease prevention.

The search for a balance between public and private interests has guided the Company in their increasingly prudent investments, without losing quality of services and with fairer rates.

In 2019, Sanepar invested BRL 1,027.1 million and expanded the research field to combine technology, quality of services and lower costs. Participant of the event Governo 5.0, which aims to implement innovative practices in the provision of services to the population, Sanepar maintains a Technology

and Innovation Center, where the company's most advanced projects are developed.

The objective is to develop and apply technologies that represent innovation for the benefit of the population, promoting public health and preserving the environment. It is an increasingly sustainable Sanepar.

## SANEPAR IN NUMBERS

**346**  
municipalities  
served

**100%**  
of water  
system coverage

**74.2%**  
of sewage  
system coverage

**3.1 million**  
of water connections

**2.2 million**  
of sewage connections

**55 thousand km**  
of water system

**37 thousand km**  
of sewer system

**4.5 billion**  
invested  
within the last 5 years

## AWARDS AND CERTIFICATIONS

### ÉPOCA BUSINESS 360° ANNUAL AWARD RANKING OF THE BEST COMPANIES IN BRAZIL 2019

2nd place in the Water and Sanitation sector

1st place in the Innovation in Water and Sanitation scope

### TRANSPARENCY TROPHY 2019

Award granted to the most transparent companies in Brazil for the quality of their accounting statements. Sanepar was awarded in the category that brings together companies with net revenue of up to BRL 5 billion. The award is granted by the National Association of Finance, Administration and Accounting Executives (Anefac).

### CERTIFICATE NBR ISO 9001:2015

It refers to quality management, applied to the systems: dam operation, collection, adduction, treatment and water reserve by the Water Production Management in the Integrated Supply System of Curitiba; Collection, adduction, treatment, water reserve and treatment and final disposal of sewage by the Industrial Management of Londrina; Water distribution, sewage collection and transportation and customer relations by the Regional Management of Londrina; Project Management by the Special Projects and Northeast Projects and Works Management; Construction Management for Water Supply and Sewage Systems by the Northeast Projects and Works Management.

### CERTIFICATE NBR ISO 14001

It refers to environmental management, applied to the systems: collection, treatment and distribution of drinking water, collection, treatment and final disposal of sewage; maintenance and operation of water and sewage systems; customer service and marketing of water and sewage connection services and administrative processes of the Regional Management of Foz do Iguaçu; administrative process of the Southwest Projects and Works Management and electromechanical maintenance of the Southwest Electromechanical Regional Management for Water supply and sewage system in Foz do Iguaçu-PR.

Cianorte sanitary landfill: comprises the processes of receiving, treating and final disposal of solid urban waste, operational and administrative support activities and landfill monitoring.

### RANKING OF GRUPO AMANHÃ 2019

Leader in the sector of public services among the 500 largest companies in the South.

17th company in the general ranking of the 500 largest companies in the South.

8th company in the ranking of the 100 largest companies in Paraná in VPG (Weighted Value of Greatness).

### CAMPEÃS DA INOVAÇÃO AWARD BY AMANHÃ MAGAZINE

1st place in the Campeãs da Inovação Award, by Amanhã Magazine in the category of State and Philanthropic Company.

### II RANKING ABES OF THE UNIVERSALIZATION OF SANITATION

Curitiba as the best capital in sanitation.

### RANKING VALOR 1000 IN SANITATION - VALOR ECONÔMICO NEWSPAPER

3rd place in the water and sanitation sector - ranking carried out by Valor Econômico newspaper, in partnership with Serasa Experian and the School of Business Administration of Fundação Getúlio Vargas (EAESP/FGV).

### SECTORIAL RANKING VALOR INOVAÇÃO BRASIL, 2019 EDITION

3rd place - Only State Sanitation Company at the top of the Ranking.

### CERTIFICATE OF INSTITUTION COMMITTED TO SOCIAL CAUSES

Certified as a partner of the Commission for the Defense of the Rights of Children, Adolescents, the Elderly and Persons with Disabilities (CRIA) of the Legislative Assembly of the State of Paraná (ALEP).

### GOLD SEAL - GREENHOUSE GASES INVENTORY

10 years of Report of Inventário de Gases de Efeito Estufa in the public record of GHG Protocol.

### GOLD CLIMATE SEAL PARANÁ 2019

Promoted by the State Department for Sustainable Development and Tourism (SEMA).

### WEPS BRASIL AWARD 2019

Bronze trophy awarded by UN Women to companies committed to equity.

## BUSINESS MODEL

### BUSINESS ANALYSIS AND REFLECTION

Sanepar operates in the collection, treatment, reserve and distribution of water; in sewage collection and

treatment; and solid waste. In the sewage process, it also makes the proper disposal of effluents: in liquid form, with the discharge into the river; in solid form, with the destination of the sludge for landfill or agricultural use; and, in gaseous form, with burning or energy recovery. Thus, promotes public

health and prevents diseases, serving the main factor of its business: the customer. As a mixed-capital and publicly traded company, all of this is done in a sustainable way, with investments from a social, financial and environmental perspective. In this way, the company also fulfills its responsibilities with suppliers, shareholders and employees.

## ALLOCATION OF RESOURCES AND CAPITAL

### FINANCIAL CAPITAL

- Net equity of BRL 6,173.9 million and cash generation of BRL 1,460.6 million
- Investments of BRL 1,027.1 million
- Debt level: 1.4 times EBITDA (bank debt versus EBITDA)

### NATURAL CAPITAL

- Water availability of around 1.2 million l/s
- Energy resources estimated at 2.6 million GJ

### HUMAN CAPITAL

- 6,985 employees

### INTELLECTUAL CAPITAL

- 528 thousand hours of training
- BRL 10.7 million invested in research and development

### EQUITY CAPITAL

- 88% satisfaction with the call center service (0800)
- Consumer Relations
- Relations with the Granting Authority

MOST RELEVANT TOPICS	OPERATING EFFICIENCY AND QUALITY IN PROVIDING IN-HOUSE AND OUTSOURCED SERVICES	GOVERNANCE, TRANSPARENCY AND ETHICS
<b>ODS SUSTAINABLE DEVELOPMENT OBJECTIVES</b>	<ul style="list-style-type: none"> <li>3 - Health and Wellness</li> <li>6 - Drinking water and sanitation</li> <li>9 - Industry, innovation and infrastructure</li> <li>11 - Sustainable cities and communities</li> <li>12 - Responsible consumption and production</li> </ul>	<ul style="list-style-type: none"> <li>16 - Peace, justice and effective institutions</li> <li>17 - Partnerships and means of implementation</li> </ul>

COMPETITIVE ADVANTAGES	BUSINESS	ASSETS (MANUFACTURED CAPITAL)	DELIVERIES TO CONSUMERS (OUTPUTS)	VALUE GENERATION (OUTCOMES)
<ul style="list-style-type: none"> <li>• Wealth in water resources</li> <li>• Predictable and resilient business, with a diversified customer base and market credibility</li> <li>• Financial performance above industry peers</li> <li>• Operating excellence, with actions to increase efficiency</li> <li>• Management excellence</li> </ul>	<p><b>WATER SUPPLY</b> FOCUS: There can be no water shortage, and quality is a supply condition</p>	<ul style="list-style-type: none"> <li>• 168 ETAs (Water Treatment Plants)</li> <li>• 1,104 wells</li> <li>• 4 dams</li> <li>• 3,194,532 water connections</li> <li>• 55,359 km of distribution system</li> </ul>	<ul style="list-style-type: none"> <li>• 100% water system coverage</li> <li>• 4,001,069 of active economies*</li> </ul> <p><b>QUALITY</b></p> <ul style="list-style-type: none"> <li>• 99.8% compliance of distributed water</li> </ul>	<p><b>QUALITY AND HEALTH</b> High quality water service (99.8% compliance) and service index with sewage collection above the country's average, with beneficial impacts on the health and life quality of the population in the municipalities served.</p> <p><b>+</b></p> <p><b>FINANCIAL RETURN</b> Dividend payment and cash generation.</p> <p><b>+</b></p> <p><b>CONTRIBUTION TO THE ENVIRONMENT</b> Management of impacts and conservation of water bodies</p>
	<p><b>SANITARY SEWER</b> FOCUS: Universalization, monitoring of service quality and reduction of the environmental impact</p>	<ul style="list-style-type: none"> <li>• 249 ETEs (Sewage Treatment Plants)</li> <li>• 2,231,127 sewer connections</li> <li>• 36,754 km of collection system</li> </ul>	<ul style="list-style-type: none"> <li>• 74.2% sewage system coverage</li> <li>• 100% collected sewage treated</li> <li>• 3,019,303 of active economies*</li> </ul>	
	<p><b>URBAN SOLID WASTE</b> FOCUS: Growth and diversification</p>	<ul style="list-style-type: none"> <li>• 3 sanitary landfills</li> </ul>	<ul style="list-style-type: none"> <li>• 100% collected waste treated</li> <li>• 64 thousand tons of treated waste per year</li> </ul>	

\* The term active economy is used to designate any property or subdivision of a property that has a private or shared facility for the use of water and/or sewage services registered and invoiced by Sanepar

SUSTAINABILITY AND ECONOMIC BALANCE	WATER AND SEWAGE ACCESS UNIVERSALIZATION	WATER RESOURCE MANAGEMENT	ENVIRONMENTAL SUSTAINABILITY	ORGANIZATION OF WORK AND LIFE QUALITY
8 - Decent work and economic growth	6 - Clean water and sanitation	6 - Drinking water and sanitation 12 - Consumption	4 - Quality education 7 - Clean and affordable energy	4 - Quality education 5 - Gender equality 8 - Decent work and economic growth

# 02





# **GOVERNANCE, RISKS AND COMPLIANCE**

**Think and act  
with integrity**

## CORPORATE GOVERNANCE

Corporate Governance was implemented at Sanepar in 2016, as a Corporate Governance Advisory, to meet the standards and oversight of the capital market - the Company is included in Governance Level 2 of B3 - Brazil Stock Exchange and Over-the-Counter Market - and the regulation rules. By instituting a governance policy, Sanepar reinforced its commitments to transparency, equity, accountability and sustainability.

In 2018, in the process of organizational restructuring of the Company, the Corporate Governance Advisory was transformed into the Governance, Risks and Compliance Management, linked to the Board of Executive Officers.

It is responsible for guiding and promoting the application of governance, compliance and risk management standards, guidelines and procedures.

To comply with the legislation to which it is subject, Sanepar follows Law 6,404/1976 (of Corporations), Law 13,303/2016 (of State-owned companies), 11,445/2007 (of Sanitation) and Decree 3926/88 (Regulation of Provided Services). At the state level, the Company complies with the guidelines of the Regulatory Agency for delegated infrastructure Public Services of Paraná (Agepar).

In 2019, under the coordination of the Governance, Risk Management and Compliance Management, Sanepar formulated its Personal Data Protection Policy, approved by the Board of Directors, already in compliance with the General Personal Data Protection Law (LGPD, of 13,709), which shall be effective in August 2020.

The Personal Data Protection Policy establishes guidelines to standardize the Company's behavior regarding the treatment of personal data in its processes, privacy and protection of this data, in addition to disseminating the culture of security of this information in accordance with the following principles: legality, loyalty, transparency, integrity and confidentiality.

This is yet another example of good governance practices, which convert guidelines into objective recommendations, aligning interests in order to preserve and strengthen Sanepar's values and contribute to the achievement of standards of excellence in management, with a focus on results, but always bearing in mind the Company's social duty.

In line with the best corporate governance practices and the guidelines of the United Nations (UN) Global Pact, the Company seeks to be a company of excellence, committed to the promotion of a healthy, ethical, transparent and compliant corporate environment.

The following measures adopted in 2019 are also worth mentioning, which reaffirm this commitment:

- Implementation of the Investment Committee and Planning Committee, both advising the Executive Board;
- Evaluation of governance agents, conducted by an external company;
- Implementation of the Integration Program for new directors, with the objective of: i) familiarizing the new governance agent to the Company, ii) deepening their knowledge of the legal and statutory responsibilities inherent to the role of administrator, and iii) create a working relationship environment with all those involved to facilitate their performance;
- Training of governance agents.

## INTEGRITY PROGRAM

The fight against corruption, in all its forms, is a commitment of Sanepar, especially of its senior management, to create and maintain an organizational culture in which everyone always adopts ethical conduct.

Like any company, in the performance of its activities, Sanepar is subject to being the victim of acts of corruption. In the event that managers, board members and committees or employees of the Company commit irregular acts classified as corruption, by Law 12.846/13, severe penalties may be applied against the Company.

In view of this scenario, Sanepar has instituted integrity instruments that reflect the expected behavior of all governance agents, employees, interns, apprentices, business partners, suppliers and service providers in general. They also contribute so that Sanepar does not deviate from its Mission, always in accordance with the principles of morality and public ethics, with honest and correct actions

of all those involved in the labor, commercial and business relations maintained thereby.

Approved by the Board of Directors, the Sanepar Integrity Program consists of a set of policies, rules and procedures aimed at preventing, detecting, monitoring and responding to the harmful acts provided for in the legislation, in particular the Anti-Corruption Law.

In order to prevent inappropriate conduct in relations involving the Company, the Program applies to all governance agents, employees, interns, apprentices, service providers physically allocated to or acting on behalf of Sanepar, and serves as a reference for suppliers, contractors, service providers in general and other business partners. Everyone



who interact with or on behalf of Sanepar must follow the rules established in the integrity instruments and the legislation.

The Integrity Program is based on six pillars:

- Governance and Management Environment;
- Risk Analysis and Control Environment;
- Integrity Instruments;
- Communication and Training;
- Consequence Management;
- Monitoring.

The body responsible for the Integrity Program is the Governance, Risk and Compliance Management, with autonomy for decision making, implementing actions and pointing out changes necessary for the effectiveness of the program. Management reports directly to the Board of Directors in cases of suspected involvement of a member of the Executive Board with irregularities, or even for the omission in a situation reported thereto.

In December 2019, the Company brought together the entire management body to raise awareness of the importance of the manager's role in the effectiveness of the Program, discussing topics such as conflicts of interest, transactions with related parties, Code of Conduct and Integrity, among others.

### SPECIAL OPERATIONS

The Company was mentioned in Rádio Patrulha Operation of the Special Group to Combat Organised Crime (Gaeco) in the State of Paraná, at the end of 2018 and, subsequently, it was mentioned in Integração Operation. As a result, it brings about an internal audit to determine the facts. On 13th December 2019, it was mentioned in Águas Claras Operation, conducted by the Federal Police.

Following the best governance practices and other applicable rules, Sanepar hired the External Investigation Commission, through the 5th Extraordinary Board of Directors' Meeting held on 15th August 2019.

External Investigation Commission substantiated the necessary set of actions and issued an opinion for contracting forensic investigation. Thus, Sanepar hired Forensic Audit and Shadow Investigation in November 2019, both under the supervision of the External Investigation Commission.

The work of the investigation team is still in progress, and the result may affect the financial statements in the future, if something is identified, according to Note no. 31 "To the Financial Statements".

Thus, corporate governance aims to provide mechanisms that corroborate management transparency, according to the Programa de Integridade (Compliance).

### REPORTING CHANNEL

The maturity of governance processes aimed at strengthening ethical conduct, with integrity and responsibility for compliance with rules and guidelines, in line with the Integrity Program, has been changing the Company's perception of the importance of having a robust reporting channel for the prevention of irregularities.

In view of greater confidence in anonymity, greater confidentiality, guarantee of impartiality, the Company at the end of 2019 restructured the reporting channel. From 2020, the channel will be conducted by an external and independent company. In this channel, complaints about violations of the Code of Conduct and Integrity, laws, rules, internal policies and procedures, leakage or misuse of information, fraud, corruption, bribery, receipt of gifts, harassment, discrimination, prejudice, robbery, theft or diversion of materials, favoring, conflict of interest, irregularities in contracts and bids may be reported.

The independent reporting channel will be available on Sanepar website [www.sanepar.com.br](http://www.sanepar.com.br). Until the effective implementation of the contracted channel, complaints are received through the Company's Ombudsman.

The Ombudsman, in turn, has the role of registering customer requests for services that have not been satisfactorily dealt with in the conventional service channels, in addition to receiving reports of water theft and irregular connections.

### COMPLIANCE, ETHICS AND TRANSPARENCY

In a conceptual approach, compliance is the duty to act accordingly, to be in accordance and to enforce internal and external regulations related to the organization's activities. The role of the

Compliance sector is to promote organizational integrity and compliance, ensure compliance with laws, regulations, policies and internal guidelines, other applicable regulations and ethical standards, guide and raise awareness regarding the prevention of activities and conducts that may threaten the integrity of Sanepar and its stakeholders.

Public transparency is one of the most efficient and essential mechanisms for combating fraud and corruption. Access to public information is a constitutional principle and a right guaranteed to

all society by Federal Law 12,527/2011 (Access to Information) and State Decree 10,285/2014, within the scope of Paraná. Social control of State actions is an indispensable measure to ensure that public resources are properly used for the benefit of the community.

In accordance with the principle of active transparency and with due regard for the cases of secrecy legally provided for, Sanepar provides the Transparency Portal, spotlighting the acts of its management, encouraging society to exercise its role in social control, monitoring, evaluating and inspecting the actions taken by the Company. Also on the Sanepar Transparency Portal, the Citizen Information Service (SIC) addresses requests for access to information and data required by the citizen.

Several other actions carried out in 2019 can also be highlighted:

- Review of Related Party Transactions Policy;
- Review of the Strategic Risk Management and Corporate Internal Controls Policy;
- Review of the Investment Policy;
- Review of the Material Act or Fact Disclosure Policy;
- Implementation of the Independent Audit Contracting Policy;
- Unification of the Ethics Committee and Disciplinary Committee, with the implementation of the Conduct Committee, which aims to consolidate the principles of ethical conduct and investigate complaints of violations of the Code of Conduct and Integrity;
- Review of the Code of Conduct and Integrity, with the participation of employees;
- Integrity Program Structuring;
- Implementation of the Code of Conduct and Integrity for Suppliers and Business Partners.

## STRATEGIC RISK AND INTERNAL CONTROLS MANAGEMENT

In line with its strategic objectives, since 2017 Sanepar has been managing risks at the corporate level, implemented based on the Committee of Sponsoring Organizations of the Treadway Commission - Enterprise Risk Management (COSO-ERM).

During 2019, Sanepar's Strategic Risks were reassessed, resulting in the portfolio update, comprising 26 Risks and 127 Risk Factors. Of these, 7 had their treatments and monitoring prioritized for systematic management:

- Reduction of Revenue;
- Non-Renewal or Loss of Contracts with

Municipalities;

- Non-Compliance with the applicable Environmental Legislation;
- Conception Flaws and non-Execution of the Multi-annual Investment Plan;
- Technological and asset obsolescence;
- Failure to Provide Customer Service;
- Failure in People Development.

In order to deal with the treatment of these risks, indicators were monitored and mitigation actions were developed, with the monthly presentation of their results to the Risk Management Committee to check compliance with the established tolerance limits, and quarterly presentation to the Executive Board, the Statutory Audit Committee and the Board of Directors.

In 2019, a process risk mapping methodology was established to enable the assessment of internal control systems to ensure and improve risk management at all levels of the company (strategic, tactical and operational).

For this, the Internal Control team, together with focal points designated by the boards, surveyed all company processes and, for each of the identified processes, a materiality matrix was applied in order to prioritize the work.

The product of the method application in a pilot process proved to be effective for strengthening internal controls, and the mapping of 10 processes started until December 2019, for the identification of vulnerabilities and the implementation of improvement opportunities.

For 2020, the internal audit should promote the effectiveness tests of the improved internal controls and, thus, ensure the alignment between the three lines of defense (Management, Risk Management and Internal Control and Internal Audit) of the Company.

## INTERNAL AUDIT

Sanepar's Internal Audit is linked to the Board of Directors, through the Statutory Audit Committee, which approves and supervises the activities through the Annual Work Plan performed independently and in accordance with the Internal Rules of Audit.

In this process, in addition to systematic audits, in 2019 Specific Audits were carried out and are underway with analysis of administrative matters of relevant interest to Senior Management and compliance with the

State-Owned Companies Law (13,303/2016), including:

a) Financial Statements; b) Special Purpose Entities (SPE), c) Bidding Process, d) Sponsorship and Advertising Expenses, and e) Cybersecurity.

## REGULATED ENVIRONMENT

The regulatory environment to which Sanepar is subject, according to the Sanitation Law

(11,445/2007), modified the pricing model of the sanitation sector in the country. The regulatory milestone established new rules so that companies have economic and financial balance with a view towards universal sanitation. Regulation strengthens companies, allows investment to be remunerated and directly benefits the population, through productivity gains and reasonable tariffs.

In 2017, in compliance with Law 11,445/2007, Paraná's regulatory agency, Agepar, authorized Sanepar to reposition the tariff in 25.63% to be applied over eight years.

Derived from the Periodic Tariff Review (RTP), this repositioning changed the cost-based tariff model to the economic tariff model, which identifies not only the variation in costs, but investments and the adequate return on capital and replacement of assets.

The first installment of RTP resulted in an average tariff repositioning of 8.53%, affecting the 2017 tariffs, and the remainder was divided into seven installments. As of May 2018, the second year of the tariff cycle, the readjustment of 5.12% became effective.

In May 2019, the third year of the tariff cycle, Agepar approved the rate of 12.12944% (Homologatory Resolution 006, of April 16, 2019).

RTP predicts that sanitation companies will benefit consumers with productivity gains, the so-called X Factor. That is, the gains obtained with greater efficiency and productivity will be reflected in tariff reduction. The X Factor was calculated based on assumptions approved by Agepar and will be effective throughout the 1st Tariff Cycle 2017-2020. The productivity index set was 0.77%, and works as a reducer in the tariff installment in the years of tariff adjustments until the next RTP, when a new ceiling price and X Factor shall be determined.

Due to the relevance of X Factor in production costs, tariffs and results, the Company monitors the evolution of the variables that make up the index, define strategies and implement action plans to seek the productivity gains defined in RTP.

Since 2017, Agepar has been preparing a new General Regulation on Sanitation Services (RGS), in order to update the current rules of the sector, established in 1988, by Decree 3,926,

prior to the Sanitation Regulatory Milestone (Law 11,445/2007). In 2019, the Agency started the approval process for the new RGS, submitting it for public inquiry and 10 public hearings throughout the State of Paraná.

The regulation establishes the rules for the provision and use of sanitation services to be observed by the service provider, customers and third parties involved. This is the way of guaranteeing water supply and sanitary sewage, without harm or damage to the customer and with investment guarantees for expanding services.

## MANAGEMENT STRUCTURE

Sanepar's organizational chart establishes the General Shareholders' Meeting as its sovereign body, with powers to deliberate on all business related to its subject matter.

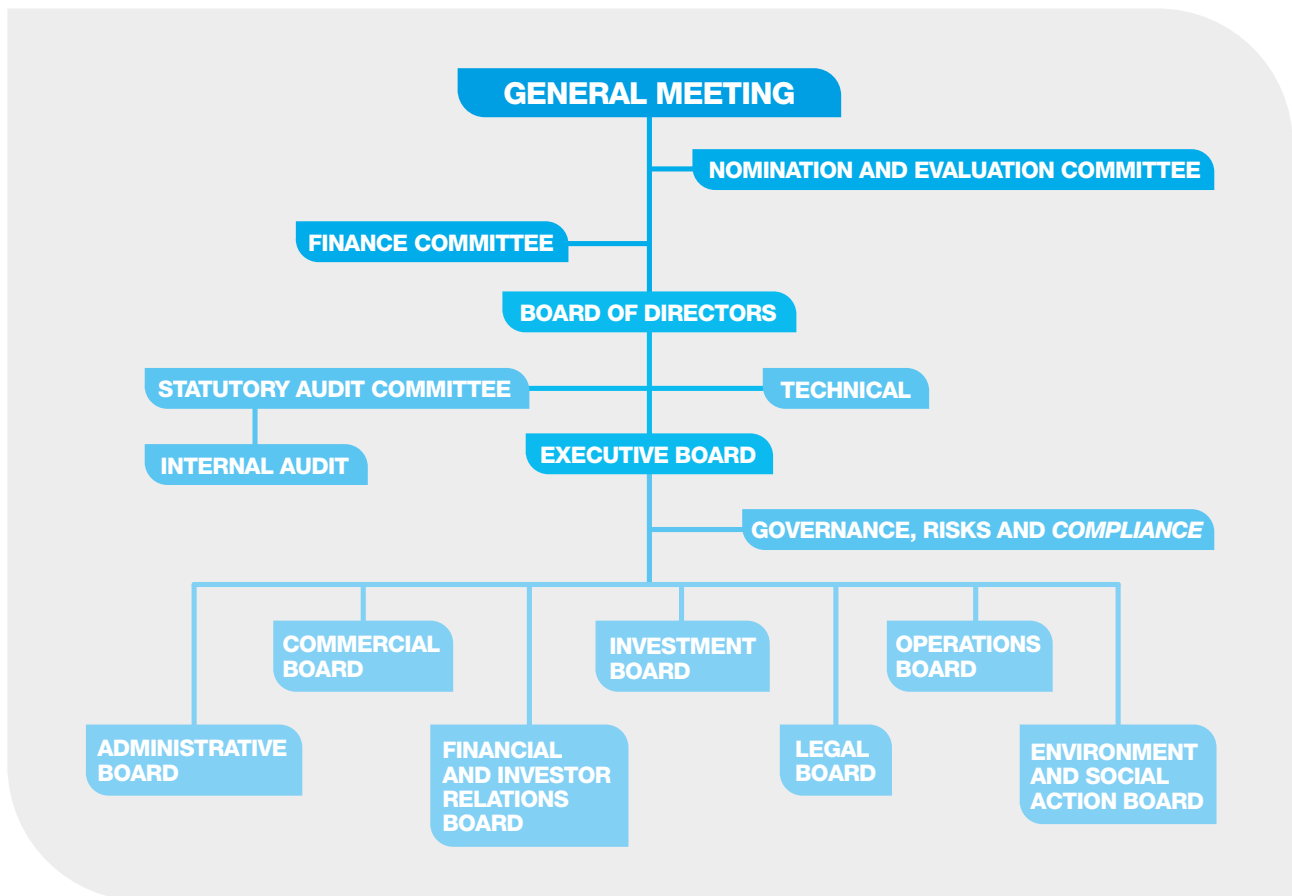
The Finance Committee is responsible for monitoring fiscal and accounting practices and annual accountability and for supervising the acts of the administrators, ensuring that business management meets the objectives defined in the Bylaws, as well as the current legislation, in addition to other legal attributions.

The Board of Directors, composed by nine members (including an employee representative and three independent members), is the deliberative body responsible for determining the general guidelines and instructions for the business, performing risk management, supervising the Executive Board performance, appointing independent auditors, in addition to formulating and expressing the Company's policies, among other duties provided for in the Bylaws.

The board counts on the advice of the Statutory Audit Committee and the Technical Committee, both of which are permanent and independent.

The Statutory Audit Committee is responsible for the evaluation and monitoring of the processes for preparing and presenting the Company's financial statements, risk management processes and internal controls, the effectiveness of internal audit and independent auditing activities, in addition to monitoring, jointly with management, transactions with Company's related parties.

The Technical Committee, in turn, is responsible for analyzing and manifesting itself through non-binding opinions on the Company's Business Plan, proposal for the allocation of profits for the year, proposal to enter into program contracts with municipalities, impact of investments in each tariff review and compliance with the goals and results in the execution of the Business Plan.



The Nomination and Evaluation Committee is a permanent statutory body, assisting shareholders, which verifies the conformity of the nomination and evaluation process of the administrators, tax advisers and members of the Statutory Committees, in accordance with the current legislation.

In order to execute business strategies and implement the guidelines established by the Board of Directors, the Company has an Executive Board, made up of eight members, with an unblemished reputation and specific training to which they were assigned, in addition to an Deputy Board.

In 2019, seven new officers were elected, with the same Operations officer remaining. The Deputy Board became linked to the Environment and Social Action Board, with the objective of acting in Environmental Compliance.

### INVESTOR RELATIONS

In 2019, the Company remained close to investors with the following actions:

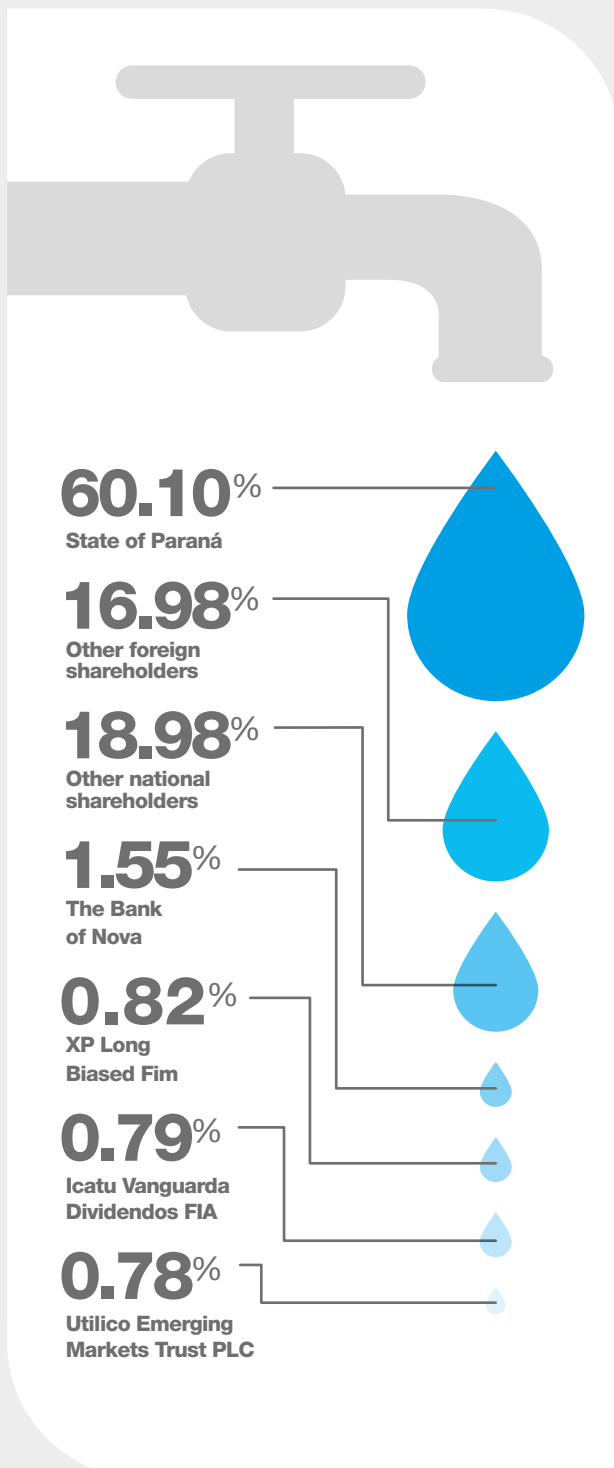
- Remote voting at General Shareholders' Meetings;
- Four conference calls to present quarterly and annual results;
- Third annual meeting with market analysts and investors in São Paulo, with the participation of Apimec (Association of Investment Analysts and Professionals in the Capital Market);
- Several meetings with analysts and investors at the Company's headquarters and in other capitals;
- Maintenance of the website (ri.sanepar.com.br), housed in the Sanepar portal, with information directed to investors and shareholders, with versions in portuguese and english.

Learn more: <http://ri.sanepar.com.br>

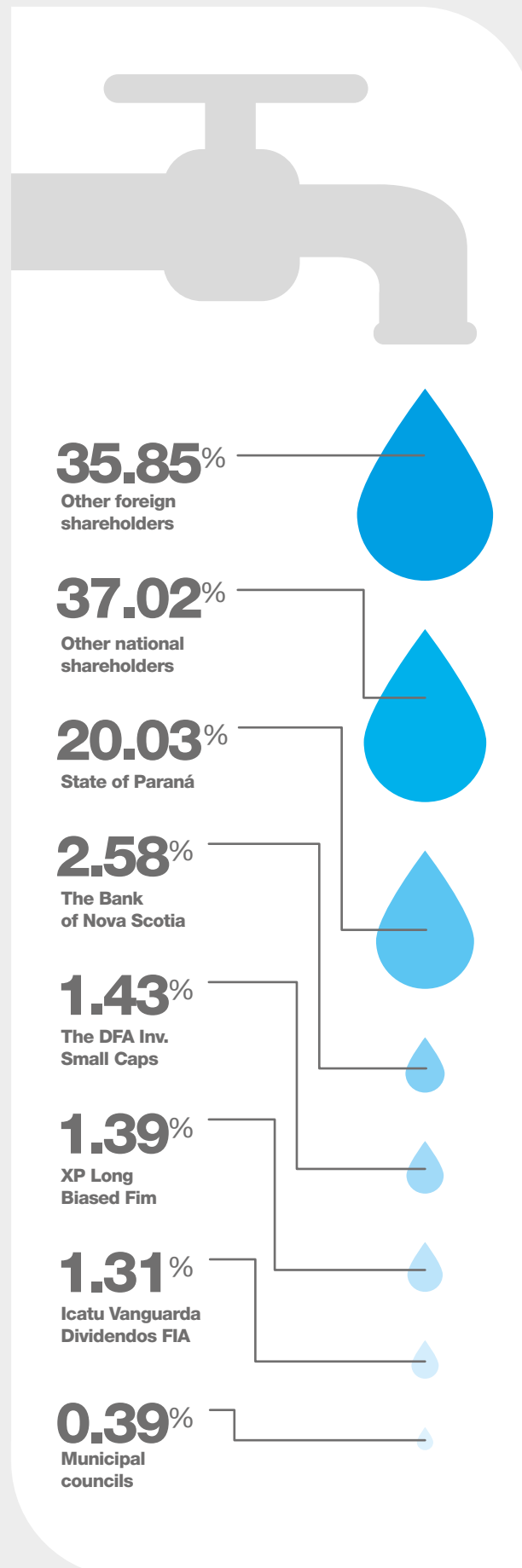
## SHAREHOLDING STRUCTURE

The Government of Paraná holds 20.03% of Sanepar's total capital and the remainder is divided between foreign (39.86%) and national (40.11%) shareholders. Considering only the voting capital, the Government of Paraná holds 60.10%, while the rest of the common shares is divided between foreign shareholders (19.32%) and national shareholders (20.58%). The free float (shares traded freely on the capital market) is 79.97%.

## VOTING CAPITAL



## TOTAL CAPITAL



# 03



# STRATEGY AND LOOKING TO THE FUTURE

Health and sustainability  
for society

Sanepar's strategic planning is in line with Law 13,303/2016 and company's institutional principles and values (Responsibility, Innovation, Competence, Respect, Commitment, Professionalism, Transparency and Ethics). In 2019, the Company underwent a revisit of its strategies that highlighted the perceptions of stakeholders and the company's business environment. The result of this work generated a realignment of the Mission and Vision and the definition of the Company's Purpose, creating a new Strategic Map that will direct the efforts and goals to be followed to meet the new standards and challenges of the market in the coming years.

### PURPOSE

Health and Sustainability for Society.

### MISSION

Ensure environmental sanitation services in a sustainable and innovative way, contributing to economic and social development.

### VISION

Universalize environmental sanitation, with excellence, in all municipalities served, committed to customer satisfaction.

The strategic objectives and guiding axes were also realigned as follows:

- Sustainability - Ensuring the economic and financial balance of the businesses; Conserving the environment; Promoting social responsibility.
- Customers and Granting Authority - Maintaining and expanding the market; Increasing customer satisfaction and loyalty; Strengthening the company's image.
- Processes - Ensuring the quality of products and services; Improving and innovating projects and processes; Ensuring regulatory and corporate governance practices.
- Learning and Growth - Strengthening the culture of innovation; Improving knowledge, skills and attitudes; Developing the organizational environment.

Strengthening the culture of innovation as a strategic objective gained prominence, as it goes beyond the incorporation of new technologies. It seeks a culture of innovation among employees in projects and processes, aiming at constant improvement

and efficiency in their performance. The highlights were also the strengthening of corporate governance and regulation practices, which are major pillars for performance, and the deployment of the triple bottom line in one of the guiding axes of the Strategic Map.

The consequences of strategic objectives were also defined by the Executive Board with the approval of strategic plans and are aligned with risk management with the purpose of mitigating risks to achieve these objectives. In order to monitor this process, management agreements are being made between the directors and responsible managers, thus creating an environment of corporate engagement.

In addition to the strategic revisiting, the strategic planning process also underwent improvements with the creation of the Investment Committee and the Integrated Planning Committee that coordinated the entire Strategic Planning process for the five-year period. An important change was the adoption of a Pre-Business Plan for the entire Company. This new methodology facilitated the planning construction process for all managements by informing the planning premises, which contributes to a better alignment of the processes.

In 2019, the Company advanced in the pursuit of management excellence, with the launch of Sanepar's Integrated Management Excellence System (SIEGS), which aims to integrate its quality programs, such as the Management Excellence Model (MEGSA), the Use o bom senso Program and ISO 9001 and ISO 14001, as well as promoting management maturity and continuous improvement of the Company's value chain processes, respecting the characteristics of the boards and the alignment of quality with strategic objectives.

Sanepar started implementing quality programs in the 1990s, with the Qualidade Total program. Over these 21 years, the culture of quality has been consolidated, resulting in the implementation of four main programs: ISO 9001, ISO 14001, Use o Bom Senso and MEGSA.

### INVESTMENT PLAN

With the insertion of Sanepar in a regulated environment since 2017, many changes have been occurring in all sectors of the company. For the Investment Plan, a new guideline has been implemented in the Company's investment policy, the "investment allocative efficiency", essential to decide where to make the investment.

As a basis for human development, sanitation requires constant investments to guarantee and improve water supply, sewage collection and treatment services and the fulfillment of



commitments made. In addition to following the allocative efficiency guideline, investments are also guided by the triple bottom line: financial efficiency, which seeks the lowest cost for society; environmental efficiency, in compliance with legislation standards, such as grants and Judicial Agreement Terms (TAJs); and on social efficiency, with focus on regions that most need sanitation.

In 2019, Sanepar defined the Multiannual Investment Plan (PPI) for the period from 2020 to 2024. The investments approved for five years are BRL 7.6 billion, according to the Company's debt and payment executive capacity.

Coordinated by the Investment Committee and

consolidated by the Investment Board, the PPI was debated across the State. The PPI undergoes annual review, when multi-annual goals are reassessed, new enterprise demands that take into account operational and environmental needs and meeting of contractual goals with the granting authority.

Investments are classified by the characteristics of the projects that aim to expand the market (increase in connections and revenue), operating improvements, environmental compliance and the necessary infrastructure for Sanepar's operations. This planning is essential for the sustainable development of the company, the regularity of water supply and sewage collection and treatment, in order to guarantee Sanepar's operating and financial balance.



Picture: Willian Grossl Martins dos Santos

The logo for SANEPAR ETA Cafezal is displayed on a white building facade. It features a stylized blue graphic of three wavy lines to the left of the text. The text 'SANEPAR' is in a large, bold, blue sans-serif font, and 'ETA Cafezal' is in a smaller, blue sans-serif font below it.

**SANEPAR**  
ETA Cafezal

04



# OPERATIONAL EFFICIENCY

Working to bring  
better health to  
people

The families served by Sanepar - over 10 million people - are 100% supplied with treated water in the urban area. In 2019, there was an increase of 56,776 new connections, which represents an increase of 12% compared to 2018.

To cope with the growth in demand and the maintenance of the current supply systems, Sanepar invested BRL 459.7 million in 2019.

Sanepar maintains water treatment plants throughout the State. To ensure compliance with the potability legislation, the Company conducts around 156 thousand monthly analyzes of water from sources, treatment plants and distribution systems and 408 thousand analyzes in operational laboratories during the water treatment process, still inside the plants. In these laboratories, analyzes are carried out hourly, 24 hours a day, totaling 564 thousand monthly analyzes, about 6.8 million per year, to monitor water quality and meet the requirements of potability legislation.

Of the 345 municipalities served by Sanepar in Paraná and 1 in Santa Catarina, 52% are supplied exclusively with groundwater, 35% by mixed surface and groundwater systems and 12% exclusively by surface water sources. Sanepar operates 1,104 wells across the State.

In the area of sanitary sewage, Sanepar provides sewage collection to 74.2% of Paraná people and treats 100% of the collected volume. In 2019, investments in sanitary sewage, with the implementation of new services, expansion and improvement of existing systems totaled BRL 454.2 million.

The company also operates three landfills, with collection, treatment and final disposal of solid urban waste to 7 municipalities in Paraná.

## WATER

With the systemic view of water in the supply systems and the importance of society's commitment to this process, Sanepar proposed the implementation of a Water Safety Plan (PSA), as determined by the Consolidation Ordinance No. 5/2017 of the Ministry of Health, and whose methodology was published by the World Health Organization (WHO). In 2019, Sanepar began to develop the PSA for the city of Cascavel.

The development of the Plan aims to guarantee water quality, with risk assessment and management methodologies and best system operating practices. Thus, we have a preventive security approach, with management that starts at the supply source and goes through the treatment systems until the distribution system.

This tool makes it possible to organize and structure the system to minimize the chance of incidents that could result in negative impacts on water quality and safety. In 2019, approximately BRL 335 thousand were invested in the first actions to implement the Water Safety Plan.

The guidelines and actions related to the recovery of areas and conservation of water sources have been reformulated to comply with the Water Safety Plan.

## WATER QUALITY

### TREATED WATER IS THE BEST CHOICE

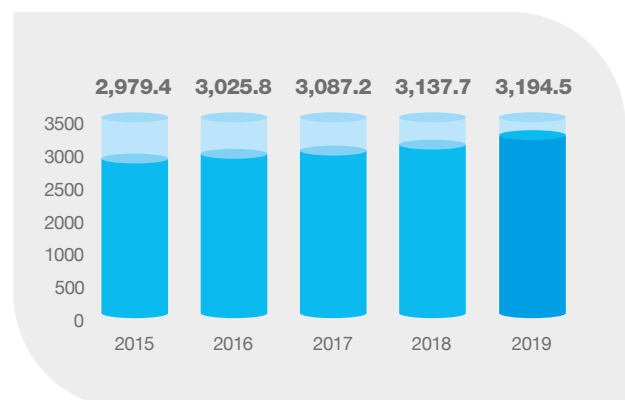
Sanepar's water is treated with chlorine, which guarantees its potability and quality, and with fluorine, which helps in the prevention of dental cavities. The Company follows water quality control and surveillance procedures, determined by

the Ministry of Health. The work is carried out in the 168 water treatment plants, 4 central laboratories and 153 decentralized water quality analysis laboratories owned by the company in Paraná, carrying out approximately 560 thousand analyzes per month (base 2019) to guarantee the quality of the water distributed thereby. The results of some parameters are published periodically on the company's website, in an annual report and also, in summary form, in the monthly bill of its customers, in compliance with Federal Decree 5440/05, in addition to mandatory disclosure to municipal and state health departments and to the Ministry of Health.

To guarantee good results, Sanepar regularly conducts a diagnosis of water treatment processes through the application of the program Exceletas (ETAs Excellence) which consists of carrying out in loco checks regarding the conditions of the water source, physical facilities, operating performance, personnel training and operating management.

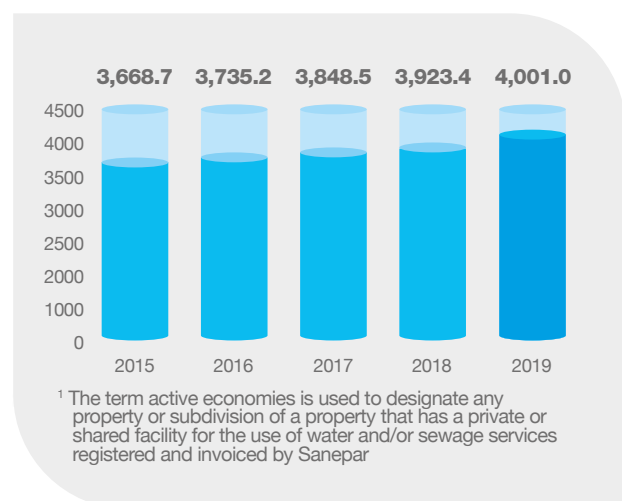
## NUMBER OF CONNECTIONS/WATER

(in thousands)



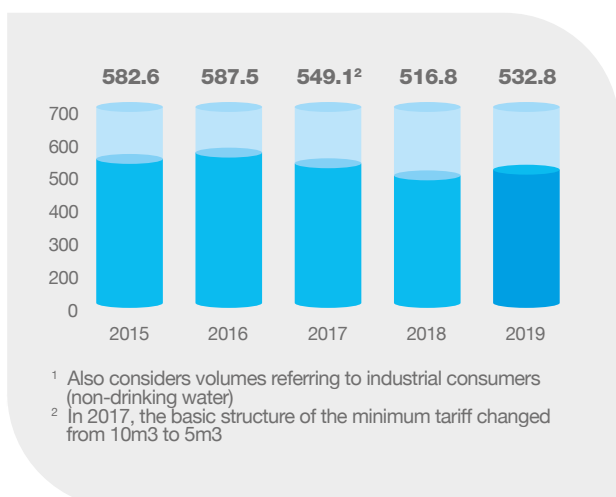
## ACTIVE ECONOMIES<sup>1</sup> / WATER

(in thousands)



## INVOICED VOLUME<sup>1</sup> / WATER

(In millions of cubic meters)



## LOSS MANAGEMENT

The water loss index is one of the main indicators of the efficiency of the water distribution system. The Company adopts continuous measures to combat fraud, leaks, under-measurement and clandestine connections. There are two ways to measure losses: the loss rate per connection/day, the IPL, which in 2019 was 230.4, and average distribution losses of the last 12 months (PSD12), the most used metric in Brazil. At Sanepar, this index was 34%.

Even though it is below the national average of 38.5% according to the National Sanitation Information System (SNIS 2018), Sanepar strives to reduce this indicator. Combating water loss is a continuous activity, with daily identification, control and reduction actions. Surveys are carried out on nets, branches and easels, in regions with signs of leaks, which are repaired as soon as possible.

Monitoring of pressures and flows in the distribution systems is also carried out, which is essential for identifying leaks and directing maintenance teams. This pressure management is a relevant factor for controlling leaks, in addition to providing a more regular supply for the population.

The Problem Analysis and Solution Methodology (MASP) is applied to processes that can cause water losses: production, distribution and maintenance of systems, with a systematic and structured approach to the management and control of processes. It is an analysis methodology, which aims to promote optimization and improvement of results, based on quality tools.

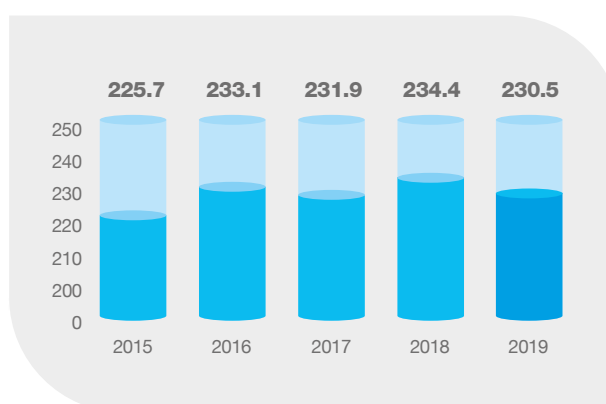
MASP, together with the Water Balance technique, allows the identification of the causes of losses, in order to direct more assertive actions to improve the efficiency of processes.

Another important practice is the management of the water meter park, so that they are correctly dimensioned and updated technologically, according to the consumption profile of each customer. The equipment is also replaced preventively and correctively, avoiding measurement failures due to wear on the internal parts. Each year, about 400 thousand water meters are changed in the State.

Another cause of losses is the fraud in water meter and clandestine connections, a problem that has increased in recent years and which is the focus of control and mitigation actions by Sanepar.

## INDEX OF LOSSES PER CONNECTION

(In liters/connection/day)



## PAYMENT FOR ENVIRONMENTAL SERVICES

Owners of areas located in water basins can benefit from the Payment Program for Environmental Services (PSA), developed by Sanepar to encourage measures to preserve the natural conditions of the land, especially water and soil.

The PSA is applied around Piraquara I Reservoir, in the Metropolitan Region of Curitiba, in partnership with the Department of Sustainable Development and Tourism (Sedest) and the municipality of Piraquara. In public call, 11 owners were selected, and will receive BRL 250 thousand from the PSA.

## URBAN RIVERS

To guarantee the quality of water in urban rivers, the Urban Rivers Revitalization Program (PRRU) monitors water conditions by measuring the dissolved oxygen content in different stretches of rivers, streams and galleries. This allows detecting points for repairs in the collection network and thus eliminating clandestine connections and discharge of sewage into water bodies.

In 2019, the rivers Belém (North stretch), Uvu, Bacacheri, Palmital and Córrego do Mueller were monitored in Curitiba; in the Metropolitan Region of Curitiba, the rivers Vila Formosa and Ressaca; and, in Foz do Iguaçu, the conditions of the Monjolo and M'Boicy river basins were raised.

## DAM SAFETY MANAGEMENT

The four dams that are part of the Integrated Supply System of Curitiba (SAIC) - Iraí, Piraquara I and II and Passaúna - are operated, inspected and monitored periodically, according to Federal Law 12,334/2010, which established the Dam Safety National Policy in the country.

A qualified professional with training in Civil Engineering, specialization in Dam Safety and Water Resources Project Management and a master's degree in Civil Construction Engineering is appointed as responsible for the safety of the dams in operation. There is also regular monitoring carried out periodically by an internal and external multidisciplinary team of engineers and technicians, specialized in several areas, such as Hydrology, Chemistry, Mechanics, Hydraulics, Electrical, Structures, Geotechnics, Geology, Operation and Maintenance.

In addition to targeting dam safety and its operation, monitoring and inspection work also guarantees better use of water resources in relation to the quantity and quality of water.

Sanepar complies with the guidelines of the National Dam Safety Plan, established by Federal Law 12,334/2010, and Ordinance 46/2018 published by Instituto das Águas, the state agency responsible for inspecting dams in Paraná. It also follows the Entrepreneur's Manual on Dam Safety, published by the National Water Agency (ANA).

In 2012, Sanepar asked the inspection agency to classify its four dams due to the size of its reservoirs.

That same year, it filed studies, reports and information on the dams with the inspection body, prepared by the Portuguese consulting and engineering company Coba, even before the publication of Resolutions or Ordinances by this body.

The Dam Safety Plan (PSB) consists of 6 volumes, according to Ordinance 46/2018:

- I - General Information
- II - Enterprise Technical Documentation III - Plans and Procedures
- IV - Records and Controls
- V - Periodic Review of Dam Safety
- VI - Emergency Action Plan

The Company complies with the legal deadlines established by the inspection body for the delivery of each of these volumes. Since 2010, it has delivered volumes I, II, III and IV.

The contracting studies for Volume V - Periodic Review of Dam Safety (External Consultancy to the entrepreneur, a requirement of the law) and the studies that will compose Volume VI - Emergency Action Plan (PAE) are being elaborated. The objective is to minimize the risks and reduce impacts on the populations downstream of dams and neighboring populations, in the event of an accident.

The completion of these documents is scheduled for the end of 2020, within the legal deadline. It is worth noting that Sanepar dams are safe as they were built with good engineering practices and undergo monitoring and operation and instrumentation maintenance.

The new SAIC dam, in Miringuava River, under construction, shall have a Dam Safety Plan before the first filling of the reservoir, as recommended by the aforementioned legislation.

## RELATIONS WITH EXTERNAL INSTITUTIONS

Sanepar maintains a partnership with Municipal and State Civil Defenses, to assist in the preparation of Municipal Contingency Plans for Dams, in accordance with Law 12,608/2012, which instituted the National Policy for Civil Protection and Defense, for conducting simulations, surveying risk areas, monitoring and handling events with dangerous loads around public water sources.

It also establishes agreements with municipalities, aiming to protect the areas surrounding the dam.

Sanepar is a member of the Brazilian Dams Committee (CBDB) and is represented on the Board of the Brazilian Dams Committee - Region of Paraná. CBDB is a facilitating agent in order to collaborate so that the construction and operation of dams and associated works are technical, environmental and socially appropriate for society.

In 2019, the 1st National Symposium was held in Curitiba, which discussed the safety of supply and irrigation dams. Promoted by Sanepar, CBDB and the Paraná Institute of Engineering (IEP), the symposium brought together specialists in the water supply and irrigation segment.

## RISKS OF DISASTERS IN WATER SOURCES

### OPERATING PROCESSES FOR PREVENTION, PREPARATION AND RESPONSE TO DISASTERS

The rapid response to environmental emergencies is made, in Paraná, by a network that integrates Civil Defense, Highway, State and Federal Police and the environmental inspection bodies, particularly Instituto Água e Terra. Sanepar is also part of this process through the State Commission for Prevention, Preparation and Response to Environmental Emergencies with Dangerous Chemicals of the State of Paraná, created by State Decree 7,117/2013.

As a preventive measure, Sanepar maintains signposts for water sources throughout the road network that crosses water sources used by Sanepar in the State and also has kits for environmental emergencies. The kits are part of: absorption barriers and containment barrier emergency situations). The kits were distributed to all the Regional Departments and are stored in places defined by the Departments according to practicality and speed in case of need.

With this material, it is possible to detect in the laboratory the presence of contaminants that can lead to the suspension of water treatment for public supply. In 2019, 24 occurrences were dealt with, 17 of which in water source areas.

## SEWER

### ON THE WAY TO UNIVERSALIZATION

Sanitary sewage is one of the biggest challenges to improve the living and health conditions of Brazilians, by combating waterborne diseases. It is also one of the main environmental protection factors, by reducing the dumping of waste in streams and rivers.

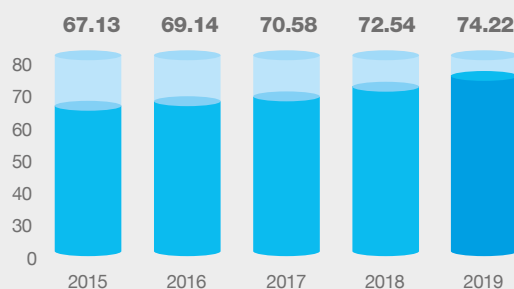
With a focus on improving services directly related to citizens' health and life quality, Sanepar continuously invests in expanding and modernizing the sewage collection and treatment system.

In 2019, the collection system grew 2.1%, reaching almost 37 thousand kilometers.

The increase in the number of economies connected to the system grew by 4.2%, exceeding the total number of 3 million economies. The invoiced volume of sewage increased approximately 5.4%, with an increase of 20.3 million m<sup>3</sup> in the annual volume.

In the improvement of the sewage treatment processes, investments were made in modular treatment plants (prefabricated), in modular post-treatment and in adjustments to the operating ETEs. All of these efforts showed significant improvements in the results of the treatment plants.

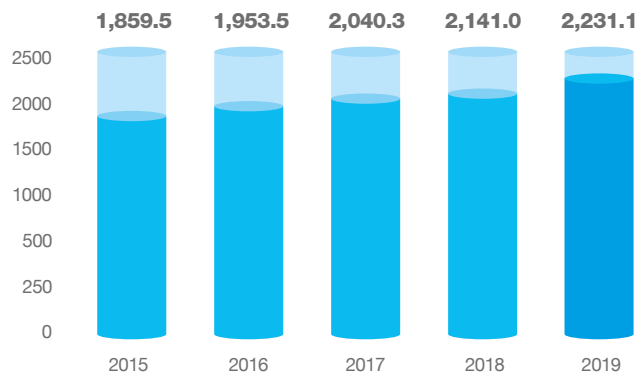
### IARCE - Service Index of sewage collection network <sup>1</sup> (%)



<sup>1</sup> Index based on active, inactive and feasible economies in the area in which the collection system

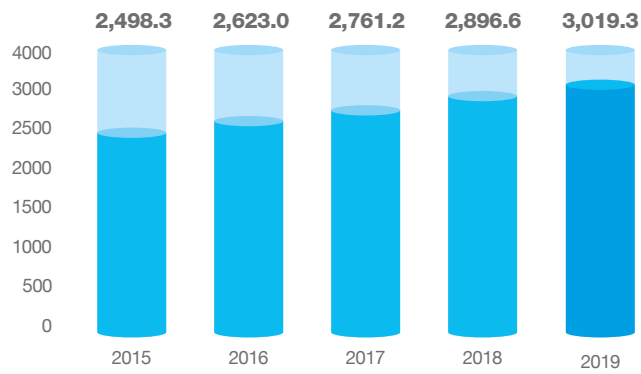
## NUMBER OF CONNECTIONS / SEWAGE

(in thousands)



## ACTIVE ECONOMIES<sup>1</sup> / SEWAGE

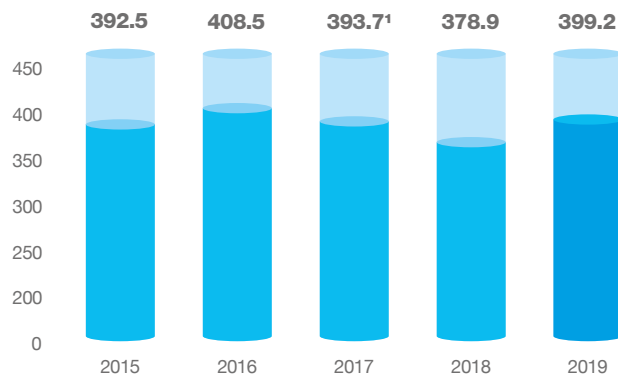
(in thousands)



<sup>1</sup> The term active economies is used to designate any property or subdivision of a property that has a private or shared facility for the use of water and/or sewage services registered and invoiced by Sanepar

## INVOICED VOLUME / SEWER

(In millions of cubic meters)



<sup>1</sup> In 2017, the basic structure of the minimum tariff changed from 10m<sup>3</sup> to 5m<sup>3</sup>



## SANITATED COASTLINE

In the summer of 2019, the Paraná coast welcomed vacationers with the best bathing indicators in the country. With investments of

BRL 49.6 million in 2018-2019, in the last stage of the sewage works that expanded the treatment plants in Matinhos and Pontal do Paraná, the collection service reached 81% in the Coast.

In addition, works were delivered that increased the water reserve capacity. Pontal received two new reservoirs: at Balneário Atami, with a capacity of 1 million liters, and at Balneário de Canoas (2 million liters of water), with an investment of BRL 2.9 million.

In Guaratuba, Sanepar invested BRL 1 million in the structural recovery of Central Brejatuba Reservoir (3 million liters of water).

## ENVIRONMENTAL COMPLIANCE

Sanepar, in its 56 years of history, has striven for excellence in basic sanitation in Paraná. Evidently, the initial objective was for treated water to reach the population, then remove wastewater (sewage) and, finally, treat the sewage. In the 1980s and 1990s, Sanepar

implemented a series of ETEs based on the RALF (anaerobic fluidized sludge reactor) and UASB (Upflow Anaerobic Sludge Blanket) systems.

With the evolution of environmental legislation, increasingly restrictive, these systems, in certain situations, have become insufficient to achieve the required efficiency. Currently, they continue to be part of the Company's effluent treatment, but require post-treatment to reach the established parameters. The Company has been promoting the necessary improvements in their structures, with a view to improving the quality of effluents, contributing to the quality of life of the population of Paraná.

In 2016, it entered into agreements with the state environmental agencies and Ibama to seek environmental compliance related to the 17 Public Civil Actions (ACPs) resulting from the Água Grande operation. After long-term planning, discussions and deliberations, in 2018 the Judicial Agreement Terms (TAJs) were signed with the Federal Justice, with the participation of the Federal Public Prosecutor, Ibama, Instituto Água e Terra and Instituto das Águas Paraná. In 2019, Sanepar implemented several actions in the strategic and operating scopes aiming at the effective compliance with the clauses signed.



Parque Jaboti, Apucarana. Picture: Cintia Elisa Sotti da Silva

Considering the complexity and specificity of the necessary measures and interventions, the TAJs imposed on Sanepar a set of challenging actions to be implemented within the agreed deadlines.

However, decision and planning are not enough, it is also necessary to change the organizational culture to achieve the objectives.

Among these actions are the creation of the Environmental Compliance Deputy Board and a governance working group whose objectives are to carry out a critical analysis of the action reports and monitoring of the ETEs contemplated in the Judicial Agreement Terms and also to monitor schedules and evaluate self-monitoring reports.

Another important tool in the context of Environmental Compliance was the implementation of the Environmental Legislation Training Program. The purpose of this training was to provide a further development, analysis and discussion of the interpretation and application of requirements of the main legal diplomas to activities related to the collection and treatment of sanitary sewage; water collection, treatment

and distribution; and collection and treatment of solid urban waste. With specific modules for each segment, the target audiences of this program are ETEs, ETAs and landfills operators, designers, managers, operating coordinators and personnel of the strategic dimension.

The management of the Judicial Agreement Term is being a great challenge, generating a wide

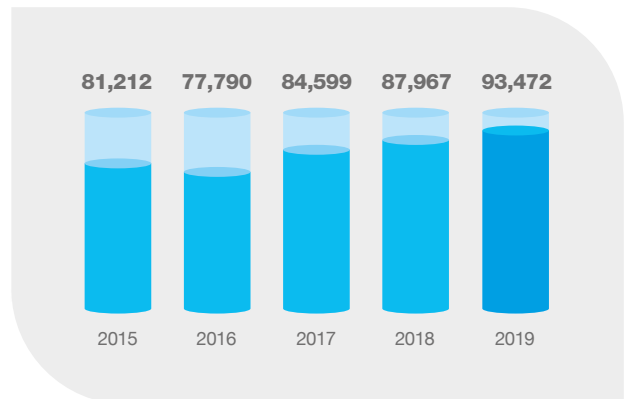
discussion about its importance at different levels of the Company. From the operation to senior management, it was highlighted that dedication is necessary for the change of routines and processes to happen.

### LOAD REMOVED AT TREATMENT PLANTS

The function of sewage treatment plants is to remove the polluting load, taking into account the limits of the different parameters determined in environmental legislation. In addition to monitoring disposal, Sanepar measures the load removed from the treatment process. The indicator used takes into account the standard limits of all evaluated parameters and the measured organic load, according to the Biochemical Oxygen Demand (BOD).

### ORGANIC LOAD REMOVED

(In tons/year)



Picture: Bruna Carla de Camargo

## SLUDGE IN AGRICULTURE

Destining the sludge generated in sewage plants for agricultural use is one of the sustainable alternatives used by Sanepar for decades. This sludge destination for agriculture is considered an example of environmentally correct practice by the United Nations Environment Program (UNEP).

The experiment started in the Metropolitan Region of Curitiba and reached other regions of the State. In regions such as Umuarama and Campo Mourão, where agriculture has a strong presence, 100% of the sludge is used for this purpose.

Since 2007, about 300 thousand tons of sludge have been destined for agriculture and there are projects to expand this practice in all regions of the State. This experience, already consolidated, influenced the elaboration of standards by Conama (Resolution 375/2006) and by the Environment Department of the State of Paraná (SEMA Resolution 021/2009), regulating agricultural use.

Before being sent to agricultural areas, the sewage sludge must undergo tests and meet quality

standards, with measurement of the quantities of heavy metals, health in terms of viable helminth eggs, salmonella, thermotolerant coliforms and enteric viruses. All of these parameters must be below the limits of the relevant legislation. The agricultural area intended to receive the product also undergoes inspection and analysis by a qualified professional.

## SOLID WASTE

Sanepar makes the environmentally appropriate final disposal of solid urban waste to seven municipalities in the northern region of the State. Through contracts with the municipalities of Cianorte, Apucarana and Cornélio Procópio, the Company manages three landfills that, in 2019, handled 64 thousand tons of waste, serving a population of 290 thousand inhabitants.

The experience in solid waste management began in 2002 in Cianorte. The landfill, which operates on a regional basis, serves the municipalities of São Tomé, Terra Boa, Guaporema and Indianópolis and was the first landfill in the country under the management of a public company to receive ISO 14001 certification for environmental management.



Praia Grande, Matinhos - PR

# 05



Elevated Reservoir of Higienópolis, Londrina. Picture: Bruno Covello

# ECONOMIC AND FINANCIAL PERFORMANCE

Value generation with  
efficient management

In 2019, the Brazilian economy showed little expressive performance, with GDP growth accumulated throughout the year at the level of 1% until the third quarter, but with low interest rates and inflation. Even in the face of this scenario, the Company continued to show the positive results achieved in recent years, affirming its economic-financial balance. The performance was assured mainly by the expansion of the water and sewage segments and by the performance of the administration managing operational costs and expenses.

The Company achieved significant growth in its financial indicators, net revenue increased 13.5% compared to 2018, net profit advanced 21.0%, while net margin reached 22.9% and EBITDA margin reached the rate of 41.7%. In view of these results, the profitability ratios presented positive results, such as the return on invested capital, which reached 13.5% in 2019, in addition to the appreciation of the Company's shares.

Sanepar's quest for universal access was marked by the improvement and expansion of services, growth of the population served, increase in the water supply and sewage collection network with investments made in the amount of BRL 1,027.1 million in 2019.

Funds were raised in the amount of BRL 350 million with the 9th issue of debentures, used for working capital and as a complement to the Company's investment program, in accordance with its commitment to economic and financial sustainability. Fitch Ratings affirmed the Long Term National Rating 'AA(bra)' of the Company and the 9th issue of debentures, and the perspective of the corporate rating is positive. The rating was

supported by the low risk of Sanepar's business in the Brazilian basic sanitation sector and the strong business and financial profile.

Sanepar's commitment to economic and financial sustainability guided the Company's financial management in the last year and will continue as a reference, with the perspective of ensuring economic-financial balance with the efficient management of revenues, costs and expenses, cash flow management, in addition to making prudent investments in line with the Company's strategic objectives.

## REVENUES

The net operating revenue in 2019 was BRL 4,723 million, 13.5% higher than 2018, reflecting the expansion of water and sewage services and the application of the 8.37% tariff adjustment as of May 2019 and the application of the tariff readjustment difference of 3.76% as of November 2019, totaling an annual readjustment of 12.13%.

Initially, the annual tariff readjustment for water and sewage bills was approved by Agepar at 12.13%. After suspension of the readjustment by precautionary measure and decision of the Court of Auditors of Paraná (TCE/PR) through Judgment No. 1373 of 2019, the readjustment of 8.37% was implemented as of May 24, 2019.

Sanepar endeavored to reestablish the application of the tariff readjustment and to demonstrate that the percentage initially approved by Agepar met the criteria established in the regulatory methodology. The result was the reestablishment of the full readjustment by TCE/PR with the application of the 3.76% difference as of November 11, 2019, considering that the retroactive amount was updated and applied in installments to the population in six months from November 19, 2019.

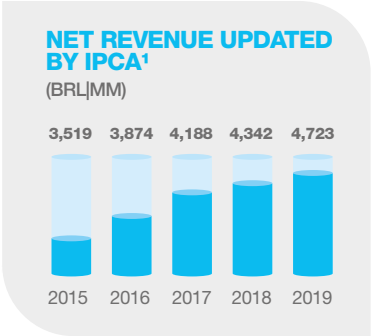
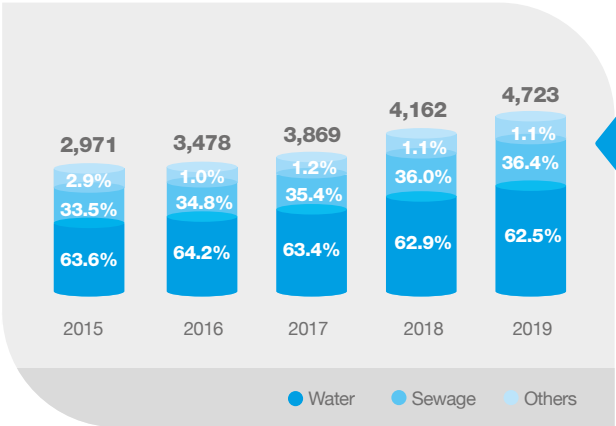
The investments made it possible to expand services with an increase of 2.3% in the extension of the water supply network and 2.1% in the sewage collection network. The number of connections also increased by 1.8% and 4.2% for water and sewage, respectively.

The Company's revenue continues to be composed mainly of services to residential customers in the municipalities served, representing 77.3% of water revenues and 76.6% of sewage revenues. The solidity of the revenue is supported by the program/concession contracts between the Company and the municipalities with a Maturity of 20.4 years.



Water Quality Control, Cascavel. Picture: Brunno Covello

**NET REVENUE** (BRLIMM)

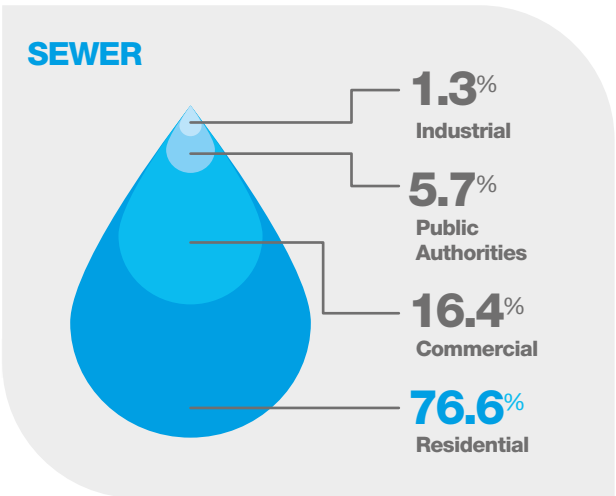
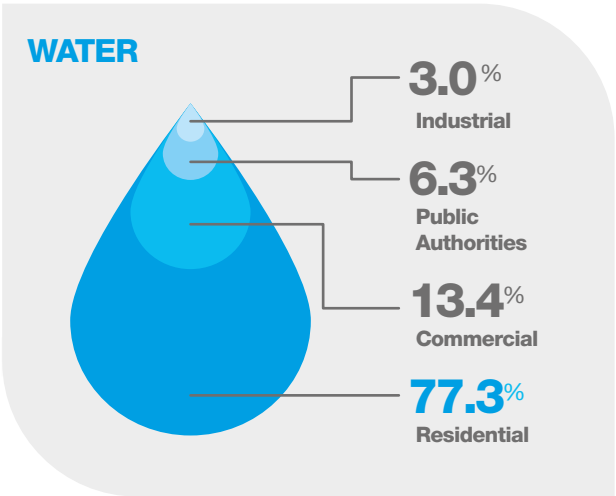


<sup>1</sup>IPCA IBGE 2016: 6,29% | 2017: 2,95% | 2018: 3,75 | 2019: 4,31%

**▲ CAGR 12.3%**

Average percentage of net revenue growth between 2015 and 2019.

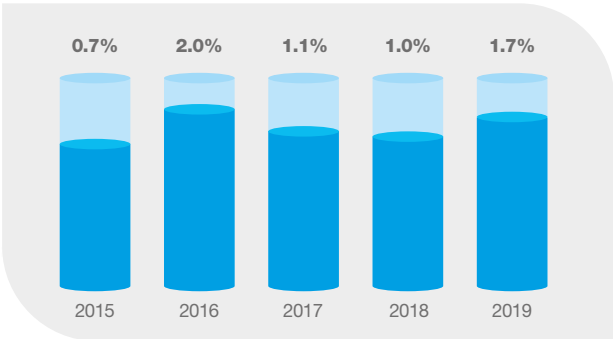
**REVENUE COMPOSITION (%)**



**DEFAULT**

After the positive results achieved in 2017 and 2018, the default rate showed moderate growth this year, reaching 1.7%, mainly motivated by the increase in overdue bills of up to 30 days for private customers.

**DEFAULT (%)**

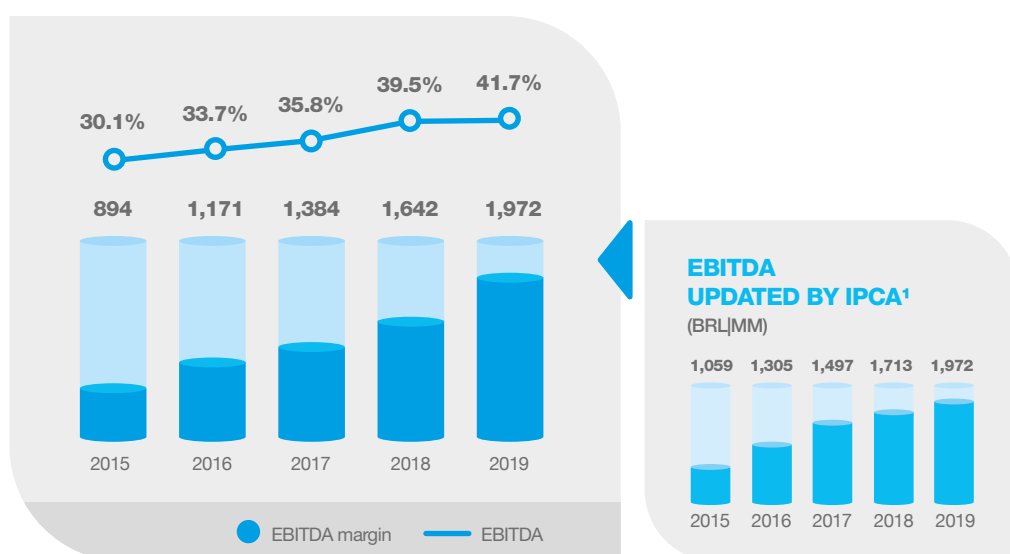


## EBITDA

In 2019, EBITDA grew 20.1% compared to 2018, reaching BRL 1,972 million, the result of a solid management of the Company's operational efficiency, which kept the growth in operational costs below the growth in net operational revenue. The 2019 EBITDA margin was 41.7%, higher than the previous year, when it reached 39.5%.

While net revenue grew 13.5%, operational costs that influence EBITDA increased 9.2%, mainly due to the readjustment of the electricity tariff, which in addition to the annual readjustment and the tariff flags had a reduction in the subsidy for the sanitation sector established by Decree nº 9,642/18. There was also an increase in costs of treatment materials, reinforcing the Company's commitment to the adequate treatment of water and sewage. In addition, there was an increase in labor provisions and growth in other operational expenses.

### EBITDA AND EBITDA MARGIN (BRLIMM)



▲ **CAGR 21.9%**  
Average percentage of EBITDA growth between 2015 and 2019.

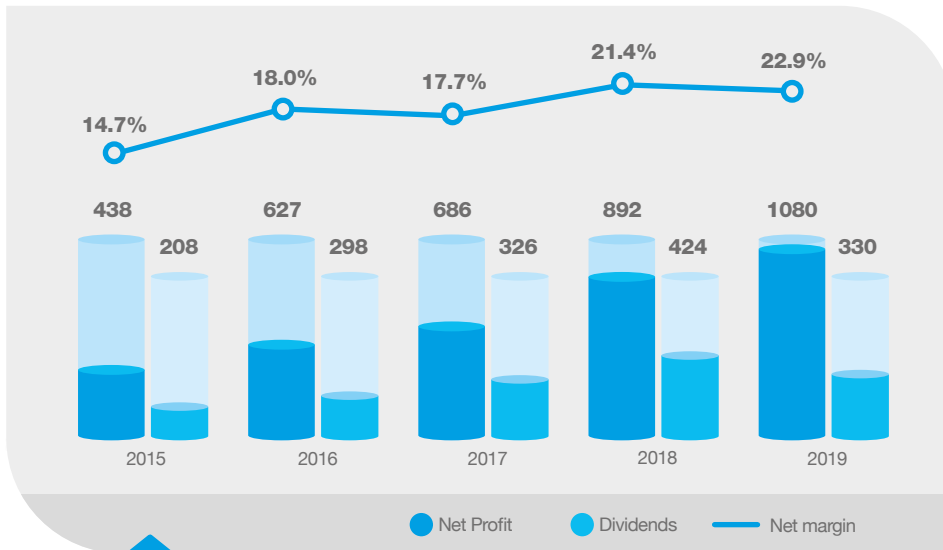
<sup>1</sup> IPCA IBGE 2016: 6.29% | 2017: 2.95% | 2018: 3.75 | 2019: 4.31%

EBITDA (BRL thousand)						
Description	2015	2016	2017	2018	2019	Var. %
Net profit for the year	438,444	626,847	686,172	892,487	1,080,034	21.0%
(+) Taxes on profit	101,870	162,738	227,901	272,515	373,851	37.2%
(+) Financial result	159,474	164,281	222,167	205,639	180,400	-12.3%
(+) Depreciation and amortization	194,194	217,111	247,282	271,387	337,442	24.3%
<b>(=) EBITDA</b>	<b>893,982</b>	<b>1,170,977</b>	<b>1,383,522</b>	<b>1,642,028</b>	<b>1,971,727</b>	<b>20.1%</b>
<b>EBITDA Margin</b>	<b>30.1%</b>	<b>33.7%</b>	<b>35.8%</b>	<b>39.5%</b>	<b>41.7%</b>	<b>2.2 p.p.</b>

<sup>1</sup> The Company calculates EBITDA in accordance with Instruction No. 527 of the Brazilian Securities and Exchange Commission (CVM).

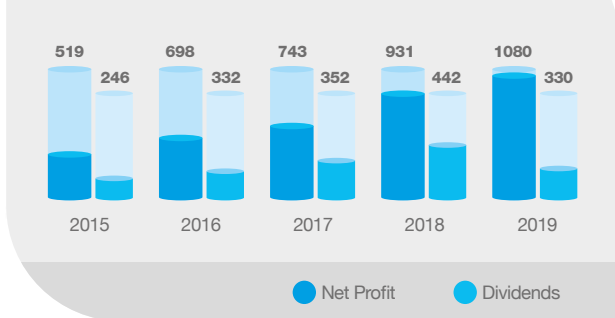


**NET PROFIT, DIVIDENDS AND NET MARGIN (BRLMM)**



**▲ CAGR 25.3%**  
Average percentage of net profit growth between 2015 and 2019.

**NET PROFIT AND DIVIDENDS UPDATED BY IPCA<sup>1</sup> (BRLMM)**

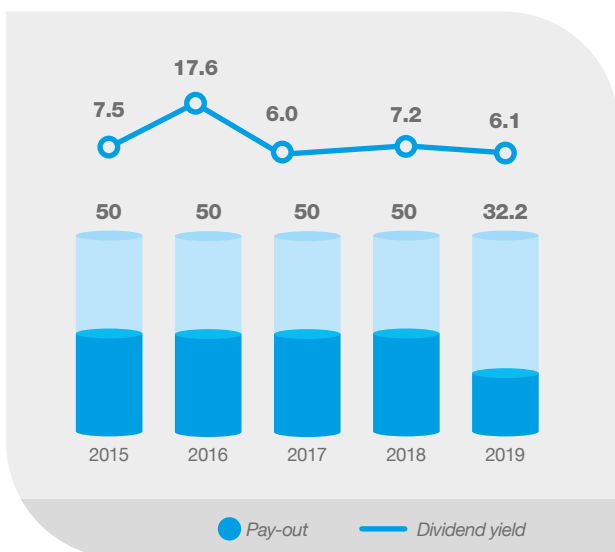


<sup>1</sup>IPCA IBGE 2016: 6.29% | 2017: 2.95% | 2018: 3.75 | 2019: 4.31%

**NET PROFIT**

Net profit was BRL 1,080 million, an increase of 21.0% over the previous year. The net margin grew by 1.5 p.p., reaching 22.9% in 2019. The increase in net profit is the result of the growth in net revenue, the efficient management of costs and expenses, which the Company has been presenting in recent years, and the tax savings resulting from the credit to shareholders of interest on net equity, substituting dividends.

**PAY-OUT<sup>1</sup> AND DIVIDEND YIELD<sup>2</sup> (%)**



<sup>1</sup> Pay-out: percentage of profit distribution.  
<sup>2</sup> Dividend yield: evolution of the profit distributed in relation to the previous year.

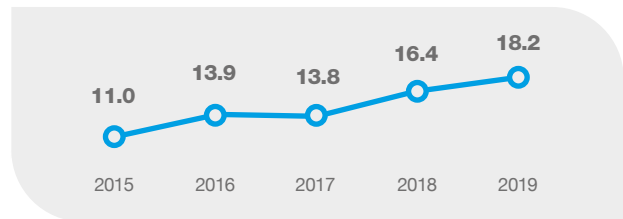
**SHAREHOLDER REMUNERATION**

The legal determination grants shareholders the right to the mandatory minimum dividend of 25% of the adjusted net profit. However, the company's dividend policy provides that the Management may, in addition to the mandatory annual dividend, subject to the financial health and public interest that motivated the constitution of the Company, approve the distribution as additional dividend and/or interest on net equity of up to another 25% of net profit. The Company's Management is proposing the distribution of 32.2% of the adjusted net profit as interest on net equity in the amount of BRL 330.4 million, referring to the 2019 result. Payment will take place within 60 days after the Annual General Meeting, which will approve the accounts for 2019. The return on shares to shareholders (Dividend Yield) was 6.1% in 2019.

### PROFITABILITY

With the performance achieved, the Company grew in profitability in relation to shareholders' equity: the index went from 16.4% in 2018 to 18.2% this year. The return on invested capital also had a good performance, going from 12.6% in 2018 to 13.5% in 2019.

### PROFITABILITY ON SHAREHOLDERS' EQUITY (%)



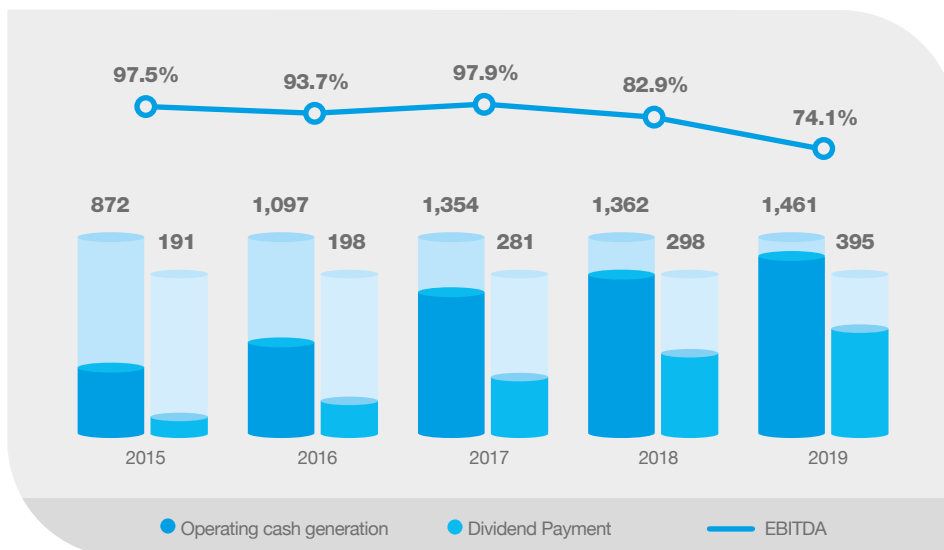
### RETURN ON INVESTED CAPITAL (%)



### OPERATING CASH GENERATION

The company's operation generated cash of BRL 1,460.6 million in 2019. In the same period, the amount of BRL 394.6 million in dividends and interest on net equity was paid, an amount 32.6% higher than the previous year.

### CASH GENERATION, DIVIDENDS AND EBITDA CONVERSION (BRLIMM)



**▲ CAGR 13.8%**  
Average percentage of growth in operating cash generation between 2015 and 2019.

### FUNDRAISING

In order to maintain liquidity and complement the investment program, the Company uses third party funds available, which are analyzed and allocated within the needs of its operations.

In 2019, Sanepar raised funds through the 9th issue of debentures, in two series, totaling BRL 350 million. The debentures, which are not

convertible into shares, mature in 2024 and 2026. The operation had a credit risk Rating validated by Fitch Ratings, with National Long Term Rating 'AA(bra)'.

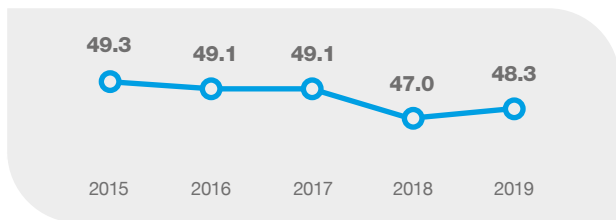
There was also the release of funds referring to the contract with Banco KfW, a German state development bank, in the amount of EUR 450

thousand in 2019, equivalent to BRL 2,063 thousand. The contract with Banco KfW aims at energy efficiency projects for sewage treatment plants, with a total contract value of EUR 50,000 thousand with the prospect of releasing funds until 2023.

**INDEBTEDNESS**

The Company ended the year with BRL 11.9 billion in assets, BRL 6.2 billion in shareholders' equity and total debt of BRL 5.8 billion. The Indebtedness to Assets Ratio was 48.3% in 2019, close to the ratio reached in the previous year of 47.0%.

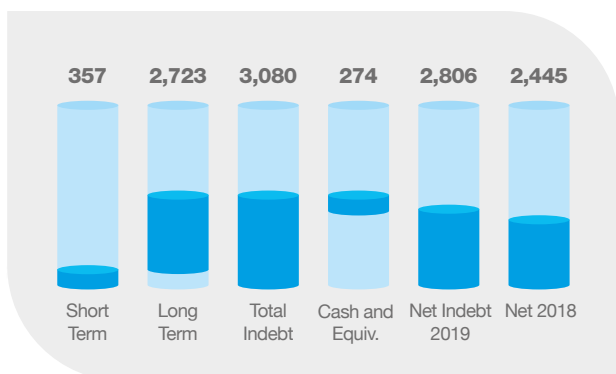
**INDEBTEDNESS TO ASSETS (%)**



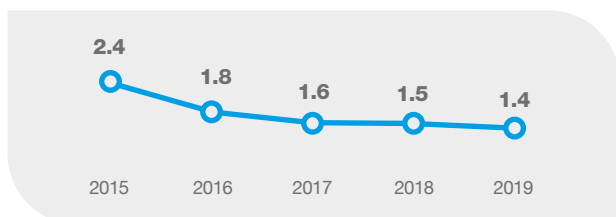
**NET DEBT**

Net debt, which reflects the Company's level of indebtedness, was BRL 2,806.4 million in 2019, while the Net Debt versus EBITDA ratio, which measures the leverage ratio, went from 1.5 in 2018 to 1.4 in 2019.

**NET DEBT (BRLIMM)**



**NET DEBT / EBITDA**



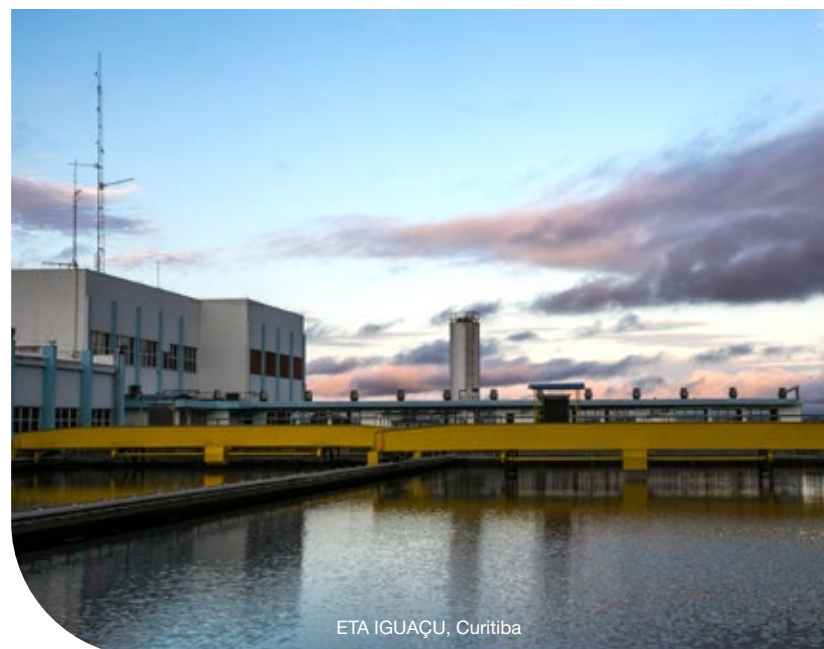
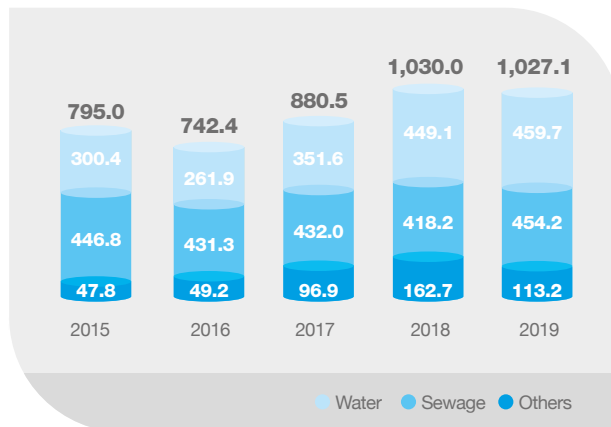
**INVESTMENTS**

Sanepar invests in accordance with guidelines based on strategic and operational goals and legal and environmental commitments, observing the Company's financial health. In the last five years, the accumulated investment was BRL 4.5 billion, aimed at maintaining its operations, expanding and improving services.

In 2019, the Company invested BRL 1,027.1 million, which is divided into 45% for water systems, 44% for sewage operations and 11% were intended for administrative work, solid waste and other investments.

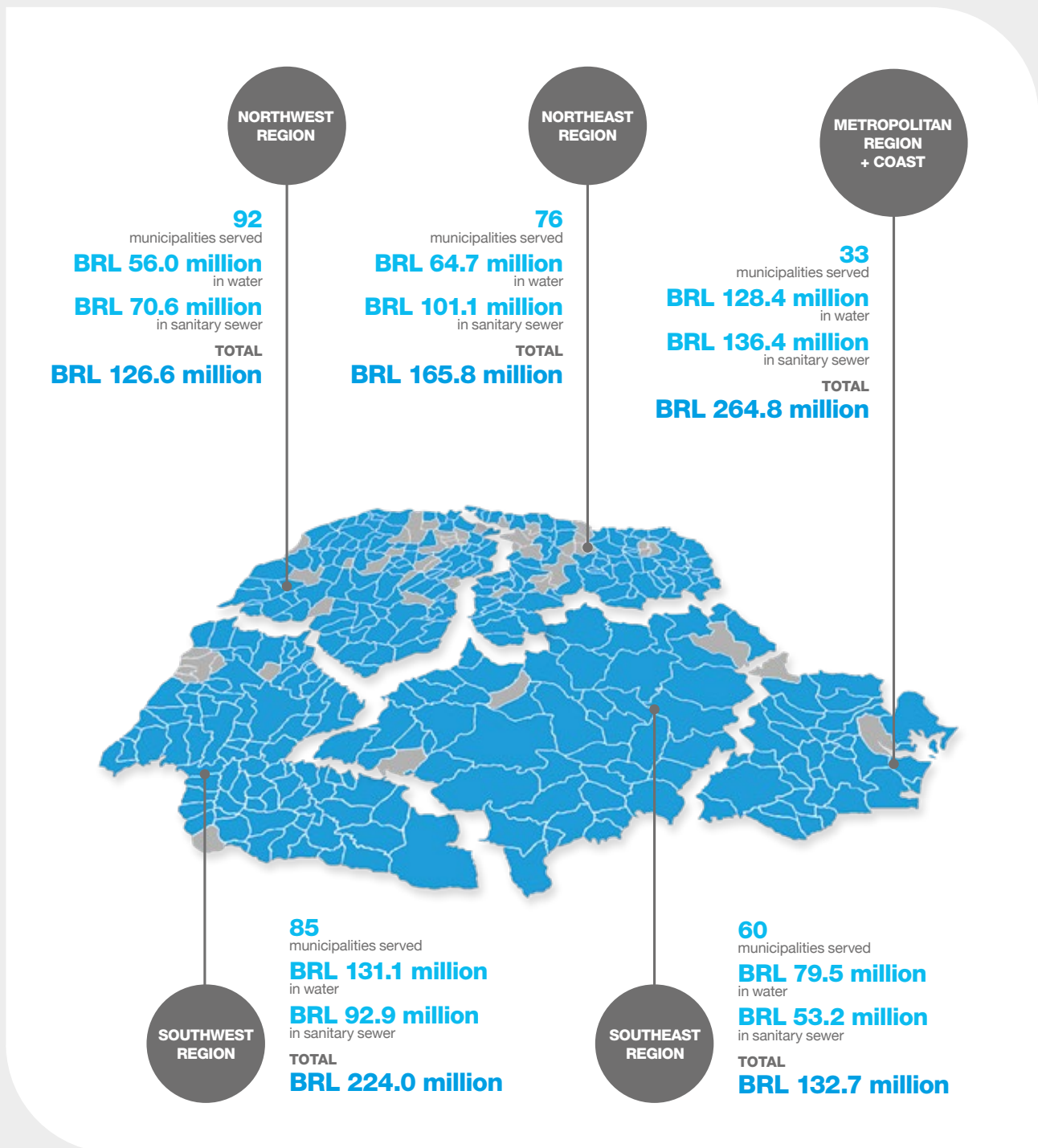
Ensuring the provision of services in the future, the Company's Multi-Annual Investment Plan for the next five years includes the total amount of BRL 7.6 billion, distributed in BRL 1.3 billion in 2020, BRL 1.6 billion in 2021, BRL 1.6 billion in 2022, BRL 1.5 billion in 2023 and BRL 1.6 billion in 2024.

**INVESTMENTS (BRLIMM)**



ETA IGUAÇU, Curitiba

## INVESTMENTS BY REGION



 MUNICIPALITIES SERVED

 MUNICIPALITIES NOT SERVED

	INVESTMENTS (BRL MILLION)					FROM 2015 TO 2019
	2015	2016	2017	2018	2019	
Water	300.4	261.9	351.6	449.1	459.7	1,822.7
Sewage	446.8	431.3	432.0	418.2	454.2	2,182.5
Others	47.8	49.2	96.9	162.7	113.2	469.8
<b>TOTAL</b>	<b>795.0</b>	<b>742.4</b>	<b>880.5</b>	<b>1,030.0</b>	<b>1,027.1</b>	<b>4,475.0</b>

**SHARES**

The year of 2019 was marked by the appreciation of the Company’s shares, which closed higher compared to the previous year, with emphasis on the preferred shares which increased by 97.0% in relation to the closing of 2018. The Company’s shares are listed on the Brazil Stock Exchange B3, under the codes SAPR3 (common shares), SAPR4 (preferred shares) and SAPR11 (UNITS).

Common shares (SAPR3) ended 2019 at a price of BRL 17.40, presenting a positive variation of 3.8% in relation to the closing of December 2018, when each share’s price was BRL 16.77. Preferred shares (SAPR4) closed the year quoted at BRL 21.08, against BRL 10.70 in December of the previous year, a positive variation of 97.0%.

UNITS (SAPR11), issued in 2017 and composed by one common share and four preferred shares, reached the end of 2019 at a value of BRL 101.42, compared to BRL 61.50 in December 2018, with a positive variation of 64.9%.

The financial volume of business with Sanepar shares totaled BRL 15,336.3 million in 2019, 125.2% higher than the volume registered in the previous year (BRL 6,809.5 million).

The equity value of each share closed the year of 2019 at BRL 12.30, with an increase of 8.4% in relation to the previous period, when the value was BRL 11.35.

**SERVICES PROVIDED BY INDEPENDENT AUDITORS**

Sanepar respects the independence of the external auditor, understanding the importance of the capacity that the audit entity must have to judge and act with integrity and objectivity to be able to issue impartial reports or opinions.

BDO RCS Auditores Independentes S.S. has a contract with the Company for the execution of the independent auditing services on the financial statements for the years 2019 and 2020 and for issue of the special review reports on quarterly information (ITRs) for the 1st, 2nd and 3rd quarters of 2020. The audit contract is dated November 26, 2019.

Said auditing company also issued the special review report on quarterly information (ITRs) for the 1st, 2nd and 3rd quarters of 2019, according to the contract of October 4, 2018 and respective amendment.

Additionally, BDO RCS Auditores Independentes S.S. has a contract for the provision of monitoring and evaluation services for investigation procedures and protocols, “Shadow Investigation”, referring to forensic investigation work carried out by an independent external investigation company hired by the Company.

No services other than those reported herein were performed by the independent auditors.

**SHARE PRICE (BRL)**



# 06



# RELATIONSHIP WITH CUSTOMERS

Committed to  
satisfaction

Sanepar serves two groups of customers: Granting Authority, which authorizes the service provided through contracts, and Final Customers, supplied with drinking water and that have sewage collection and treatment services at their disposal.

According to the Customer Policy, Sanepar constantly seeks customer satisfaction, maintaining, expanding and innovating its performance in the sector.

### GRANTING AUTHORITY

As of the Sanitation Law (11,445/2007), the relationship between Sanepar and the Granting Authority occurs through Program Contracts.

These contracts have a 30-year term and are linked to the Municipal Basic Sanitation Plans (PMSB), therefore they have varied goals according to the characteristics and conditions of each municipality's water supply, sewage collection and treatment, focusing on improving life quality of the population.

In addition to the Program Contracts, the Company also has Concession Contracts in force, signed before the Regulatory Milestone.

### RENEWAL

Of the 346 municipalities served by Sanepar (345 from Paraná and one from Santa Catarina), 336 have contracts in force and ten contracts are expired and under negotiation for execution of a Program Contract. Among the effective contracts, 175 are from Program Contracts, that is, after the Regulatory Milestone, and 161 are prior to the Regulatory Milestone, constituting Concession Contracts. The Company's objective is to transform all of its contracts into Program Contracts.



Carvalho Reservoir, Piraquara. Picture: Maurício Cheli

## CONTRACT PROFILE

**346**

Municipal concessions, being:

**175**

Program contracts

**161**

Concession contracts

**336**

Effective

**10**

Expired contracts, under negotiation

**2.8%**

of revenue representativeness from expired contracts compared to total revenue

### RELATIONSHIP WITH MUNICIPALITIES

Monitoring of Concession and Program Contracts with the municipalities is Sanepar's routine. The company technicians visit Municipalities and hold meetings with communities to assess the quality of services, the achievement of goals and the identification of demands.

### MUNICIPAL BASIC SANITATION PLAN

One of the requirements of Federal Law 11,445/2007 is that each municipality approves its Municipal Basic Sanitation Plan (PMSB). The existence of the Plan is a mandatory requirement for the execution of Program Contracts.

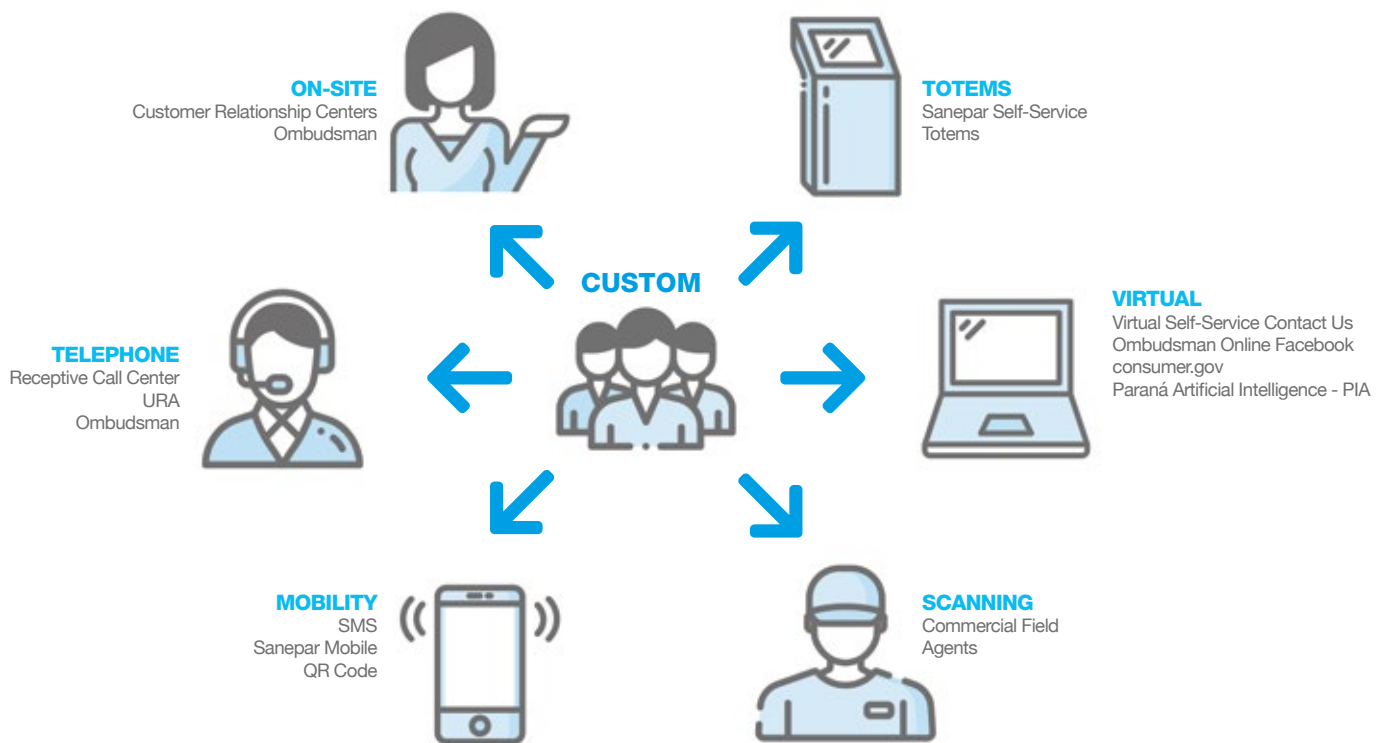
According to legislation, the plan must be drawn up with the participation of the population, through consultations and public hearings, and approved by local legislative powers, and may have technical support from the service provider. The document is also reviewed every four years, to adjust goals, projects and actions.

Among the services included in the plans are water supply, sewage collection and treatment, urban cleaning, collection and disposal of urban waste, drainage and disposal of rainwater.



## FINAL CUSTOMER

The customer relationship structure consists of several channels, as shown in the figure



These channels aim to serve the entire profile of customers, both those looking for mobility, through virtual or physical self-service, and those who opt for telephone or on-site service.

When Sanepar talks about a final customer, it refers to a total of 4 million economies (or households/properties) supplied with water. Of these, 3 million economies are also served by the sewage collection network and 290 thousand have their solid waste destined for landfills managed by Sanepar. With such an expressive number of customers, the challenge is to ensure excellent service.

Aiming at improving the service to customers'

needs, the Company has been investing more and more in innovation and technology, to strengthen the relationship and facilitate communication, allowing free access to consultations and service requests. Sanepar also performs satisfaction survey through a specialized company, with residential and non-residential customers. The forecast is that for 2020, two surveys will be carried out aiming at a better consolidation of the results obtained.

The modernization of the face-to-face relationship centers, the expansion of the call center structure and the availability of increasingly intuitive digital tools, in addition to trained employees, aim to offer agile service, enhancing customer satisfaction.

## SANEPAR MOBILE



For the end customer, it is possible to access Sanepar with a simple touch on the tablet or smartphone. An application that works on Android and iOS platforms is available for free in online stores. Since it was released three years ago, the app has had over 100,000 downloads at Google Play and App Store. The application allows you to perform online services, such as updating your registration, checking for water shortages, requesting changes to the invoice due date, obtaining bar codes and information on payments, debits, scanning and consumption. Services can be ordered even on Saturdays, Sundays or holidays.

Access to the application is made by the account holder, upon registration. In condominiums, access is possible to the liquidator or another person responsible for managing the account.

The application was created by Sanepar's internal team, from the commercial and information technology sectors, in order to improve the customer relationship process.

## SELF-SERVICE TOTEMS



In order to facilitate access to Sanepar's services, in 2018 the Company started installing self-service totems in larger municipalities. In Curitiba, for example, they are located in the so-called Ruas da Cidadania, a Municipality structure that concentrates the services offered by the municipal, state and federal governments.

There are 100 totems in operation in the State and, in 2019, the totems were extended to external environments such as supermarkets and bus terminals. The totems allow people to access debit, consumption, payment and supply suspension services; duplicate issuance; registration update; repair request and payment of water/sewage bills with debit card.

## QR CODE

The QR Code, a two-dimensional bar code that can be easily scanned with a cell phone camera, is being printed on the back of monthly bills and also on cardboard boxes and glasses of bottled water from the Company.

The tool has been used to inform the customer about Sanepar's commercial actions, disclosure of Sanepar Mobile, automatic debit account registration, self-service totems and the provision of links to important topics such as the Annual Water Quality Report, Incentive to Rational Use of Water and installation of Reservoir (Water tank), Paraná Artificial Intelligence (PIA) and Sustainable Development Goals (ODS).

## TELEPHONE SERVICE

Sanepar's call center is open 24 hours a day to receive demands from its customers. The number is 0800 200 0115, free of charge. About 175 outsourced company attendants, who take turns to receive calls, answer questions and register requests, complaints, and suggestions.

At the end of each service, a quick survey is carried out on the course of action given to the demand presented by the customer. In 2019, more than 2 million calls were answered, and the satisfaction rate with the central service was 88%.

Automatic responses are made available to the customer at the call center in the URA (Audible Response Unit) for information about water shortages and outstanding debts, seeking to facilitate and expedite information to the customer.

The Company also has a structure with its own team, which operates during business hours and is responsible for the so-called "active service", that is, it provides some services.

## SMS

For emergency situations, such as water supply suspension, Sanepar uses the SMS sending system to inform customers about supply interruptions in their region. To receive messages, the customer must update his/her registration and provide the cell phone number on the Company's website or application. In 2019, more than 2.5 million SMS were sent with information on water shortages and institutional messages.

In 2019, the Company started to send SMS also to inform about outstanding debts, aiming to alert the customer and avoid supply suspension. About 1.2 million SMS were sent.

This channel make people's lives easier. It is a cheaper means of communication, when compared to telephone calls, and more efficient than e-mail, as in addition to being mobile, it does not require an internet connection.

## PARANÁ ARTIFICIAL INTELLIGENCE – PIA



Paraná Artificial Intelligence (PIA), released in June 2019, is a platform with over 380 State Government services. The tool facilitates access to public services and expands citizen interactivity with the service provider. As an example, the person registered on the website can find out about the water supply suspension in the region and other public services.

## TARIFF STRUCTURE

To promote reasonable tariff, a structure is maintained where the customer pays the fair value for the volume consumed. The tariff structure allows the water and sewage systems to be supported by a single source of revenue (tariff), necessary to ensure fixed costs and operating variables. It also allows the assistance of needy families through the Social Tariff, in order to provide services (water/sewage) at affordable prices to all segments of the population, especially the poorest. The current tariff model allows the practice of cross-subsidy with the management of all its systems in order to guarantee the service to all populations, regardless of their economic and social condition.

The tariff structure is divided into residential, commercial, industrial, public authorities and public utility categories.

With Differentiated Tariffs, Sanepar can progressively expand the access to basic sanitation to the entire population:

- **Social Tariff:** Low-profit residential customers. In 2019, 184 thousand families were benefited, which is equivalent to 5% of Sanepar's number of residential economies and represents a subsidy of BRL 111.9 million in the year;
- **Micro and Small Commerce Tariff:** Customers that carry out commercial activities and fall under the State Government's ICMS Exemption Program, with total annual revenue established in a State Decree, as a micro and small business or individual microentrepreneur (MEI). It is equivalent to 2.5% of Sanepar's number of commercial economies and represents a subsidy of BRL 4.3 million in the year;
- **Tariffs for Charities and Philanthropic Entities:** Non-profit institutions that are officially registered with public agencies and that provide charity services to the community and obtain resources for its operation with voluntary actions and donations from the Federal, State and Municipal Governments and from society. It is equivalent to 2.6% of Sanepar's number of public utility economies and represents a subsidy of BRL 5.8 million in the year;

The criteria for each of the Differentiated Tariffs are available on the website <http://site.sanepar.com.br/> in the Customers option.

Sanepar's tariff structure is made up of tariffs in increasing blocks, that is, until the limit of the 1st block a specific price is paid, the additional consumption is priced at a higher tariff up to the threshold of the 2nd block and so on. The initial

block is called minimum billable consumption and is in line with the principle of sustainability, as it leads to greater revenue stability and enables the Company's social objectives to be met.

This tariff structure encourages the conservation of water resources and facilitates universal access, especially for the poorest population, to a minimum demand, which is offered at subsidized prices, through the social tariff.

The customer can use the tariff simulator to understand his/her account. It is available on the Sanepar website under "Understand your Account" and has a layout similar to the bill received by the customer at home. By entering data, such as consumption, category, location and reference month, the customer can simulate the water and sewage values.

## OMBUDSMAN

Sanepar provides the Ombudsman as an independent and impartial communication channel to citizens who have not been satisfied with the service received through conventional channels.

One of the Ombudsman's roles is to promote citizen participation and mediate conflicts, seeking solutions for citizens and the Company, receiving, evaluating and responding to customer requests.

In 2019, the Ombudsman registered 11,900 service protocols and 70 SIC (Citizen Information Service) protocols; we also highlight the following actions:

- Adherence to Procon's digital platform "consumer.gov";
- Adherence to Electronic CIPs (Electronic Preliminary Information Letter), from Procon-PR;
- Incorporation of the CIPs management process, from Procon-PR;
- Improvements in the SOS (Sanepar Ombudsman System) system;
- Implementation of Management Reports by Board;
- Improvements in Sanepar's Transparency Portal, in accordance with the Law on Access to Information (12,527/2011);
- SIC management, referring to requests based on the Law on Access to Information;
- Compliance with Resolution CGE (General Controllorship of the State of Paraná) No. 10/2018 - Transparency Agent joined the Ombudsman.

## GARBAGE COLLECTION FEE

Sanepar provides municipalities with the garbage

fee collection service through the water and sewage bill sent monthly to its customers.

To provide this service, an amendment to the Program or Concession Contract is made, with benefits for the parties involved. For the Municipality, there is a guarantee of monthly cash flow to cover the costs of collection, transportation, treatment and final disposal of urban solid waste; for the citizen, there is the installment payment of the fee up to 12 times and the availability of the social fee for those with low profit; and, for Sanepar, there is revenue for providing the service.

Municipalities using this service remain responsible for the management of urban solid waste. The

principle of transparency is respected at all stages of this process. The proposal for charging the garbage fee on the water bill is debated in a public hearing and approved by the City Council through an authoritative law. In addition, the Public Prosecutor's Office has already expressed its opinion on the topic, indicating actions of transparency and respect to the consumer that were implemented in the process.

Sanepar provides this service in 121 municipalities (120 in Paraná and 1 in Santa Catarina). In 2019, the Company expanded its garbage fee collection for 10 more municipalities and started negotiations to serve other locations.



Memorial do Rio Iguaçu. Picture: Romulo Zacharias

Reservatório do Alto Da XV, Curitiba. Foto: Brunno Covello

# 07





# MANAGEMENT AND SOCIAL- ENVIRONMENTAL RESPONSIBILITY

**Innovation to the  
benefit of health  
and environment**

The complex relationships between access to water and development show the urgency of a balance between water demand and product availability, with a focus on eradicating poverty and promoting sustainable development.

Sanepar, aligned with its Environmental Policy to seek environmental, social and economic sustainability in its activities, reaffirms its commitment to the balanced use of natural resources, the adoption of sustainable practices and compliance with legal requirements.

The company voluntarily develops environmental education actions, maintaining proximity to the various segments of society, its customers and its workforce.

To strengthen its social and environmental commitment, Sanepar seeks to go beyond compliance in its processes. For this, innovation has a fundamental role, it is inserted in the strategic planning and also based on its Development and Innovation Policy, aiming to ensure competitive advantages in overcoming current and future challenges related to the Company's business.

### **PARTICIPATION IN FORUMS**

Sanepar has formal representation and actively participates in collegiate deliberative or consultative forums on the environment and water resources at the municipal, state and federal levels. In these forums, topics are discussed and evaluated and resolutions with legal force are published, within specific attributions, which can influence the planning and management of Sanepar's processes.

In this context, Sanepar acts effectively in the 11 Hydrographic Basin Committees of the State of Paraná and in the Federal Basin Committee of the Paranapanema River. In these Basin Committees, the composition is heterogeneous, including representatives of different sectors of society. Among its attributions are the establishment of the classification of use of rivers in classes and the guidelines and procedures for charging for the use of water, in addition to promoting debate and guidelines for the effective management of water resources and contributions for the implementation of policies related to the preservation and rational use of water.

In addition to the Basin Committees, Sanepar has formal representation on the State Water Resources Council of the State of Paraná, on the Municipal Environment Councils of the main municipalities where it operates, at the Forum on Climate Change of Paraná, at the Water Source Managing Council of the Region of Curitiba and the National Water Resources Council and its Technical Chambers, through the

Brazilian Association of State Sanitation Companies (Aesbe).

The systematization and organization of the Company's activities in representation at the Deliberative Forums on Environment and Water Resources is provided for in an internal regulatory procedure.

### **HYDROGRAPHIC BASIN COMMITTEES WITH SANEPAR'S PARTICIPATION:**

- COALIAR - Alto Iguaçu and tributaries of Alto Ribeira (with charges for water use instituted since 2013 by the Basin agency)
- Tibagi
- Jordão
- Paraná III
- Baixo Ivaí and Paraná I
- Piraponema (Pirapó, Paranapanema 3 and Paranapanema 4)
- Norte Pioneiro (Cinzas, Itararé, Paranapanema 1 and 2)
- Paranapanema (Federal Committee in conjunction with the Committees of the State of São Paulo)
- Litorânea
- Baixo Iguaçu (implemented with activities to be initiated)
- Piquiri (implemented with activities to be initiated)
- Alto Ivaí (implemented with activities to be initiated)

### **GREENHOUSE GAS EMISSION**

In line with the sustainable management practices provided for in the Company's Strategic Map, annually the greenhouse gases (GHG) generated in the company's activities are quantified for the preparation of the Greenhouse Gas Inventory (GHGI).

The GHGI allows the identification of the main GHG generation processes so that the company can manage them in search of their reduction or neutralization. Sanepar's first inventory was prepared in 2008 with data for 2007. For 10 years the Company has been reporting its GHGI to the Public Registry of the Brazilian Program GHG Protocol.

Sanepar is the only Brazilian company in the "Water, sewage, waste management and decontamination" sector to report its greenhouse gas inventories in the Public Registry of Gas Emissions. The Company's history of emissions is available on the website [www.registropublicodeemissoes.com.br](http://www.registropublicodeemissoes.com.br).

The last three GHGI were verified by a third party body accredited by Inmetro, obtaining the Gold Seal of



Reliability, from the Brazilian Program GHG Protocol, coordinated by Fundação Getulio Vargas (FGV).

In 2019, Sanepar invested more than BRL 122 thousand in Greenhouse Gas Management and once again GHGI received the Climate Seal Paraná in the Gold category of the State Department for Sustainable Development and Tourism.

The inventories reported to the GHG Protocol represent 14.2% of national emissions. At Sanepar, as expected, the activity that caused the greatest emissions of greenhouse gases was the treatment of effluents, responsible for 92.61% of direct emissions.

## RESEARCH AND INNOVATION

Sanepar is among the leaders in infrastructure innovation in Brazil, according to Valor Econômico 2019 ranking, which reinforces the Company's role in the search for innovative and sustainable solutions, in order to provide services more quickly, efficiently and always aiming at the least impact on the budget of the population of Paraná and the constant improvement of their processes. In 2019, over BRL 10.7 million was invested in R&D (Research and Development).

Among the innovative actions carried out in 2019, there are:

- Consolidation of modular technologies in sewage treatment plants (ETEs), with the inauguration of a plant in the municipality of Santa Helena with a mineralization bed for the conditioning and treatment of the sludge generated by the effluent treatment process;
- Operation of enclosed biogas burners in ETEs in Curitiba and the Metropolitan Region;
- Preparation of guidelines for the conservation of water sources; studies on sustainable reservoir management; initiation of phytoremediation projects to revitalize urban rivers in partnership with the State Department for Sustainable Development and Tourism and the municipality of Curitiba,
- Real-time monitoring of electricity consumption in the largest consumer units;
- Installation of Internet of Things (IoT) devices in operating units;
- Studies on reused water for industrial purposes and on industrial effluent treatment;
- Start of electric energy compensation in the hydroenergetic generation system at the Airport of São José dos Pinhais and in the company CS Bioenergia S.A., in addition to the implementation of the floating photovoltaic solar plant in the Passaúna reservoir, an unprecedented project in the Brazilian sanitation sector

In 2019, there was also the ceremony of the second edition of the Sanepar Sustainable Technologies Award, open to researchers from all over Brazil, and also the Inova Sanepar Award event, exclusive to the Company's employees, with the publication of a book containing the awarded works and the dissemination of practices and technical studies to interested parties.

## ENERGY EFFICIENCY AND BIOENERGY

The topic of energy has been widely discussed at Sanepar due to the fact that electricity is a fundamental input for the functioning of its activities and to guarantee the growth of the demands of its services.

In 2019, the Company consumed 673 GWh of electricity, representing approximately 17% of operating expenses, being Sanepar's second highest operating cost. The consumption of energy in more than 4,100 units, mainly in sanitary infrastructures, makes Sanepar the largest corporate consumer of electric energy in the State of Paraná.

Nevertheless, in times when global warming and climate change are matters worldwide repercussion, the implementation of energy efficiency actions becomes essential to minimize environmental impacts and reduce greenhouse gas emissions.

In this sense, through conservation and the rational use of energy, and based on taking advantage of the potentials for generating clean energy, the Company has been aiming not only at economical,



Passaúna, Curitiba

but also social and environmental sustainability of its business model.

To that end, Sanepar has encouraged innovation, applied research and the development of good practices that enable cost reduction, energy efficiency of its processes and, consequently, improvement of its environmental sanitation services.

Measures such as the management of electricity bills have been successfully implemented in the Company, based on the selection of the most appropriate tariff modality, the control of reactive surpluses, exceedance and additional demand. Sanepar has sought to reduce the load factor of the systems during peak hours, a period in which the electricity tariff is more expensive, shifting the electrical power contracted with the concessionaire to times when the electricity grid has a lower demand.

In addition, it has prioritized the periodic maintenance of the operational units and the acquisition of efficient equipment, especially of motor pumps.

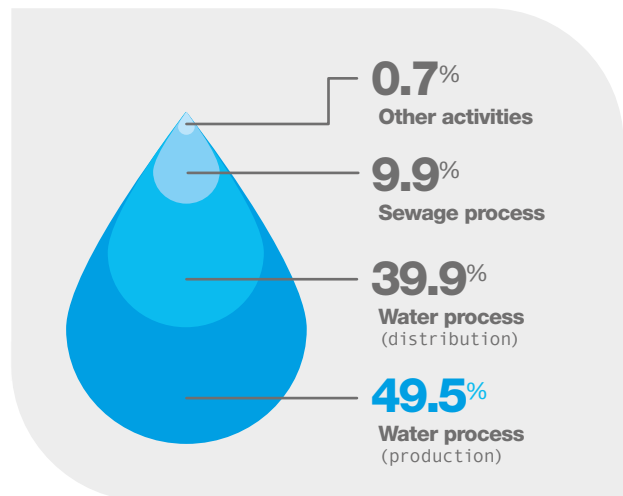
Since the beginning of 2019, 93 of the company's units have been real-time and remotely monitored regarding energy consumption.

From the conception of a new business based on the concepts of circular economy, a high-tech biodigestion plant, CS Bioenergia S.A., is installed close to ETE Belém, producing renewable energy from the simultaneous and innovative treatment of sewage sludge and of organic materials from other large generators. Its capacity is to produce 2.8 MW - enough energy to supply approximately 2,100 houses, or 8,400 people.

In 2019, CS Bioenergia S.A. reached its operational stability and started the process of transferring electricity credits to Sanepar's consumer units.

Sanepar has also carried out studies on the use of biogas as a fuel to promote thermal drying and cleaning of sewage sludge. The results obtained prove that the technique can reduce operating costs with handling and final disposal of the material. This is because thermal processing significantly reduces the final volume of sludge to be disposed, promoting hygiene without the use of chemicals. Dry sludge, in turn, can be used as a fertilizer in agriculture and as biomass, being thermally transformed in complementary energy for its own drying process.

## ELECTRICITY CONSUMPTION (%)



## ENVIRONMENTAL PROJECTS

The Program Se Ligue na Rede aims to ensure that the sewage collection network available to the population is used correctly in order to reduce pollution of urban rivers. During the execution of sewage works, Sanepar promotes socio-environmental education meetings in the communities that will be held with the service.

Residents receive information about the work in their region, schedule of deadlines, impacts generated and guidance on the responsibilities of the population and Sanepar.

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Socio-educational events are held to train agents who will disseminate concepts of environmental sanitation. Plumbers are also trained for the correct interconnection of the property to the sewage collection network. In addition to ensuring the correct connection, the courses provide income generation for these professionals.

In regions already served by a collection network, Sanepar conducts technical inspections of the properties to identify irregular connections and make families aware of the correct procedures for

the proper use of the system.

The results of Se Ligue na Rede are perceived by Sanepar's operational sector with the increase in the rate of correct interconnections, the reduction of maintenance in the network, refluxes and the improvement of sewage quality that reaches the treatment plants.

In 2019, more than 40 municipalities in Paraná received actions from the program.

### CAIXA D'ÁGUA BOA

Families already served by the Sanepar Social Tariff program and enrolled in the Federal Government's Single Registration can benefit from the Program Caixa d'Água Boa, developed by Sanepar in partnership with the State Government through the State Department of Justice, Family and Labor.

Extension of a pilot project that is already benefiting 500 families in the region of Laranjeiras do Sul, Caixa D'Água Boa was expanded in 2019, with the installation of home reservoirs for 3,500 families in 134 municipalities in Paraná.

Sanepar supplied kits consisting of a 500-liter household reservoir, piping and metal base, in addition to providing technical support and training for equipment installation. The State Government manages the program and provides financial resources for families to pay for the water tanks installation (labor). The Municipalities store and distribute the materials, in addition to inspect the effective installation.

### SOCIO-ENVIRONMENTAL MANAGEMENT IN ENTERPRISES

In order to ensure water safety in the Miringuava Basin and meet the licensing conditions for the construction of the reservoir dam, Sanepar has been developing the Miringuava Socio-Environmental Project since 2011.

The objective is to promote positive impacts on quality of life for producers and rural residents who will be affected by the dam.

These are actions of guidance and qualification to adopt new practices of production and commercialization of agricultural products with an emphasis on sustainability.

Throughout the planning and execution of the work, company technicians develop actions to support families. A dialogue was established with the community about the expropriations and the impacts of the enterprise on their lives. This practice provided community strengthening and organization; reduction of conflicts and the number

of lawsuits in the indemnity process; dialogues for the establishment of partnerships with various public, private, education and research institutions and also with the municipality of São José dos Pinhais. The project also promoted the integration between several Sanepar units that operate in the area.

In 2019, the project's actions reached the urban public of Greater Curitiba, with the participation of technicians from the municipality of Curitiba and the formalization of the Technical Cooperation Agreement with Grupo Boticário Foundation, which launched the Viva Água Movement, in the Miringuava Basin.

### DE PORTAS ABERTAS PARA A COMUNIDADE

Sanepar has several education spaces for sustainability in the State, where visitors have contact with concepts and practices for the conservation of water resources. The Mananciais da Serra Environmental Education Center (CEAM) is next to the Piraquara I and II Reservoirs, in the Metropolitan Region of Curitiba. Inserted in an Environmental Preservation Area (APA), next to river springs, CEAM houses the first public water supply system in Paraná, the Carvalho Reservoir, from 1908.

The place can be visited by the general public, but it is especially sought after by students, who explore the trails in the Atlantic Forest remnants of Serra do Mar. In 2019, 7.8 thousand visitors were registered.

The Sanitation Museum and the Iguazu River Memorial are other spaces of history and education, with actions aimed at students and the community in general. The beautiful historic buildings house a time travel where the visitor learns historical, geographical and social aspects and environmental action proposals for your daily life. The Memorial has a multimedia room and an auditorium for 120 people, aimed at training courses for the community, in addition to lectures and events with an environmental theme. In 2019, 8,700 visitors were received.

For the third consecutive year, the centenary Alto São Francisco, the oldest Sanepar reservoir, hosted Christmas festivities in the capital of Paraná.

The 3D mapped video staging "Santa Claus Ecofactory" transmitted a message about sustainability combined with the Christmas spirit to 3,800 people in five presentations.

### OPERAÇÃO VERÃO

Every year, during the summer season, Sanepar develops special actions to improve the service to the flow of vacationers who travel to the coast

of Paraná, in partnership with State Government institutions.

Sanepar's actions seek to ensure a continuous supply of water and maintenance of hygiene and cleaning conditions along the coast.

To guarantee availability of treated water and sewage collection and treatment throughout the summer, Sanepar continuously invests in maintenance and new works on the supply system.

In the environmental area, Sanepar contributes to cleaning the beaches. During the season, every day, teams hired by the Company travel 48 km from the shore to remove waste left in the sand and debris brought in by the tides.

The work done during the season, on the beaches of Paraná, is considered a reference in the country. Environmental education actions involving recreational activities were attended by more than 40 thousand people. These activities are carried out by a team hired by Sanepar, in partnership with other municipal bodies and the government, which act in the sensitization of vacationers for co-responsibility with solid waste and fighting wastefulness.

The Chuá project, with the installation of ecological showers by the sea in the main bathing areas on the waterfront, served more than 175 thousand bathers, offering comfort and reducing the consumption of treated water in summer houses.

The numbers for the 2018/2019 season were: 48 km of clean beaches; 690 t of collected waste; 106 jobs created; 120 thousand used garbage bags; 300 200-liter drums distributed on the shore to receive waste from vacationers.

#### ACCESSIBILITY ON THE BEACHES

The Accessible Beach Project provides amphibious chairs for people with locomotion difficulties to safely bathe in the sea. In the 2018/2019 season, Sanepar registered 384 people assisted. The project was developed by Sanepar in partnership with the State Government. 9 chairs were provided for use on the beaches of Guaratuba, Matinhos and Pontal do Paraná. A trained team ensures that people can enjoy a sea bath safely.

#### OPERAÇÃO VERÃO IN NUMBERS

**690 tons**

of waste removed from the sand

Over

**175 thousand**

people assisted by Ecoduchas

Over

**40 thousand**

participants in recreational activities

**384**

people assisted with amphibious chairs

#### ENVIRONMENTAL AGENDA

As part of the company's socio-environmental education culture, on commemorative environmental dates, Sanepar promotes activities such as cleaning efforts, plantings, bicycle tours, lectures, workshops.

These actions are enhanced thanks to partnerships with local institutions that mobilize employees and communities. In 2019, 62 actions were carried out with the participation of 7,500 people, on the following dates:

- March 22 - Water Day
- June 5 - World Environment Day
- September 21 - Tree Day
- November 24 - River Day

## ENVIRONMENTAL EDUCATION FOR THE INTERNAL PUBLIC

With the same commitment to which it works with society, Sanepar also develops social and environmental education projects and programs for its workforce. The objective is for employees to internalize the concept of sustainability and understand the socio-environmental dimension of sanitation. All sanitation education and memory spaces, water and sewage treatment plants and EcoExpresso buses are available for technical visits of employees.

## CHECK OUT THIS IDEA: NO OIL IN THE NET

The program encourages the reduction of oil consumption in food preparation and provides the collection and correct destination of the used oil, so that people at Sanepar adopt correct, healthy and responsible socio-environmental practices.

The collection of saturated oil prevents water pollution, clogging of collecting networks and reduces the formation of foams in sewage treatment plants.

Created in 2016, initially for employees, the program has 213 collection posts and partners who receive the material in 20 municipalities. It had the expansion of the scope, with the installation of collection plants in the customer service offices.



Reservoir, Guarapuava. Picture: Silmar de Oliveira

# 08





# PEOPLE MANAGEMENT

Preparing people for  
future Sanepar

## SANEPAR EMPLOYEES

Sanepar continuously invests in personal and professional development programs, as it understands that maintaining excellent service and assistance requires a qualified and updated functional body with trends in the corporate universe and with technological advances.

In 2019, Sanepar had 6,985 employees, 145 trainees and 265 apprentices. The average time of the Sanepar employees in the Company is 14.5 years. The turnover this year was 0.473%, overtime in relation to normal working hours was 3.7% and absenteeism of 1.2%.

From the total positions, 91 were occupied by people with special needs. Regarding maternity leave, 65 women received the benefit, and the extended 20-day paternity leave was used by 199 men.

This reorganization movement also reflects the effects of employee dismissal programs in the Company:

the Encouraged Retirement Program (PAI) and the Voluntary Dismissal Program with Knowledge Transfer (PDVTC) for endangered positions.

Since 2016, about 12.6% of employees have left the Company, most within the incentive programs mentioned above. PAI is an important instrument for valuing and recognizing the dedication and history of each employee.

In 2019, the implementation of PAI for 2020 was approved, as expected by the Company's strategic planning. The homologation, accession and dismissal stages will be disclosed by the company as soon as the appropriate procedures are completed.

Sanepar's personnel policy aims to provide a safe and healthy work environment with appreciation of knowledge, equal opportunities, respect for plurality, diversity and gender equity.

	NUMBER OF EMPLOYEES BY FUNCTIONAL LEVEL					
	2017		2018		2019	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Council	38	2	24	3	33	3
Board	8	0	6	1	7	1
Managerial	340	132	335	144	416	148
Professional	488	257	471	245	455	236
Technical	756	202	741	197	734	193
Operational	4,046	936	3,976	907	3,886	909
Trainees	90	89	82	88	66	79
Total by gender	5,766	1,618	5,635	1,585	5,597	1,569
<b>TOTAL</b>	7,384		7,220		7,166	

	NUMBER OF EMPLOYEES BY REGION <sup>1</sup>					
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Northeast	1,010	136	1,032	155	1,052	173
Northwest	812	141	849	150	855	157
Metropolitan and Coastal	2,329	967	2,120	890	2,071	840
Southeast	693	123	707	127	703	128
Southwest	794	160	820	172	817	189
Total by gender	5,638	1,527	5,528	1,494	5,498	1,487
<b>TOTAL</b>	7,165		7,022		6,985	

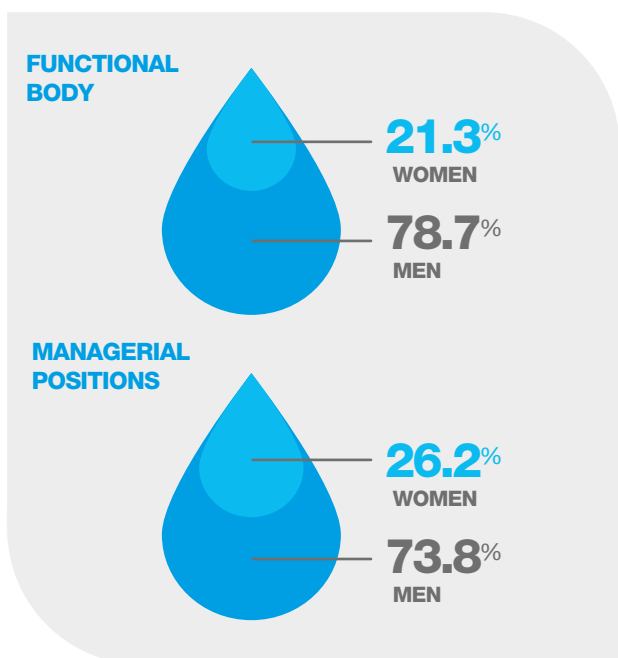
<sup>1</sup>Does not consider trainees/council.



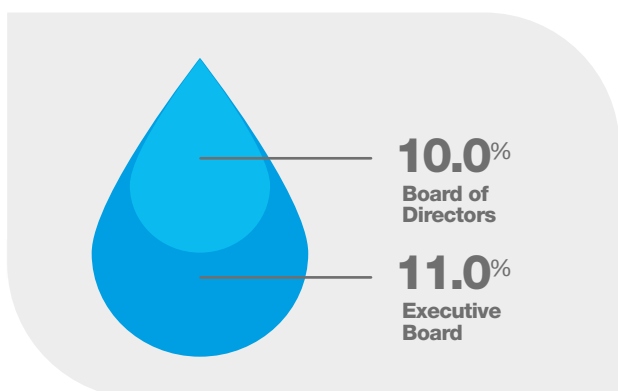
### EQUITY AND PLURALITY

In 2019, Sanepar was the first sanitation company in the country to receive the national Weps (Women Empowerment Principles) award in the Bronze Category – Great Companies of UN Women. The award recognizes Sanepar for its gender equity actions, according to the seven principles of UN empowerment, a commitment signed by the company since 2017.

Institutional policy of gender equity, transparency in the dissemination of indicators by gender, health care by gender, benefits offered by the company such as maternity leave and extended paternity, priority parking spaces for pregnant women, dissemination of the theme through EaD and awareness about harassment and violence against women, are actions that led to Sanepar's recognition to the award, together with companies such as Petrobras, Itaú, Brasken, Carrefour, between others.



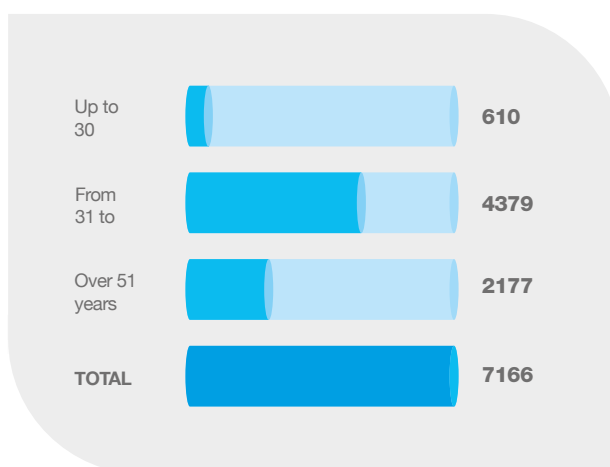
### WOMEN IN GOVERNANCE BODIES



### DIVERSITY

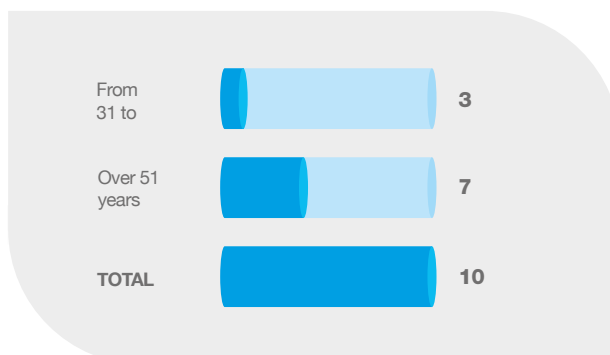
Another policy adopted since 2016 is to stimulate the plurality of segments represented in the functional body. Since then, the Company has been following the participation of black people and people with disabilities among the employees. According to the latest data surveyed, 4.75% of employees in general (at managerial, professional and technical levels) are black and 1.3% are people with special needs.

### EMPLOYEE PROFILE BY AGE GROUP



### LEADERSHIP PROFILE BY AGE GROUP

(BOARD OF DIRECTORS)



## KNOWLEDGE MANAGEMENT

The knowledge management carried out in the Company was intensified with the adoption of plans to encourage retirement and voluntary dismissal, where the transfer of acquired knowledge stands out as a legacy of former employees. This transfer has been properly recorded and, with this, many processes, practices and experiences have already been systematized, through normative documents, handouts, manuals, distance education courses, and technical work contained in the library, in order to preserve them. The registration of this knowledge comprises a collection that is part of the project to improve procedures and align best practices to the company's strategic objectives.

In 2019, the theoretical modules of the Specialization course in Environmental Sanitation were completed in the semi-presential modality, carried out in partnership between Sanepar and the State University of Northern Paraná, through a technological network of the State Virtual University. 500 employees from all areas of the

Company, the capital and the countryside took the course. Course completion and graduation works are scheduled for 2020.

Remote Education (EaD) is another widely used alternative for the dissemination of knowledge within the company for allowing employee access, regardless of their capacity or work shift.

For this, an online platform was created, with differentiated content and opportunities for improvement in the most diverse areas. There are about 300 courses in modules in the general catalog of EaD and 27 other customized courses, that is, more compact courses with a theme related to Sanepar's activities. All courses provide a certificate. The platform also allows access to technical publications and videos.

In 2019, more than 215,000 opportunities were offered, with approximately 528,000 training hours. Of this total, Sanepar's EaD courses served more than 2,600 employees, with the issuance of more than 6,100 completion certificates, totaling more than 56,000 training hours.



Decanted water output

## PERFORMANCE ASSESSMENT AND CAREER PLAN

The Positions, Careers and Remuneration Plan (PCCR) is one of the tools used by the company to retain talent. The process considers three major aspects: institutional indicators; contribution of managers to the company's results; and their technical and behavioral skills. In 2019, 100% of the suitable employees were evaluated, that is, employees who worked more than 120 days a year, which corresponded to 99.17% of the functional staff.

In order to invest more and more in internal policies that recognize merits, potential and competencies, and to improve the PCCR, in 2019, Sanepar's Board of Directors appointed the Commission with representatives from all boards in order to align the report presented in 2018 to Company's strategic objectives and to promote a more efficient and meritocratic management. The changes proposed by the Commission are expected to be implemented in 2020.

## EMPLOYEE INTEGRATION, MOTIVATION AND SATISFACTION

The Life Quality Program fulfills multiple purposes: to promote the integration of employees; to create opportunities for social interaction; to offer leisure, recreation and culture activities; to bring people from different degrees of hierarchy together, and to encourage team spirit.

The degree of satisfaction and well-being of employees has been evaluated periodically since 2001 by an organizational climate survey, called Speak Frankly, accessed via intranet. The results of the questionnaires are analyzed and disseminated, serving for diagnosis and definition of action plans inserted in sectoral and strategic planning.

In the latest survey, released in 2019, the participation rate reached 78.4% in about 60 days of online survey. The evaluations exceeded the corporate goal of 7.5, with an average score of 7.6 of employee satisfaction.

From the investigation, the results were presented to the Company's Board and transferred to managers for individual referral in their areas and to develop their stock plans.

## LENGTH OF SERVICE

On the Intranet, a space called "Length of Service" was created, which honors workers who are making a business anniversary.

The virtual page displays, each day, a photo gallery of employees who have started their journey in the company on that date, in order from the oldest to the youngest. Along with the photo, are the name, management and length of service.

This tool has become a great attraction to give more visibility to those who make part of Sanepar's history.

## HEALTH AND SAFETY - ACTION AND PREVENTION

Providing a healthy and safe work environment for its employees is one of Sanepar's conducts, which have a direct impact on improving the life quality of workers and, consequently, their families. The Company understands safety as the duty and right of all, to ensure the physical, psychoemotional and social integrity of employees.

To act preventively, Sanepar adopts a series of health and safety initiatives:

- Maintains security technicians and engineers who work directly in the operating sectors, close to the work areas to identify points of improvement and implementation of the Security Policy;
- Guarantees the functioning of Internal Commissions for the Prevention of Occupational Accidents (Cipas) that define procedures and actions to prevent accidents, occupational diseases and interpersonal relationships related to daily life.

In 2019, 65 Cipas were employed throughout the state, composed by 508 employees. Cipas, in partnership with People Management, regional management and Sanepar Foundation, held important lectures and campaigns such as Yellow September (suicide prevention), Pink October (prevention of breast and cervical cancer), Blue November (prevention of prostate cancer), among others.

These activities reinforce and motivate the health prevention initiatives of employees and family members.

Actions developed during 2019:

- Conduction throughout the State of Internal Weeks of Prevention of Occupational Accidents (Sipats);
- Provision of personal development activities to improve each employee's performance, such as regulated training in current standards and specific courses;
- A total of 13,200 training opportunities focused

on employee health and safety were offered, totaling about 82,000 training hours;

- Promotions of annual influenza vaccination campaigns, ergonomic condition analyzes of functional teams, training on biological risks and first aid;
- Performance of specific periodic medical examinations according to occupational risks identified in the Environmental Risk Prevention Program (PPRA).

Sanepar also provides all employees with the Health Care and Assistance Plan - SaneSaúde, as well as the Private Pension Plan - Fusanprev, benefits administered by the Sanepar Foundations of Social Security and Social Assistance, non-profit legal entities.

### COLLECTIVE BARGAINING

Sanepar employees are represented by 23 unions, which act on behalf of the various professional categories of the Company's workforce. To strengthen ties with trade unions, Sanepar has set up a permanent Trade Union Negotiating Commission. In collective bargaining, salary adjustments and benefit payments are defined, such as the Profit-Sharing Plan (PPR), based on the company's indicators obtained in the previous year. PPR is a way of recognizing workers' commitment to the search for results and better indicators of the company.

Sanepar also assures its employees some rights not provided for in the CLT (Consolidation of Labor Laws) or in specific law, but that depend on negotiations between employee and employer or with union mediation. Regardless of nature, every benefit granted seek to motivate the employee and improve their life quality.

Among the various benefits granted by Sanepar to employees, social assistance, indemnification allowance, daycare allowance, sick pay, food voucher and transportation vouchers, vacation fractioning and leave without remuneration stand out.

### NEW BENEFITS

In addition to wage replacement, according to the National Consumer Price Index (INPC), the 2019 salary agreement included different benefits for the employee's daily life.

Leave for family medical follow-up, leave due to cases of domestic violence and reduction of workload for employees who are parents of people with special needs (PSN) are items that reinforce the importance of humanization in work relationships.

## INTERNAL CAMPAIGNS

### CAMPANHA DO AGASALHO

Sanepar encourages the practice of solidarity and social good through state and local corporate social campaigns, in partnership with employees, the Equity Committee and other institutions.

In 2019, the Winter Campaign raised more than 10,000 pieces of clothing and blankets that were donated to poor communities in several cities of Paraná.

### LIVRO SOLIDÁRIO

The Solidarity Book Campaign, which brings literature to children from rural schools, delivered in 2019 almost 2,000 books in 4 municipalities of

Paraná. Started in 2015, the campaign benefits communities served by the Sanepar Rural Sanitation Program. More than 5,000 books have been delivered in 9 schools and 5 public libraries. Coordinated by Social Service and Library, the project is a joint work of People Management and Investment Board.

### PAPAI NOEL DOS CORREIOS

Dozens of social actions are carried out throughout the State that mobilize the functional body and strengthen ties with the community.

Sanepar is one of the largest partners of the Post Office Santa Claus project in Paraná. In 2019, 917 letters were adopted in all regions of the state to meet requests from students from 0 to 5 years old in public schools and children's education centers.



Picture: Bruna Carla de Camargo

09

A photograph of a large, white, cylindrical water tower. The tower has a blue logo consisting of three stylized, curved shapes on the left and the word "SANEP" in blue, bold, capital letters on the right. The tower is topped with various antennas and a satellite dish. The background is a clear blue sky. In the foreground, there is a blurred view of a building with a series of arches.

**SANEP**

The background features a photograph of a building with a curved facade and a sign that partially reads 'AR'. A large, light blue graphic element, consisting of a curved shape, is overlaid on the right side of the image. The main title 'ANNUAL SOCIAL BALANCE' is centered in the lower half of the page, with 'ANNUAL' and 'SOCIAL' in white and 'BALANCE' in light blue.

# ANNUAL SOCIAL BALANCE

## ANNUAL SOCIAL BALANCE

	2019			2018		
<b>1) TAX BASE</b>	<b>VALUE (Thousand Reais)</b>			<b>VALUE (Thousand Reais)</b>		
Net Operating Income (NOI)	4,722,826			4,162,205		
Operating Profit (OP)	1,453,884			1,165,002		
Gross Payroll (GP)	946,790			893,281		
<b>2) INTERNAL SOCIAL INDICATORS</b>	<b>VALUE (Thousand BRL)</b>	<b>% on GP</b>	<b>% on NOI</b>	<b>VALUE (Thousand BRL)</b>	<b>% on GP</b>	<b>% on NOI</b>
Food	96,285	10.17	2.04	93,059	10.42	2.23
Compulsory social contribution	216,848	22.90	4.59	207,561	23.23	4.99
Private pension	33,598	3.55	0.71	31,682	3.55	0.76
Health	69,238	7.31	1.47	64,961	7.27	1.56
Transportation voucher	1,635	0.17	0.04	1,267	0.14	0.03
Work safety and health	12,881	1.35	0.27	12,760	1.43	0.31
Education	-	-	-	693	0.08	0.02
Training and professional development	4,423	0.47	0.09	5,102	0.57	0.12
Daycare or daycare allowance	2,243	0.25	0.05	2,323	0.26	0.05
Profit or income sharing	76,627	8.09	1.62	134,246	15.03	3.23
Others	87,826	9.28	1.86	76,160	8.53	1.83
<b>TOTAL - Internal Social Indicators</b>	<b>601,604</b>	<b>63.54</b>	<b>12.74</b>	<b>629,814</b>	<b>70.51</b>	<b>15.13</b>
<b>3) EXTERNAL SOCIAL INDICATORS</b>	<b>VALUE (Thousand BRL)</b>	<b>% on GP</b>	<b>% on NOI</b>	<b>VALUE (Thousand BRL)</b>	<b>% on GP</b>	<b>% on NOI</b>
Cultural, Artistic, Audiovisual and Sports	6,709	0.46	0.14	6,480	0.56	0.16
Child and Elderly Funds	2,500	0.17	0.05	2,600	0.22	0.06
Health and Oncology Care Programs	400	0.03	0.01	1,914	0.17	0.05
Leisure and entertainment	421	0.03	0.01	1,619	0.14	0.04
Others	697	0.05	0.02	6,329	0.54	0.15
<b>Total Social Contributions</b>	<b>10,727</b>	<b>0.74</b>	<b>0.23</b>	<b>18,942</b>	<b>1.63</b>	<b>0.46</b>
Taxes (social contribution excepted)	757,634	52.11	16.04	621,036	53.31	14.92
<b>TOTAL - External Social Indicators</b>	<b>768,361</b>	<b>52.85</b>	<b>16.27</b>	<b>639,978</b>	<b>54.94</b>	<b>15.38</b>
<b>4) ENVIRONMENTAL INDICATORS</b>	<b>VALUE (Thousand BRL)</b>	<b>% on GP</b>	<b>% on NOI</b>	<b>VALUE (Thousand BRL)</b>	<b>% on GP</b>	<b>% on NOI</b>
Related to company's operation	1,087,973	74.83	23.04	1,000,300	85.86	24.03
In Programs and/or external projects	80,252	5.52	1.70	60,681	5.21	1.46
<b>TOTAL - Investments in the Environment</b>	<b>1,168,225</b>	<b>80.35</b>	<b>24.74</b>	<b>1,060,981</b>	<b>91.07</b>	<b>25.49</b>



5) FUNCTIONAL BODY INDICATORS	2019	2018
Number of employees at the end of the period	6,985	7,022
No. of hirings during the period	7	17
Number of trainees	145	170
Number of employees over 45 years old	3,238	3,060
Number of women working in the company	1,487	1,494
% of management positions held by women	27.80%	30.13%
Number of black people working at the company <sup>1</sup>	332	335
Number of people with disabilities or special needs <sup>2</sup>	91	93

6) RELEVANT INFORMATION REGARDING CORPORATE CITIZENSHIP	2019			2018		
Ratio between highest and lowest remuneration	22.63			23.77		
Total number of accidents at work	351			310		
The social and environmental projects developed by the company were defined by:	( ) board	(X) board and managements	( ) all employees	( ) board	(X) board and managements	( ) all employees
The safety and health standards in the workplace were defined by:	( ) board and managements	( ) all employees	(X) all + Cipa	( ) board and managements	( ) all employees	(X) all + Cipa
Private pension plans include:	( ) board	( ) board and managements	(X) all employees	( ) board	( ) board and managements	(X) all employees
The profit or income sharing include:	( ) board	( ) board and managements	(X) all employees	( ) board	( ) board and managements	(X) all employees
In selecting suppliers, the same ethical and social responsibility standards adopted by the company:	( ) are not considered	( ) are suggested	(X) are suggested	( ) are not considered	( ) are suggested	(X) are required
Regarding employee participation in volunteer work, the company:	( ) does not get involved	( ) supports	(X) organizes and encourages	( ) does not get involved	( ) supports	(X) organizes and encourages
<b>Total added value to be distributed (in thousand BRL)</b>	<b>In 2019: 3,239,253</b>			<b>In 2018: 2,976,128</b>		
Added Value Distribution (AVD):	<b>28.0%</b> government <b>30.9%</b> employees <b>10.2%</b> shareholders <b>7.7%</b> third parties <b>23.2%</b> retained			<b>25.5%</b> government <b>33.9%</b> employees <b>14.2%</b> shareholders <b>10.6%</b> third parties <b>15.8%</b> retained		

<sup>1</sup> Quota of Afrodescendants in Public Tender as of calendar year 2005;

<sup>2</sup> Quota of Disabled People in Public Tender as of calendar year 2000.

APPEALS PER TAX WAIVER (BRL THOUSAND)	
Cultural and artistic	5,566
Sports	1,143
Child and Adolescent Fund	1,250
Elderly Fund	1,250
Pronon (National Support Program for Oncologic Care)	-
Pronas (National Support Program to the Health Care of the Disabled Person)	400
PAT (Worker Meal Program)	7,568
Citizen Company Incentive	751
Good Law	771
<b>TOTAL</b>	<b>18,699</b>



# **FINANCIAL STATEMENTS**

# Companhia de Saneamento do Paraná - SANEPAR

## ACCOUNTING STATEMENTS

As of December 31, 2019, and 2018

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**INDENPENDENT  
AUDITORS'  
REPORT**

## INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the  
Shareholders and Management of  
**Companhia de Saneamento do Paraná - Sanepar**  
Curitiba-PR

### Opinion on the financial statements

We have audited the financial statements of Companhia de Saneamento do Paraná - Sanepar (the Company), which comprise the statement of financial position as at December 31, 2019 and the respective statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the corresponding notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, its financial performance and its cash flows for the year then ended in accordance with Brazilian accounting practices and International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

### Basis for opinion on the financial statements

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the relevant ethical principles established in the Code of Ethics for Professional Accountants and in the professional standards issued by the Brazilian Federal Association of Accountants (CFC), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis

#### On going Independent internal investigation ("Rádio Patrulha", "Integração" and "Águas Claras" operations)

As mentioned in Note 31 to the financial statements and in the Key Audit Matters - KAM, the Company's Board of Directors on August 15, 2019 ratified the creation of the "External Investigation Committee" and on August 23, 2019 elected the members of the Committee, to coordinate investigations with the purpose of providing clarifications on the investigations in the scope of the operations "Radio Patrulha" and "Integração". Subsequently, in December 2019, the "Águas Claras" operation was included in the scope of the investigations. The actions for the investigation, which are being monitored by the "External Investigation Committee" are still in the preliminary phase and evaluation of collected data and, at this moment, it is not possible to predict future developments for the Company resulting from this investigation process, as well as by public authorities. Our opinion is not being qualified in relation to this matter.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the subject described in the "Emphasis" section related to the investigation, we have determined that the matters described below are the main audit matters to be communicated in our report.

### **Investigation of the operations “Rádio Patrulha”, “Integração” and “Águas Claras”**

As described in Note 31, to the Company's financial statements for the year ended December 31, 2019, certain ex-managers and ex-members of the Company, and the Company itself, are mentioned in certain resolutions and investigations of the Federal Public Ministry and Attorney of the Republic of the State of Paraná in relation to the “Rádio Patrulha” and “Integração” Operations. Subsequently, in December 2019, the “Águas Claras” operation was included in the scope of the investigations. On August 15, 2019, the Company's Board of Directors approved the creation of the External Investigation Committee and on August 23, 2019, its independent members were elected. On November 28, 2019 an Investigation Team was hired in order to conduct the independent internal investigation itself. The work of the Investigation Team and the External Investigation Committee is in progress, in its initial phase, without any conclusion. The risks and uncertainties involved in these independent internal investigation work, in addition to the existence of the aforementioned operations by public authorities on the matters mentioned in Note 31, and others still in the due diligence stage that may exist, may or may not result in possible material impacts in the Company's financial statements, if any, including in relation to its disclosures, which may result in changes in the assumptions used to recognize provisions arising from payments made by the Company without the effective provision of services and / or delivery of products / equipment and / or at overpriced prices, including the respective tax effects and deductibility for purposes of calculating income tax, including fines and interest.

Due to the risks and uncertainties involved, in addition to the ongoing investigations of the processes already started, and others still under diligence stage, which may result in possible impacts on the financial statements, including i disclosures concerns, this matter has taken up a large part of our attention and of our efforts and, therefore, it was treated as significant in our audit due to the fact that we have to monitor all developments related to ongoing investigations, which may eventually impact the financial statements regarding eventual payments without the actual rendering of services and / or delivery of products / equipment and / or at overpriced prices, including the respective tax effects and deductibility of these expenses, including interest and a fine.

### **Audit response to the matter**

Our audit procedures included, among others:

- We read the public documents available for the aforementioned operations;
- We read the preliminary reports prepared by the internal audit as mentioned in Note 31 and interviewed those responsible for the internal audit;
- We verified the internal approvals and documentation regarding the constitution and contracting of the External Investigation Committee and the Investigation Team, responsible for the independent internal investigation itself, aiming at corroborating its scope of action;
- We verified the existence of internal communication from the Board of Directors determining the inclusion of “Operation Águas Claras” in the scope of the independent internal investigation;
- We participated in meetings, evaluated and discussed the main investigative actions of the Company conducted by the independent law firm and respective forensic specialist;
- We held meetings and discussions with the Company's internal and external legal advisors in order to understand what the impacts and risks of all ongoing processes and diligences would be;
- We evaluated the qualitative and quantitative information available and the respective disclosures presented in Note 31 to the financial statements.
- We involved our specialists in forensic practices to assist us in assessing the scope and coverage of the investigation, in the critical assessment of the procedures and methodologies used by independent investigators to date of these investigations, including regarding the initial procedures for collecting and analyzing documents and / or critical information, which are still at an early stage.

Based on the evidence obtained through the procedures described above, we consider that the procedures carried out for the independent internal investigation, in preliminary phase, as well as their respective disclosures related to the process and due diligence involving the investigations on the operations mentioned above, are appropriate in the context of the financial statements taken as a whole, for the year ended December 31, 2019.

### **Pension plan and health insurance**

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As described in Note 20, the Company is the sponsor of a supplementary defined benefit pension plan and of a health insurance plan aimed to active and retired employees. The calculation of actuarial liabilities is determined from reports issued by the Company's actuary. The information on the plan's assets and liabilities, as well as the criteria for measurement of the obligations are described in the note referred to above.

The matter was considered relevant for our audit because of the amount involved and the high level of complexity required to determine the assumptions and judgment associated to the calculation of the actuarial liabilities. Variations in the assumptions used, such as mortality, turnover, discount rates and inflation may significantly affect the liabilities recognized by the Company.

### **Recognition of unbilled revenue**

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As presented in Note 24, the Company recognizes on a monthly basis as operating revenues amounts referring to services rendered but not billed to final consumers ("unbilled revenues"). As billing is performed cyclically, and often not coinciding with monthly closing, the Company makes estimates which include information such as average consumption from last reading of hydrometers to be attributed to each consumer for the period between the date of measurement of consume and the date of the accounting closing, attributable to each operating segment of the Company.

Considering the amount involved and the level of judgment required from management in making such estimates, we understand that there are significant risks related to the recognition of revenue in incorrect periods and/or risk of material misstatement of the financial statements.

### **Audit response to the matter**

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Our auditing procedures included, among others, the involvement of our actuarial specialists to assist us in evaluating the assumptions used in the calculation of actuarial liabilities, and we compared the assumptions with the market data. In addition, we reviewed the adequacy of the disclosures made by the Company in relation to the matter.

Based on the audit procedures performed, we consider that the estimates used in the recognition of actuarial liabilities of the Company are appropriate to support the judgments and information included in the financial statements as a whole.

### **Audit response to the matter**

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Our procedures included, among others, understanding the internal controls established by the Company over the process of revenue recognition, mainly understanding the methodology used in the calculation of the estimate of unbilled revenue. Additionally, we recalculated the estimated billings that resulted in the balances recognized in the financial statements.

Based on the audit procedures followed, we consider that the estimates on the recognition of unbilled revenues of the Company are appropriate to support the judgments made and information included in the financial statements as a whole.

### **Administrative proceedings and court claims**

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As described in Note 19, the Company is a passive party in several labor, civil, environmental and tax proceedings, whose provision for contingencies amounts to R\$546,672 thousand as of December 31, 2019, as a result of its operating activities.

Monitoring of this matter was considered significant for our audit due to the relevance of the amounts involved, to the level of judgment involved in determining the need for recognizing a provision, and to the complexity of the tax environment in Brazil.

### **Concession/Program agreements**

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As disclosed in Notes 10, 11 and 13b to the financial statements, the Company maintains the amount of R\$ 435,209 thousand recorded as Contractual Financial Assets, R\$ 1,756,714 thousand recorded as Contract Asset and R\$ 7,223,560 thousand recorded in Intangible Assets as of December 31, 2019, related to investments made in accordance with its sanitation services program/concession agreements. The values of Intangible Assets are expected to recover over the respective program/concession agreements, based on the receipt of tariffs for services provided to users, while the values of the Contractual Financial Assets represent the portion indemnified by the grantor at the time of termination of the agreement.

As these investments are amortized over the term of the respective program/concession agreements, the Company's Management evaluates, at least annually, the existence of indications of impairment of these assets and, additionally, it elected to disclose the results of its impairment analysis based on a discounted cash flow model, which requires Management to adopt some assumptions based on information generated by its internal reports, which involve judgments about the future results of the business.

### **Audit response to the matter**

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Our procedures included, among other things, obtaining and analyzing confirmation letters received from the Company's legal counselors, in order to compare their assessments of the open proceedings with the positions held by Management, as well as conducting interviews with Company's Management and with the legal department, to discuss the assumptions used for the accounting and development of the main legal proceedings in course. Additionally, we evaluated the Company's history of losses and if the disclosure of the matter included in Note 19 is adequate.

Based on the audit procedures followed, we consider that the Company's policies on the recognition of provisions for contingencies are appropriate to support the balances accounted for and information included in the financial statements as a whole.

### **Audit response to the matter**

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Our procedures included, among others: (i) interviews with the Company's legal and operational department, in addition to its financial-accounting area, to understand situations of pending renewals of past-due contracts; (ii) obtaining the opinion of the Company's legal department regarding the situation and likelihood of gain of possible contracts in dispute between the Company and the respective granting authority; and (iii) review of minutes of board meetings and Company councils in order to identify problems related to the continuity of its program/concession agreements. These procedures were intended to support our conclusion regarding the Company's analysis that no indications of possible impairment of assets related to the Company's program/concession agreements were identified. Additionally, due to the fact that the Company optionally performs an analysis of the value in use of its Intangible Assets and discloses this information according to Note 13d, even though it is not required according to technical pronouncement CPC 01 (R1) Impairment of Assets because they are assets with a defined useful life, our procedures included the reading of the report prepared by the Company including the future cash flow forecasts considered and the main assumptions used and analysis of the adequate disclosure of these assumptions in the notes to the financial statements.

Based on our auditing procedures, we consider that the Company's finding that it has not identified impairment evidence for the assets related to the program/concession agreements are appropriate to support the accounting balances and the information included in the financial statements.



## **Other matters**

### **Statements of value added**

The financial statements referred to above include the statements of value added, prepared under the responsibility of the Company's Management for the year ended December 31, 2019, and presented as supplemental information for IFRS purposes. That financial information was submitted to the same audit procedures followed for the audit of the Company's financial statements. In order to form an opinion, we have checked whether this financial information is reconciled with the financial statements and accounting records, as applicable, and whether its form and contents meet the criteria established in NBC TG 09 - Statement of Value Added. In our opinion, the statements of value added were properly prepared, in all material respects, in accordance with the criteria established in that technical pronouncement and are consistent with the financial statements taken as a whole.

### **Other information accompanying the financial statements**

The Company's Management is responsible for this other information that comprises the Management Report.

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

In connection with our audit of the financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Management Report, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and those charged with Governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Brazilian accounting practices and the IFRSs, issued by IASB, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian standards and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Curitiba, February 06, 2020.

# Companhia de Saneamento do Paraná - SANEPAR

## STATEMENTS OF FINANCIAL POSITION

As at December 31, 2019 and 2018

(In thousands of Brazilian Reais)

### ASSETS

	Notes	2019	2018 (Restated)
<b>Current</b>			
Cash and cash equivalents	5	274,059	326,624
Trade accounts receivable	6	809,736	639,054
Inventories		46,146	39,120
Recoverable taxes and contributions	7	305	15,396
Restricted deposits	8	2,855	6,720
Other accounts receivable	9	37,642	37,616
<b>Total current</b>		<b>1,170,743</b>	<b>1,064,530</b>
<b>Noncurrent</b>			
Trade accounts receivable	6	19,826	22,070
Restricted deposits	8	55,748	52,948
Financial instruments and derivatives	4	2,040	-
Court deposits	19.c	297,755	203,452
Contractual financial assets	10	435,209	375,871
Contract assets	11	1,756,714	1,393,188
Deferred Income and Social Contribution taxes	17.c	629,063	490,938
Other accounts receivable	9	48,559	50,615
Investments	12	2,671	22,585
Fixed assets	13.a	297,716	168,771
Intangible assets	13.b	7,223,560	6,936,354
<b>Total noncurrent</b>		<b>10,768,861</b>	<b>9,716,792</b>
<b>TOTAL ASSETS</b>		<b>11,939,604</b>	<b>10,781,322</b>

# Companhia de Saneamento do Paraná - SANEPAR

## STATEMENTS OF FINANCIAL POSITION

As at December 31, 2019 and 2018

(In thousands of Brazilian Reais)

### LIABILITIES

	Notes	2019	2018
<b>Current</b>			
Loans, financing, debentures and finance lease	14	357,213	478,770
Contractors and Suppliers		214,445	190,742
Concession agreements	15	31,414	60,456
Taxes and contributions	16	100,770	68,133
Salaries and social charges		212,875	239,343
Dividends and interest on equity capital	21/23	229,341	183,678
Unearned Revenue	18	4,200	4,200
Collaterals and contractual retentions		2,189	2,545
Pension plan and health insurance	20	82,440	62,786
Other accounts payable	22	56,496	68,179
<b>Total Current</b>		<b>1,291,383</b>	<b>1,358,832</b>
<b>Noncurrent</b>			
Loans, financing, debentures and finance lease	14	2,723,218	2,292,548
Taxes and contributions	16	596	991
Financial instruments and derivatives	4	2,065	-
Unearned Revenue	18	4,900	9,100
Provisions	19.a	546,672	461,797
Pension plan and health insurance	20	1,154,162	879,002
Other accounts payable	22	42,694	61,864
<b>Total Noncurrent</b>		<b>4,474,307</b>	<b>3,705,302</b>
<b>Total Liabilities</b>		<b>5,765,690</b>	<b>5,064,134</b>
<b>Equity</b>			
	23		
Capital Stock		2,851,089	2,851,089
Revaluation surplus		69,559	75,111
Asset and liability valuation adjustments		5,196	5,722
Income reserves		3,306,767	2,689,041
Other comprehensive income		(58,697)	96,225
<b>Total Equity</b>		<b>6,173,914</b>	<b>5,717,188</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>11,939,604</b>	<b>10,781,322</b>

The accompanying notes are an integral part of these financial statements.

# Companhia de Saneamento do Paraná - SANEPAR

## Statements of income

For the years ended December 31, 2019 and 2018  
(In thousands of Brazilian Reais, except earnings per share)

	Notes	2019	2018
<b>Net Operating Revenue</b>	24	<b>4,722,826</b>	<b>4,162,205</b>
<b>Costs of Services Rendered</b>	25	<b>(1,858,933)</b>	<b>(1,680,042)</b>
<b>Gross Profit</b>		<b>2,863,893</b>	<b>2,482,163</b>
<b>Operating Expenses</b>			
Selling	26	(358,196)	(308,232)
Administrative	26	(586,556)	(600,315)
Other Operating Revenues (Expenses)	26	(57,612)	(32,726)
Equity in Earnings (Losses) of Controlled Companies	12	(5,658)	(3,829)
Civil, Labor, Tax and Environmental Provisions	19.a	(84,875)	43,837
Provision for Pension Plan and Health Insurance	20	(60,084)	(76,011)
Profit Sharing Program	27	(76,627)	(134,246)
		<b>(1,229,608)</b>	<b>(1,111,522)</b>
<b>Financial Income (Expenses)</b>			
Financial Revenues	28	65,516	59,353
Financial Expenses	28	(245,917)	(264,992)
		<b>(180,401)</b>	<b>(205,639)</b>
<b>Income before Income and Social Contribution Taxes</b>		<b>1,453,884</b>	<b>1,165,002</b>
Income and Social Contribution Taxes	17.a	(373,850)	(272,515)
<b>NET INCOME FOR THE YEAR</b>		<b>1,080,034</b>	<b>892,487</b>
Net income attributable to common shares		337,511	278,902
Net income attributable to preferred shares		742,523	613,585
Basic and diluted earnings per share	23.i		
Common		2.01005	1.66100
Preferential		2.21105	1.82711

The accompanying notes are an integral part of these financial statements.

# Companhia de Saneamento do Paraná - SANEPAR

## STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

(In thousands of Brazilian Reais)

	<u>2019</u>	<u>2018</u>
		(Restated)
<b>Net Income for the Year</b>	<b>1,080,034</b>	<b>892,487</b>
<b>Items that will not be reclassified to income</b>	<b>(154,922)</b>	<b>46,770</b>
Actuarial gains and losses	(234,730)	70,865
Effect of Income and Social Contribution Taxes on actuarial gains and losses	79,808	(24,095)
<b>Items that will be reclassified to income</b>	<b>(6,078)</b>	<b>(8,378)</b>
Realization of the revaluation surplus	(8,413)	(9,231)
Effect of Income and Social Contribution Taxes on realization of the revaluation surplus	2,861	3,138
Deemed cost realization	(796)	(3,463)
Effect of Income and Social Contribution Taxes on deemed cost realization	270	1,178
<b>Total Comprehensive Income for the Year</b>	<b><u>919,034</u></b>	<b><u>930,879</u></b>

The accompanying notes are an integral part of these financial statements.

# Companhia de Saneamento do Paraná - SANEPAR

## STATEMENTS OF CHANGES IN EQUITY For the years ended December 31, 2019 and 2018 (In thousands of Brazilian Reais)

	Profit Reserves					Retained earnings	Other Comprehensive Income	Total
	Capital Stock	Investment plan	Legal	Tax incentives	Additional proposed dividend			
<b>Balancete as at January 1, 2018</b>	<b>2,851,089</b>	<b>1,751,820</b>	<b>238,301</b>	<b>9,962</b>	<b>162,816</b>	-	<b>138,666</b>	<b>5,152,654</b>
Net income for the year	-	-	-	-	-	892,487	-	892,487
Realization of revaluation surplus	-	-	-	-	-	9,231	(9,231)	-
Realization of taxes on revaluation surplus	-	-	-	-	-	(3,138)	3,138	-
Realization of adjustment to attributed cost	-	-	-	-	-	3,463	(3,463)	-
Realization of taxes on adjustment to attributed cost	-	-	-	-	-	(1,178)	1,178	-
Actuarial gains and losses	-	-	-	-	-	-	70,865	70,865
Provision for taxes on actuarial gains and losses	-	-	-	-	-	-	(24,095)	(24,095)
<b>Total Comprehensive income for the year</b>	-	-	-	-	-	900,865	38,392	939,257
Additional dividends from 2017	-	-	-	-	(162,816)	-	-	(162,816)
Proposed destination for A.G.O.:								
Recognition of legal reserve	-	-	44,612	-	-	(44,612)	-	-
Tax incentives	-	-	-	247	-	(247)	-	-
Interest on equity capital	-	-	-	-	-	(326,114)	-	(326,114)
Additional dividends proposed	-	-	-	-	211,907	(97,700)	-	114,207
Retained earnings	-	432,192	-	-	-	(432,192)	-	-
<b>Balance as at December 31, 2018</b>	<b>2,851,089</b>	<b>2,184,012</b>	<b>282,913</b>	<b>10,209</b>	<b>211,907</b>	-	<b>177,058</b>	<b>5,717,188</b>
Net income for the year	-	-	-	-	-	1,080,034	-	1,080,034
Realization of revaluation surplus	-	-	-	-	-	8,413	(8,413)	-
Realization of taxes on revaluation surplus	-	-	-	-	-	(2,861)	2,861	-
Realization of adjustment to attributed cost	-	-	-	-	-	796	(796)	-
Realization of taxes on adjustment to attributed cost	-	-	-	-	-	(270)	270	-
Actuarial gains and losses	-	-	-	-	-	-	(234,730)	(234,730)
Provision for taxes on actuarial gains and losses	-	-	-	-	-	-	79,808	79,808
<b>Total Comprehensive income for the year</b>	-	-	-	-	-	1,086,112	(161,000)	925,112
Additional dividends from 2017	-	-	-	-	(211,907)	-	-	(211,907)
Proposed destination for A.G.O.:								
Recognition of legal reserve	-	-	53,996	-	-	(53,996)	-	-
Tax incentives	-	-	-	123	-	(123)	-	-
Interest on equity capital	-	-	-	-	-	(330,411)	-	(330,411)
Additional dividends proposed	-	-	-	-	73,932	-	-	73,932
Retained earnings	-	701,582	-	-	-	(701,582)	-	-
<b>Balance as at December 31, 2019</b>	<b>2,851,089</b>	<b>2,885,594</b>	<b>336,909</b>	<b>10,332</b>	<b>73,932</b>	-	<b>16,058</b>	<b>6,173,914</b>

The accompanying notes are an integral part of these financial statements.



# Companhia de Saneamento do Paraná - SANEPAR

## STATEMENTS OF CASH FLOWS For the years ended December 31, 2019 and 2018 (In thousands of Brazilian Reais)

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net income for the year</b>	<b>1,080,034</b>	<b>892,487</b>
Adjustments to reconcile income to cash from operating activities		
Depreciation and amortization	337,442	271,387
Cost of fixed and intangible assets write-offs	10,707	10,647
Impairment	17,126	843
Discount to present value of financial assets	(22,671)	(5,870)
Allowance for losses on doubtful accounts	20,850	7,747
Deferred Income and Social Contribution taxes, net	(58,317)	(61,900)
Provisions	84,875	(43,837)
Pension plan and health insurance	60,084	76,011
Interest on financing	200,198	220,724
Monetary variations on financing	15,009	64,029
Interest and leasing monetary updates	46,144	-
Net exchange variation	(24)	-
Financial instruments and derivatives variation	40	-
Equity in earnings (losses) of controlled companies	5,658	3,829
Appropriation of costs of funds raised from third parties	568	781
Adjustment to Fair Value – Investments	(564)	(1,472)
	<b>717,125</b>	<b>542,919</b>
<b>Changes in assets and liabilities</b>		
Trade accounts receivable	(189,288)	(51,534)
Recoverable taxes and contributions	15,091	9,525
Inventories	(7,026)	(2,228)
Court deposits	(94,303)	(18,087)
Other Accounts Receivable	2,034	(13,079)
Contractors and Suppliers	23,703	8,087
Concession agreements	(29,042)	(31,533)
Taxes and contributions	399,966	302,428
Salaries and social charges	(26,468)	62,623
Collaterals and contractual retentions	(356)	(129)
Unearned Revenue	(4,200)	(4,200)
Income tax and social contribution paid	(395,846)	(330,425)
Other Accounts Payable	(30,873)	(4,848)
	<b>(336,608)</b>	<b>(73,400)</b>
<b>Cash Generated by Activities Operational</b>	<b>1,460,551</b>	<b>1,362,006</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments in fixed and intangible assets	(1,027,079)	(974,554)
Investments	(2,525)	(5,476)
<b>Cash Used in Investing Activities</b>	<b>(1,029,604)</b>	<b>(980,030)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Financing Obtained	659,830	490,910
Amortization of Financing	(465,205)	(550,790)
Payments of Interest on Financing	(202,777)	(224,797)
Leasing payments	(81,555)	-
Costs of Funds Raised from Third Parties	(270)	(1,834)
Restricted Deposits	1,065	(4,331)
Payments of Dividends and Interest on Equity Capital	(394,600)	(298,398)
<b>Cash Generated by Financing Activities</b>	<b>(483,512)</b>	<b>(589,240)</b>
<b>VARIATION IN CASH AND CASH EQUIVALENTS</b>	<b>52,565</b>	<b>207,264</b>
Beginning balance of cash and cash equivalents	326,624	533,888
<b>Ending balance of cash and cash equivalents</b>	<b>274,059</b>	<b>326,624</b>

The accompanying notes are an integral part of these financial statements.

# Companhia de Saneamento do Paraná - SANEPAR

## STATEMENTS OF VALUE ADDED

For the years ended December 31, 2019 and 2018

(In thousands of Brazilian Reais)

	<b>2019</b>	<b>2018</b>
<b>Revenues</b>		
Sales of services rendered	5,078,127	4,479,581
Other income (loss)	(57,612)	(32,726)
Losses in the realization and recovery of assets	(20,850)	(7,747)
	<b>4,999,665</b>	<b>4,439,108</b>
<b>Inputs acquired from third parties</b>		
Consumed chemical products	(121,097)	(79,718)
Consumables	(82,946)	(72,278)
Electricity	(474,455)	(425,536)
Other costs from products and services	(467,788)	(434,673)
Third-party services	(232,630)	(209,281)
Other operating expenses	(103,912)	(25,631)
	<b>(1,482,828)</b>	<b>(1,247,117)</b>
<b>Gross value added</b>	<b>3,516,837</b>	<b>3,191,991</b>
Depreciation and amortization	(337,442)	(271,387)
<b>Value added, net</b>	<b>3,179,395</b>	<b>2,920,604</b>
<b>Value added received in transfer</b>		
Equity in earnings (losses) of controlled companies	(5,658)	(3,829)
Financial revenues	65,516	59,353
<b>Total value added to be distributed</b>	<b>3,239,253</b>	<b>2,976,128</b>
<b>Value added distribution</b>		
<b>Employees and managers</b>		
Payroll and charges	813,574	768,835
Remuneration of Directors and Managers	9,114	9,836
Profit sharing program	76,627	134,246
Pension plan and health insurance	102,835	96,643
	<b>1,002,150</b>	<b>1,009,560</b>
<b>Government</b>		
Federal taxes	903,862	756,449
State taxes	443	510
Municipal taxes	2,369	2,342
	<b>906,674</b>	<b>759,301</b>
<b>Financing agents</b>		
Rents	4,478	49,788
Interest and monetary adjustments	245,917	264,992
	<b>250,395</b>	<b>314,780</b>
<b>Shareholders</b>		
<b>Interest on equity capital</b>	<b>330,411</b>	<b>326,114</b>
<b>Dividends</b>	<b>-</b>	<b>97,700</b>
<b>Net income of the year not distributed</b>	<b>749,623</b>	<b>468,673</b>
<b>Total</b>	<b>3,239,253</b>	<b>2,976,128</b>

The accompanying notes are an integral part of these financial statements.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base Date December 31, 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 municipal concessions operated, about 10 (2.9%) of the contracts are currently being renewed for being expired, 53 (15.3%) expire from 2020 to 2028, and 283 (81.8%) 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 extended 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.

The financial statements were authorized for disclosure by the Company’s Management on February 06, 2020.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base Date December 31, 2019  
(In thousands of Brazilian Reais)

### 2.2. Operational Continuity

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

### 2.3. Measurement and Presentation Basis

The financial statements were prepared considering historical cost as base value, financial assets measured at fair value and certain classes of current and non-current assets and liabilities, as presented in the explanatory note to accounting policies.

### 2.4. Functional and Reporting Currency

All amounts presented in the financial statements, 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 Company has consistently applied the accounting policies described below to all years reported in these financial statements.

The main accounting practices, whose details are available in the respective notes, adopted in the preparation of the financial statements were:

- a) **Risk Management and Financial Instruments** – Note 4
- b) **Cash and cash equivalents** - Note 5
- c) **Trade accounts receivable** - Note 6
- d) **Allowance for losses on doubtful accounts** – Note 6
- e) **Contractual financial assets** – Note 10
- f) **Investments** – Note 12
- g) **Fixed and Intangible assets** – Note 13
- h) **Finance lease:** The classification of the lease as operational or finance is established based on an analysis of the terms and conditions of the contracts. The contracts that show the significant transfer of the risks and benefits related to the property of the assets leased are classified as finance lease. Leased assets are stated in Note 13 and the corresponding debt in Note 14.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base Date December 31, 2019  
(In thousands of Brazilian Reais)

- i) **Evaluation of the recoverable value of assets (Impairment test)** – Note 13
- j) **Capitalization of interest and finance charges** – Note 11
- k) **Loans, Financing and Debentures** – Note 14
- l) **Income and social contribution taxes** - Note 17
- m) **Provisions and Contingent Liabilities** – Note 19
- n) **Pension plan and health insurance** – Note 20
- o) **Related-party transactions** - Note 21
- p) **Shareholders' remuneration** – Note 23.h
- q) **Revenues** - Note 24
- r) **Inventories:** Inventories are mainly composed by maintenance and repair materials, recorded at their average acquisition cost, in Current Assets. The amounts accounted for do not exceed its replacement or realization costs.
- s) **Current and noncurrent liabilities:** All liabilities are recorded at known or estimated amounts and, when applicable, adjusted on a pro rata die basis, until the closing date of the financial statements, based on the indexes and agreed-upon charges, with no need of adjustment to present value.
- t) **Licenses:** The Company records the infrastructure used for the operation of public services of basic sanitation as follows:

Concession contracts: The assets from “concession contracts” signed before the enactment of Law 11.445/07 (still ruled by Concessions Law - Law 8.987/95), are recorded as intangible assets and amortized by the economic useful life, based on a technical study made by the Company.

Program contracts: Assets from “Program contracts”, in compliance with Law 11.445/07 – Regulatory Framework, which establishes the national guidelines for basic sanitation, in which the granting power (Municipality) shall mandatorily prepare the Municipal Plan of Basic Sanitation, are recorded according to the bifurcated model (intangible asset and financial asset) defined by ICPC 01 (R1) and OCPC 05. In this model, on the date of signature of the Program Contract, the Company records a portion of the assets as intangible assets, as it receives a right (license) to charge the use of the public service to the user, and a portion as financial assets, as the economic useful life of the assets recorded as intangible assets exceeds the term of the Program Contract. The financial asset represents the remaining amount of intangible asset to be reimbursed to the Company by the granting power by the end of the contract. The assets are amortized according to the terms of the contracts or their useful life, whichever is lower.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base Date December 31, 2019  
(In thousands of Brazilian Reais)

- u) **Statements of cash flows and added value:** These were prepared and are presented in accordance with Technical Pronouncement CPC 03 (R2) – Statements of cash flows. The Statements of value added were prepared and are being presented according to technical pronouncement CPC 09 – Statement of Value Added.
- v) **Use of estimates and judgment:** The preparation of the financial statements in compliance with Brazilian accounting practices, requires the Company's Management to use estimates and assumptions that affect the amounts disclosed in these statements and notes. Actual results could differ from those estimates.

Estimates and assumptions are continuously reviewed. Reviews of accounting estimates are recognized in the year in which the estimates are reviewed and in any future years affected. The main estimate processes are summarized as follows:

### Impairment of financial assets

The Company analyzes at the balance sheet dates if there is objective evidence that the financial asset or group of financial assets is not recoverable.

A financial asset or a group of financial assets is considered not to be recoverable if, and only if, there is objective evidence of impairment as a result of one or more events that happened after the initial recognition of the asset (an incurred 'impairment event'), with such event impacting estimated future cash flow of the financial asset or group of financial assets that can be reasonably estimated.

### Impairment loss of non-financial assets

An impairment loss occurs when the book value of an asset or cash-generating unit exceeds its recoverable value, which is the higher between fair value less sale cost and value in use. The calculation of the fair value less sale costs is based on available information on sales of similar assets or market price less additional costs to discard the asset. The calculation of value in use is based on the discounted cash flow model. Cash flows derive from budget for the next five years and do not include reorganization activities to which the Company has not yet committed itself or future significant investments which will improve the assets basis of cash-generating unit object of test. The recoverable value is sensitive to the discount rate used in the discounted cash flow method, as well as to expected future cash receipts and to the growth rate used for extrapolation purposes.

### Provisions for tax, civil, labor and environmental risks

The Company recognizes a provision for tax, civil, labor and environmental proceedings. The assessment of the likelihood of loss includes assessing the evidence available, the hierarchy of the laws, available case law, the most recent court decisions and their significance in the legal system, as well as the opinion of legal advisors.

The Company's Management believes that the provisions for tax, civil, labor and environmental risks are necessary and appropriate based on the effective legislation.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base Date December 31, 2019  
(In thousands of Brazilian Reais)

### Allowance for losses on doubtful accounts

The allowance for doubtful accounts is set up in an amount deemed sufficient by management to cover possible losses on the realization of accounts receivable, considering historical losses and an individual evaluation of accounts receivable with realization risks.

### Taxes

There are uncertainties in relation to the interpretation of complex tax regulations, and to the amounts and the time of future taxable income. Given the long-term nature and complexity of the existing contractual instruments, differences between the actual results and assumptions adopted, or future changes in such assumptions, may require future adjustments to tax revenue and expenses already recorded. The Company recognized provisions, based on the applied estimates, for the possible effects of audits conducted by tax authorities of the related jurisdictions in which it operates. The amount of these provisions is based on several factors, such as experience in previous tax audits and different interpretations of tax regulations by the taxable entity and responsible tax authority. These differences in interpretation may appear in several subjects, depending on the conditions in effect in the respective domicile of the Company.

A significant judgment from Management is required to determine the amount of deferred tax assets that can be recognized, according to a term considered reasonable, as well as the level of future taxable income expected for future years, along with future strategies of tax planning.

In compliance with ICPC 22, the Company understands that all tax adjustments made in the calculation of taxes and contributions on profit do not present a subject that can be questioned by the federal tax authorities as a result of different tax interpretation.

### Pension plan and health insurance

The cost of the pension plan with defined benefits and other post-employment benefits of medical assistance, as well as the present value of the retirement obligation are established using methods of actuarial evaluation. The actuarial evaluation involves the use of assumptions on discount rates, expected return rates of assets, future increase in salaries, mortality rates and future increase of pension and retirement benefits. The obligation of the defined benefit is highly sensitive to changes in these assumptions. All assumptions are reviewed at each base date.

## **3.1 Lease transactions**

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.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base Date December 31, 2019  
(In thousands of Brazilian Reais)

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

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

- Expected amounts to be paid under any residual value guarantee;
- The exercise price of any purchase option granted in favor of the Company, if it is reasonably certain to evaluate this option; and
- Any penalties payable for the termination of the lease, if the lease term has been estimated based on the termination option being exercised.
- Assets of right of use are initially measured at the amount of the lease liability, reduced by any lease incentives received and increased to:
- 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 (nominal incremental 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



# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base Date December 31, 2019  
(In thousands of Brazilian Reais)

liability is remeasured using the applicable discount rate on the date of the change, with the asset of the right of use being adjusted by the same value.

- If the renegotiation results in a reduction in the scope of the lease, both the carrying amount of the lease liability and the right of use are reduced in the same proportion to reflect the partial rescission of the lease with any difference recognized in the income for the year. The lease liability is then adjusted to ensure that its book value reflects the amount of the renegotiated payments during the renegotiated term, with lease payments modified discounted at the rate applicable on the date of the modification. The asset of the right of use is adjusted by the same value.

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

### **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\$38,324. In some of them, for leases to provide for payments to increase each year for inflation, or in others to be periodically redefined for market rent rates. In others, the rent amount is fixed over the term of the lease. In all cases, the rental periods do not exceed 5 years. The Company also leases certain equipment and vehicles, respectively, in the net amounts of R\$28,140 and R\$37,036.

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 December 31, 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

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the final stage of construction at the address of its headquarters with change initiated in 2019.

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

The weighted average incremental loan rate applied to lease liabilities during the initial adoption, 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)
<b>Total</b>	<b>100,078</b>

Asset	1/1/2019	Additions	Amortizations	12/31/2019
Vehicles	41,300	17,650	(21,914)	37,036
Mobile goods	21,833	6,308	(8,468)	19,673
Real estate	36,945	1,379	(6,245)	32,079
<b>Balance</b>	<b>100,078</b>	<b>25,337</b>	<b>(36,627)</b>	<b>88,788</b>

Liabilities	1/1/2019	Additions	Financial charges	Payments	12/31/2019
Current	40,026	33,982	7,268	(32,513)	48,763
Non-current	60,052	3,135	-	(14,158)	49,029
<b>Total</b>	<b>100,078</b>	<b>37,117</b>	<b>7,268</b>	<b>(46,671)</b>	<b>97,792</b>

For the purposes of meeting the requirements of Circular Letter / CVM / SNC / SEP No. 02/2019, of 12/18/2019, the leasing right of use was measured considering the incremental loan discount rate, with the incorporation of projected future inflation, with the following composition:

Description	12/31/2019
Vehicles	41,604
Mobile goods	22,678
Real estate	43,426
<b>Total</b>	<b>107,708</b>

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Below we present the future payment flows, considering the projected inflation until the maturity of the contracts, by nature of the lease, in relation to the right lease use commitments:

Description	2020	2021	2022	2023	2024	Total
Vehicles	29,156	11,198	3,805	-	-	<b>44,159</b>
Mobile goods	11,139	7,933	3,381	2,243	-	<b>24,696</b>
Real estate	9,471	9,900	10,232	10,575	10,926	<b>51,104</b>
<b>Total</b>	<b>49,766</b>	<b>29,031</b>	<b>17,418</b>	<b>12,818</b>	<b>10,926</b>	<b>119,959</b>

### Modified retrospective approach:

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

- A single discount rate was applied to groups of leases with fairly similar characteristics; and  
Leases with a remaining term of 12 months or less from the application date were accounted in the income statement, although the initial lease term from the lease start date may have been greater than 12 months.

### 3.2 Contract of Asset

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

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

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

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:

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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, 2020**

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 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 concessions 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 December 31, 2019, and stated in Notes 6, 9 and 22. The risks related to trade accounts receivable are mitigated through their

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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 public bodies, however, Management is intensifying efforts to reduce delinquency levels with negotiations with debtor municipalities and if there is no agreement, the Company enters with a judicial collection.

**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 loans, financing, debentures and leases 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\$20,679 and R\$41,358 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	4,617	(4,617)	9,234	(9,234)
<b>Assets</b>		<b>4,617</b>	<b>(4,617)</b>	<b>9,234</b>	<b>(9,234)</b>
BNDES	TJLP	(614)	614	(1,228)	1,228
BNDES-PAC2	TJLP	(3,210)	3,210	(6,420)	6,420
Debentures - 2nd Issuance - 1st to 3rd Series	TJLP	(2,304)	2,304	(4,608)	4,608
Debentures - 2nd Issuance - 2nd Series	IPCA	(965)	965	(1,930)	1,930
Debentures - 3rd Issuance - 2nd Series	IPCA	(1,102)	1,102	(2,204)	2,204
Debentures - 4th Issuance - 1st Series	TJLP	(2,839)	2,839	(5,678)	5,678
Debentures - 4th Issuance - 2nd Series	IPCA	(877)	877	(1,754)	1,754
Debentures - 6th Issuance - 2nd Series	DI	(1,953)	1,953	(3,906)	3,906
Debentures - 7th Issuance - 1st to 4th Series	IPCA	(188)	188	(376)	376
Debentures - 8th Issuance - 1st and 2nd Series	DI	(3,987)	3,987	(7,974)	7,974
Debentures - 9th Issuance - 1st and 2nd Series	DI	(2,908)	2,908	(5,816)	5,816
Financial Leases	IPC - FIPE	(2,532)	2,532	(5,064)	5,064
Right of Use Leases	DI	(1,817)	1,817	(3,634)	3,634
<b>Liabilities</b>		<b>(25,296)</b>	<b>25,296</b>	<b>(50,592)</b>	<b>50,592</b>
<b>Effects on income before taxation</b>		<b>(20,679)</b>	<b>20,679</b>	<b>(41,358)</b>	<b>41,358</b>

The TR considered in the 12-month period was of 0.00% and the TJLP, 6.20%, obtained from BACEN - Banco Central do Brasil, IPCA rate of 4.31 %, obtained from IBGE – Instituto Brasileiro de Geografia e Estatística, and DI rate of 5.96% obtained from B3 – Brasil, Bolsa e Balcão.

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**Exchange Rate Sensitivity Analysis:** The following are the impacts that would be generated by changes in risk variables related to derivative financial instruments intended to hedge foreign currency lending. The Company estimates that the probable scenario for the next trimester is a growth of 0.73% in the dollar quotation, according to market expectations. The probable scenario uses the exchange rate projected according to the Focus report released by the Central Bank of Brazil - BACEN.

Considering the notional amount of €450.1 thousand (R\$2.039 thousand), the value of the euro quotation as R\$4.5305 for December 31, 2019 (Ptax - Central Bank) and considering the assumption of the value of Euro as U\$1.12 for each Euro, according to a PTAX of R\$ 4.0307. Below are the 25% and 50% exchange variation for appreciation and depreciation concerning the exposure:

Description	Probable	+25%	-25%	+50%	-50%
Risk of reduced - Euro (0.73%)	(8)	(510)	510	(1,020)	1,020

**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, reducing liquidity risks. Additionally, the Company approved the dividends and treasury and Market risks policy.

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

On 12/31/2019 the Company has swap contracts (Euro + Interest x CDI) as shown below:

Financial Instruments - Swap Contract			
Notional amount - EUR	Fair Value of the Asset Position	Fair Value of the Liability Position	Derivative, net
450	2,040	2,065	(25)

### 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

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can make payments of dividends, enter into new loans, issue promissory notes and contract operations with derivatives. For the period ended on December 31, 2019, there was no change in the objectives, policies or capital structure processes.

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

Description	2019	2018
Loans, financing, debentures and leases	3,080,431	2,771,318
Cash and cash equivalents	(274,059)	(326,624)
Net debt	2,806,372	2,444,694
Equity	6,173,914	5,717,188
Accumulated EBITDA 12 Months *	1,971,727	1,642,028
Ratio Net Debt / Net Equity	0.45	0.43
Ratio Net Debt / EBITDA	1.42	1.49

\*EBITDA information not reviewed by the independent auditors

### 4.3. Financial instruments

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

	2019	2018
<b>Assets</b>		
<b>Fair value measured through income</b>		
Financial investments	257,181	291,621
Financial asset - Swap	2,040	-
Restricted deposits	58,603	59,668
<b>Amortized cost</b>		
Cash and banks	16,878	35,003
Trade accounts receivables	829,562	661,124
Contractual financial assets	435,209	375,871
<b>Total</b>	<b>1,599,473</b>	<b>1,423,287</b>
<b>Liabilities</b>		
<b>Fair value measured through income</b>		
Financial liability - Swap	2,065	-
<b>Amortized cost</b>		
Loans, financing, debentures and finance lease	3,080,431	2,771,318
Contractors and Suppliers	214,445	190,742
Concession agreements	31,414	60,456
<b>Total</b>	<b>3,328,355</b>	<b>3,022,516</b>

The level of the fair value hierarchy through the results of the Company's assets is framed at level 2.

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### 5. CASH AND CASH EQUIVALENTS

#### Accounting practice:

*They include cash, bank deposits and short-term investments that are stated at cost, plus income earned by the rates agreed with the Financial Institutions, calculated pro-rata die and appropriated monthly. A financial investment qualifies as a cash equivalent when it has characteristics of immediate convertibility with the issuer in a known amount of cash and is not subject to the risk of significant change in value.*

These have the following composition:

Description	2019	2018
Unrestricted bank deposits	4,516	9,324
Restricted bank deposits	12,362	25,679
	16,878	35,003
Financial investments	257,181	291,621
<b>Total cash and cash equivalents</b>	<b>274,059</b>	<b>326,624</b>

The financial investments approximate fair value and are of short-term type, with high liquidity and low risk of change in value. They comprise investments in fixed income funds, whose portfolio mostly consists of securities issued by the Federal Government and Bank Certificates of Deposit with an average remuneration of 100.31% of the CDI (99.00% in 2018).

### 6. TRADE ACCOUNTS RECEIVABLE

#### Accounting practice:

*Accounts Receivable from Customers: Include services measured and invoiced, not yet received, and revenues from water supply and sewage collection, not yet invoiced, accounted for on an accrual basis, according to the estimated consumption between the date the last reading and the end of each month, based on the average consumption of each customer.*

*Adjustment to Present Value: The balances of accounts receivable from customers referring to installments were adjusted to present value. The installments of individual accounts are updated by SELIC, plus a management and risk fee, and those of government agencies based on the interest of 6% per year. The Company adopts the SELIC rate for the calculation of the Present Value Adjustment for individual accounts and interest of 6% per year for accounts of public agencies.*

*Provision for Losses on Realization of Credits: In order to estimate the amounts of provision for losses on realization of credits, to be recognized in the period, the Company's Management performs analyzes of its accounts receivable, especially on the amounts past due, considering the composition of accounts receivable balances by maturity age and expected recovery in each consumption class.*



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*In accordance with CPC 48 - Financial Instruments and considering the credit recovery policy currently adopted by the Company, which includes the interruption of services provided to defaulting customers, the provision (incurred and expected) is constituted based on the amounts receivable from residential, commercial, industrial and Federal Government overdue for more than 180 days, and based on amounts overdue for more than 2 years for the Municipal Government, except for city halls that are not paying overdue bills, for which a provision is set up for all credits. The Company does not set up a provision for losses in the realization of credits from the State sector because it is a related party and due to its history of settling debts.*

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

Description	2019	2018
Falling due accounts receivable	288,080	241,474
Accounts receivable from installment payments	120,113	56,272
Adjustment to Present Value	(4,088)	(4,723)
Accounts to be billed (Unbilled consumption)	212,452	186,170
	<u>616,557</u>	<u>479,193</u>
Overdue accounts receivable		
From 1 to 30 days	146,804	120,087
From 31 to 60 days	34,697	30,689
From 61 to 90 days	12,816	13,320
From 91 to 180 days	22,404	21,157
Over 180 days	192,771	172,634
Allowance for losses on doubtful accounts	(196,487)	(175,956)
	<u>213,005</u>	<u>181,931</u>
<b>Total accounts receivable, net</b>	<b>829,562</b>	<b>661,124</b>
<b>Current</b>	<b>809,736</b>	<b>639,054</b>
<b>Noncurrent</b>	<b>19,826</b>	<b>22,070</b>

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

Description	Trade accounts receivable	Allowance for doubtful/Adjustment to present value	Present Value Adjustment	2019	2018
Municipal administration	100,974	(49,070)	(3,201)	48,703	43,754
Private	915,307	(147,417)	(887)	767,003	606,020
Federal Entity	1,723	-	-	1,723	1,230
Government State	12,133	-	-	12,133	10,120
<b>Total</b>	<b>1,030,137</b>	<b>(196,487)</b>	<b>(4,088)</b>	<b>829,562</b>	<b>661,124</b>

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

Description	2019	2018
Balances at beginning of year	(175,956)	(171,150)
Amounts recorded as expenses	(20,850)	(7,747)
Write-offs, net of recoveries	319	2,941
<b>Balances at end of year</b>	<b>(196,487)</b>	<b>(175,956)</b>

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

Description	2019	2018
Private customers	147,417	126,754
Municipal Administrations	49,070	49,202
<b>Total</b>	<b>196,487</b>	<b>175,956</b>

### d) 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	2019	2018
Balances at beginning of year	(4,723)	(2,453)
Adjustment to Present Value	635	(2,270)
<b>Balances at end of year</b>	<b>(4,088)</b>	<b>(4,723)</b>

## 7. RECOVERABLE TAXES AND CONTRIBUTIONS

These have the following composition:

Description	2019	2018
Income tax to offset	-	12,517
Social contribution tax to offset	-	2,553
Withheld taxes and contributions – public agencies	305	326
<b>Total</b>	<b>305</b>	<b>15,396</b>
<b>Current</b>	<b>305</b>	<b>15,396</b>

## 8. RESTRICTED DEPOSITS

Restricted deposits breakdown as follows:

Description	2019	2018
National Water Agency - ANA	-	1,773
Health National Foundation - FUNASA	2,855	4,947
Reserves kept in CAIXA (1)	55,748	52,948
<b>Total</b>	<b>58,603</b>	<b>59,668</b>
<b>Current</b>	<b>2,855</b>	<b>6,720</b>
<b>Noncurrent</b>	<b>55,748</b>	<b>52,948</b>

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

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### 9. OTHER ACCOUNTS RECEIVABLE

The composition is as follows:

Description	2019	2018
Advances to employees	13,317	13,481
Reimbursable payments	17,909	16,054
Guarantee deposits	1,740	2,095
Municipal Fund for the Environment (1)	48,881	50,675
Prepaid expenses	3,468	4,988
Bonds and other receivables	886	938
<b>Total</b>	<b>86,201</b>	<b>88,231</b>
<b>Current</b>	<b>37,642</b>	<b>37,616</b>
<b>Noncurrent</b>	<b>48,559</b>	<b>50,615</b>

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

### 10. CONTRACTUAL FINANCIAL ASSETS

#### Accounting practice:

*Contractual financial assets represent the portion of the total amount of constructed operating assets with useful life higher than the contractual term and which, consequently, shall be paid by the Granting Power by the end of the contract. These amounts are initially recognized upon the signature of each Program Contract and then upon the addition of the portion referring to the investment in new assets that exceed the contractual term.*

*Adjustment to Present Value: The financial assets are discounted to present value using the IPCA projected for the year (index published by BACEN), and the Weighted Average Cost of Capital (WACC) as discount rate, resulting in the application of an equivalent rate which represents the spread between IPCA and WACC rate. The adjustments to present value may represent a revenue or an expense to be recorded in the statement of income in the year they occur.*

Changes in financial assets are as follows:

Description	2018	Additions	NPV Revenue	NPV Expense	2019
Unamortized Investments	1,110,314	102,748	-	-	1,213,062
Adjustment to Present Value	(734,443)	(66,081)	22,765	(94)	(777,853)
<b>Total</b>	<b>375,871</b>	<b>36,667</b>	<b>22,765</b>	<b>(94)</b>	<b>435,209</b>

The equivalent discount rate applied to calculate the present value adjustment was 40% (spread between the IPCA projected for the year and the WACC rate) and took into account Program Contracts with terms of 21 to 30 years.

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### 11. CONTRACT ASSETS

#### Accounting practice:

*As determined by CPC 47 / IFRS 15 - Revenue from contract with client, assets linked to the concession under construction, registered under the scope of ICPC 01 (R1) / IFRIC 12 - Concession Contracts, must be classified as Contract Assets during the construction period and transferred to Intangible Assets only after the completion of the works. With the adoption of this new accounting standard, the Company started to record the item Contract Assets in the balance sheet.*

*Capitalization of Interest and Financial Charges: Interest and other financial charges related to the financing of property, plant, and equipment and intangible assets in progress, are appropriated at the cost of the same, until the conclusion of the construction and/or installation of the asset after that period charges are appropriated as financial expense.*

It has the following movement:

Description	2018	Additions	Capitalization of interest	Write-off and Loss	Transfer to Intangible asset	2019
Projects and Works in Progress	1,319,120	874,775	21,543	1,199	(574,140)	1,642,497
Inventories for Construction Work	74,068	40,149	-	-	-	114,217
<b>Total</b>	<b>1,393,188</b>	<b>914,924</b>	<b>21,543</b>	<b>1,199</b>	<b>(574,140)</b>	<b>1,756,714</b>

During the fiscal year of 2019, the amount of R\$914,924 (R\$818,063 in 2018) was recorded as projects and works in progress, due to the expansion of the Water Supply System, mainly in the municipalities of Cascavel, Curitiba, Pato Branco, São José dos Pinhais e Ponta Grossa, and expansion of sewage collection and treatment systems mainly in the municipalities of Londrina, Pontal do Paraná, Guaíra, Paranavaí e São José dos Pinhais.

During 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\$21,543 (R\$30,176 in 2018). The average rate used to determine the amount of capitalized borrowing costs in relation to total costs was 11.1%.

### 12. INVESTMENTS

#### Accounting practice:

*Joint Venture: The Company's investment in the joint venture is accounted for based on the equity method, being initially recognized at cost and adjusted for the recognition of changes in the Company's interest in the joint venture's equity as from the acquisition date.*

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*The statement of income reflects the Company's interest in the operating results of the joint venture.*

*The financial statements of the joint venture are prepared for the same period of disclosure and with the accounting practices aligned with those of the Company.*

*An annual impairment test is carried out on the balances of jointly controlled investments, whenever there is an indicator that the investment may not be recoverable.*

The Company has the following investments:

Description	2019	2018
Investment in joint venture - CS Bioenergia S.A.	-	20,479
Other investment	2,671	2,106
<b>Total</b>	<b>2,671</b>	<b>22,585</b>

### Investment 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 digestion process. CS Bioenergia S.A. partially started its operation in June 2017 and during 2019 reached its operational stability and started the process of transferring electricity credits to Sanepar's consumer units. The financial contribution made by the Company comprises the amount of R\$34,808 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:

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Statement of financial position – CS Bioenergia S.A.	2019	2018
Current assets	2,191	6,873
Noncurrent assets	65,777	67,377
• Fixed assets	42,685	43,279
• Finance lease	16,148	17,856
• Other	6,944	6,242
<b>Total Assets</b>	<b>67,968</b>	<b>74,250</b>
Current liabilities	11,231	7,154
• Loans, financing and finance lease	7,651	3,475
• Other	3,580	3,679
Noncurrent liabilities	11,000	15,899
• Loans, financing and finance lease	11,000	15,899
Equity	45,737	51,197
<b>Total Liabilities and Equity</b>	<b>67,968</b>	<b>74,250</b>
<b>Statement of income (loss) – CS Bioenergia S.A.</b>	<b>2019</b>	<b>2018</b>
Revenues	4,335	5,452
(-) Operational expenses	(15,021)	(11,727)
Financial income (loss)	(3,459)	(3,298)
Income (loss) before taxes	(14,145)	(9,573)
<b>Loss for the year</b>	<b>(14,145)</b>	<b>(9,573)</b>

Changes in the investment in the year are as follows:

Description	2019	2018
Balance at beginning of year	20,479	18,832
Financial contribution	2,525	5,476
Equity in earnings (losses) of controlled company (percentage of interest 40%)	(5,658)	(3,829)
Impairment test	(17,346)	-
<b>Balance at end of year</b>	<b>-</b>	<b>20,479</b>

### Investments assets impairment on CS Bioenergia S.A.

As a result of the delay in the conclusion and start-up of the CS Bioenergia S.A. (Company) plant, as recommended by CPC 18 and CPC 01, the Company carried out the impairment test of this investment, and concluded, considering the history of losses and that future cash flows show negative results, for the analyzed period of 5 years, demonstrating that the investment has no recoverable value. Thus, the impact of the Impairment Test of the investment in CS Bioenergia in the amount of R\$17,346 thousand was recorded in the Company's results.

### Other investments

The Company has investment quotas in FINAM (Amazon Investment Fund) arising from the application of Tax Incentive Income Tax for 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 fair value considering the quotation on 12/31/2019, equivalent to R\$2,671.

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### 13. FIXED AND INTANGIBLE ASSETS

#### Accounting practice:

Fixed assets: These are stated at acquisition or construction cost, plus revaluations made in previous years and asset and liability valuation adjustments to the new deemed cost, less the depreciation calculated using the straight-line method, according to the rates mentioned in this Note. The impairment test of the fixed assets is carried out annually, whenever there is an indicator that the fixed assets may not be recoverable.

Intangible assets: Intangible assets linked to concession contracts are recorded at their acquisition, construction or contractual cost and include the Right of Use and Concession Contracts. Intangible assets linked to Program Contracts are initially recognized by the difference between the amounts invested in assets related to the concessions and the present value of the Contractual Financial Asset calculated according to Note 10. It is an intangible asset with finite useful life and its value will be amortized within the term of the contract.

The amortization of intangible assets linked to Concession Contracts is calculated based on the economic useful life and the amortization of the assets linked to Program Contracts is calculated according to the effective terms of the contracts or to the economic useful life of the assets forming the infrastructure necessary for the rendering of public services, whichever is lower. For the assets whose useful life exceeds the contract term, a financial asset is recognized, as mentioned in Note 3 (t). An impairment test of intangible assets balances is conducted annually, whenever there is an indication that the intangible asset may not be recoverable.

Finance lease: The accounting record is made upon the asset's actual availability for use, considering its fair value or, if lower, the present value of minimum payments of the lease. The debt amount is stated in Note 14. After initial recognition, the asset is accounted for according to the applicable policy.

#### a) Fixed assets

These have the following composition:

By account			2019	2018
Description	Cost	Accumulated depreciation	Net amount	
Administration	463,513	(166,999)	296,514	168,120
Other fixed assets	2,439	(1,237)	1,202	651
<b>Total</b>	<b>465,952</b>	<b>(168,236)</b>	<b>297,716</b>	<b>168,771</b>

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By nature				2019	2018
Description	Annual depreciation rate	Cost	Accumulated depreciation	Net amount	
Plots of land	-	2,929	-	2,929	2,372
Civil construction	*1.84%	136,427	(23,668)	112,759	53,534
Leasehold	2%	2,121	(738)	1,383	1,329
Facilities	*5.83%	8,903	(2,549)	6,354	1,590
Equipment	*6.23%	77,885	(26,914)	50,971	45,197
Furniture and fixtures	7.14%	49,041	(19,757)	29,284	23,745
IT equipment	*19.82%	65,129	(32,512)	32,617	11,323
Vehicles	*13.05%	97,199	(44,489)	52,710	19,104
Machinery, tractors and similar	*19.35%	23,918	(17,153)	6,765	9,124
Tools	6.67%	1,442	(456)	986	1,024
Patrimonial assets to incorporate	-	958	-	958	429
<b>Totais</b>		<b>465,952</b>	<b>(168,236)</b>	<b>297,716</b>	<b>168,771</b>

\* Weighted Average Rate

### b) Intangible assets

These have the following composition:

By lines			2019	2018
Description	Cost	Accumulated amortization	Restated Net amount	
Water mains	4,667,987	(1,597,285)	3,070,702	2,889,919
Sewage mains	5,224,853	(1,205,081)	4,019,772	3,926,332
Solid waste	3,217	(3,165)	52	-
System Use and Operation Rights	125,105	(71,823)	53,282	55,156
Other intangible assets	154,303	(74,551)	79,752	64,947
<b>Total</b>	<b>10,175,465</b>	<b>(2,951,905)</b>	<b>7,223,560</b>	<b>6,936,354</b>



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By nature				2019	2018
Description	Annual amortization rate	Cost	Accumulated amortization	Restated	
				Net amount	
Plots of land	-	171,068	-	171,068	164,454
Wells	*3.10%	150,437	(38,627)	111,810	104,168
Dams	*2.67%	141,253	(57,791)	83,462	86,397
Civil construction	*2.59%	2,270,017	(542,681)	1,727,336	1,616,198
Leasehold	*2.67%	27,300	(3,718)	23,582	20,804
Piping	*2.64%	5,284,267	(1,362,390)	3,921,877	3,830,359
Building connections	3.33%	759,951	(242,491)	517,460	482,499
Facilities	*5.83%	166,978	(65,994)	100,984	103,714
Hydrometers	10%	209,773	(82,408)	127,365	109,414
Macro-meters	10%	6,273	(4,234)	2,039	1,916
Equipments	*6.23%	629,607	(291,708)	337,899	316,846
Furniture and fixtures	7.14%	6,247	(3,530)	2,717	2,930
IT equipment	*19.82%	86,729	(82,252)	4,477	5,278
Computer programs	20%	62,339	(43,756)	18,583	18,269
Vehicles	*13.05%	25,249	(17,732)	7,517	7,699
Machinery, tractors and similar	*19.35%	24,048	(20,094)	3,954	4,945
Tools	6.67%	272	(196)	76	87
Rights of Use of Transmission Lines	6.25%	156	(134)	22	25
Environmental protection and preservatio	20%	27,004	(20,345)	6,659	4,329
Concession of the Mun. of Curitiba (1)	1.50%	125,000	(71,719)	53,281	55,156
Concession of the Mun. of Cianorte (2)	5%	105	(105)	-	-
Patrimonial assets to incorporate	-	1,392	-	1,392	867
<b>Total</b>		<b>10,175,465</b>	<b>(2,951,905)</b>	<b>7,223,560</b>	<b>6,936,354</b>

- (1) Right to grant the onerous concession contract signed on December 6, 2001 and whose concession was previously renewed on June 5, 2018 upon signature of the program agreement in accordance with Law No. 11.445, of January 5, 2007, and other relevant legal acts.
- (2) High of grant an onerous concession agreement 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.

### Lease:

The Company has: (i) asset lease agreement valued at R\$199.3 million resulting from the expansion of the sewage system in the municipalities of Matinhos and Pontal do Paraná, for a period of 240 (two hundred and forty) months, the payment of which started 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 contract, and (ii) vehicle, movable and real estate lease contracts, in which the risks and benefits of using the assets remain with the lessor. The obligations arising from these contracts are shown in Note 14.

As of December 31, 2019, the book value for each category of assets under a Lease commitment recorded in Intangible Assets is shown below:

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By lines			2019	2018
Description	Cost	Accumulated amortization	Net amount	
Buildings	37,434	(1,572)	35,862	36,488
Piping	147,315	(6,187)	141,128	144,075
Building connections	8,227	(607)	7,620	7,893
Facilities	309	(52)	257	278
Equipment	6,013	(908)	5,105	5,480
<b>Total</b>	<b>199,298</b>	<b>(9,326)</b>	<b>189,972</b>	<b>194,214</b>
Vehicles	58,950	(21,914)	37,036	-
Movable assets	28,141	(8,468)	19,673	-
Chattel	38,324	(6,245)	32,079	-
<b>Lease - Right of Use</b>	<b>125,415</b>	<b>(36,627)</b>	<b>88,788</b>	<b>-</b>
<b>Total</b>	<b>324,713</b>	<b>(45,953)</b>	<b>278,760</b>	<b>194,214</b>
<b>Fixed assets</b>	<b>123,162</b>	<b>(36,102)</b>	<b>87,060</b>	<b>-</b>
<b>Intangible</b>	<b>201,551</b>	<b>(9,851)</b>	<b>191,700</b>	<b>-</b>

The Company recorded in its Income Statement the amount of R\$4,478 relating to a low value and short-term lease contracts (less than 12 months).

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## NOTES TO THE FINANCIAL STATEMENTS

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### c) Changes in fixed and intangible assets for the year 2019:

Description	2018	Additions	Depreciation and amortization	Write-offs and losses	Transfers from construction	Transfers	2019
<b>Fixed assets</b>	<b>Restated</b>						
Plots and land	2,372	558	-	-	-	(1)	2,929
Civil construction leasehold	53,534	40,272	(11,119)	(5)	30,066	11	112,759
Facilities	1,329	-	(41)	-	95	-	1,383
Equipment	1,590	4,968	(204)	-	-	-	6,354
Furniture and fixtures	45,197	11,126	(4,081)	(79)	1,373	(2,565)	50,971
IT Equipment	23,745	5,193	(2,578)	(12)	2,991	(55)	29,284
Vehicles	11,323	35,214	(14,597)	(35)	907	(195)	32,617
Machinery, tractors and similar	19,104	64,265	(29,844)	-	-	(815)	52,710
Tools	9,124	-	(2,501)	-	-	142	6,765
Patrimonial assets to incorporate	1,024	43	(81)	-	-	-	986
	429	529	-	-	-	-	958
<b>Total Fixed Assets</b>	<b>168,771</b>	<b>162,168</b>	<b>(65,046)</b>	<b>(131)</b>	<b>35,432</b>	<b>(3,478)</b>	<b>297,716</b>
<b>Intangible Asset</b>							
Plots of land	164,454	3,650	-	-	2,964	-	171,068
Wells	104,168	-	(1,819)	3	9,476	(18)	111,810
Dams	86,397	68	(2,991)	(7)	-	(5)	83,462
Civil construction leasehold	1,616,198	7,916	(50,831)	(344)	168,127	(13,730)	1,727,336
Piping	20,804	108	(683)	(77)	3,726	(296)	23,582
Building connections	3,830,359	14,607	(125,996)	(505)	224,872	(21,460)	3,921,877
Facilities	482,499	285	(22,712)	(810)	59,367	(1,169)	517,460
Hydrometers	103,714	2,952	(10,044)	(1,037)	5,399	-	100,984
Macro-meters	109,414	-	(18,316)	(3,381)	39,648	-	127,365
Equipment	1,916	9	(317)	-	431	-	2,039
Furniture and fixtures	316,846	29,260	(26,202)	(5,070)	20,500	2,565	337,899
IT Equipment	2,930	120	(314)	(74)	-	55	2,717
Computer programs	5,278	5	(871)	(169)	40	194	4,477
Vehicles	18,269	6,047	(5,733)	-	-	-	18,583
Machinery, tractors and similar	7,699	5	(1,003)	-	-	816	7,517
Tools	4,945	9	(858)	-	-	(142)	3,954
Rights of Use of Transmission Lines	87	-	(12)	-	1	-	76
Environmental protection and preservation	25	-	(3)	-	-	-	22
Concession of the Mun. of Curitiba	4,329	74	(1,816)	(85)	4,157	-	6,659
Patrimonial assets to incorporate	55,156	-	(1,875)	-	-	-	53,281
	867	524	-	-	-	1	1,392
<b>Subtotal intangible assets</b>	<b>6,936,354</b>	<b>65,639</b>	<b>(272,396)</b>	<b>(11,556)</b>	<b>538,708</b>	<b>(33,189)</b>	<b>7,223,560</b>
<b>Grand Total</b>	<b>7,105,125</b>	<b>227,807</b>	<b>(337,442)</b>	<b>(11,687)</b>	<b>574,140</b>	<b>(36,667)</b>	<b>7,521,276</b>

- (a) Amount transferred from the Contract Asset account (note 11);  
(b) Amount transferred to the Contractual Financial Assets line with reference to the expected residual amount receivable by the end of the program contracts, net of present value adjustment (note 10).

### d) Impairment analysis

As at December 31, 2019, even with no indication of impairment on fixed and intangible assets with a finite useful life, the Company opted to conduct a technical study to determine the impairment of its assets, identifying as cash -generating units, the business segments of water, sewage and solid wastes.

#### d.1) Cash generating unit (CGU) – Water and Sewage segments

- For the determination of the recoverable value of the assets, or cash-generating units of the Company, the value in use method was adopted, that is, the value generated by the use of these assets;
- Useful life based on the expectation of using the set of assets that make up the UGC, also considering the Company's maintenance policy;

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- Cash flow estimates were projected over five years, as suggested by CPC 01 (R1) in item 33b, in current currency, that is, the effects of inflation were considered and, in the end, deflated;
- Pre-tax discount rate (13.05%) derived from the methodology for calculating the weighted average cost of capital (WACC), as suggested by CPC 01 (R1) in its items 55 and 56;
- Assumptions for business growth, tariff adjustment, and evolution of OPEX projected as established in the Company's strategic planning;
- The residual book value of the assets (or cash-generating unit), on the final date of the cash flow estimates, was considered as recoverable value, this procedure was adopted due to the concession contracts and program contracts, providing for reimbursement to the company residual assets in the event of non-renewal or breach of contract;
- The evolution of expenses was carried out in line with the growth in demand and inflation in each expense.

The technical study concluded that the Fixed and Intangible Assets that are in operation, generating cash flows, are fully recoverable, and it is not necessary to set up a provision for impairment.

### **d.2) Cash generating unit – Solid waste segment**

The cash-generating unit for Solid Waste operation has the following characteristics:

- Solid waste segment contracts were treated separately, that is, each as a UGC;
- The economic results of all cash-generating units in this operation show a history of losses;
- There is no relevant fact that shows a change in the trend in the negative economic results of these contracts.

Considering that the UGC's of solid waste, presented negative results and that there is no prospect of improvement for the segment, the technical study concluded that the fixed and intangible assets that are in operation in the amount of R\$9,414 are not recoverable, therefore, a supplement to the provision for devaluation, in the amount of R\$220, was recorded in other operating expenses. As of December 31, 2019, revenues and net losses from the solid waste segment were R\$10,548 and R\$ 1,990, respectively.

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

#### **Accounting practice:**

*Loans, financing and debentures are initially recognized at fair value upon the receipt of the funds, net of transaction costs. Then, they are presented at amortized cost. Additionally, loans, financing and debentures are classified as current liabilities, unless the Company has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date.*

*The obligations related to finance leases, net of finance charges, are classified in current and noncurrent liabilities according to the contract term. Payments of finance lease are allocated considering finance charges and reduction in the corresponding liabilities to obtain constant interest rate on the remaining balance of liabilities. The finance charges are recognized in the statement of income in each period during the lease.*

*The debentures issued by the Company are not convertible into shares and are accounted for as loans.*

#### **a) Composition of loans, financing, debentures and financial leases are as follows:**

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Description	Effective Annual Interest Rate	Index	2019			2018		
			Current	Non Current	Total	Current	Non Current	Total
<b>In Reais:</b>								
Debêntures 6th Issuance - 2nd Series	0.78%	DI	-	-	-	174,179	-	174,179
Debêntures 3rd Issuance - 2nd Series	6.99%	IPCA	70,916	-	70,916	68,972	67,876	136,848
Debêntures 8th Issuance - 1st Series	0.40%	DI	20	94,966	94,986	58	94,900	94,958
Debêntures 8th Issuance - 2nd Series	0.49%	DI	78	154,836	154,914	141	154,771	154,912
BNDES	1,82% e 2,50%	TJLP	7,732	15,961	23,693	31,243	23,550	54,793
Banco do Brasil - PSI	3,00% a 6,00%	-	3,388	9,022	12,410	3,391	12,391	15,782
Debêntures 2nd Issuance - 1st Series	1.92%	TJLP	12,394	45,821	58,215	12,390	57,862	70,252
Debêntures 2nd Issuance - 2nd Series	9.19%	IPCA	21,261	75,205	96,466	20,872	90,704	111,576
Debêntures 2nd Issuance - 3rd Series	1.92%	TJLP	16,525	61,095	77,620	16,519	77,150	93,669
Debêntures 9th Issuance - 1st Series	0.37%	DI	443	199,044	199,487	-	-	-
Banco Itaú - PSI	3,00% a 6,00%	-	3,571	11,586	15,157	3,576	15,127	18,703
Debêntures 9th Issuance - 2nd Series	0.44%	DI	346	150,760	151,106	-	-	-
Debêntures 4th Issuance - 1st Series	1.67%	TJLP	24,394	157,102	181,496	22,814	168,820	191,634
Debêntures 4th Issuance - 2nd Series	7.44%	IPCA	13,406	86,383	99,789	12,107	89,825	101,932
BNDES - PAC2	1,67% e 2,05%	TJLP	41,687	252,149	293,836	33,239	228,310	261,549
Finance lease	11.14%	IPC-FIPE	9,374	268,165	277,539	8,481	265,066	273,547
Finance Lease - Right of Use	6.46%	-	48,763	49,029	97,792	-	-	-
Debêntures 7th Issuance - 1st Series *	5.20%	IPCA	286	31,141	31,427	1	12,123	12,124
Debêntures 7th Issuance - 2nd Series *	4.79%	IPCA	429	48,686	49,115	2	15,153	15,155
Debêntures 7th Issuance - 3rd Series	6.97%	IPCA	103	13,576	13,679	36	5,186	5,222
Debêntures 7th Issuance - 4th Series	6.57%	IPCA	153	21,165	21,318	42	6,484	6,526
Caixa Econômica Federal	6,62% a 12,00%	TR	81,944	975,487	1,057,431	70,707	907,250	977,957
<b>Total in Reais</b>			<b>357,213</b>	<b>2,721,179</b>	<b>3,078,392</b>	<b>478,770</b>	<b>2,292,548</b>	<b>2,771,318</b>
<b>In foreign currency</b>								
KfW Bank	1.35%	EURO	-	2,039	2,039	-	-	-
<b>Total in foreign currency</b>			<b>-</b>	<b>2,039</b>	<b>2,039</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at the end of the year</b>			<b>357,213</b>	<b>2,723,218</b>	<b>3,080,431</b>	<b>478,770</b>	<b>2,292,548</b>	<b>2,771,318</b>
Loans and financing			138,322	1,266,244	1,404,566	142,156	1,186,628	1,328,784
Debentures			160,754	1,139,780	1,300,534	328,133	840,854	1,168,987
Finance lease			58,137	317,194	375,331	8,481	265,066	273,547

\*IPCA as a variable component of the TLP

### Foreign Currency Debt:

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

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

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

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

The Company contracted hedge derivative financial instruments to mitigate foreign exchange risk, assuming as a counterparty a CDI variation, as described in Note 4.1. In the fourth quarter of 2019, KfW bank released €450 thousand, and two swaps were carried out to hedge interest rate and exchange variation, without speculative character, converting the financial charges to 127.93% of CDI (weighted average), which represents the percentage of 7.62% for a rate of 5.96% of the CDI.

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

Index	2019	2018
TR (Reference Rate)	1,057,431	977,957
TJLP (Long-Term Interest Rate)	634,860	671,897
IPCA (National Amplified Consumer Price Index)	382,710	389,383
DI	600,493	424,049
IPC-FIPE	277,539	273,547
EURO	2,039	-
No Monetary Adjustment	125,359	34,485
	<b>3,080,431</b>	<b>2,771,318</b>

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### b) Description of loans, financing, debentures and financial leases:

Description	Period of Issuance	Final Maturity	Amount Contracted	Number of Debentures	Payments	
					Amortization	Interest
Debentures 3rd Issuance – 2nd series	2013	2020	100,330	10,033	2019/2020	Six-monthly
Debentures 8th Issuance – 1st series	2018	2021	95,000	9,500	2021	Six-monthly
Debentures 8th Issuance – 2nd series	2018	2023	155,000	15,500	2023	Six-monthly
BNDES - 3 Contratos	2007	2023	295,967	-	Monthly	Quarterly during grace period and monthly at amortization
Debentures 9th Issuance – 1st series	2019	2024	199,150	19,915	2024	Six-monthly
Banco do Brasil - PSI - 11 Contracts	2013 to 2014	2024	30,793	-	Monthly	Quarterly during grace period and monthly at amortization
Debentures 2nd Issuance - 1st and 3rd series	2011	2024	276,609	7,000	Monthly	Quarterly during grace period and monthly at amortization
Debentures 2nd Issuance – 2nd series	2011	2024	118,547	3,000	Annual	Annual
Banco Itaú - PSI - 13 Contracts	2013 to 2014	2025	33,175	-	Monthly	Quarterly during grace period and monthly at amortization
Debentures 9th Issuance – 2nd series	2019	2026	150,850	15,085	2026	Six-monthly
Debentures 4th Issuance – 1st series	2014	2027	230,012	7,000	Monthly	Quarterly during grace period and monthly at amortization
Debentures 4th Issuance – 2nd series	2014	2027	98,576	3,000	Monthly	Quarterly during grace period and monthly at amortization
BNDES - PAC2 - 4 Contracts	2011 to 2014	2029	682,649	-	Monthly	Quarterly during grace period and monthly at amortization
KfW Bank (Euro)	2017	2032	50,000	-	Six-monthly	Six-monthly
Finance lease	2013	2036	460,592	-	Monthly	Monthly
Finance lease – Right of use	2014 to 2019	2019 to 2024	133,223	-	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	2020	2021	2022	2023	2024	2025	2026 to 2042	Total
Debentures 2nd Issue	50,180	47,312	47,312	47,312	40,185	-	-	232,301
Debentures 3rd Issue	70,916	-	-	-	-	-	-	70,916
Debentures 4th Issue	37,800	36,987	36,987	36,987	36,987	36,987	58,550	281,285
Debentures 7th Issue	972	514	6,742	6,742	6,742	6,742	87,085	115,539
Debentures 8th Issue	97	94,901	-	154,902	-	-	-	249,900
Debentures 9th Issue	789	-	-	-	198,978	-	150,826	350,593
<b>Subtotal Debentures</b>	<b>160,754</b>	<b>179,714</b>	<b>91,041</b>	<b>245,943</b>	<b>282,892</b>	<b>43,729</b>	<b>296,461</b>	<b>1,300,534</b>
BNDES	7,731	7,661	7,661	640	-	-	-	23,693
BNDES - PAC2	41,686	40,815	36,861	35,650	35,650	35,650	67,524	293,836
Banco do Brasil - PSI	3,388	3,369	3,369	2,093	191	-	-	12,410
Banco Itaú - PSI	3,572	3,542	3,542	3,056	1,420	25	-	15,157
Caixa Econômica Federal	81,945	73,268	66,706	56,462	59,980	63,717	655,353	1,057,431
KfW Bank	-	-	97	194	194	194	1,360	2,039
<b>Subtotal loans and financing</b>	<b>138,322</b>	<b>128,655</b>	<b>118,236</b>	<b>98,095</b>	<b>97,435</b>	<b>99,586</b>	<b>724,237</b>	<b>1,404,566</b>
Financing lease	9,374	7,699	8,474	9,336	10,298	11,371	220,987	277,539
Financing lease - Right of use	48,763	23,630	13,575	10,237	1,587	-	-	97,792
<b>Subtotal financing lease</b>	<b>58,137</b>	<b>31,329</b>	<b>22,049</b>	<b>19,573</b>	<b>11,885</b>	<b>11,371</b>	<b>220,987</b>	<b>375,331</b>
<b>Total</b>	<b>357,213</b>	<b>339,698</b>	<b>231,326</b>	<b>363,611</b>	<b>392,212</b>	<b>154,686</b>	<b>1,241,685</b>	<b>3,080,431</b>

As at December 31, 2019, present value of minimum future financial obligations in reference to Finance Lease is shown below:

Description	Minimum Future Payments	Finance charges	2019	2018
			Present Value of Minimum Future Payments	Present Value of Minimum Future Payments
<b>Finance Lease</b>				
Less than one year	35,754	(26,380)	9,374	8,482
Later than one year and not later than 5 years	178,770	(131,973)	46,797	31,076
Over 5 years	371,498	(150,130)	221,368	233,989
<b>Subtotal</b>	<b>586,022</b>	<b>(308,483)</b>	<b>277,539</b>	<b>273,547</b>
<b>Finance Lease - Right of use</b>				
Less than one year	53,463	(4,699)	48,764	-
Later than one year and not later than 5 years	53,097	(4,069)	49,028	-
<b>Subtotal</b>	<b>106,560</b>	<b>(8,768)</b>	<b>97,792</b>	<b>-</b>
<b>Total</b>	<b>692,582</b>	<b>(317,251)</b>	<b>375,331</b>	<b>273,547</b>

The weighted average of the discount rate applied was 10.6% per annum for the Rental of Coastal Assets and 6.46% per year for vehicles, real estate and movable property.

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

Description	2019		2018	
	Current	Noncurrent	Current	Non current
<b>Balances at beginning of year</b>	<b>478,770</b>	<b>2,292,548</b>	<b>562,548</b>	<b>2,154,290</b>
Releases	-	659,830	-	490,910
Interest and fines	236,214	-	220,724	-
Monetary Variations	-	25,137	-	64,029
Transfers	357,594	(357,594)	470,910	(470,910)
Amortization	(749,537)	-	(775,587)	-
Costs of funds raised with third parties	190	108	175	(1,228)
Exchange rate	-	(24)	-	-
Finance lease	33,982	103,213	-	55,457
<b>Balances at end of year</b>	<b>357,213</b>	<b>2,723,218</b>	<b>478,770</b>	<b>2,292,548</b>

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

During 2019, the Company obtained and amortized funds from third parties, as stated below:

Index	Releases	Amortization
Debentures 2nd Issue	-	68,861
Debentures 3rd Issue	-	79,424
Debentures 4th Issue	18,950	56,545
Debentures 6th Issue	-	181,991
Debentures 7th Issue	74,371	3,696
Debentures 8th Issue	-	15,918
Debentures 9th Issue	350,000	10,755
BNDES	-	34,280
BNDES - PAC2	67,122	56,144
Banco do Brasil - PSI	-	3,905
Banco Itaú - PSI	-	4,353
Caixa Econômica Federal	147,324	152,105
KfW Bank	2,063	5
Financing lease - Right of use (1)	137,195	81,555
<b>Total</b>	<b>797,025</b>	<b>749,537</b>

(1) - Not represents financial impact.

### f) Restrictive Contractual Clauses – Covenants

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

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

Index	Limit	Range	Realized
EBITDA / Debt Service	Equal to or higher than 1.5	Less than 1.5 and equal to or higher than 1.2	2.6
Net Bank Debt/ EBITDA	Equal to or under than 3.0	Equal to or under 3.8 and higher than 3.0	1.4
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, 8th and 9th Issuance of Debentures

Index	Limit	Realized
Adjusted EBITDA /Net Financial Expenses	Equal to or higher than 1.5	11.7
Net Bank Debt / adjusted EBITDA	Equal to or under than 3.0	1.3

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

Index	Limit	Realized
Adjusted EBITDA /Net Financial Expenses	Equal to or higher than 1.5	11.7
Net Bank Debt / adjusted EBITDA	Equal to or under 3.0	1.3
Other Onerous Debt/Adjusted EBITDA	Equal to or under 1.0	0.6

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

Index	Limit	Realized
EBITDA / Debt service	Equal to or higher than 1.5	2.6
Net Bank Debt / Adjusted EBITDA	Equal to or under than 3.0	1.4
Other Onerous Debt / Adjusted EBITDA	Equal to or under 1.0	0.6
Levels of debt	Equal to or under 60	48.3

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

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

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

In relation to the contracts of item (iii) of the Caixa Econômica Federal, related to the 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.

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

As of December 31, 2019, the Company is fully complying with the restrictive covenants stipulated by the issuance of debentures and financing from BNDES, Caixa Econômica Federal and KfW Bank.

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### 15. CONCESSION AGREEMENT

The Company advanced the maturity the onerous concession contract entered into with the Municipality of Curitiba and signed on June 5, 2018, a Program Contract for a 30-year term for the operation of the public utility services of water supply and collection, removal and treatment of sewage. As compensation for the early maturity, the Company shall transfer to the municipality of Curitiba through the Municipal Basic Sanitation Fund, the amount of R\$88,771 in three (03) instalments, the first paid upon the signature of the contract, the second was paid in March 2019 and the third to be paid in January 2020. The balance recorded in current liabilities on December 31, 2019 is R\$31,414.

### 16. TAXES AND CONTRIBUTIONS

The composition is as follows:

Description	2019	2018
Income tax - payable	12,671	-
Social contribution - payable	8,682	-
COFINS (tax on sales) payable	31,792	24,292
PASEP (tax on sales) payable	6,895	5,265
IPTU (Property tax) - installment payment (1)	1,100	1,443
Taxes and Contributions Withheld at Source	40,226	38,124
<b>Total taxes and contributions</b>	<b>101,366</b>	<b>69,124</b>
<b>Current</b>	<b>100,770</b>	<b>68,133</b>
<b>Noncurrent</b>	<b>596</b>	<b>991</b>

- (1) The amount of 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 12/31/2019, 64 installments amounting to R\$1,930 had been paid.

### 17. INCOME AND SOCIAL CONTRIBUTION TAXES

#### Accounting practice:

*Income and social contribution taxes are recorded according to taxable income and prevailing rates: 15% for Corporate Income Tax, plus a surtax of 10% on the income exceeding (if applicable) the limit established by the law, and 9% for Social Contribution Tax.*

*Deferred income and social contribution taxes were calculated based on the effective rates of these taxes and recorded as established by law, according to CPC 26 (R1) and 32, addressing the temporary differences of these taxes. The Company prepares periodical analysis that show that these taxes are recoverable through future operations.*

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*Deferred tax assets and liabilities are presented net given that there is a legal or contractual right to offset the tax assets against the tax liabilities.*

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

Description	2019		2018	
	Income Tax	Social Contribution Tax	Income Tax	Social Contribution Tax
Income before Income and Social Contribution Taxes	1,453,884	1,453,884	1,165,002	1,165,002
Income and social contribution taxes - current rate	(363,471)	(130,850)	(291,250)	(104,850)
Interest Deductibility Benefit on Interest on Equity Capital	82,603	29,737	81,528	29,350
Adjustment to Present Value for Accounts Receivable	-	-	269	97
Workers' Meal Program – PAT (1)	12,613	-	9,773	-
Corporate Citizen Incentive (2)	563	-	683	-
Equity in earnings (losses) of the controlled companies	(1,414)	(509)	(957)	(345)
Finance lease	-	-	8,584	3,090
Other	(2,240)	(882)	(6,174)	(2,313)
<b>Total expenses</b>	<b>(271,346)</b>	<b>(102,504)</b>	<b>(197,544)</b>	<b>(74,971)</b>
<b>Total Income and Social Contribution taxes</b>	<b>(373.850)</b>		<b>(272.515)</b>	
<b>Effective rate</b>	<b>25.7%</b>		<b>23.4%</b>	

(1) According to Law no. 6.321, of 04/14/1976;

(2) According to Decree 7.052, of December 23, 2009, regulating Law no. 11.770, of 09/09/2008.

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

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

Description	2019	2018
Income tax	(314,566)	(243,412)
Social Contribution Tax	(117,601)	(91,003)
Realization of Deferred Income Tax	43,220	45,868
Realization of Deferred Social Contribution	15,097	16,032
<b>Total</b>	<b>(373,850)</b>	<b>(272,515)</b>

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

### c) Deferred income and social contribution taxes

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

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Description	Estimated realization term	2019				2018
		Calculation basis	Income tax	Social Contribution Tax	Total	Total
<b>ASSETS</b>						
NPV on Contractual Financial Assets	30 years	777,853	194,463	70,007	264,470	249,711
Financing lease	20 years	277,539	69,385	24,979	94,364	93,006
Pension and Health Plans	15 years	1,236,602	309,151	111,294	420,445	320,208
Impairment on assets	10 years	31,355	7,838	2,822	10,660	4,838
Civil, Labor, Tax and Environmental Provisions	5 years	546,672	136,668	49,201	185,869	157,011
Leases - Right of Use (asset)	5 years	97,792	24,448	8,801	33,249	-
Allowance for doubtful accounts	3 years	46,109	11,527	4,150	15,677	14,994
PAI – Encouraged Retirement Program	2 years	389	97	35	132	2,813
Provision for PPR	1 year	73,946	18,486	6,655	25,141	31,787
Fair Value – Investment FINAM	1 year	53	13	5	18	210
NPV of accounts receivable	1 year	4,088	1,022	368	1,390	1,606
Net Realizable Value of Inventory	1 year	1,288	322	116	438	-
<b>TOTAL</b>			<b>773,420</b>	<b>278,433</b>	<b>1,051,853</b>	<b>876,184</b>
<b>LIABILITIES</b>						
NPV on Contractual Financial Assets	30 years	752,168	188,042	67,695	255,737	242,567
IRPJ Deferred on Construction and Improvements	24 years	121,007	30,252	-	30,252	31,535
Finance lease	20 years	189,972	47,493	17,097	64,590	66,032
Donations from Public Agencies	20 years	10,332	2,583	930	3,513	3,471
Revaluation surplus	13 years	105,392	26,348	9,485	35,833	38,694
Leases - Right of Use (liability)	5 years	88,788	22,197	7,991	30,188	-
Attribution of New Cost to Fixed Assets	3 years	7,873	1,968	709	2,677	2,947
<b>Total</b>			<b>318,883</b>	<b>103,907</b>	<b>422,790</b>	<b>385,246</b>
<b>Total Net</b>			<b>454,537</b>	<b>174,526</b>	<b>629,063</b>	<b>490,938</b>

### 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 December 31, 2019 is as follows:

Periods of Realization	Deferred Tax Assets			Deferred Tax Liabilities		
	Income Tax	Social Contribution	Totals	Income Tax	Social Contribution	Totals
2020	58,685	21,127	79,812	18,957	6,351	25,308
2021	49,231	17,723	66,954	18,957	6,351	25,308
2022 to 2024	243,666	87,720	331,386	48,369	15,992	64,361
2025 to 2027	93,954	33,824	127,778	37,271	11,997	49,268
2028 to 2030	93,070	33,505	126,575	37,271	11,997	49,268
2031 to 2033	92,232	33,203	125,435	32,879	10,416	43,295
2034 to 2036	51,012	18,364	69,376	30,683	9,626	40,309
2037 to 2039	26,750	9,630	36,380	27,870	8,613	36,483
2040 to 2042	19,446	7,001	26,447	22,750	6,769	29,519
2043 to 2045	19,446	7,001	26,447	18,804	6,769	25,573
2046 to 2048	19,446	7,001	26,447	18,804	6,769	25,573
2049 to 2051	6,482	2,334	8,816	6,268	2,257	8,525
<b>Total</b>	<b>773,420</b>	<b>278,433</b>	<b>1,051,853</b>	<b>318,883</b>	<b>103,907</b>	<b>422,790</b>

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### 18. UNEARNED REVENUE

The Company has 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 during 2019 was R\$4,200 (R\$4,200 as at 12/31/2018). The balance as at December 31, 2019 was R\$9,100 (R\$13,300 as at 12/31/2018), with R\$4,200 (R\$4,200 as at 12/31/2018) recorded as current liabilities and R\$4,900 (R\$9,100 in 2018) as non-current liabilities.

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

#### Accounting practice:

*The Company records provisions when Management, supported by the opinion of its legal counselors, understands that there are chances of probable loss in certain legal proceedings arising in the normal course of its business.*

*The provisions are reviewed and adjusted to take into consideration changes in circumstances, such as applicable statutes of limitations, conclusions from tax inspections or additional exposures identified based on new matters or court decisions.*

#### a) Provisions

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

Nature	2018	Additions	Reversals	Payments	2019
Labor claims (i)	229,509	111,882	(4,936)	(34,336)	302,119
Civil claims (ii)	208,129	16,354	(7,474)	(10,355)	206,654
Environmental claims (iii)	6,689	14,315	(1,933)	(815)	18,256
Tax claims (iv)	17,470	2,173	-	-	19,643
<b>Total</b>	<b>461,797</b>	<b>144,724</b>	<b>(14,343)</b>	<b>(45,506)</b>	<b>546,672</b>

#### b) Contingent liabilities

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

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

Nature	Contingent liabilities	
	2019	2018
Labor claims (i)	55,933	44,382
Civil claims (ii)	465,131	375,364
Environmental claims (iii)	328,049	339,737
Tax claims (iv)	16,989	16,554
<b>Total</b>	<b>866,102</b>	<b>776,037</b>

### (i) Labor

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

### (ii) Civil

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

### (iii) Environmental

Environmental claims are in connection with violation notices issued by different environmental agencies, mainly for: i) installation and operation of water and sewage treatment plants without an environmental license; ii) 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.

### (iv) Tax

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, Paranavaí, Campo Mourão, Pinhais and Porecatu.

### c) Court deposits

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



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The breakdown is as follows:

Nature	Court deposits	
	2019	2018
Labor claims	185,806	137,502
Civil claims	99,786	54,555
Environmental claims	2,492	5,689
Tax claims	9,671	5,706
<b>Total</b>	<b>297,755</b>	<b>203,452</b>

## 20. PENSION PLAN AND MEDICAL INSURANCE

### Accounting practice:

*The Company has a mixed pension plan (defined contribution during the working phase and defined benefit with lifetime income for retirees, pensioners and risk benefits) and in the health area, it sponsors a plan of medical and dental benefits for its employees, dependents and retirees, whose effects are recognized on the accrual basis and according to the criteria established by CVM Decision No. 695, as stated in this Note.*

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). This year, the Sponsor passed on the amount of R\$33,598 (R\$31,682 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.

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As a contribution to the Foundation, this year, the Company transferred the amount of R\$69,238 (R\$ 64,962 in 2018).

Additionally, for the purposes of compliance with the determinations contained in CPC 33 (R1), approved by CVM Deliberation 695, Mirador Atuarial Ltda., 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. The Projected Unit Credit method (PUC) was used to calculate the actuarial liability.

Statement of actuarial liabilities:

Description	Pension Plan	Medical Insurance	2019	2018
<b>Present value of obligations at the beginning of the year</b>	1,144,732	617,817	1,762,549	1,752,806
Cost of interest on obligation	103,118	5,733	108,851	160,714
Current service cost	(1,168)	56,855	55,687	16,316
Participants' contribution	10,109	-	10,109	9,917
Benefits paid in the year	(76,502)	(24,305)	(100,807)	(99,873)
Actuarial gains (losses) in the year	196,790	123,661	320,451	(77,331)
<b>Total obligation in the year</b>	<b>1,377,079</b>	<b>779,761</b>	<b>2,156,840</b>	<b>1,762,549</b>
Fair value of assets of the plan at the beginning of the year	(819,326)	(1,435)	(820,761)	(816,164)
Interest on assets of the plan	(73,464)	(40)	(73,504)	(70,678)
Participants' contribution	(10,109)	-	(10,109)	(9,917)
Contribution of the sponsor	(8,436)	(22,514)	(30,950)	(30,341)
Benefits paid in the year	76,502	24,305	100,807	99,873
Gain (loss) on the assets of the plan in the year	(85,405)	(316)	(85,721)	6,466
<b>Fair value of assets in the year</b>	<b>(920,238)</b>	<b>-</b>	<b>(920,238)</b>	<b>(820,761)</b>
<b>Liabilities recognized at the end of the year</b>	<b>456,841</b>	<b>779,761</b>	<b>1,236,602</b>	<b>941,788</b>
<b>Current</b>	<b>30,456</b>	<b>51,984</b>	<b>82,440</b>	<b>62,786</b>
<b>Noncurrent</b>	<b>426,385</b>	<b>727,777</b>	<b>1,154,162</b>	<b>879,002</b>

We describe the assumptions used in the actuarial evaluation, as follows:

Economic hypotheses	2019	2018
Discount rate for health	Annual rate of 6.97%	Annual rate of 9.39%
Discount rate for social security	Annual rate of 6.81%	Annual rate of 9.35%
Expected rate of return on assets for health	Annual rate of 6.97%	Annual rate of 9.39%
Expected rate of return on assets for social security	Annual rate of 6.81%	Annual rate of 9.35%
Future increase in salaries	Annual rate of 3.44%	Annual rate of 3.47%
Inflation	Annual rate of 3.60%	Annual rate of 4.50%
Real increase in medical costs	3.00% per year	3.00% per year
Demographic hypotheses	2019	2018
Mortality table	AT-2000 Basic	AT-2000 Basic
Mortality table for disabled participants	Winkloss D10	Winkloss D10
Disability table	Álvaro Vindas D20	Álvaro Vindas
Age of retirement	55 years	55 years

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Analysis of sensitivity of changes in interest rate:

Description	Pension Plan	Medical Insurance
<b>Interest rate</b>		
With an increase of 1%	(11.19%)	(12.88%)
With a reduction of 1%	12.42%	16.22%
<b>Increase of costs</b>		
With an increase of 1%	-	25.61%
With a reduction of 1%	-	(20.63%)
<b>Life expectation</b>		
With an increase of 1 year	1.74%	3.41%
With a reduction of 1 year	(1.76%)	(3.36%)
<b>Increase in salaries</b>		
With an increase of 1%	1.33%	-
With a reduction of 1%	0.22%	-

### Plan assets

The fair value of the plan assets approximates their book value and breaks down as follows:

Descrição	2019	%	2018	%
Fixed income (a)	1,192,978	69.6	1,176,611	77.1
Floating income (b)	226,295	13.2	103,903	6.8
Properties (c)	37,722	2.2	39,770	2.6
Transactions with participants (d)	94,438	5.5	84,212	5.5
Structured (e)	148,255	8.6	121,882	8.0
Foreign investments (f)	15,355	0.9	-	-
<b>Fair value of the plan's assets</b>	<b>1,715,043</b>	<b>100</b>	<b>1,526,378</b>	<b>100</b>

- (a) Fixed income: These are Federal Government Bonds and private credit securities with remuneration established upon purchase;
- (b) Floating income: Assets negotiated at stock exchanges and regulated by authorities whose returns and investments cannot be measured at the time of the investment;
- (c) Properties: Real estate owned by the Foundation;
- (d) Transactions with participants: Loan transactions for participants of the plan;
- (e) Structured: Assets in investments of projects not traded in the stock exchanges and multimarket funds included in this segment;
- (f) Investments Abroad: Investment funds set up in Brazil that trade assets abroad.

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Unallowed investments types:

- *Day-Trade*: It is forbidden to conduct day-trade transactions in the exclusive funds invested by the plan;
- Real estate financing: It is forbidden to grant real estate financing, established in the Segment of Transactions with Participants, during the effective period of this Investment Policy;

The table below shows the projected expenses for 2020:

Description	Pension Plan	Medical Insurance	2020
Current service cost	11.054	6.784	17.838
Interest cost	91.072	53.429	144.501
Expected return on the plan's assets	(60.459)	-	(60.459)
Contributions of the sponsor/participants	(15.503)	(19.549)	(35.052)
<b>Total</b>	<b>26.164</b>	<b>40.664</b>	<b>66.828</b>

## 21. RELATED-PARTY TRANSACTIONS

### Accounting practice:

*The Company has conducted business transactions with several related parties, especially with the state of Paraná and some municipalities, as stated in this note.*

The Company assigned to the state of Paraná interest on equity capital of 2019 in the amount of R\$62,055 (R\$61,248 in 2018). This amount depends on approval at the General Shareholders Meeting. The Company also provided water and sewage services to the state of Paraná, whose revenue was R\$124,913 and R\$117,486 for 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, during 2019, R\$105,324 (R\$98,381 in 2018). The Company also provides services of urban solid waste management in some municipalities of the State of Paraná, with the revenue for this service being R\$11,722 (R\$9,793 in 2018). In addition, the Company has accounts receivable from these prefectures in the amount of R\$48,703 in 2019 (R\$43,754 in 2018), as shown in Note 6a.

The Company transacted with CS Bioenergia S.A., and during 2019, it obtained revenues from the treatment of sewage effluents in the amount of R\$1,174 (R\$590 in 2018); property rental in the amount of R\$352 (R\$243 in 2018) and for the provision of water and sewage services in the amount of R\$1,607 (R\$1,066 in 2018); and expense related to the removal of sludge from the Sewage Treatment Station - ETE Belém in the amount of R\$4,190 (R\$5,957

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in 2018). In addition, on December 31, 2019, the Company has accounts receivable from CS Bioenergia SA in the amount of R\$2,149 (of which R\$81 for electricity, R\$26 for property rental and R\$2,042 for water and sewage services). The Company also has accounts payable in the amount of R\$274 related to sludge removal expenses.

The Company also carries out operations with the Sanepar Foundations (Health Plan and Pension Plan), and during the year 2019 obtained revenues for the supply of water and sewage services in the amount of R\$20 (R\$17 in 2018), expenses of rent of property in the amount of R\$600 (R\$523 in 2018) and of employer contributions to the employee benefit plans in the amount of R\$102,836 (R\$96,644 in 2018), as described in note 20.

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

### Management compensation

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

The following are the payments made to managers

Description	2019	2018
Remuneration	9,113	9,836
Charges and Benefits	2,817	2,884
Social charges	2,507	2,592
Profit sharing	134	109
Health plan (Sanesaúde)	53	72
Sanepar Foundation (Fusan)	109	108
Supplementary programmes	14	3
<b>Total</b>	<b>11,930</b>	<b>12,720</b>

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### 22. OTHER ACCOUNTS PAYABLE

The composition is as follows:

Description	2019	2018
Programs Linked to Agência Nacional de Águas - ANA	-	2,099
Contracts and Agreements with third parties	7,370	10,397
Agreements with municipal administrations	16,238	15,707
Collaterals and amounts reimbursable	5,938	10,643
Labor Indemnities – PAI/PDVTC	-	689
Installment payment IBAMA – PRD Law No. 13.494/2017 (1)	63,888	81,316
Municipal Sanitation and Environmental Management Fund	5,506	8,942
Other account payables	250	250
<b>Totais</b>	<b>99,190</b>	<b>130,043</b>
<b>Current</b>	<b>56,496</b>	<b>68,179</b>
<b>Noncurrent</b>	<b>42,694</b>	<b>61,864</b>

- (1) Installment payment of debts referring to 31 environmental assessment notices from the Brazilian Institute of Environment and Renewable Natural Resources – IBAMA, in accordance with the Non-Tax Debt Settlement Program – PRD created by Law No. 13.494/2017. Until 12/31/2017, 20% of consolidated debt amounting to R\$29,083 (adhesion to installment payment) was settled and the remaining was paid in installment up to 60 monthly installments, adjusted at SELIC interest rate, and until 12/31/2019 24 installments in the amount of R\$34,472 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 December 31, 2019 considering a provision for additional dividends proposed by the Management is R\$12.26 (R\$11.35 as at December 31, 2018),

Subscribed and paid-in capital stock as at December 31, 2019 is R\$2,854,952, which net of share issue cost amounts to R\$2,851,089, with shareholding structure as follows:

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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	-	-	1,975,776	0.6	1,975,776	0.4
Foreign Investors	32,443,146	19.3	168,358,229	50.1	200,801,375	39.9
Other Investors	34,554,032	20.6	165,489,414	49.2	200,043,446	39.7
<b>Total</b>	<b>167,911,753</b>	<b>100.0</b>	<b>335,823,420</b>	<b>100.0</b>	<b>503,735,173</b>	<b>100.0</b>

### b) Revaluation surplus

The revaluation surplus was realized in the year, transferring to Retained earnings the amount of R\$5,552 (R\$6,093 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	2019	2018
<b>Balances at beginning of year</b>	<b>75,111</b>	<b>81,204</b>
Realization of revaluation surplus	(8,413)	(9,231)
Realization of Taxes on the Revaluation surplus	2,861	3,138
<b>Balances at the end of the year</b>	<b>69,559</b>	<b>75,111</b>

### c) Valuation Adjustments to Equity

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

During this year it was transferred to retained earnings, the amount of R\$526 (R\$2,285 in 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	2019	2018
<b>Balance at beginning of year</b>	<b>5,722</b>	<b>8,007</b>
Realization of Adjustments to Assigned Cost.	(796)	(3,463)
Realization of Taxes on Adjustments to Assigned Cost	270	1,178
<b>Balance at the end of the year</b>	<b>5,196</b>	<b>5,722</b>

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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.

Management proposes to appropriate the amount of R\$701,582 from retained earnings for the recognition of a Reserve for investment plan, subject to later approval at the Shareholders' Meeting. These funds will be applied in projects of construction and expansion of the systems of water supply and sewage collection and treatment, as established in the investment plans of the Company.

### e) Legal Reserve

Constituted in the amount of R\$53,996 in 2019 (R\$44,612 in 2018), 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.

### f) Tax incentive reserve

Constituted in the amount of R\$123 in 2019 (R\$247 in 2018), related to the portion of net income from donations and government subsidies, in accordance with article 195-A of the Brazilian Corporation Law. This amount was excluded from the calculation basis of Dividends.

### g) Other Comprehensive Income

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

The changes in actuarial gains and losses were as follows:

Description	2019	2018
<b>Balance at the beginning of the year</b>	<b>96,225</b>	<b>49,455</b>
Actuarial gains and losses	(234,730)	70,865
Taxes on actuarial gains and losses	79,808	(24,095)
<b>Balance at the end of the year</b>	<b>(58,697)</b>	<b>96,225</b>



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### h) Shareholders' compensation

#### **Accounting practice:**

*Interest on equity capital was calculated in accordance with legislation in effect, observing the limit of variation of the Long-Term Interest Rate – TJLP, applied to adjusted equity. Interest on equity capital is recorded as financial expenses and reclassified to equity for purposes of presentation and disclosure of the financial statements. If the amount credited as interest on equity capital in the year results in a percentage of distribution lower than that proposed by Management, a supplementary value as additional dividends is recorded. Mandatory minimum dividend is recorded in current liabilities and possible values higher than the minimum limit are recorded in a reserve as Additional proposed dividends in Equity.*

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.

Interest on equity capital payable was calculated within the limit of TJLP variation pursuant to Law No. 9.249/95, plus subsequent legal provisions. The total of interest was accounted for in financial expenses, generating a tax benefit of R\$112,340, according to tax law. For the purposes of these financial statements, this interest is being presented in Shareholders' Equity, charged to the retained earnings account.

The Company's management observing the Dividends Policy, and also considering the good current financial condition and the public interest of the Company, is proposing the approval of profit distribution at the General Shareholders Meeting, as follows:

Description	2019	2018
Net income for the year	1,080,034	892,487
Government grants and donations	(123)	(247)
Recognition of legal reserve	(53,996)	(44,612)
Basis for calculation of mandatory dividends	1,025,915	847,628
Mandatory dividends (25%)	256,479	211,907
Supplementary dividends	73,932	211,907
<b>Proposed dividends and interest on equity capital</b>	<b>330,411</b>	<b>423,814</b>

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The amount of interest on equity capital calculated in 2019 was R\$330,441 (R\$326,114 in 2018), being withheld the amount of R\$28,123 (R\$ 29,056 in 2018) as withholding income tax, which resulted in an effective rate of 8.5% (8.9% in 2018).

The balance of the remuneration to shareholders recorded in Current Liabilities is as follows:

	2019	2018
<b>Previous balance</b>	<b>183,678</b>	<b>136,265</b>
Additional Dividends Authorized	211,907	162,817
Payments made during the year	(394,600)	(298,255)
Interest on Equity Capital and Dividends	330,411	423,814
(-) Retention of IRRF on Interest on Equity Capital	(28,123)	(29,056)
(-) Additional Dividends Proposed	(73,932)	(211,907)
<b>Dividends and Interest on Equity Capital to payable (Current liabilities)</b>	<b>229,341</b>	<b>183,678</b>

The portion of interest on equity capital/dividends in excess of the mandatory minimum dividends in the amount of R\$73,932 will be maintained in the Company's equity reserve, until decision of the General Shareholders Meeting, when, if approved, it will be then transferred to the caption of current liabilities.

The credit of the remuneration to Company's shareholders is attributed based on the shares composition as at June 30 and December 31 of each year and possible negotiations after the announcement of the credit are considered ex-dividends (interest on equity capital and dividends).

### e) Earnings per share

In view of the credit of remuneration to the shareholders occurred at 06/30/2019 and 12/31/2019, interest on equity capital and additional proposed dividends per share were the following:

Interest on equity capital - 06/30/2019	Quantity	Total Remuneration	Remuneration per share
Common shares	167,911,753	54,427	0.32414
Preferred Shares	335,823,420	119,738	0.35655
<b>Total</b>	<b>503,735,173</b>	<b>174,165</b>	

Remuneration for 1 UNIT 1.75034

Additional dividends from - 12/31/2019	Quantity	Total Remuneration	Remuneration per Share
Common Shares	167,911,753	48,827	0.29079
Preferred Shares	335,823,420	107,419	0.31987
<b>Total</b>	<b>503,735,173</b>	<b>156,246</b>	

Remuneration for 1 UNIT 1.57026

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

	2019	2018
Common Shares	0.61493	0.78876
Preferred Shares	0.67642	0.86763
Value for 1 "Unit"	3.32060	4.25930

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

Basic and diluted earnings (loss) per share	2019	2018
<b>Numerator</b>		
Net income for the year attributed to Company shareholders		
Common Shares	337,511	278,902
Preferred Shares	742,523	613,585
<b>Denominator</b>		
Weighted average of number of common shares	167,911,753	167,911,753
Weighted average of number of preferred shares	335,823,420	335,823,420
<b>Basic and diluted earnings</b>		
Per ordinary share	2.01005	1.66100
Per preferred share	2.21105	1.82711

## 24. OPERATING REVENUES

### Accounting practice:

*Revenue from services* Revenues are recognized on the accrual basis. According to CPC 47 - Revenue from Contract with Clients and considering the Company's Corporate Purpose, where it is possible to verify that there are no contractual stages in the execution of the services rendered to the clients related to the performance obligation, the recognition occurs by billing in a basis at the fair value of the consideration to be received. Revenue from supply of water and sewage collection includes amounts billed to clients on a monthly basis and unbilled revenues recognized at fair value of the consideration received or receivable and are stated net of taxes, rebates or discounts applicable to them, including additional amounts for late payment by the clients (fine). Revenues not yet billed are recognized based on estimated consumption from the date of the last metering until the end of the accounting period.

*Construction revenue:* The revenue from construction of assets linked to rendering of public service shall be recognized using percentage-of-completion method, as long as all applicable conditions are effective. Pursuant to this method, contractual revenue shall be proportional to contractual costs incurred on the balance sheet date in relation to total estimated cost. The Company adopted null margin to measure the revenues and costs of construction.

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Operating Revenues composition, by nature, is the following:

Description	2019	2018
<b>Revenue</b>		
Revenues from Water	3,068,658	2,716,898
Revenues from Sewage	1,811,905	1,572,971
Revenues from services	143,099	141,402
Revenues from Solid Waste	11,722	9,793
Services Provided to Municipalities	18,380	16,515
Donations made by clients	18,844	16,978
Other Revenue	5,519	5,024
<b>Total operating revenues</b>	<b>5,078,127</b>	<b>4,479,581</b>
<b>Deductions from Operating Revenues</b>		
COFINS	(291,998)	(260,853)
PASEP	(63,303)	(56,523)
<b>Total Deductions</b>	<b>(355,301)</b>	<b>(317,376)</b>
<b>Total operating revenues, net</b>	<b>4,722,826</b>	<b>4,162,205</b>

The Company incurred revenues and costs with construction contracts linked to the concessions in the amount of R\$65,639 (R\$177,953 in 2018), during the year of 2019, that is, with zero margins. Revenue is shown net of construction costs.

In addition, the Company recorded in December 2019 the estimated revenue of R\$61.0 million related to the retroactive adjustment of 3.76% not received from customers in the period from July to November 2019.

## 25. COST OF SERVICES RENDERED

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

Descrição	2019			2018		
	Water	Sewage	Total	Water	Sewage	Total
Persinnel	(285,788)	(110,968)	(396,756)	(269,533)	(97,609)	(367,142)
Materials	(87,437)	(63,431)	(150,868)	(70,330)	(37,983)	(108,313)
Electricity	(416,725)	(50,812)	(467,537)	(375,950)	(42,315)	(418,265)
Third-party services	(237,498)	(170,263)	(407,761)	(215,446)	(153,955)	(369,401)
Depreciation and amortization	(138,400)	(133,031)	(271,431)	(125,080)	(123,255)	(248,335)
Indemnities of third-party damage:	(5,290)	(5,231)	(10,521)	(17,071)	(13,939)	(31,010)
Other costs	(111,482)	(42,577)	(154,059)	(103,840)	(33,736)	(137,576)
<b>Total</b>	<b>(1,282,620)</b>	<b>(576,313)</b>	<b>(1,858,933)</b>	<b>(1,177,250)</b>	<b>(502,792)</b>	<b>(1,680,042)</b>

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base Date December 31, 2019  
(In thousands of Brazilian Reais)

### 26. SELLING, ADMINISTRATIVE AND OTHER EXPENSES

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

Description	2019	2018
<b>Selling</b>		
Personnel	(127,047)	117,274
Materials	(4,179)	3,615
Third-party services	(105,419)	96,386
Depreciation and amortization	(11,977)	4,928
Losses in Realization of Credits	(20,850)	7,747
Municipal Sanitation and Environmental Management Fund	(63,194)	43,551
Indemnities of third-party damages	(3,371)	6,145
Sanepar Rural program	(2,859)	2,410
Other expenses	(19,300)	26,176
<b>Total selling expenses</b>	<b>(358,196)</b>	<b>308,232</b>
<b>Administrative</b>		
Personnel	(570,948)	553,049
Materials	(48,996)	40,068
Third-party services	(116,064)	153,054
Depreciation and amortization	(54,034)	18,124
Impairment of inventories	(1,288)	-
Regulatory fee	(22,394)	20,834
Travel expenses	(7,522)	8,921
Exhibitions, congresses and events	(657)	6,328
Environmental and social programs	(6,827)	10,478
Indemnities of third-party damages	(1,407)	-
Other expenses	(18,846)	28,417
Transfers to Selling expenses and cost (1)	159,009	(144,526)
Expenses Capitalized (2)	103,418	(94,432)
<b>Total administrative expenses</b>	<b>(586,556)</b>	<b>600,315</b>
<b>Other operating revenues (expenses)</b>		
<b>Expenses</b>		
Eventual or extraordinary loss (3)	(28,691)	-
Environmental fines	(896)	(26,029)
Write-off of assets	(28,589)	(8,169)
Adjustment to Fair Value – Investments	564	1,472
<b>Total other operating revenues (expenses), net</b>	<b>(57,612)</b>	<b>(32,726)</b>

(1) These amounts are first recorded as administrative expenses and later transferred to costs of selling expenses;

(2) These amounts refer to capitalized administrative expenses, as they relate to projects and works in progress, allocated directly by the Company's Management;

(3) Amount of R\$28,690 related to compensation to the municipality of Maringá, in respect of assets incorporated into the Company's equity, arising from the execution of water and sewage networks donated directly by the landowners to the Company, from June 1983 to February, 2014.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base Date December 31, 2019  
(In thousands of Brazilian Reais)

### 27. PROFIT SHARING PROGRAM

The Company set up a provision of R\$73,946 (R\$93,494 in 2018) as profit sharing for 2019, based on the history of PPR payments for the last 5 (five) fiscal years, which is recorded in the account Salaries and social charges in current liabilities. In third quarter of 2019, the Company recorded in accounting a supplementary provision for the profit-sharing program for 2018, in the amount of R\$2,681 (R\$40,752 referring to the year 2017).

### 28. FINANCIAL INCOME (LOSS)

Description	2019	2018
<b>Financial revenues</b>		
Financial investments	24,996	31,528
Monetary variation gains	11,448	12,276
Active Exchange Variations	65	-
Gain on Derivative Financial Instruments	36	-
Other financial revenues	28,971	15,549
<b>Total financial revenues</b>	<b>65,516</b>	<b>59,353</b>
<b>Financial expenses</b>		
Financing and Debenture Interest and Charges	(226,138)	(191,443)
Monetary variation losses	(14,165)	(60,850)
Passive Exchange Variations	(41)	-
Loss on Derivative Financial Instruments	(76)	-
Other financial expenses	(5,497)	(12,699)
<b>Total financial expenses</b>	<b>(245,917)</b>	<b>(264,992)</b>
<b>Financial income (loss), net</b>	<b>(180,401)</b>	<b>(205,639)</b>

### 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 December 31, 2019  
(In thousands of Brazilian Reais)

Description	2019			2018		
	Water	Sewage	Total	Water	Sewage	Total
Direct operating revenue	3,174,925	1,860,459	<b>5,035,384</b>	2,816,694	1,624,370	<b>4,441,064</b>
Other operating revenues	24,435	18,308	<b>42,743</b>	22,169	16,348	<b>38,517</b>
<b>Total gross operating Revenue</b>	<b>3,199,360</b>	<b>1,878,767</b>	<b>5,078,127</b>	<b>2,838,863</b>	<b>1,640,718</b>	<b>4,479,581</b>
Revenue Deductions (PASEP and COFINS)	(203,076)	(152,225)	<b>(355,301)</b>	(182,660)	(134,716)	<b>(317,376)</b>
<b>Net operating revenue</b>	<b>2,996,284</b>	<b>1,726,542</b>	<b>4,722,826</b>	<b>2,656,203</b>	<b>1,506,002</b>	<b>4,162,205</b>
Cost	(1,282,620)	(576,313)	<b>(1,858,933)</b>	(1,177,249)	(502,793)	<b>(1,680,042)</b>
<b>Gross profit</b>	<b>1,713,664</b>	<b>1,150,229</b>	<b>2,863,893</b>	<b>1,478,954</b>	<b>1,003,209</b>	<b>2,482,163</b>
Selling expenses	(204,771)	(153,425)	<b>(358,196)</b>	(177,406)	(130,826)	<b>(308,232)</b>
Administrative expenses	(335,317)	(251,239)	<b>(586,556)</b>	(345,517)	(254,798)	<b>(600,315)</b>
Impairment	-	(19,391)	<b>(19,391)</b>	-	(1,429)	<b>(1,429)</b>
Other operating revenues (expenses)	(32,935)	(5,286)	<b>(38,221)</b>	(21,040)	(10,257)	<b>(31,297)</b>
Equity in earnings (losses) of controlled companies	-	(5,658)	<b>(5,658)</b>	-	(3,829)	<b>(3,829)</b>
Financial income (loss), net	(76,802)	(103,599)	<b>(180,401)</b>	(51,808)	(153,831)	<b>(205,639)</b>
Profit sharing program	(43,806)	(32,821)	<b>(76,627)</b>	(77,267)	(56,979)	<b>(134,246)</b>
Provisions	(48,579)	(36,296)	<b>(84,875)</b>	24,999	18,838	<b>43,837</b>
Pension plan and medical insurance	(34,346)	(25,738)	<b>(60,084)</b>	(43,768)	(32,243)	<b>(76,011)</b>
<b>Income before taxes and contributions</b>	<b>937,108</b>	<b>516,776</b>	<b>1,453,884</b>	<b>787,147</b>	<b>377,855</b>	<b>1,165,002</b>
Income and social contribution taxes	(240,966)	(132,884)	<b>(373,850)</b>	(184,128)	(88,387)	<b>(272,515)</b>
<b>Net income for the year</b>	<b>696,142</b>	<b>383,892</b>	<b>1,080,034</b>	<b>603,019</b>	<b>289,468</b>	<b>892,487</b>
Operating margin	29.3%	27.5%	<b>28.6%</b>	27.7%	23.0%	<b>26.0%</b>
Net margin	23.2%	22.2%	<b>22.9%</b>	22.7%	19.2%	<b>21.4%</b>
<b>EBITDA</b>	<b>1,190,048</b>	<b>781,679</b>	<b>1,971,727</b>	<b>977,306</b>	<b>664,722</b>	<b>1,642,028</b>
EBITDA margin	39.7%	45.3%	<b>41.7%</b>	36.8%	44.1%	<b>39.5%</b>
Investments in fixed /Intangible assets in the year (a)	516,674	510,405	<b>1,027,079</b>	532,504	497,507	<b>1,030,011</b>
Shareholding Interest – CS Bioenergia	-	-	-	-	20,479	<b>20,479</b>
Indebtedness – Loans, Financing, Debentures and Finance Lease	1,203,347	1,877,084	<b>3,080,431</b>	1,043,388	1,727,930	<b>2,771,318</b>
Fixed assets and intangible assets, net	4,149,840	5,128,150	<b>9,277,990</b>	3,769,314	4,728,999	<b>8,498,313</b>
Depreciation and amortization for the year	(176,138)	(161,304)	<b>(337,442)</b>	(138,351)	(133,036)	<b>(271,387)</b>
Accounts receivable (current and non-current) (b)	691,294	338,843	<b>1,030,137</b>	551,041	290,762	<b>841,803</b>
Total assets	5,340,321	6,599,283	<b>11,939,604</b>	4,781,912	5,999,410	<b>10,781,322</b>
Total current and noncurrent liabilities	2,561,289	3,204,401	<b>5,765,690</b>	2,168,087	2,896,047	<b>5,064,134</b>
Number of Users – Not Audited/Reviewed (c)	3,194,537	2,231,127	-	3,137,760	2,141,050	-
Volume Thousand m3 Invoiced – Not Audited/Reviewed (d)	532,830	399,225	-	513,817	378,909	-

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

## 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.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base Date December 31, 2019  
(In thousands of Brazilian Reais)

Assets	Amount insured
Buildings	654.596
Machinery, equipment and vehicles	715.556
Inventory	67.020
<b>Total</b>	<b>1.437.172</b>

Additionally, the Company has legal guarantee insurance policies to guarantee values that would be deposited and/or replace the values already deposited and/or seized property in legal proceedings of labor, civil, environmental, and tax proceedings. Until December 31, 2019, the Company offered guarantees through Guarantee Insurance in 114 legal proceedings in the amount of R\$181,433 with Pottencial Seguradora S/A.

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

### 31. OPERATIONS “RÁDIO PATRULHA”, “INTEGRAÇÃO” AND “ÁGUAS CLARAS” AND ITS EFFECTS ON THE COMPANY

At the end of 2018, the announcement of Mr. Nelson Leal Júnior was published in the scope of the operation called “Rádio Patrulha”, which mention, among others, some former managers of the Company. The operation “Rádio Patrulha” investigates a supposed payment scheme for the diversion of funds through bids in the “Patrulha do Campo” program, which aimed to restore rural roads in the State of Paraná. The operation “Rádio Patrulha” made a former manager of the Company a defendant.

The operation “Integração” investigates the alleged scheme of corruption and money laundering, which would have lasted from 1999 to 2018 and is related to the federal highway concession procedures in the State of Paraná of the so-called “Anel de Integração”. The first phase of operation “Integração” was launched on February 22, 2018 and the second phase on September 26, 2018. Within the scope of operation “Integração”, one of the employees of the Federal Public Ministry also mentioned in his agreement some former managers of the Company.

As part of the collaboration process with the authorities in the process of investigating the facts and for the adequate clarification and protection of the Company's interests in the above operations, at the end of 2018 the Company installed investigative procedures conducted by its Internal Audit, which included access the totality of available documentation, as well as hearings from people related to the allegations under investigation by the authorities, which resulted in two reports: (i) “Preliminary Special Audit Report No. 004/2019 of 05/29/2019; and (ii) “Complementary Special Audit Report No. 004/2019 of 7/30/2019 (collectively, “Reports ”).



# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2019 and 2018

(In thousands of Brazilian Reais)

The Reports preliminarily revealed certain specific flaws in the internal controls in force at the time the facts occurred, which were forwarded to the Public Prosecutor's Office of the State of Paraná, through Letter 008/2019-AUD, of May 29, 2019 and Official Letter DP 259/2019, of August 6, 2019.

On August 13, 2019, the Company released a Material Fact to the market with information on the matter, known until that moment, realizing that the results of the investigations conducted by the Company's Internal Audit did not allow inferring the existence of any or potential impacts that could materially affect its financial statements and the corresponding comparative accounting information for previous periods, and informed about the appointment and installation of an “External Investigation Commission” (“CEI”).

On August 15, 2019, at its 6th / 2019 Extraordinary Meeting of the Board of Directors (“CA”) approved the creation of the CEI composed of three independent members. At the 7th / 2019 Extraordinary Meeting of the Board of Directors, of August 23, 2019, the members of the CEI were elected, being an independent member of the Board of Directors of the Company, elected by minority shareholders, and two independent external members with extensive experience in internal forensic investigations.

As of its appointment, CEI reviewed the work already developed by the Company and the corresponding documentation. After the conclusion of this analysis, it issued an opinion recommending the hiring of a law firm to conduct an independent forensic investigation, with the objective of investigating the allegations related to operations “Integração” and “Rádio Patrulha”.

On November 28, 2019, in compliance with the opinion issued by CEI and in accordance with the best governance practices, the Company hired the law firm “Tauil & Checker Advogados”, associated with Mayer Brown, to conduct an independent forensic investigation, being the work plan managed by the CEI. To support the conduct of an independent internal investigation regarding forensic data collection, electronic data processing, conducting financial analysis and related work, Ernst & Young - EY (also referred to as “Investigation Team”) was also hired.

On December 13, 2019, after the appointment of CEI and the hiring of the Investigation Team, the Company published a Notice to the Market on the outbreak of Operation “Águas Claras”. The Operation “Águas Claras”, which is an offshoot of Operation “Pecúlio” that took place in 2016, investigates alleged frauds in sewer works bids with the favor of a company whose representatives allegedly paid undue advantages to a retired Company employee, as well as alleged bribery payments by the same company disguised as investment in advertising and sponsorship. The alleged illegal conduct would have been practiced between 2011 and 2016 and would involve some employees of the Company.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2019 and 2018

(In thousands of Brazilian Reais)

Notwithstanding the initiation of said operation occurred after the beginning of the internal investigation work independent of the operations “Rádio Patrulha” and “Integração”, by resolution of the Company's Board of Directors, the allegations related to Operation “Águas Claras” were included in the object of the independent forensic investigation conducted by the Investigation Team. The Operation “Águas Claras”, together with Operations “Rádio Patrulha” and “Integração” are jointly called “Operations”.

Since the beginning of the work in December 2019, the “Investigation Team” has carried out several procedures aimed at defining the planning and execution of the works, as well as preserving and collecting forensic data and analyzing documentation related to the Operations. The independent forensic investigation is still in progress, still in its initial phase, being monitored by the CEI and the Company's external auditor. Therefore, until the publication of these financial statements, the work of the Investigation Team is still in progress, without any conclusion.

Although, to date, it is not possible to conclude about the alleged irregularities mentioned in the Operations, Sanepar's Management continues to monitor the development of investigations conducted by public authorities, collaborating with them and taking all appropriate measures in relation to the matter, as required in the circumstances.

Sanepar's Management will continue to apply its best efforts to support the work of the independent internal investigation conducted by the Investigation Team and CEI, as well as keeping the market duly informed of any other relevant information on the matter.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2019 and 2018

(In thousands of Brazilian Reais)

### **EXECUTIVE BOARD**

Claudio Stabile (Diretor-Presidente)

Abel Demetrio (Diretor Financeiro e de Relações com Investidores)

Paulo Alberto Dedavid (Diretor de Operações)

Joel de Jesus Macedo (Diretor de Investimentos)

Elerian do Rocio Zanetti (Diretor Comercial)

Andrei de Oliveira Rech (Diretor Jurídico)

Priscila Marchini Brunetta (Diretora Administrativa)

Julio Cesar Gonchorosky (Diretor de Meio Ambiente e Ação Social)

### **BOARD OF DIRECTORS**

Marcia Carla Pereira Ribeiro (Presidente)

Vilson Ribeiro de Andrade

Jacques Geovani Schinemann

Rodrigo Sanchez Rios

Adriano Cives Seabra

Joel Musman

Claudio Stabile

Cléver Ubiratan Teixeira de Almeida

Luiz Fernando Borba

### **FISCAL COUNCIL**

Ricardo Cansian Netto (Presidente)

Luis Otavio Dias da Fonseca

Laerzio Chiesorin Junior

Reginaldo Ferreira Alexandre

Paulo Roberto Franceschi

### **ACCOUNTANT**

Ozires Kloster

Gerente Contábil

Contador

CRC-PR 030.386/O-8



# **STATEMENT OF THE OFFICERS**

## STATEMENT

Through this instrument, the Executive Board of Companhia de Saneamento do Paraná – Sanepar, mixed capital state administration corporation, listed in stock exchange, 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, state that they have reviewed, discussed and are in agreement with Sanepar financial statements for tax year ended on December 31, 2019.

Curitiba, January 27, 2020.

**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, listed in stock exchange, 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, state that they have reviewed, discussed and are in agreement with the opinions stated in the audit report issued by BDO RCS Auditores Independentes with respect to the Sanepar financial statements for tax year ended on December 31, 2019.

Curitiba, February 6, 2020.

**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



**SUMMARY ANNUAL  
REPORT OF THE  
STATUTORY  
AUDIT COMMITTEE**

## SUMMARY ANNUAL REPORT OF THE STATUTORY AUDIT COMMITTEE - 2019

To the Board of Directors of Companhia de Saneamento do Paraná - SANEPAR:

### Introduction

The Statutory Audit Committee (Comitê de Auditoria Estatutário – “CAE”) of Companhia de Saneamento do Paraná - SANEPAR was instated at the Extraordinary Meeting of the Board of Directors occurred on May 30, 2017. The composition, discipline and functioning of the CAE are contemplated in its own Internal Regulations, present on the Company’s official website. According to the statutory amendment made in September 2018, its constitution contemplates 4 independent members and one of them must be a member of the Board of Directors. Its members are elected with a term of office of 2 years, allowed to be reappointed for 3 consecutive terms.

The CAE is a statutory advisory body for the Board of Directors, with a permanent and independent role, with the main attributions being the evaluation and follow-up of the processes of preparation and presentation of the Company's financial statements, risk management and internal controls processes, effectiveness of the performance of internal audit and independent auditors. Furthermore, it also gauges the reasonableness of the parameters underlying the calculations and actuarial results of the benefit plans maintained by the Foundations linked to SANEPAR and the monitoring, together with the Management, of the Related-Party Transactions of the Company.

The Management is responsible for the preparation and integrity of financial statements, risk management, maintenance and effectiveness of internal control systems and activities compliance with legal and regulatory standards.

The Internal Audit responds by periodically reviewing and evaluating the controls related to the main risk areas, acting independently in verifying their effectiveness and adequacy of the applicable governance standards.

BDO RCS Independent Auditors is responsible for auditing the Company's annual financial statements and for the special review of its quarterly statements. As an ordinary part of its attributions, it also evaluates the quality and adequacy of internal control systems and compliance with applicable legal and regulatory standards.



### Main activities of the CAE in the Financial Year

The CAE held several formal meetings with the Company's Directors, with the Foundations Directors, with related company CS Bioenergia, with Fiscal Council members and with the Independent Auditors.

These meetings dealt in particular with issues related to the preparation and disclosure of financial statements and their corporate and tax-related developments, risk management and internal controls and transactions involving related parties.

In the dialogues of CAE Members with the internal auditors, external auditors and risk managers, their work plans were evaluated and their results, conclusions and recommendations were known. During the financial year of 2019, there was a broad reformulation in the scope, work methodology and team dimensioning in the areas of Internal Audit and Risk Management.

As a result of broadcasting in various media involving former SANEPAR governance agents in alleged illegal acts in operations named "Rádio Patrulha", "Interação" and "Águas Claras", CAE recommended to the Company's Management the constitution of an Independent Investigation Commission so that, together with the Internal Audit and other service providers specialized in forensic auditing, it could proceed with the investigation process, regardless of whether the Company has been cited as a party in administrative or judicial proceedings or not. Management took the suggested measures, with which CAE has been closely monitoring the activities of that Committee.

### Conclusions

The opinions and judgments of the CAE rest on the data and information submitted to it by the Company's Management (especially in the Accounting, Legal, Risk Management and Internal Audit areas), its related company CS Bioenergia, the Foundations involved in meeting the benefits to its employees and the External Audit.

Regarding the External Audit, the CAE did not identify any situation that could affect its independence and objectivity in relation to SANEPAR, nor was it aware of any significant technical differences between Management, the Independent Auditors and the CAE itself, except for the "Disclaimer of Opinion" expressed by the Auditors in the special revisions of the Quarterly Information - ITRs, for the quarters ended on June 30, 2019 and September 30, 2019. However, the Report of the referred Auditors on the Financial Statements related to the exercise on December 31, 2019 converged to a "Qualified Opinion paragraph", related to ongoing investigations, a treatment that the CAE considers most appropriate to the circumstances.

Regarding the structure of internal controls and risk management, the CAE considers that there is satisfactory coverage considering the size and complexity of the Company's business, although improvements are required in critical issues inherent to the provision of services that are the object of its activity.

Regarding Internal Audit, the results of its performance in the course of 2019 did not reveal significant deviations or failures in the procedures related to the effectiveness of the internal controls adopted by the Company, as well as adherence to the policies and practices established by the Administration and in compliance of rules and regulations applicable to its activity.

The CAE considers that all relevant matters pertinent to its performance were appropriately covered in its diligences and discussions with the Company's Management, which allows it to conclude that they were adequately disclosed in the financial statements related to the fiscal year ended on December 31<sup>st</sup>, 2019, together with the independent auditors' report. Thus, it recommends to the Board of Directors the approval of these audited financial statements.

Curitiba, February 6<sup>th</sup>, 2020.

**Artemio Bertholini**  
Chairman

**Cassio Prudente Vieira Leite**  
Member

**Ruy Fonsatti Junior**  
Member

**Vilson Ribeiro de Andrade**  
Member



**FISCAL  
COUNCIL  
OPINION**

## **FISCAL COUNCIL OPINION**

The Fiscal Council members of Companhia de Saneamento do Paraná - SANEPAR, within their legal duties and responsibilities, performed the examinations of the Management Report, the Financial Statements and Proposal for the allocation of the net Income referring to the fiscal year ended on December 31, 2019. Based on these examinations, considering also the qualified opinion “Report” of the Independent Auditor, "BDO RCS Auditores Independentes SS", dated February 06, 2020, as well as the information and clarifications received during the year, opine that these documents are ready for being appraised by the General Shareholders' Meeting.

Curitiba, February 6, 2020.

**RICARDO CANSIAN NETTO**

Chairman

**LUIS OTAVIO DIAS DA FONSECA**

Member

**LAERZIO CHIESORIN JUNIOR**

Member

**REGINALDO FERREIRA ALEXANDRE**

Member

**PAULO ROBERTO FRANCESCHI**

Member



# **INVESTMENT PROGRAM**

## INVESTMENT PROGRAM

In complying with CVM Instructions, we hereby inform the Investment Program for the years of 2020 to 2024 of **Companhia de Saneamento do Paraná – Sanepar**, approved at the 13th Extraordinary Meeting, held on November 27<sup>st</sup>, 2019.

### Five Year Investment Plan - 2020 a 2024 (million BRL)

	2020	2021	2022	2023	2024	2020 a 2024
Regulatory Capex	1,156.6	1,448.3	1,396.4	1,379.6	1,439.6	6,820.5
Solid Waste	1.3	4.3	0.7	0.4	0.4	7.1
Capitalization	130.1	140.3	148.7	155.8	162.2	737.1
Network Donations	13.2	13.2	13.6	13.9	14.3	68.2
Leasing	-	-	-	-	-	-
<b>Total</b>	<b>1,301.2</b>	<b>1,606.1</b>	<b>1,559.4</b>	<b>1,549.7</b>	<b>1,616.5</b>	<b>7,632.9</b>

	2020	2021	2022	2023	2024	2020 a 2024
Water	594.3	694.8	647.8	643.2	659.7	3,239.8
Sewage	626.4	848.4	860.6	854.1	913.8	4,103.3
Others	80.5	62.9	51.0	52.4	43.0	289.8
<b>Total</b>	<b>1,301.2</b>	<b>1,606.1</b>	<b>1,559.4</b>	<b>1,549.7</b>	<b>1,616.5</b>	<b>7,632.9</b>

The Five Year Investment Plan includes expenses for the assurance of water supply and its quality; commitments made in the concession and program contracts aimed at the universalization of sewage services; demands arising from operational diagnostics of water supply and sewage systems; environmental compliance, including Terms of Judicial Agreement (TAJ); infrastructure, among others.



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