

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

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## **ITR - QUARTERLY INFORMATION FIRST QUARTER OF 2017**

**Independent auditor's review report  
on interim financial information**

**Companhia de Saneamento do  
Paraná - SANEPAR**

March 31, 2017

**A free translation from Portuguese into English of Independent Auditor's Review Report on Interim Financial Information prepared in Brazilian currency in accordance with CPC 21 (R1) and specific rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR)**

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## **Independent auditor's review report on interim financial Information**

The Shareholders, Board of Directors and Officers  
**Companhia de Saneamento do Paraná - SANEPAR**  
Curitiba - PR

### **Introduction**

We have reviewed the accompanying interim financial information, contained in the Quarterly Information Form (ITR) of Companhia de Saneamento do Paraná – SANEPAR ("Company") for the quarter ended March 31, 2017, which comprises the statement of financial position as at March 31, 2017 and the related statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the three-month period then ended, including the explanatory notes.

Management is responsible for the preparation of interim financial information in accordance with Accounting Pronouncement CPC 21 (R1) – Interim Financial Reporting, as well as for the fair presentation of this information in conformity with specific rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion on the interim financial information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information included in the Quarterly Information (ITR) referred to above is not prepared, in all material respects, in accordance with CPC 21(R1) applicable to the preparation of Quarterly Information (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission.




## Other matters

### Interim statement of value added

We have also reviewed the interim statement of value added (SVA) for the three-month period ended March 31, 2017, prepared under the responsibility of Company management, whose presentation in the interim financial information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR). This statement has been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that it is not prepared, in all material respects, consistently with the overall accompanying interim financial information.

Curitiba May 02, 2017

ERNST & YOUNG  
Auditores Independentes S.S.  
CRC 2SP 015.199/F-6



Alexandre Rubio  
Accountant CRC 1SP223361/O-2

## Company Data / Share Capital Structure

<b>Total Shares (Units)</b>	<b>Current Quarter 03/31/2017</b>
<b>Of Paid-in Capital</b>	
<b>Ordinary</b>	167,911,724
<b>Preferential</b>	335,823,449
<b>Total</b>	503,735,173
<b>In Treasury</b>	
<b>Ordinary</b>	0
<b>Preferential</b>	0
<b>Total</b>	0

## Company Data / Cash Proceeds

Event	Approval	Proceeds	Onset Payment	Share Type	Share Class	Dividend per share (Reais / Share)
Ordinary General Assembly	04/27/2017	Interest on shareholders' equity	06/26/2017	Common		0,56534
Ordinary General Assembly	04/27/2017	Interest on shareholders' equity	06/26/2017	Preferred		0,62187
Ordinary General Assembly	04/27/2017	Dividend	06/26/2017	Common		0,00778
Ordinary General Assembly	04/27/2017	Dividend	06/26/2017	Preferred		0,00856

## Individual FS / Balance Sheet – Assets (Reais Thousand)

Line Code	Description	Current Quarter 03/31/2017	Previous Tax Year 12/31/2016
1	Total assets	9,711,287	9,454,119
1.01	Current assets	1,397,382	1,307,240
1.01.01	Cash and cash equivalents	724,980	638,330
1.01.01.01	Cash and banks	4,265	27,675
1.01.01.02	Short term investments	720,715	610,655
1.01.03	Accounts receivable	579,507	559,797
1.01.03.01	Customers	579,507	559,797
1.01.04	Inventories	36,299	36,722
1.01.06	Recoverable Taxes	1,137	39,021
1.01.06.01	Current taxes recoverable	1,137	39,021
1.01.08	Other current assets	55,459	33,370
1.01.08.03	Others	55,459	33,370
1.01.08.03.01	Restricted deposits	9,944	9,844
1.01.08.03.02	Other accounts receivable	45,515	23,526
1.02	Non-current assets	8,313,905	8,146,879
1.02.01	Long term assets	872,096	803,815
1.02.01.03	Accounts receivable	11,214	10,706
1.02.01.03.01	Customers	11,214	10,706
1.02.01.06	Deferred taxes	407,571	373,997
1.02.01.06.01	Deferred income tax and social contribution	407,571	373,997
1.02.01.09	Other non-current assets	453,311	419,112
1.02.01.09.03	Restricted deposits	47,214	45,834
1.02.01.09.04	Taxes and contributions recoverable	760	760
1.02.01.09.05	Judicial deposits	182,709	156,442
1.02.01.09.06	Contractual financial assets	178,842	172,381
1.02.01.09.07	Other accounts receivable	43,786	43,695
1.02.02	Investments	21,085	12,403
1.02.03	Property, plant and equipment	132,822	131,268
1.02.04	Intangible assets	7,287,902	7,199,393

## Individual FS / Balance Sheet – Liabilities (Reais Thousand)

Line Code	Description	Current Quarter 03/31/2017	Previous Tax Year 12/31/2016
2	Total liabilities	9,711,287	9,454,119
2.01	Current liabilities	1,000,756	967,318
2.01.01	Payroll and related charges	84,375	83,930
2.01.01.02	Labor obligations	84,375	83,930
2.01.02	Contractors and suppliers	116,394	133,505
2.01.03	Taxes and contributions	72,341	63,260
2.01.04	Loans and financing	396,680	379,163
2.01.04.01	Loans and financing	119,297	119,920
2.01.04.02	Debentures	276,417	258,681
2.01.04.03	Financing by Merchant Financial Lease	966	562
2.01.05	Other Obligations	186,711	180,949
2.01.05.02	Others	186,711	180,949
2.01.05.02.01	Dividends and JCP Payable	134,131	134,055
2.01.05.02.04	Concession Contracts	7,572	7,501
2.01.05.02.05	Collateral and contractual retentions	2,606	2,338
2.01.05.02.07	Revenues to accrue	4,200	542
2.01.05.02.08	Other Accounts Payable	38,202	36,513
2.01.06	Provisions	144,255	126,511
2.01.06.02	Other Provisions	144,255	126,511
2.01.06.02.04	Provisions for Pension and Medical Insurance Plans	54,879	53,062
2.01.06.02.05	Provisions for Labor Claims	89,376	73,449
2.02	Non-current liabilities	3,741,804	3,678,128
2.02.01	Loans and Financing	2,303,275	2,332,911
2.02.01.01	Loans and Financing	1,081,865	1,103,561
2.02.01.02	Debentures	1,180,964	1,188,804
2.02.01.03	Financing by Merchant Financial Lease	40,446	40,546
2.02.02	Other Payables	111,215	95,775
2.02.02.02	Others	111,215	95,775
2.02.02.02.03	Concession Contracts	88,266	89,425
2.02.02.02.04	Tax and Contributions	1,435	1,411
2.02.02.02.06	Unearned Revenue	16,450	0
2.02.02.02.07	Other Accounts Payable	5,064	4,939
2.02.04	Provisions	1,327,314	1,249,442
2.02.04.02	Other Allowances	1,327,314	1,249,442
2.02.04.02.04	Provisions for Pension Plans and Health Insurance	768,310	742,866
2.02.04.02.05	Provisions	559,004	506,576
2.03	Net Shareholders' equity	4,968,727	4,808,673
2.03.01	Paid in Shareholders' equity	2,847,664	2,847,664
2.03.01.01	Paid in Shareholders' equity	2,847,664	2,847,664
2.03.03	Reassessment Reserves	85,808	87,200
2.03.03.01	Corporate Assets	85,808	87,200
2.03.04	Profit Reserves	1,779,937	1,779,937
2.03.04.01	Legal Reserve	204,024	204,024
2.03.04.07	Tax Incentive Reserves	9,333	9,333



## Individual FS / Balance Sheet – Liabilities (Reais Thousand)

Line Code	Description	Current Quarter 03/31/2017	Previous Tax Year 12/31/2016
2.03.04.08	Additional proposed dividends	148,792	148,792
2.03.04.10	Investment Plan	1,417,788	1,417,788
2.03.05	Accumulated Profits/Losses	161,641	0
2.03.06	Adjustments to Equity Assessment	10,215	10,410
2.03.08	Other Comprehensive Results	83,462	83,462

## Individual FS / P&L Statement (Reais Thousand)

Line Code	Description	Cumulative for Current	Cumulative for Previous
		Tax year 01/01/2017 to 03/31/2017	Tax year 01/01/2016 to 03/31/2016
3.01	Net operating revenue	926,431	806,624
3.02	Cost of services	-359,778	-358,518
3.03	Gross profit	566,653	448,106
3.04	Operating expenses	-295,883	-202,807
3.04.01	Selling expenses	-72,508	-52,866
3.04.02	Administrative expenses	-140,512	-163,690
3.04.05	Other operating expenses	-82,728	13,955
3.04.05.01	Provision for Contingencies	-52,428	40,201
3.04.05.02	Pension and health care plans	-27,261	-25,499
3.04.05.03	Other Operating Expenses (Revenues)	-3,039	-747
3.04.06	Result of Equity Equivalence	-135	-206
3.05	Profit before finance results and income taxes	270,770	245,299
3.06	Finance results	-33,017	-29,297
3.06.01	Finance income	27,544	31,561
3.06.02	Finance expenses	-60,561	-60,858
3.07	Profit before income taxes and social contribution	237,753	216,002
3.08	Income taxes on profit	-77,699	-71,720
3.09	Net Earnings from Continual Operations	160,054	144,282
3.11	Profit/Loss for the Period	160,054	144,282
3.99	Profit per Share - (Reais / Share)		
3.99.01	Basic Earnings per Share		
3.99.01.01	PN	0.32766	0.31673
3.99.01.02	ON	0.29788	0.28794
3.99.02	Diluted Earnings per Share		
3.99.02.01	PN	0.32766	0.31673
3.99.02.02	ON	0.29788	0.28794

## Individual FS / Comprehensive P&L Statement (Reais Thousand)

Line Code	Description	Cumulative for Current Tax year 01/01/2017 to 03/31/2017	Cumulative for Previous Tax year 01/01/2016 to 03/31/2016
4.01	Net Profit for the Period	160,054	144,282
4.02	Other comprehensive results	0	-6,287
4.02.01	Actuarial gains and losses	0	-9,526
4.02.02	Provision for Income Tax and Social Contribution actuarial gains or losses	0	3,239
4.03	Comprehensive income for the period	160,054	137,995

## Individual FS / Cash Flow Statement – Indirect Method (Reais Thousand)

Line Code	Description	Cumulative for Current Tax year 01/01/2017 to 03/31/2017	Cumulative for Previous Tax year 01/01/2016 to 03/31/2016
6.01	Net cash flows from operating activities	337,918	224,835
6.01.01	Cash generated by operations	344,232	238,539
6.01.01.01	Net income for the period	160,054	144,282
6.01.01.02	Depreciation and amortization	58,383	51,998
6.01.01.03	Write-off of PP&E and intangible assets	803	876
6.01.01.04	Adjustment to recoverable value of assets	-111	-129
6.01.01.05	Write-off of investments	214	0
6.01.01.06	Present value adjustment of financial assets	-1,679	-18,481
6.01.01.07	Provision for Loss in the realization of credits	5,600	1,388
6.01.01.08	Deferred Income Tax and Social Contribution, net	-33,574	1,898
6.01.01.09	Provision for contingencies	52,428	-40,201
6.01.01.10	Pension and health care plans	27,261	25,499
6.01.01.11	Interest on financing	63,139	55,259
6.01.01.12	Monetary indexation on financing	9,240	15,908
6.01.01.13	Equity Equivalence results	135	206
6.01.01.14	Cost Accruals in Attracting Third-party Results	213	36
6.01.01.15	Adjustment at Fair Value - Investments	2,126	0
6.01.02	Changes in assets and liabilities	-6,314	-13,704
6.01.02.01	Accounts receivable	-25,818	-33,793
6.01.02.02	Taxes and contributions recoverable	37,884	28,051
6.01.02.03	Inventories	423	-967
6.01.02.04	Judicial deposits	-26,267	-4,948
6.01.02.05	Other credits and receivable	-22,080	-8,315
6.01.02.06	Contractors and suppliers	-17,111	-11,021
6.01.02.07	Service concession arrangements	-1,088	632
6.01.02.08	Taxes and contributions	9,181	7,417
6.01.02.09	Payroll and related charges	16,372	15,521
6.01.02.10	Collateral and contractual retentions	268	78
6.01.02.11	Deferred revenue	20,108	-813
6.01.02.12	Accounts payable	0	-1,843
6.01.02.13	Other liabilities	1,814	-3,703
6.02	Net cash flows investing activities	-165,077	-152,391
6.02.01	Investments in immobilized and intangible assets	-153,920	-150,964
6.02.02	Investments	-11,157	-1,427
6.03	Net cash flows from (used in) financing activities	-86,191	-38,484
6.03.01	Financing Raised	11,518	27,817
6.03.02	Amortization of Financing Operations	-44,913	-33,494
6.03.03	Payment of Interest on Financing	-51,316	-31,664
6.03.04	Linked Deposits	-1,480	-1,143
6.05	Increase (Reduction) of Cash and Equivalents	86,650	33,960
6.05.01	Cash and cash equivalents at beginning of the period	638,330	163,797
6.05.02	Cash and cash equivalents at end of the period	724,980	197,757

**Individual FS / Statement of Changes to Shareholders Equity - 01/01/2017 to 03/31/2017  
(Reais Thousand)**

Line Code	Description	Paid In Shareholder Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Cumulative Profit or Losses	Other Comprehensive Results	Shareholder Equity
5,01	Initial balances	2,847,664	0	1,779,937	0	181,072	4,808,673
5,03	Initial balances adjusted	2,847,664	0	1,779,937	0	181,072	4,808,673
5,05	Total Comprehensive Results	0	0	0	161,641	-1,587	160,054
5,05,01	Net Profit for the Period	0	0	0	160,054	0	160,054
5,05,02	Other Comprehensive Results	0	0	0	1,587	-1,587	0
5,05,02,06	Realization of Reassessment Reserves	0	0	0	2,109	-2,109	0
5,05,02,07	Taxes on Realization of Reassessment Reserves	0	0	0	-717	717	0
5,05,02,08	Realization of Adjustment to Cost Attributed	0	0	0	295	-295	0
5,05,02,09	Taxes on Realization of Adjustment to Cost Attributed	0	0	0	-100	100	0
5,07	Final Balances	2,847,664	0	1,779,937	161,641	179,485	4,968,727

**Individual FS / Statement of Changes to Shareholders Equity - 01/01/2016 to 03/31/2016  
(Reais Thousand)**

Line Code	Description	Paid In Shareholder Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Cumulative Profit or Losses	Other Comprehensive Results	Shareholder Equity
5.01	Initial balances	2,597,360	0	1,398,472	0	184,475	4,180,307
5.03	Initial balances adjusted	2,597,360	0	1,398,472	0	184,475	4,180,307
5.05	Total Comprehensive Result	0	0	0	145,836	-7,841	137,995
5.05.01	Net Profit for the Period	0	0	0	144,282	0	144,282
5.05.02	Other Comprehensive Results	0	0	0	1,554	-7,841	-6,287
5.05.02.06	Realization of Reassessment Reserves	0	0	0	2,180	-2,180	0
5.05.02.07	Taxes on Realization of Reassessment Reserves	0	0	0	-741	741	0
5.05.02.08	Realization of Adjustment at Cost Attributed	0	0	0	174	-174	0
5.05.02.09	Taxes on Realization of Adjustment at Cost Attributed	0	0	0	-59	59	0
5.05.02.10	Actuarial Gains and Losses	0	0	0	0	-9,526	-9,526
5.05.02.11	Taxes on Actuarial Gains and Losses	0	0	0	0	3,239	3,239
5.07	Final Balances	2,597,360	0	1,398,472	145,836	176,634	4,318,302

## Individual FS / Statements of Value Added (Reais Thousand)

Line Code	Description	Cumulative for Current Tax year 01/01/2017 to 03/31/2017	Cumulative for Previous Tax year 01/01/2016 to 03/31/2016
7.01	Revenues	992,203	863,566
7.01.01	Sales of Goods, Products and Services	998,826	865,701
7.01.02	Others Revenues	-1,023	-747
7.01.04	Provision/Reversals of Bad Credits	-5,600	-1,388
7.02	Inputs Acquired from Third-parties	-331,261	-227,499
7.02.01	Cost of Prods., Goods. and Servs. Sold	-105,738	-94,305
7.02.02	Materials, Energy, Third-party Servs. and Others	-147,262	-161,586
7.02.03	Asset Values Losses/Recovery	-2,016	0
7.02.04	Others	-76,245	28,392
7.03	Gross Value Added	660,942	636,067
7.04	Retentions	-58,383	-51,998
7.04.01	Depreciation, Amortization and Depletion	-58,383	-51,998
7.05	Net Value Added Produced	602,559	584,069
7.06	Value Added Received through Transfers	27,409	31,355
7.06.01	Equity Equivalence Result	-135	-206
7.06.02	Financial Revenues	27,544	31,561
7.07	Total Value Added to Distribute	629,968	615,424
7.08	Distribution of Value Added	629,968	615,424
7.08.01	Personnel	207,636	233,109
7.08.01.01	Direct Compensation	123,394	114,110
7.08.01.02	Benefits	74,304	110,137
7.08.01.03	F.G.T.S.	9,938	8,862
7.08.02	Taxes and Contributions	190,064	166,765
7.08.02.01	Federal	187,962	164,608
7.08.02.02	State	351	457
7.08.02.03	Municipal	1,751	1,700
7.08.03	Compensation for Third-party Capital	72,214	71,268
7.08.03.01	Interest	60,561	60,858
7.08.03.02	Leases	11,653	10,410
7.08.04	Compensation for shareholder equity	160,054	144,282
7.08.04.03	Profits Retained / Losses for the Period	160,054	144,282

# Companhia de Saneamento do Paraná – SANEPAR

## COMMENTS ON THE COMPANY PERFORMANCE IN 1<sup>ST</sup> QUARTER 2017

### 01. INTRODUCTION

Companhia de Saneamento do Paraná – SANEPAR (herein also “Company” and/or “Sanepar”), established in 1963, company of the basic sanitation sector, holder of the concession to operate the services of distribution of water and collection and treatment of sewage in 346 municipalities, of which 345 out of a total of 399 existing in the state of Paraná and 01 municipality in the State of Santa Catarina. In activity in the sector for 54 years, it is one of the agencies responsible for Paraná being ranked among the states with the best social indicators in the country, as well as displaying one of the best indicators in service coverage among similar entities. The company vision is one of excellence, committed to universal delivery of environmental sanitation.

### 02. MANAGEMENT

SANEPAR has continually reinforced a strategy of running its business with organizational flexibility in order to respond with agility and efficiently to the new market requirements and contextual changes, with the strategic objective of achieving corporate economic-financial and social-environmental sustainability.

Fully in line with the market requirements, company management has been driven by the qualification of its functional staff, the quest for efficiency in the use of inputs, better management of revenues, costs and expenses, thus guaranteeing continuity for investments and good service delivery to its customers.

In the month of January 2017, the company established the Encouraged Retirement Program (Programa de Aposentadoria Incentivada – PAI), with the objective of enabling retirees or those close to retirement, to request their dismissal from the staff, with 111 employees having joined.

### 03. MARKET

The current rate of delivery with treated water is of 100.0% and the coverage of sewage collection is of 70.5% of the urban population within the concession area, with a treatment rate of 100.0% as per the Corporate Information System.

Revenues stem mainly from residential water connections, representing 91.3% of the total water connections existing on March 31, 2017.

The number of water connections of 3,047,486 in March 2017 is 2.0% superior to the number of connections (2,988,952) existing in March 2016, representing an increment of 58,534 new water connections, as shown below:



# Companhia de Saneamento do Paraná – SANEPAR

## COMMENTS ON THE COMPANY PERFORMANCE IN 1<sup>ST</sup> QUARTER 2017

### 03. MARKET -- continuation

#### Number of Water Connections \*

Classes	March/2016	March/2017	Var. %
Residential	2,728,042	2,781,393	2.0
Commercial	200,615	205,348	2.4
Industrial	12,516	12,338	(1.4)
Public Utility	22,136	22,521	1.7
Public Administration	25,643	25,886	0.9
<b>Totals</b>	<b>2,988,952</b>	<b>3,047,486</b>	<b>2.0</b>

\* Information not reviewed by independent auditors.

The number of sewage connections of 1,976,253 in March 2017 is 5.5% higher than the number of connections (1,872,852) existing in March 2016, representing a growth of 103,401 new sewage connections, as shown below:

#### Number of Sewage Connections\*

Classes	March/2016	March/2017	Var. %
Residential	1,694,584	1,789,786	5.6
Commercial	148,423	155,104	4.5
Industrial	4,727	4,867	3.0
Public Utility	12,748	13,462	5.6
Public Administration	12,370	13,034	5.4
<b>Totals</b>	<b>1,872,852</b>	<b>1,976,253</b>	<b>5.5</b>

\* Information not reviewed by the independent auditors.

### 04. TECHNOLOGY

Operational efficiency is one of the focus points of the SANEPAR management model. Over the years, the Company has achieved significant results due to investments in more effective systems and processes.

SANEPAR has been keeping up with the sectors technological advances around the world, in addition to developing its own solutions in achieving maximal rationality in the use of water and avoid compromising the environment.

The development of innovative solutions and obtaining new knowledge are facilitated through the exchange with research institutes, studies and publication of technical papers.

# Companhia de Saneamento do Paraná – SANEPAR

## COMMENTS ON THE COMPANY PERFORMANCE IN 1<sup>ST</sup> QUARTER 2017

### 05. ENVIRONMENT AND COMMUNITY

More than simply complying with environmental legislation, SANEPAR continually acts in its segment of activities in line with the concept of sustainable development, i.e., maximum rationalization of the use of natural inputs and reduction to the minimum in environmental impacts. In applying this philosophy, the Company has an Environmental Strategic Plan, with the objective of identifying the main impacts stemming from this activity and, in this way, enabling drafting programs and establishing targets and actions to mitigate risks.

Social responsibility, in particular in connection with public health, is delivered through countless programs and actions targeted at well-being for communities in which SANEPAR is present. The Company also maintains a complex bacteriological, chemical-physical, spectrophotometric, chromatography and hydro-biology laboratory system that guarantees ideal conditions for the water consumed by its customers.

The Company endeavors to increase its activity in solid waste collection and destination, not only through the management of sanitary landfills but also by looking for new technologies that enable generation of energy. In 2014, SANEPAR, in partnership with another company, established CS Bioenergia S.A., which will produce energy from the waste generated by the Sewage Treatment Station of Belém, in Curitiba. This partnership will transform the sludge, main raw material of sewage treatment stations, into a new high economic value added product. The sludge processed will generate energy, bringing major savings in its transportation and final disposal costs, in addition to preserving the environment.

The importance of the relationship between the Company and society can also be observed in the amounts that are added and distributed to the different segments of the national economy such as, for instance, remuneration to Governments, that reverts into benefits for society.

#### Distribution of the Economic Wealth Generated (BRL thousand)

	YTD for March/2016	YTD for March/2017	Var. %
Personnel Compensation	233,109	207,636	(10.9)
Government Compensation (Taxes)	166,765	190,064	14.0
Third-party Compensation (property leases)	10,410	11,653	11.9
Third-party Capital Remuneration (Interest and Monetary Variations)	60,858	60,561	(0.5)
Net Profit for the Period not distributed	144,282	160,054	10.9
<b>Total Economic Wealth Generated</b>	<b>615,424</b>	<b>629,968</b>	<b>2.4</b>

# Companhia de Saneamento do Paraná – SANEPAR

## COMMENTS ON THE COMPANY PERFORMANCE IN 1<sup>ST</sup> QUARTER 2017

### 06. PRODUCTIVITY

In the first quarter of 2017, the invoiced volume of treated water was of 153,621,862 m<sup>3</sup>, as compared to 148,857,585 m<sup>3</sup> for the same period in 2016, representing a growth of 3.2%.

#### COMPARATIVE TABLE OF INVOICED WATER VOLUME IN m<sup>3</sup> \*

Classes	1° Quarter/2016	1° Quarter/2017	Var. %
Residential	127,730,834	132,159,611	3.5
Commercial	12,158,921	12,376,956	1.8
Industrial	3,058,443	3,054,106	(0.1)
Public Utility	1,344,141	1,334,908	(0.7)
Public Administration	4,565,246	4,696,281	2.9
<b>TOTAL INVOICED</b>	<b>148,857,585</b>	<b>153,621,862</b>	<b>3.2</b>

\* Information not reviewed by independent auditors.

The invoiced volume of sewage for the first quarter 2007 displayed a growth of 6.3% as compared to the same quarter in the previous year, as shown below volume:

Classes	1° Quarter/2016	1° Quarter/2017	Var. %
Residential	86,406,401	92,344,588	6.9
Commercial	10,380,939	10,774,527	3.8
Industrial	785,502	755,326	(3.8)
Public Utility	938,099	967,190	3.1
Public Administration	3,238,878	3,360,142	3.7
<b>TOTAL INVOICED</b>	<b>101,749,819</b>	<b>108,201,773</b>	<b>6.3</b>

\* Information not reviewed by independent auditors.

In the ongoing search for rationalizing its resources and operational control of the water supply systems, the company adopts actions such as:

- renewal of its hydrometer park, currently around 17% a year;
- research in the detection of hidden leaks, clandestine connections and damaged or defrauded hydrometers;
- operational development through the implementation of a technical registry, geographic, supervision and control system, automation, optimization of macro-measurements and systematizing of operational diagnosis; and
- Improvements in the operational network and units.

# Companhia de Saneamento do Paraná – SANEPAR

## COMMENTS ON THE COMPANY PERFORMANCE IN 1<sup>ST</sup> QUARTER 2017

### 06. PRODUCTIVITY -- continuation

Adopting these measures enabled a reduction in this period of 5.90 L of losses per connection/day, corresponding to 2.5% as compared to December 2016 as shown in the table below:

DEMONSTRATION OF THE LOSSES PER CONNECTION INDEX *		
Year	Liters/Connection/Day	Variation Liters/Connection/Day
2010	235.14	(1.87)
2011	244.80	9.66
2012	247.00	2.20
2013	239.03	(7.97)
2014	226.91	(12.12)
2015	225.77	(1.14)
2016	233.12	7.35
2017 (1)	227.22	(5.90)

\* Information not reviewed by independent auditors.

(1) Cumulative amounts from January to March 2017.

### 07. ECONOMIC INDICATORS

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

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

Description	Reference	YTD to March/2016	YTD to March/2017	Var. %
Net Operating Revenue (1)	BRL thousand	806,624	926,431	14.9
Operating Profit	BRL Thousand	245,299	270,770	10.4
Net Profit	BRL thousand	144,282	160,054	10.9
Operating Margin	%	25,0	23,8	(4.8)
Net Margin	%	17,9	17,3	(3.4)
Mean PL Profitability	%	3,4	3,3	(2.9)
Net Debt/EBITDA (12-month Cumulative)	times	2.2	1.6	(27.3)

(1) The additional operating revenue stems from the feet readjustment of 10.48% starting on 04/01/2016, in addition to the increased service delivery in water and sewage, with increases of 3.2% and 6.3% in the invoiced volume respectively, and in the number of water (2.0%) and sewage (5.5%) connections.

# Companhia de Saneamento do Paraná – SANEPAR

## COMMENTS ON THE COMPANY PERFORMANCE IN 1<sup>ST</sup> QUARTER 2017

### 07. ECONOMIC INDICATORS -- continuation

At the end of the first quarter 2017, total Company assets reached BRL 9,711,287 thousand (BRL 9,454,119 thousand on 12/31/2016), with total liabilities at the end of the same quarter being BRL 4,742,560 thousand (BRL 4,645,446 thousand on 12/31/2016).

Of the total liability amount, BRL 2,699,955 thousand (BRL 2,712,074 thousand on 12/31/2016) are in reference to loans, financing and debentures, showing a reduction of 0.4% as compared to the end of the 2016 tax year.

Description	Reference	12/31/2016	03/31/2017	Var. %
Net Equity	BRL thousand	4,808,673	4,968,727	3.3
Share Value	BRL	9.55	9.86	3.3
Indebtedness Level	%	49.1	48.8	(0.6)
Net Liquidity	BRL	1.35	1.40	3.7
Dry Liquidity	BRL	1.30	1.35	3.8

### Generation of Operating Cash

EBITDA for the first quarter 2017, representing the Company's operating results was of BRL 329,153 thousand, as compared to BRL 297,297 thousand for the same period in the previous year. The increase in this indicator for the period stems mainly from the growth of the revenues and management of costs and expenses.

Description	Reference	1 <sup>st</sup> Quarter/2016	1 <sup>st</sup> Quarter/2017	Var. %
Net profit for the period	BRL thousand	144,282	160,054	10.9
(+) Taxes on Profit	BRL thousand	71,720	77,699	8.3
(+) Financial Result	BRL thousand	29,297	33,017	12.7
(+) Depreciation and Amortization	BRL thousand	51,998	58,383	12.3
(=) EBITDA	BRL thousand	297,297	329,153	10.7
EBITDA Margin	%	36.9	35.5	(3.8)
Conversion of EBITDA into Operating Cash	%	75.6%	102.7%	35.8

The ratio between EBITDA and operating cash flow for the first quarter, as compared to the same period in 2016 increased in particular due to the growth of delinquency of customers and contingency provisions.

# Companhia de Saneamento do Paraná – SANEPAR

## COMMENTS ON THE COMPANY PERFORMANCE IN 1<sup>ST</sup> QUARTER 2017

### 08. ECONOMIC PERFORMANCE

#### **Operating Revenue**

Gross operating revenue grew 15.4%, going from BRL 865,701 thousand accumulated for the first quarter 2016, to BRL 998,826 thousand for the equal period of 2017. This growth is the outcome of the feet readjustment, the increased delivery of water and sewage services and an increase in the number of connections and invoiced volumes.

#### **Operating Costs and Expenses**

Operating costs and expenses for the first quarter of 2017 remained in the same threshold as in comparison to the same period in 2016. The main variations occurred were as a result of a growth of 21.6% in expenses with materials, in particular, as a function of the increase in the deployment of treatment materials and electromechanical maintenance and 39.2% with other operating expenses, mainly, through the increase in expenses with amortizations and provisions for losses in the realization of credits, offset by a reduction of 8.1% in expenses with personnel, as a function of the Encouraged Retirement Program (Programa de Aposentadoria Incentivada – PAI) carried out in 2016 being more successful than the one for 2017 and 3.2% in expenses with third-party services, in particular, through the reduction of expenses with electric energy.

#### **Net Profit**

The Company posted a net profit of BRL 160,054 thousand in the 1st Quarter 2017, 10.9% superior to the net result of BRL 144,282 thousand registered for the same period in 2016. The result was mainly driven by the growth in the operating revenue and the stability achieved in operating costs and expenses.

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 1. OPERATIONAL CONTEXT

Companhia de Saneamento do Paraná - SANEPAR (also identified as “Company” or “Sanepar”), has its headquarter at Rua Engenheiros Rebouças in Curitiba - Paraná, is a mixed capital company, whose corporate objective, by the State of Paraná delegation and its municipalities, is the operation of sanitation services, mainly the distribution of water, collection and treatment of sewage, as well as collection and treatment of solid waste, studies, projects and execution of works relating to new facilities, extensions networks water distribution networks and the collection and treatment of sewage and providing advisory services and technical assistance in these areas. The Company also collaborates with agencies and federal, state and municipal entities in matters pertaining to the development of its basic objectives.

The Company, by concessions from the municipalities, provides water treatment and distribution and sewage collection and treatment services. Renewals of contracts have, on average, duration of 30 years. Of a total of 346 concessions, approximately 5.5% of the contracts are in the process of renewal for being overdue, 17,6% maturing from 2016 to 2026 and 76.9% were renewed with their maturities after 2027. In the case of concessions that were not renewed at the expiration date, the municipality must reimburse the Company for the residual accounting amounts of the concession assets.

Only the concession of the municipality of Curitiba has rules that determine a cost for the concession to be paid by the Company as described in Note 12.

The Company participates with 40% of the share capital of a Specific Purpose Entity, named “CS Bioenergia S.A.”, the social objective of this entity is the exploitation and adequate disposal of solid organic waste and sludge produced at the sewage treatment plants, biogas production, and power generation as indicated in Note 8.

The Company is registered at the CVM as a publicly-held company under category A (issuers authorized to negotiate any securities) and the company shares are negotiated in the São Paulo Stock Exchange (BM&FBOVESPA), listed in Level 2 of Corporate overnance.

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 2. PRESENTATION OF INTERIM FINANCIAL INFORMATION

### 2.1 Statement of Compliance

This interim financial information were prepared in compliance with Laws 6,404/76, 11,638/07 and 11,941/09. They were drafted in accordance with the Brazilian Accounting Practices, covering the Brazilian shareholding legislation, the Statements, the Guidance and Interpretations issued by the Accounting Guidance Committee (Comitê de Pronunciamentos Contábeis - CPC) as well as based on the accounting standards and procedures defined by the Brazilian Securities Commission (Comissão de Valores Mobiliários – CVM).

The financial statement information was authorized for publication by the Company Management on May 2, 2017.

### 2.2 Measurement Base

The financial statements have been prepared under the historical cost basis and financial assets measured at fair value.

### 2.3 2.3 Functional Currency and Presentation Currency

All amounts presented in the accounting statements, including the values shown in the explanatory notes, are expressed in thousands of Brazilian *Reais*, the Company's operating currency, except where indicated otherwise.

## 3. MAIN ACCOUNTING PRACTICES

The main accounting practices deployed in drafting the interim financial information for the quarter ended on March 31, 2017, are consistent with the practices set out in Note 3 of the Company's Financial Statements for tax year ended on December 31, 2016.



# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 4. CASH AND CASH EQUIVALENTS

Composed as follows:

<b>Description</b>	<b>03/31/2017</b>	<b>12/31/2016</b>
Unrestricted bank deposits	356	2,988
Linked bank deposits	3,909	24,687
	<u>4,265</u>	<u>27,675</u>
Short-term investments		
Caixa FI Sanepar I Renda Fixa (1)	621,635	511,541
CDB Flex Empresarial (2)	99,080	99,114
	<u>720,715</u>	<u>610,655</u>
<b>Total cash and cash equivalents</b>	<b><u>724,980</u></b>	<b><u>638,330</u></b>

The financial investments are short-term, highly liquid and low risk of change in value. They comprise fixed income funds applied in Investment Funds, with an average remuneration of 99.87% of the CDI (100.18% in 2016) and a Bank Deposit Certificate of the CAIXA.

(1) The CAIXA FI SANEPAR I RENDA FIXA Fund is exclusive for the Company's investments and on March 31, 2017, 64.66% of the funds were allocated to NTN-B Financial Commitment Transactions, which have immediate sale back option to the bank; 0.06% in Federal Public Securities (LFT and LTN) and 35.27% in first-class Financial Institution CDB (61.46%, 0.07% and 38.47% respectively in 2016);

(2) Caixa Econômica Federal Bank Deposit Certificate (CDB) are issued by the institution, contracted at a floating rate of between 100.50% to 102,00% of CDI with high liquidity, driven by the contracted term and the actual term of the investment.

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 5. ACCOUNTS RECEIVABLE, NET

### a) Balances of accounts receivable show the following composition by expiry date:

Description	03/31/2017	12/31/2016
Accounts Receivable not due	215,905	199,442
Accounts Receivable from Installment	36,527	37,151
Net Present Value Adjustment	(3,188)	(3,408)
Unbilled invoiced (Consumption not yet billed)	147,846	160,852
	397,090	394,037
Accounts Receivable Past due		
From 1 to 30 days	112,446	100,748
From 31 to 60 days	29,518	25,850
From 61 to 90 days	11,997	11,431
From 91 to 180 days	21,098	19,505
Over 180 days	169,978	165,268
Provision for Losses	(151,406)	(146,336)
	193,631	176,466
<b>Total Accounts Receivable, net</b>	<b>590,721</b>	<b>570,503</b>
<b>Current assets</b>	<b>579,507</b>	<b>559,797</b>
<b>Non-current assets</b>	<b>11,214</b>	<b>10,706</b>

Of the total overdue receivable, net of losses on realization of credits, the amount of BRL 4,798 (BRL 6,244 on 12/31/2016) is in reference to Municipalities; BRL 166,859 (BRL 145,499 on 12/31/2016) from Private Customers; BRL 81 (BRL 453 on 12/31/2016) from the Federal Administration and BRL 21,893 (BRL 24.270 on 12/31/2016) from the State Administration.

### b) Changes in provisions for losses in realizing credits were as follows:

Description	03/31/2017	12/31/2016
Balances at the beginning of the period	(146,336)	(125,395)
Amounts posted as expenses	(5,600)	(21,775)
Write offs, net of recoveries	530	834
<b>Balances at the end of the period</b>	<b>(151,406)</b>	<b>(146,336)</b>

### c) Balance for provisions in losses in realizing credits receivable shows the following composition:

Description	03/31/2017	12/31/2016
Private Customers	87,258	81,558
Federal Government Agencies	1	7
Municipal Administration Agencies	64,147	64,771
<b>Total</b>	<b>151,406</b>	<b>146,336</b>

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 6. TAXES AND CONTRIBUTIONS RECOVERABLE

Composed as follows:

<u>Description</u>	<u>03/31/2017</u>	<u>12/31/2016</u>
Recoverable Income tax	757	29,219
Recoverable Social Security Contribution	-	9,422
Withheld Tax and Contributions – public bodies	1,140	1,140
Other recoverable taxes	-	-
<b>Total</b>	<b>1,897</b>	<b>39,781</b>
<b>Current assets</b>	<b>1,137</b>	<b>39,021</b>
<b>Non-current assets</b>	<b>760</b>	<b>760</b>

## 7. OTHER ACCOUNTS RECEIVABLE

Composition as follows:

<u>Description</u>	<u>03/31/2017</u>	<u>12/31/2016</u>
Advances to Employees	12,948	3,739
Payments reimbursable	3,270	4,092
Pledged deposit	2,144	1,888
Municipal Environment Fund	44,369	44,462
Prepaid Expenses	6,218	12,105
Bills and Other Credits	20,352	935
<b>Total</b>	<b>89,301</b>	<b>67,221</b>
<b>Current assets</b>	<b>45,515</b>	<b>23,526</b>
<b>Non-current assets</b>	<b>43,786</b>	<b>43,695</b>

## 8. INVESTMENTS

<u>Description</u>	<u>03/31/2017</u>	<u>12/31/2016</u>
Investment in joint subsidiary – CS Bioenergia S.A.	20,488	9,466
Other Investments recognized by the Cost Method	522	522
Investment Recognized at Fair Value	75	2,415
<b>Total</b>	<b>21,085</b>	<b>12,403</b>

### Investment in a joint venture

The Company holds 40% of CS Bioenergia S.A. with reference to a financial input for the amount of BRL 12,542 in Share Capital and BRL 13,316 as Advances for Future Capital Calls (Adiantamento para Futuro Aumento de Capital – AFAC). The Company's shareholding interest is booked using the equity equivalence method in the investment company's Financial Statements, summarized as follows:

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 8. INVESTMENTS -- continuation

<b>Balance Sheet - CS Bioenergia S.A.</b>	<b>03/31/2017</b>	<b>12/31/2016</b>
Current assets	626	1,139
Non-current assets	59,864	59,858
• Property, plant and equipment	39,836	39,831
• Financial Leasing	20,026	20,026
• Others	2	1
<b>Total Assets</b>	<b>60,490</b>	<b>60,997</b>
Current liabilities	9,270	37,334
• Loans, Financing and Financing Leases	-	37,334
• Others	9,270	-
Non-current Liabilities	-	-
Shareholders' Equity	51,220	23,663
<b>Total liability</b>	<b>60,490</b>	<b>60,997</b>

<b>Statement of income - CS Bioenergia S.A.</b>	<b>03/31/2017</b>	<b>12/31/2016</b>
Revenue	-	-
(-) Operating Expenses	(406)	(2,701)
Financial Result	69	(5,693)
Loss before income taxes	(337)	(8,394)
Income and social contribution	-	-
<b>Loss in the Period</b>	<b>(337)</b>	<b>(8,394)</b>

The changes in the investment in this period are:

<b>Description</b>	<b>03/31/2017</b>	<b>12/31/2016</b>
Balance at beginning of period	9,466	5,287
Capital injections	11,157	7,540
Equity pick-up (40% interest)	(135)	(3,361)
<b>Balance at end of period</b>	<b>20,488</b>	<b>9,466</b>

### Other Investments

The Company maintains several investments over which it exercises no significant influence, assessed and recorded by the cost method BRL 522 for a total of (BRL 522 on 12/31/2016).

The Company has investment us in FINAM (Fund of Investment in the Amazon) resulting from the investment of the Tax Incentive from the Income tax for the amount of BRL 2,201, which brought the fair value considering the price for the 03/31/2017 is equivalent to BRL 75.

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE

### a) Property, plant and equipment

Composed as follows:

<b>By Lines</b>			<b>03/31/2017</b>	<b>12/31/2016</b>
<b>Description</b>	<b>Cost</b>	<b>Accumulated depreciation</b>		<b>Net value</b>
Administrative	231,399	(100,008)	131,391	130,449
Others	9,223	(7,792)	1,431	819
<b>Total</b>	<b>240,622</b>	<b>(107,800)</b>	<b>132,822</b>	<b>131,268</b>

<b>By Nature</b>			<b>03/31/2017</b>	<b>12/31/2016</b>
<b>Description</b>	<b>Rate yearly depreciation</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net value</b>
Land	-	2,309	-	2,309
Civil construction	*1.84%	68,205	(14,053)	54,241
Improvements	2%	1,788	(631)	1,166
Installations	*5.83%	3,684	(2,003)	1,722
Equipment	*6.23%	46,053	(18,808)	27,245
Furniture and utensils	7.14%	37,541	(17,049)	20,492
Computer equipment	*19.82%	34,320	(21,950)	12,370
Vehicles	*13.05%	27,986	(19,632)	8,354
Machinery, Tractors and similar	*19.35%	18,169	(13,358)	4,811
Tools	6.67%	567	(316)	251
<b>Total</b>		<b>240,622</b>	<b>(107,800)</b>	<b>132,822</b>
				<b>131,268</b>

\*Weighted Average Rate

### b) Intangible

Composed as follows:

<b>By lines</b>			<b>03/31/2017</b>	<b>12/31/2016</b>
<b>Description</b>	<b>Cost</b>	<b>Accumulated amortization</b>		<b>Net value</b>
Water systems	4,075,216	(1,311,790)	2,763,426	2,731,814
Sewage systems	4,238,415	(881,807)	3,356,608	3,323,219
Solid waste	1,753	(1,733)	20	-
Rights of Use and Operation of systems	125,088	(63,977)	61,111	62,153
Other Intangible Assets	86,237	(51,985)	34,252	32,924
Project and construction in Progress	1,024,099	-	1,024,099	1,000,861
Inventory for Construction in progress	48,386	-	48,386	48,422
<b>Total</b>	<b>9,599,194</b>	<b>(2,311,292)</b>	<b>7,287,902</b>	<b>7,199,393</b>

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE -- continuation

### b) Intangible -- continuation

By Nature				03/31/2017	12/31/2016
Description	Rate of annual amortization	Cost	Accumulated amortization		Net value
Land	-	115,296	-	115,296	113,041
Wells	*3.10%	123,800	(33,588)	90,212	89,045
Dams	*2.67%	143,853	(50,124)	93,729	93,351
Civil constructions	*2.59%	1,830,416	(416,505)	1,413,911	1,387,226
Improvements	*2.67%	18,858	(2,093)	16,765	16,072
Piping	*2.64%	4,553,050	(1,048,067)	3,504,983	3,480,386
Building connections	3.33%	612,080	(195,165)	416,915	414,824
Installations	*5.83%	143,373	(39,525)	103,848	99,680
Hydrometers	10%	169,278	(67,593)	101,685	100,813
Macro-meters	10%	5,074	(3,220)	1,854	1,939
Equipment	*6.23%	491,597	(232,903)	258,694	254,223
Furniture and utensils	7.14%	5,043	(3,137)	1,906	1,888
Computer equipment	*19.82%	88,584	(80,120)	8,464	8,712
Computer programs	20%	44,693	(33,957)	10,736	10,372
Vehicles	*13.05%	17,647	(13,416)	4,231	4,352
Machinery, tractors and similar items	*19.35%	16,683	(13,976)	2,707	3,052
Tools	6.67%	286	(175)	111	103
Rights of Use of Transmission Lines	6.25%	156	(124)	32	34
Environmental Protection and Preservation	20%	21,854	(13,627)	8,227	8,844
Curitiba Municipality Concession (1)	3.33%	125,000	(63,889)	61,111	62,153
Cianorte Municipality Concession (2)	5%	88	(88)	-	-
Projects and construction in Progress	-	1,024,099	-	1,024,099	1,000,861
Inventory for construction in progress	-	48,386	-	48,386	48,422
<b>Total</b>		<b>9,599,194</b>	<b>(2,311,292)</b>	<b>7,287,902</b>	<b>7,199,393</b>

\*Weighted Average Rate

- (1) Cost of costly concession contract, with a term of 30 years, whose repayment rate is an integral part of the costs related to the provision of sanitation services for the Municipality of Curitiba, as mentioned in Note 12.
- (2) Cost of Concession Contract with Municipality of Cianorte to provide public utility services of collection, treatment and final disposition of solid waste for a period of 20 years.

The balance of line “Projects and Construction in progress” on 31 March 2017, is in reference to 113 (144 on 12/31/2016) works for expanding and installing water supply systems in 84 (109 on 12/31/2016) localities, for the amount of BRL 300,826 (BRL 295,787 on 12/31/2016); 134 (161 on 12/31/2016) works in connection with sewage collection and treatment systems in 94 (99 on 12/31/2016) localities, for the amount of BRL 585,984 (BRL 569,947 on 31/12/2016), as well as BRL 137,289 (BRL 135,127 on 12/31/2016) in investments in different operational projects and works in the systems operated by the Company.

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE -- continuation

### b) Intangible -- continuation

No in the first quarter of 2017 interested other financial charges incurred on funds and loans funding the project and works of the Company were capitalized for the amount of BRL 12,965 (BRL 47,385 on 12/31/2016). The average rate used determined the amount of costs of loans liable to capitalization with respect to total cost was of 17.9%.

*Financial Lease:* the Company has asset lease contracts evaluated at BRL 199.3 million preceded by the concession of effective use rights for the areas and the execution of the works required for capacity enhancements in the sanitary drainage in the municipalities of Matinhos and Pontal do Paraná, for a term of 240 (two hundred and forty) months, with payback starting in February 2017. The asset subject of this Merchant Financial Lease are built and will be delivered by the lease holder in four stages, with intervals of 1 (one) year between them. At the end of December 2016, 20.6% of the object of said contracts were concluded and delivered, equivalent to the delivery of the first stage of the contract. The obligations stemming from this contract will be shown in Explanatory Note 11.

On 31 March 2017, the book value for each class of asset under the financial lease commitment is entered in the Intangible Asset lines and shown below:

By Lines			03/31/2017	12/31/2016
Description	Cost	Accumulated Amortization		Net Value
Buildings	11,406	(64)	11,342	11,390
Piping	26,691	(178)	26,513	26,647
Building connections	1,820	(20)	1,800	1,815
Installations	95	(2)	93	94
Equipment	1,096	(24)	1,072	1,090
<b>Total</b>	<b>41,108</b>	<b>(288)</b>	<b>40,820</b>	<b>41,036</b>

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE -- continuation

### c) Changes to Property, Plant and Equipment and Intangible in the 1<sup>st</sup> Quarter 2017:

Description	12/31/2016	Additions	Depreciation and Amortization	Write-offs and losses	Transfers	03/31/2017
<b>Property, plant and equipment</b>						
Land	2,309	-	-	-	-	2,309
Civil constructions	54,241	30	(335)	-	216	54,152
Improvements	1,166	-	(9)	-	-	1,157
Installations	1,722	3	(39)	-	(5)	1,681
Equipment	24,626	2,956	(567)	12	218	27,245
Furniture and utensils	19,554	1,412	(474)	1	(1)	20,492
Computer equipment	13,101	49	(804)	3	21	12,370
Vehicles	8,683	8	(298)	1	(40)	8,354
Machinery, tractors and similar items	5,629	-	(818)	-	-	4,811
Tools	237	18	(4)	-	-	251
<b>Total of property, plant and equipment</b>	<b>131,268</b>	<b>4,476</b>	<b>(3,348)</b>	<b>17</b>	<b>409</b>	<b>132,822</b>
<b>Intangible assets</b>						
Land	113,041	1,420	-	-	835	115,296
Wells	89,045	-	(428)	1	1,594	90,212
Dams	93,351	-	(629)	-	1,007	93,729
Civil constructions	1,387,226	628	(9,343)	45	35,355	1,413,911
Improvements	16,072	-	(113)	3	803	16,765
Piping	3,480,386	2,946	(24,931)	-	46,582	3,504,983
Building connections	414,824	49	(4,541)	(35)	6,618	416,915
Installations	99,680	77	(2,125)	28	6,188	103,848
Hydrometers	100,813	-	(3,863)	(234)	4,969	101,685
Macro-meters	1,939	-	(87)	-	2	1,854
Equipment	254,223	3,510	(5,489)	(529)	6,979	258,694
Furniture and utensils	1,888	48	(46)	1	15	1,906
Computer equipment	8,712	-	(276)	1	27	8,464
Computer programs	10,372	1,349	(984)	-	(1)	10,736
Vehicles	4,352	-	(162)	-	41	4,231
Machinery, tractors and similar items	3,052	-	(345)	-	-	2,707
Tools	103	11	(3)	-	-	111
Rights of use of transmission lines	34	-	(1)	-	(1)	32
Environmental protection and	8,844	-	(625)	8	-	8,227
Curitiba Municipality Concession	62,153	-	(1,042)	2	-	61,111
Cianorte Municipality Concession	-	-	(2)	2	-	-
<b>Subtotal Intangible Assets</b>	<b>6,150,110</b>	<b>10,038</b>	<b>(55,035)</b>	<b>(709)</b>	<b>111,013</b>	<b>6,215,417</b>
Projects and construction in Progress	1,000,861	139,442	-	-	(116,204)	1,024,099
Inventory for construction in progress	48,422	(36)	-	-	-	48,386
<b>Total Intangible Assets</b>	<b>7,199,393</b>	<b>149,444</b>	<b>(55,035)</b>	<b>(709)</b>	<b>(5,191)</b>	<b>7,287,902</b>
<b>Total</b>	<b>7,330,661</b>	<b>153,920</b>	<b>(58,383)</b>	<b>(692)</b>	<b>(a) (4,782)</b>	<b>7,420,724</b>

(a) 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.



# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 10. CONTRACTUAL FINANCIAL ASSETS

Changes in financial assets are as follows:

Description	12/31/2016	Additions	NPV Revenue	NPV Expenses	03/31/2017
Investment not amortized	480,131	13,043	-	-	493,174
Present value adjustment	(307,750)	(8,261)	1,679	-	(314,332)
<b>Total</b>	<b>172,381</b>	<b>4,782</b>	<b>1,679</b>	<b>-</b>	<b>178,842</b>

The equivalent discount rate applied to calculate the present value adjustment was 3.8% (spread between the IPCA projected for the year and the Company's WACC rate) and took into account program contracts with terms of 24 to 30 years.

## 11. LOANS, FINANCING, DEBENTURES AND FINANCIAL LEASING

a) Composition of loans, financing, debentures and financial leasing is as follows:

Description	Effective Annual Interest Rate	Index	03/31/2017			12/31/2016		
			Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
Debentures 6th Issue - 1st series	1.53%	DI	957	79,877	80,834	3,566	79,803	83,369
Debentures 6th Issue - 2nd series	1.58%	DI	2,258	169,417	171,675	7,822	169,315	177,137
Debentures 5th Issue - 1st series	1.18%	DI	115,563	-	115,563	111,886	-	111,886
Debentures 5th Issue - 2nd series	1.27%	DI	7,498	188,832	196,330	1,225	188,819	190,044
Debentures 3rd Issue - 1st Series	1.31%	DI	73,487	66,690	140,177	68,997	66,690	135,687
Debentures 3rd Issue - 2nd Series	6.99%	IPCA	3,316	128,559	131,875	1,130	127,166	128,296
BNDES	1.82% to 2.50%	TJLP	31,923	77,516	109,439	34,393	92,168	126,561
Banco do Brasil – PSI	3.00% to 6.00%	-	3,405	18,287	21,692	3,406	19,129	22,535
Debentures 2nd Issue - 1st series	1.92%	TJLP	12,317	78,071	90,388	12,284	80,788	93,072
Debentures 2nd Issue - 2nd series	9.20%	IPCA	23,862	120,257	144,119	20,551	118,953	139,504
Debentures 2nd Issue - 3rd series	1.92%	TJLP	16,422	104,094	120,516	16,378	107,718	124,096
Banco Itaú – PSI	3.00% to 6.00%	-	3,593	21,325	24,918	3,595	22,211	25,806
Debentures 4th Issue - 1st series	1.67%	TJLP	14,638	166,733	181,371	10,162	170,597	180,759
Debentures 4th Issue - 2nd series	7.44%	IPCA	6,099	78,434	84,533	4,680	78,955	83,635
BNDES – PAC2	1.76% and 2.05%	TJLP	17,982	156,432	174,414	17,934	160,215	178,149
Financial Leasing	12.12%	IPC - FIPE	966	40,446	41,412	562	40,546	41,108
Caixa Econômica Federal	6.62% to 12.68%	TR	62,394	808,305	870,699	60,592	809,838	870,430
<b>Balances at the end of the period</b>			<b>396,680</b>	<b>2,303,275</b>	<b>2,699,955</b>	<b>379,163</b>	<b>2,332,911</b>	<b>2,712,074</b>
Loans and Financing			119,297	1,081,865	1,201,162	119,920	1,103,561	1,223,481
Debentures			276,417	1,180,964	1,457,381	258,681	1,188,804	1,447,485
Financial leasing			966	40,446	41,412	562	40,546	41,108

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 11. LOANS, FINANCING, DEBENTURES AND FINANCIAL LEASING -- continuation

### b) Description of loans, financing, debentures and financial leasing

Description	Period of Issuance	Maturation	Amount Contracted	Number of Debentures	Payments	
					Amortizations	Interest
Debentures 6th Issue - 1st series (1)	2016	2018	80,000	8,000	2018	Six monthly
Debentures 6th Issue - 2nd series (1)	2016	2019	170,000	17,000	2019	Six monthly
Debentures 5th Issue - 1st series (2)	2015	2017	111,160	11,116	2017	Six monthly
Debentures 5th Issue - 2nd series (2)	2015	2018	188,840	18,884	2018	Six monthly
Debentures 3rd Issue - 1st Series (3)	2013	2018	199,670	19,967	2016/2017/2018	Six monthly
Debentures 3rd Issue - 2nd Series (3)	2013	2020	100,330	10,033	2019/2020	Six monthly
BNDES – 3 Contracts (4)	2007	2023	295,967	-	Monthly	Quarterly in grace period and monthly in amortization
Banco do Brasil – PSI - 11 Contracts (5)	2013 to 2014	2024	30,793	-	Monthly	Quarterly in grace period and monthly in amortization
Debentures 2nd Issue - 1st and 3rd series (9)	2011	2024	276,609	7,000	Monthly	Quarterly in grace period and monthly in amortization
Debentures 2nd Issue - 2nd series (9)	2011	2024	118,547	3,000	Annual	Annual
Banco Itaú – PSI – 13 Contracts (6)	2013 to 2014	2025	33,175	-	Monthly	Quarterly in grace period and monthly in amortization
Debentures 4th Issue - 1st series (10)	2014	2027	230,012	7,000	Monthly	Quarterly in grace period and monthly in amortization
Debentures 4th Issue - 2nd series (10)	2014	2027	98,576	3,000	Monthly	Quarterly in grace period and monthly in amortization
BNDES – PAC2 – 4 Contracts (7)	2011 to 2013	2028	395,902	-	Monthly	Quarterly in grace period and monthly in amortization
Financial Leasing (11)	2013	2036	460,592	-	Monthly	Monthly
Caixa Econômica Federal – 224 Contracts (8)	1991 to 2014	2038	1,528,916	-	Monthly	Monthly

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 11. LOANS, FINANCING, DEBENTURES AND FINANCIAL LEASING -- continuation

### b) Description of loans, financing, debentures and financial leasing -- continuation

- (1) Debentures 6<sup>a</sup> Issue – issued on August 15, 2016 and with placement on September 5, 2016 of 25,000 debentures in the amount of BRL 250,000. These debentures are simple type, not convertible into shares, unsecured, in two series, for public distribution, intended to complement the investment plan and working capital.
- (2) Debentures 5th Issue – issued on June 15, 2015 and with placement on June 25, 2015 of 30,000 debentures in the amount of BRL 300,000. These debentures are simple type, not convertible into shares, unsecured, in two series, for public distribution, to complement the investment plan and working capital.
- (3) Debentures 3rd Issue – issued on November 15, 2013 and with placement on November 27, 2013 of 30,000 debentures in the amount of R\$ 300,000. These debentures are of the simple type, not convertible into shares, unsecured, in two series, for public distribution, intended for repayment of debt and working capital.
- (4) BNDES loans, used to drill wells in the Guarani aquifer and the operation, expansion, and optimization of water supply and sanitation systems in several municipalities in the State of Paraná. These loans are guaranteed by the Company's own revenue and the escrow accounts, maintained at Caixa Econômica Federal, with balance not less than 3 maturing instalments, recorded in restricted deposits in non-current assets.
- (5) Banco do Brasil loans - PSI, with resources of BNDES - FINAME for the acquisition of machinery and equipment for various municipalities in the State of Parana. These loans are secured by a pledge of receivables, falling due within 180 days and since it does not exceed the final maturity of the contract, covering 100% of the outstanding balance of the debt.
- (6) Banco Itaú loans - PSI, with resources of BNDES - FINAME, intended for the acquisition of machinery and equipment for various municipalities in the State of Parana. This financing is guaranteed by the Company's own revenues.

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 11. LOANS, FINANCING, DEBENTURES AND FINANCIAL LEASING -- continuation

### b) Description of loans, financing, debentures and financial leasing -- continuation

- (7) BNDES loans - PAC 2, with resources of the Fundo de Amparo ao Trabalhador to expand the water supply system, and the implementation and expansion of the sanitary sewage system in several municipalities in the State of Parana. These loans are guaranteed by the Company's own revenue and escrow accounts, maintained at Caixa Econômica Federal, with balance not less than 03 maturing instalments.
- (8) Caixa Econômica Federal loans, with resources from the FGTS, intended to increase and improve the coverage of water supply and sanitation systems for several municipalities in the State of Parana, as well as institutional development with operational improvement programs and reduction of losses. These loans, have an interest rate of 1.00% to 2.00% a year and spreads of 0.30% to 1.70% a year, and they are partly guaranteed by the water supply system of Curitiba, in the form of industrial pledge and the Company's revenues. An escrow account is maintained at Caixa throughout the term of the financing contracts, equivalent to a monthly charge. By the end of the 1st quarter there was a release in the amount of BRL 11,518.
- (9) Debentures 2nd Issue - Based on the exclusive underwriting between Sanepar, BNDES and BNDESPAR, they were issued on August 15, 2011 in 3 series with a nominal unit value of BRL 39,515.53, with 3,000 debentures in the first two series, and 4,000 debentures in the 3rd series, totaling 10,000 debentures for the total amount of BRL 395,155. These debentures are simple type, not convertible into shares, with collateral for private distribution.
- (10) Debentures 4th Issue – Through exclusive underwriting between Sanepar, BNDES and BNDESPAR, were issued on July 15, 2014 for placement in two series, with a nominal value of BRL 32,858.80, with the first series of 7,000 debentures and the second series of 3,000 debentures, totaling 10,000 debentures amounting to BRL 328,588. These debentures are simple type and registered, not convertible into shares, with collateral for private distribution.
- (11) Financial Leasing – contracted for the amount of BRL 460,592 with Monthly Lease Amount (VML) of BRL 2,075, to be amortized in four steps: 1st Step: twelve installments of 21.1% of VML, started in February 2017; 2nd Step: twelve installments of 49.3% of VML; 3rd Step: twelve installments of 79.5% of VML and 4th Step: two-hundred and four installments of 100% do VML. In the first quarter 2017, BRL 877 was amortized.

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 11. LOANS, FINANCING, DEBENTURES AND FINANCIAL LEASING -- continuation

### c) Changes in loans, financing, debentures and Financial Leasing were:

Description	03/31/2017		12/31/2016	
	Current Liabilities	Non-Current Liabilities	Current Liabilities	Non-Current Liabilities
<b>Balances at beginning of the period</b>	<b>379,163</b>	<b>2,332,911</b>	<b>230,660</b>	<b>2,105,348</b>
Drawdowns	-	11,518	-	494,178
Interests and fees	63,139	-	238,666	-
Monetary indexation	-	9,240	-	50,055
Transfers	50,595	(50,595)	356,452	(356,452)
Amortizations	(96,229)	-	(446,496)	-
Borrowing costs	12	201	(681)	(764)
Leasing delivery	-	-	562	40,546
<b>Balances at end of the period</b>	<b>396,680</b>	<b>2,303,275</b>	<b>379,163</b>	<b>2,332,911</b>

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

Description	2017	2018	2019	2020	2021	2022	2023 a 2038	Total
Debentures 2nd Issue	45,894	45,205	45,205	45,205	45,205	45,205	83,403	355,022
Debentures 3rd Issue	76,803	66,690	64,280	64,280	-	-	-	272,053
Debentures 4th Issue	14,883	26,195	26,195	26,195	26,195	26,195	120,046	265,904
Debentures 5th Issue	123,061	188,832	-	-	-	-	-	311,893
Debentures 6th Issue	3,215	79,568	169,726	-	-	-	-	252,509
<b>Subtotal Debentures</b>	<b>263,556</b>	<b>406,490</b>	<b>305,406</b>	<b>135,680</b>	<b>71,400</b>	<b>71,400</b>	<b>203,449</b>	<b>1,457,381</b>
BNDES	24,038	31,539	30,641	7,531	7,531	7,531	628	109,439
BNDES – PAC2	13,634	17,393	17,393	17,393	17,393	15,284	75,925	174,415
Banco do Brasil - PSI	2,562	3,369	3,369	3,369	3,369	3,369	2,284	21,691
Banco Itaú – PSI	2,708	3,542	3,542	3,542	3,542	3,542	4,500	24,918
Caixa Econômica Federal	46,584	65,604	70,593	72,194	62,535	52,557	500,632	870,699
<b>Subtotal Loans and Financing</b>	<b>89,526</b>	<b>121,447</b>	<b>125,538</b>	<b>104,029</b>	<b>94,370</b>	<b>82,283</b>	<b>583,969</b>	<b>1,201,162</b>
Leasing	866	631	707	793	889	997	36,529	41,412
<b>Total</b>	<b>353,948</b>	<b>528,568</b>	<b>431,651</b>	<b>240,502</b>	<b>166,659</b>	<b>154,680</b>	<b>823,947</b>	<b>2,699,955</b>

On March 31, 2017, present value of minimum future financial obligations in reference to Financial Leasing is shown below:

Description	03/31/2017		
	Minimum Future Payments	Financial Charges	Present Value of Future Minimum Payments
Less than one year	5,260	(4,682)	578
Over than one and less than five years	21,042	(17,935)	3,107
Over five years	78,028	(40,301)	37,727
<b>Total</b>	<b>104,330</b>	<b>(62,918)</b>	<b>41,412</b>

Discount rate applied was of 11.5%.

# Companhia de Saneamento do Paraná – SANEPAR

## NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

### 11. LOANS, FINANCING, DEBENTURES AND FINANCIAL LEASING -- continuation

#### e) Restrictive Contractual Clauses – *Covenants*

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

#### (i) Covenants in BNDES Contracts and 2nd and 4th Issue of Debentures

<u>Index</u>	<u>Threshold</u>	<u>Range</u>
Adjusted EBITDA / Debt Service	Equal to or higher than 1.5	Less than 1.5 and equal to or higher than 1.2
Adjusted Net Bank Debt/ Adjusted EBITDA	Equal to or under 3.0	Equal to or under 3.8 or higher than 3.0
Other Onerous Debt/ Adjusted EBITDA	Equal to or under 1.0	Equal to or under 1.3 or higher than 1.0

#### (ii) Contract Covenants for the 3rd, 5th and 6th Debenture Issues

<u>Index</u>	<u>Threshold</u>
Net Bank Debt / adjusted EBITDA	Equal to or under 3.0
EBITDA /Net Financial Expenses	Equal to or higher than 1.5

For BNDES contracts and the 2nd and 4th Issue 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 quarters, consecutive or not, within 12 months, ratios within the range mentioned above, the monthly amount for the instalment 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 20% (twenty percent).

For contracts in item (ii), of the 3rd, 5th and 6th issues 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.

On March 31, 2017, the Company is fully compliant with the restrictive clauses stipulated for the issuance of debentures and BNDES financing operations.

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 12. CONCESSION AGREEMENTS

The Company has onerous concession contracts for providing public services involving water supply and the collection, removal and treatment of sewage with the Municipality of Curitiba, with a 30-year term, signed on December 6, 2001. Based on this contract, the amount to be paid for the concession was fixed, for a total of BRL 125,000, owed in separate installments during the contract period, adjusted based on the IPCA by IBGE. Balance on March 31, 2017 is BRL 95,838 (BRL 96,926 on December 31, 2016), with BRL 7,572 (BRL 7,501 on December 31, 2016) entered in current liabilities and BRL 88,266 (BRL 89,425 on December 31, 2016) in non-current liabilities.

Maturation of the debts is as follows:

<u>Maturity</u>	<u>Balances Payable</u>
2017	5,621
2018	7,567
2019	7,567
2020	7,567
2021	7,567
2022 to 2031	59,949
<b>Total</b>	<b>95,838</b>

## 13. TAXES AND CONTRIBUTIONS

These are constituted as follows00:

<u>Description</u>	<u>03/31/2017</u>	<u>12/31/2016</u>
Income Tax Payable	25,615	-
Social Contribution Payable	10,019	-
COFINS Payable	20,140	20,237
PASEP Payable	4,352	4,378
COFINS – Installments (1)	4,079	4,079
IPTU – Installments (2)	1,800	1,749
Taxes and contributions withheld	7,771	34,228
<b>Total Taxes and Contributions</b>	<b>73,776</b>	<b>64,671</b>
<b>Current Liabilities</b>	<b>72,341</b>	<b>63,260</b>
<b>Non-current liabilities</b>	<b>1,435</b>	<b>1,411</b>

- (1) Refers to installments of COFINS fine for the period September/1994 to September/1996 in accordance with Law 11,941/2009. The debt was divided into 60 monthly installments, restated by SELIC interest rate by the Attorney General of the National Treasury, being settled on October 31, 2014. The Company filed a writ of mandamus before the 2nd Curitiba Justice Court on June 28, 2011, challenging the consolidated amount of debt alleged by the Attorney General National Treasury, obtaining an injunction on June 29, 2011 to reduce the debt amount. The process was judged on December 6, 2011 favorable to the Company. The Attorney General of the National Treasury filed an appeal on February 7, 2012, which was judged and had the provision denied. On August 27, 2014, the Federal Prosecutor's Office expressed the

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 13. TAXES AND CONTRIBUTIONS -- continuation

the Union's special appeal dismissal. On October 13, 2014, the special feature was the conclusion of Minister Marga Tesler the first Supreme Court Panel, which in view of the completion of the call, the case was returned without order for new distribution the successor of the Minister. On June 8, 2015, the case was reallocated to the Minister Olindo Herculano de Menezes. On March 2, 2016, the case was reallocated to the Minister Gurgel de Faria.

- (2) This amount is in reference to IPTU (Urban Property Tax) by the City of Curitiba, relevant to the legal expropriation of property subject to an area occupied by ETE CIC/Shale, for the period 2002-2013, encompassing interest, and monetary indexed and legal fees of 10% on the total amount of debt. The amount of debt of BRL1,664, was divided by the Company in 90 monthly installments restated by the IPCA, plus an interest of 1% per month, and until March 31, 2017, 31 installments had been repaid for the amount of BRL 734.

## 14. REVENUES TO ACCRUE

On January 23, 2017, the Company renewed the session contract for operation of financial services with Caixa Econômica Federal for a sixty-month term (sixty), starting in March/2017, for the amount of BRL 21,000. Revenues corresponding to this contract are recognized on a monthly basis, for the term of the contract, in accordance with the competency regime. The amount recognized in the results for the first quarter 2017 was of BRL 892 (BRL 813 for the same period in 2016). The balance on March 31, 2017, is of BRL 20,650 (BRL 542 on December 31, 2016), with BRL 4,200 (BRL 542 on December 31, 2016) entered in the current liabilities and BRL 16,450 in the noncurrent liabilities.

## 15. OTHER LIABILITIES

These are composed of the following amounts:

<u>Description</u>	<u>03/31/2017</u>	<u>12/31/2016</u>
Programs Linked to Agência Nacional de Águas - ANA	7,596	7,409
Contracts and Agreements with third parties	12,207	12,224
Agreements with municipal administrations	11,498	11,338
Surety and values to reimburse	8,725	6,701
Agreement with Instituto Ambiental do Paraná - IAP (1)	3,240	3,780
<b>Total</b>	<b>43,266</b>	<b>41,452</b>
<b>Current liabilities</b>	<b>38,202</b>	<b>36,513</b>
<b>Non-current liabilities</b>	<b>5,064</b>	<b>4,939</b>

- (1) In reference with the term of commitment signed on June 3, 2016, for establishing and installment plan to pay fines issued by the Instituto Ambiental do Paraná - IAP, for the 41 Environmental Violation Notifications – AIA. The agreement was signed for the amount of BRL 4,320 payable in 24 installments of BRL 180, and by March 31, 2017, installments amounting to BRL 1,080 had been paid.



# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 16. PROVISIONS, CONTINGENT LIABILITIES AND JUDICIAL DEPOSITS

### a) Provisions

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

<b>Nature</b>	<b>12/31/2016</b>	<b>Additions</b>	<b>Reversals</b>	<b>03/31/2017</b>
Labor law proceedings	184,236	28,003	(6,894)	205,345
Civil law proceedings	196,994	51,254	(3,447)	244,801
Environmental law proceedings	113,228	1,647	(18,151)	96,724
Tax law proceedings	12,118	16	-	12,134
<b>Total</b>	<b>506,576</b>	<b>80,920</b>	<b>(28,492)</b>	<b>559,004</b>

### Labor proceedings

Labor proceedings are mostly related to claims filed by former employees of the company and providers (joint responsibility), who vindicate salary differences and labor benefits. The main suits involving the Company are in relation to: i) premium for unhealthy work when calculating overtime; ii) premium for dangerous work at the level of 30%; iii) divisor of overtime by 200.

### Civil proceedings

Civil proceedings are related to requests for compensation of customers and suppliers, and third-party damages. The main proceedings involving the Company are in relation to: i) compensation related to work contracts due to economic and financial imbalance; ii) moral damages for lack of water and sewage reflow; iii) application for the minimum charge per unit not being valid and recovery of 80% of the sewage tariff and tariff refund; iv) other proceedings related to claims of contract suspension, traffic accidents, material damages, stop-profit losses, and others.

In the first quarter of 2017, the main changes are in reference to a supplementation of the provision of BRL 45,798 in relation to claims for moral damages due to water shortage in the city Maringá.

### Environmental

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

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 16. PROVISIONS, CONTINGENT LIABILITIES AND JUDICIAL DEPOSITS -- continuation

### a) Provisions -- continuation

#### Tax proceedings

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

### 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 the CPC 25 of the Accounting Pronouncements Committee.

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

Nature	Contingent Liabilities	
	03/31/2017	12/31/2016
Civil proceedings	143,125	143,176
Environmental proceedings	312,010	252,819
Tax proceedings	11,238	8,328
<b>Total</b>	<b>466,373</b>	<b>404,323</b>

#### Civil

Civil proceedings are related to requests for compensation of customers and suppliers, and third-party damages. The main proceedings that the Company is involved in refer to: i) compensation related to the work contract due to economic and financial imbalance; ii) moral damage for contract suspension; (iii) invalidity of sewage tariff; (iv) other proceedings related to claims related to traffic accidents, non-material damage, loss of earnings, and others.

#### Environmental

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

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 16. PROVISIONS, CONTINGENT LIABILITIES AND JUDICIAL DEPOSITS -- continuation

### b) Contingent Liabilities -- continuation

#### Tax

Tax proceedings are mostly related to queries connected to tax collection due to divergent interpretations of the law. The main proceedings which the Company is involved include: i) fiscal execution for ISSQN collection (Tax on Services of Any Nature) and; ii) fiscal execution for IPTU collection (Urban Property Tax).

#### c) Judicial Deposits

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

The composition is the following:

Nature	Judicial Deposits	
	03/31/2017	12/31/2016
Labor proceedings	102,323	91,216
Civil proceedings	60,951	57,259
Environmental proceedings	5,131	2,981
Tax proceedings	14,304	4,986
<b>Total</b>	<b>182,709</b>	<b>156,442</b>

## 17. INCOME TAX AND SOCIAL CONTRIBUTION

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

Description	03/31/2017		03/31/2016	
	Income Tax	Social Contribution	Income Tax	Social Contribution
Profit before Income Tax and Social Contribution	237.753	237.753	216.002	216.002
Income Tax and Social Contribution – current rates	(59.438)	(21.398)	(53.999)	(19.440)
Present value adjustment for Accounts Receivable (1)	55	20	(118)	(43)
Workers' Food Program – PAT (2)	3.247	-	2.038	-
Incentive corporate citizen (3)	152	-	71	-
Equity results	(34)	(12)	(52)	(19)
Others	(199)	(92)	(108)	(50)
<b>Total income tax expenses</b>	<b>(56.217)</b>	<b>(21.482)</b>	<b>(52.168)</b>	<b>(19.552)</b>
<b>Total for Income Tax and Social Contribution</b>		<b>(77.699)</b>		<b>(71.720)</b>
<b>Effective rate</b>		<b>32,7%</b>		<b>33,2%</b>

(1) According to Law no. 11.941, of 27/05/2009;

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

(3) According to Decree 7052, of 23 December 2009, regulating Law no. 11,770, of 09/09/2008.

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 17. INCOME TAX AND SOCIAL CONTRIBUTION -- continuation

### a) Current and deferred income tax and social contribution

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

Description	03/31/2017	12/31/2016
Income Tax	(80,988)	(50,860)
Social Contribution	(30,285)	(18,962)
Realization of Deferred Income Tax	24,771	(1,310)
Realization of Deferred Social Contribution	8,803	(588)
<b>Total</b>	<b>(77,699)</b>	<b>(71,720)</b>

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

### b) Deferred Income Tax and Social Contribution

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

Description	Estimated	03/31/2017		12/31/2016		
		Estimated Realization	Calculation basis	Income Tax	Social Contribution	Total
<b>ASSETS</b>						
NPV on contractual financial assets	30 years	314,332	78,583	28,290	106,873	104,635
Pension and Health care plans	15 years	823,189	205,797	74,087	279,884	270,615
Reduction of recoverable Value for Assets	10 years	12,412	3,103	1,117	4,220	4,258
Civil, Labor, Tax and Environmental proceedings	5 years	559,004	139,751	50,310	190,061	172,236
Bad debt provisions	3 years	45,286	11,321	4,076	15,397	15,912
Provision for profit sharing	1 year	37,198	9,300	3,348	12,648	12,647
PAI – Encouraged Retirement Program	1 year	13,788	3,447	1,241	4,688	-
AVJ – Investment FINAM	1 year	2,126	532	191	723	-
<b>Total</b>			<b>451,834</b>	<b>162,660</b>	<b>614,494</b>	<b>580,303</b>
<b>LIABILITIES</b>						
NPV on Contractual Financial Assets	30 years	322,727	80,682	29,045	109,727	107,900
Deferred income tax on construction and leasehold improvements	25 years	135,396	33,850	-	33,850	34,169
Financial Leasing	20 years	40,820	10,205	3,674	13,879	13,952
Demoted cost adjustment	16 years	130,012	32,503	11,701	44,204	44,922
Attribution of New Cost to property, plant and equipment	6 years	15,478	3,870	1,393	5,263	5,363
<b>Total</b>			<b>161,110</b>	<b>45,813</b>	<b>206,923</b>	<b>206,306</b>
<b>Net total</b>			<b>290,724</b>	<b>116,847</b>	<b>407,571</b>	<b>373,997</b>

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 17. INCOME TAX AND SOCIAL CONTRIBUTION -- continuation

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

The estimated future realization of deferred tax assets and deferred tax liabilities on March 31, 2017 is as follows:

Realization periods	Deferred Tax Assets			Deferred Tax Liabilities		
	Income Tax	Social Contribution	Total	Income Tax	Social Contribution	Total
2017	25,868	9,313	35,181	5,648	1,664	7,312
2018	17,828	6,418	24,246	7,531	2,219	9,750
2019	28,109	10,119	38,228	7,531	2,219	9,750
2020 to 2022	190,113	68,441	258,554	22,592	6,656	29,248
2023 to 2025	50,362	18,130	68,492	20,573	5,929	26,502
2026 to 2028	49,655	17,876	67,531	20,573	5,929	26,502
2029 to 2031	49,655	17,876	67,531	20,573	5,929	26,502
2032 to 2034	11,926	4,293	16,219	16,446	4,443	20,889
2035 to 2037	8,495	3,058	11,553	13,820	3,498	17,318
2038 to 2040	8,495	3,058	11,553	12,825	3,140	15,965
2041 to 2043	8,495	3,058	11,553	10,090	3,140	13,230
2044 to 2046	2,833	1,020	3,853	2,908	1,047	3,955
<b>Total</b>	<b>451,834</b>	<b>162,660</b>	<b>614,494</b>	<b>161,110</b>	<b>45,813</b>	<b>206,923</b>

## 18. RELATED PARTIES

On March 31, 2017, the State of Paraná holds credits for interest on Self Owned Capital for the amount of BRL 114,211 (BRL 102,796 for the same period in 2016) and additional dividends proposed of BRL 1,174 (BRL 1.764 for the same period in 2016) for a total of BRL 115,385 (BRL 104,560 for the same period in 2016). The Company also supplied water and sewage services to the state of Paraná for a revenue of BRL 34,233 and BRL 32,197 until the first quarters of 2017 and 2016, respectively.

The Company also has transactions with Dominó Holdings S/A for Interest on Shareholders Equity for the amount of BRL 17,965 (BRL 21,869 for the same period in 2016) and additional dividends proposed of BRL 126 (BRL 406 for the same period in 2016) for a total of BRL 18,091 (BRL 22,275 for the same period in 2016).

Companhia Paranaense de Energia - COPEL (direct Company shareholder, one of the shareholders in Dominó Holdings S/A and controlled by the State of Paraná) on 31 March 2017 holds credits in connection with Interest on Shareholders Capital for the amount of BRL 13,177 (BRL 15,063 for the same period in 2016) and additional dividends proposed of BRL 113 (BRL 280 for the same period in 2016) for a total of BRL 13,290 (BRL 15,343 for the same period in 2016).

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 18. PARTES RELACIONADAS -- continuation

Additionally, COPEL provided electric energy and telecommunications services to the Company for the amounts of BRL 85,639 and BRL 888, respectively in the first quarter of 2017 (BRL 109,642 and BRL 488, respectively for the same period in 2016). The Company provided water and sewage services to COPEL for a revenue of BRL 430 and BRL 352 in the first quarters of 2017 and 2016, respectively.

The Company provides water and sanitary sewage services to a number of city administrations, in particular in the state of Paraná, with which it maintains Concession Contracts and Municipal Program Contracts, with the revenues from said contracts with municipal administrations being, until the first quarter of 2017, BRL 21,743 (BRL 20,874 for the same period in 2016). The Company also provides services in urban solid waste management in some municipalities of the State of Paraná, with the revenue for this service in the first quarter of 2017 being BRL 2,080 (BRL 1,813 for the same period in 2016).

These transactions are considered by the Management of Sanepar, as normal market, 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. As to the form of payment for these services, in addition to paying in the authorized banking network, settlement of accounts with the debtor municipalities that have receivables from the Company is also possible.

### *Management compensation*

The overall annual management compensation for the year ending December 31, 2017 was approved by 53<sup>rd</sup>/2016 Annual General Meeting (AGO) of April 27, 2017, for the amount of BRL 14,142. For 2016, the approval was issued by the 52<sup>nd</sup>/2016 Annual General Meeting (AGO) held on April 28, 2016, for the amount of BRL 13,055, of which BRL 9,142 paid as compensation and BRL 2,454 in connection with charges and benefits, for a total amount of BRL 11,596. Of the amount in relation to charges and benefits, BRL 2,272 are in connection with social charges, BRL 51 are in reference to participation in company results, BRL 47 are in reference to the health insurance plan (SANESAÚDE), BRL 65 are in benefits from Fundação Sanepar (FUSAN) and BRL 19 are in reference to Supplementary Programs.

In the first quarter of 2017, an amount of BRL 2,894 (BRL 2,504 for the same period in 2016) was disbursed, of which BRL 2,322 (BRL 2,015 for the same period in 2016) as compensation and BRL 572 (BRL 489 for the same period in 2016) in connection with charges and benefits. Of the amount of charges and benefits, BRL 534 (BRL 455 for the same period in 2016) refer to social charges, BRL 12 (BRL 10 for the same period in 2016), refer to the health insurance plan (SANESAÚDE), BRL 20 (BRL 15 for the same period in 2016) refer to benefits from Fundação Sanepar (FUSAN) and BRL 6 refer to Supplementary Programs BRL 9 for the same period in 2016).

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 19. SHAREHOLDERS EQUITY

### a) Share Capital

The Company's Share Capital is comprised of 503,735,173 shares, of which 167,911,724 are ordinary shares and 335,823,449 or preferential shares without nominal value, fully paid in by individuals and legal entities residing and domiciled in the country and abroad. 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.

On March 31, 2017, the value per share, already considering the provision of additional dividends proposed by Management, is of BRL 9.86 (BRL 9.55 on 31 December 2016). The Share Capital underwritten and fully paid in on March 31, 2017 is of BRL 2,854,952, that net of the share issuance costs is of BRL 2,847,664, and the shareholding structure is the following:

Shareholder	Number of Shares					
	Ordinary	%	Preferential	%	Total	%
State of Paraná	150,845,890	89.8	1	-	150,845,891	29.9
Cia. Paranaense de Energia - Copel	-	-	36,343,267	10.8	36,343,267	7.2
Dominó Holdings S/A	16,237,359	9.7	1	-	16,237,360	3.2
Municipal Administrations	-	-	2,339,005	0.7	2,339,005	0.5
Foreign Investors	100	-	167,899,670	50.0	167,899,670	33.3
Other Investors	828,375	0.5	129,241,505	38.5	130,069,980	25.9
<b>Total</b>	<b>167,911,724</b>	<b>100.0</b>	<b>335,823,449</b>	<b>100.0</b>	<b>503,735,173</b>	<b>100.0</b>

### b) Reevaluation Reserve

The reevaluation reserve was realized in the quarter, transferring to Accumulated Profits the amount of BRL 1,392 (BRL 1,439 for the same period in 2016), 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 immobilized and intangible assets line, object of said reevaluation.

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

Description	03/31/2017	12/31/2016
<b>Balances at the beginning of the period</b>	<b>87,200</b>	<b>92,825</b>
Realization of the Revaluation Reserve	(2,109)	(2,180)
Realization of Taxes on the Revaluation Reserve	717	741
<b>Balances at the end of the period</b>	<b>85,808</b>	<b>91,386</b>

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 19. SHAREHOLDERS EQUITY -- continuation

### c) Investment Plan Reserve

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.

### d) Shareholder Remuneration

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

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

On April 27, 2017, the Shareholders Assembly approved the payment of Interest on Shareholders Capital and Additional Dividends, credited to shareholders in the tax year of 2016, for the gross amount of BRL 297,585, to be paid by June 26, 2017.

The compensation amounts paid to shareholders, per share, were as follows:

	<u>2016</u>
Common Shares	0.57312
Preferred Shares	0.63043



# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 19. SHAREHOLDERS EQUITY -- continuation

### e) Result per Share

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

<b>Basic result and diluted earnings per share shares</b>	<b>03/31/2017</b>	<b>12/31/2016</b>
<b>Numerator</b>		
Net income for the period attributed to Company shareholders		
Common shares	50,017	66,793
Preferred shares	110,037	77,489
<b>Denominator (in thousands of shares)</b>		
Weighted average of number of common shares	167,912	231,968
Weighted average of number of preferred shares	335,823	244,652
<b>Basic and diluted earnings</b>		
Per common share	0.29788	0.28794
Per preferred share	0.32766	0.31673

### f) Legal Reserve

Legal reserve is recorded in compliance with the Brazilian Corporate Law, based on 5% of net income for each year, up to the limit of 20% of the capital stock. The legal reserve may only be used to increase capital or absorb accumulated losses. Also in accordance with the Brazilian Corporate Law, Management respects the limits of the capital stock for the constitution of profit reserves.

### g) Fiscal Incentives Reserve

Fiscal incentives reserve is recorded in compliance with Article 195-A of the Brazilian Corporate Law, related to the portion of net income from donations and government grants.

### h) Demeed cost adjustments

Established in compliance with article 182 of the Brazilian Corporate law, with reference to the adjustments of the equity assessment, whilst not computed in the results for the tax year in compliance with the competency regime, the counterparts to value increases or reductions attributed to elements of assets and liabilities, stemming from their assessment at fair value.

During this quarter, the amount of de BRL 195 (BRL 115 for the same period in 2016) was transferred to Accumulated Profits, net of Income Tax and Social Contribution. The realization of this account occurs in the same proportion as the write-offs and depreciation of assets recorded in the property, plant and equipment and intangible assets, based on the new value attributed.

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 19. SHAREHOLDERS EQUITY -- continuation

### i) Deemed cost adjustments-- continuation

Changes in realization of the shareholders' equity were as follows:

Description	03/31/2017	12/31/2016
<b>Balances at the beginning of the period</b>	<b>10,410</b>	<b>12,147</b>
Realization of deemed cost adjustment	(295)	(174)
Tax effects on realization of deemed cost adjustments	100	59
<b>Balances at the end of the period</b>	<b>10,215</b>	<b>12,032</b>

## 20. OPERATING REVENUES

Operating Revenues composition, by nature, is the following:

Description	03/31/2017	03/31/2016
<b>Revenues</b>		
Water revenue	615,009	538,983
Sewage revenue	342,580	291,588
Services revenue	32,079	28,241
Solid Waste revenue	2,080	1,813
Services Provided to Municipalities	2,922	1,729
Other Revenues	4,156	3,347
<b>Total gross Operating Revenues</b>	<b>998,826</b>	<b>865,701</b>
<b>Deductions from Operating Revenues</b>		
COFINS	(59,527)	(48,563)
PASEP	(12,868)	(10,514)
<b>Total Deductions</b>	<b>(72,395)</b>	<b>(59,077)</b>
<b>Total Operating Revenues, net</b>	<b>926,431</b>	<b>806,624</b>

The Company had Revenues and incurred in costs from construction contracts linked to the program contracts of BRL 10,038 during the 1<sup>st</sup> quarter 2017 (BRL 23,739 for the same period in 2016), i.e., with a null margin. These revenues are shown net of construction costs.

## 21. COST OF PRODUCTS AND SERVICES

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

Description	03/31/2017			03/31/2016		
	Water	Sewage	Total	Water	Sewage	Total
Personnel	65,023	22,071	87,094	63,260	18,737	81,997
Materials	20,527	7,336	27,863	18,668	4,537	23,205
Electricity	79,264	7,896	87,160	100,249	10,963	111,212
Third-party Services	45,041	29,849	74,890	42,375	25,902	68,277
Depreciations and Amortizations	27,949	25,075	53,024	25,248	21,722	46,970
Other Costs	22,524	7,223	29,747	21,340	5,517	26,857
<b>Total</b>	<b>260,328</b>	<b>99,450</b>	<b>359,778</b>	<b>271,140</b>	<b>87,378</b>	<b>358,518</b>

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 22. COMMERCIAL, ADMINISTRATIVE AND OTHER EXPENSES

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

Description	03/31/2017	03/31/2016
<b>Commercial</b>		
Personnel	26,729	23,951
Materials	898	782
Third-party Services	17,905	15,238
Depreciations and Amortizations	1,488	1,371
Losses in Realization of Credits	5,600	1,503
Other Expenses	19,888	10,021
<b>Total Commercial Expenses</b>	<b>72,508</b>	<b>52,866</b>
<b>Administrative</b>		
Personnel	130,648	159,982
Materials	9,104	7,158
Third-party Services	36,167	28,440
Depreciations and Amortizations	3,871	3,657
Losses in Realization of Credits	-	(115)
Other Expenses	11,835	12,885
Transfers to Commercial Costs and Expenses (a)	(32,409)	(29,773)
Capitalized expenses (b)	(18,704)	(18,544)
<b>Total Administrative Expenses</b>	<b>140,512</b>	<b>163,690</b>
<b>Other Operating (Expenses) Revenues</b>		
<b>Expenses</b>		
Asset Write-offs	(913)	(747)
Adjustment to Fair Value – Investments	(2,126)	-
<b>Total Other Operating (Expenses) Revenues, net</b>	<b>(3,039)</b>	<b>(747)</b>

- (a) These values are first recorded as administrative expenses and later transferred to costs of services and commercial expenses.
- (b) These values refer to capitalized administrative expenses, as they relate to projects and works in progress, allocated directly by the Service Units.

## 23. FINANCIAL RESULT

Description	03/31/2017	03/31/2016
<b>Financial Revenues</b>		
Monetary indexation	2,194	4,722
Short term investments	21,893	7,614
Other Financial Revenues	3,457	19,225
<b>Total Financial Revenues</b>	<b>27,544</b>	<b>31,561</b>
<b>Financial Expenses</b>		
Interest on loans, financing and debentures	(50,823)	(42,823)
Monetary indexation	(8,803)	(15,416)
Other Financial Expenses	(935)	(2,619)
<b>Total Financial Expenses</b>	<b>(60,561)</b>	<b>(60,858)</b>
<b>Financial Results, net</b>	<b>(33,017)</b>	<b>(29,297)</b>

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 24. FINANCIAL INSTRUMENTS RISK

The comparison by class of the carrying amount and the fair value of the Company's financial instruments presented in the financial statements is as follows:

Description	Book Value		Fair Value	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
<b>Financial Assets</b>				
Cash and cash equivalents	724,980	638,330	724,980	638,330
Accounts receivables	590,721	570,503	590,721	570,503
Restricted deposits	57,158	55,678	57,158	55,678
Contractual financial assets	178,842	172,381	178,842	172,381
<b>Total</b>	<b>1,551,701</b>	<b>1,436,892</b>	<b>1,551,701</b>	<b>1,436,892</b>
<b>Financial Liabilities</b>				
Loans, financing, debentures and financial Leases	2,699,955	2,712,074	2,699,955	2,712,074
Contractors and suppliers	116,394	133,505	116,394	133,505
Service concession contracts	95,838	96,926	95,838	96,926
<b>Total</b>	<b>2,912,187</b>	<b>2,942,505</b>	<b>2,912,187</b>	<b>2,942,505</b>

The Company used the following methods and assumptions to calculate the fair value of its financial investments:

*Cash and Cash Equivalents:* the amounts presented in the balance sheet are close to fair value. The balance refers basically to high liquidity short-term investments maintained at Caixa Economica Federal in fixed income funds, with portfolio consisting mostly of securities issued by the Federal Government.

*Linked Deposits:* Long-term restricted deposits refer to the National Water Agency programs - ANA for the amount of BRL 4,304 (BRL 4,180 in 2016); as well as reserves maintained at Caixa Econômica Federal, for BRL 15,813 (BRL 15,351 in 2016), BRL 11,429 (BRL 11,094 in 2016) and BRL 15,668 (BRL 15.209 in 2016).

*Accounts Receivable:* balance sheet amounts for accounts receivable are close to fair value, considering the provisions recorded and absence of monetary indexation on past-due accounts receivable.

The balance of accounts receivable in the short and long term due to installment payments was adjusted to present value.

# Companhia de Saneamento do Paraná – SANEPAR

## NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

### 24. FINANCIAL INSTRUMENTS AND RISKS -- continuation

Changes made in adjustments to present value were as follows:

Description	January to March 2017	January to March 2016
Balances at the beginning of the period	(3,408)	(2,840)
Present value adjustment	220	(474)
<b>Balances at the end of the period</b>	<b>(3,188)</b>	<b>(3,314)</b>

*Contractual Financial Assets:* represent the expectation of receivable residual value at the end of the program contracts, based on the terms of the concessions.

*Accounts Payable:* accounts payable to contractors and suppliers have a maximum due date maturity of 30 (thirty) days, and, as a result, recognized as fair value. The average payment period is 28 (twenty-eight) days.

*Loans, Financing and Debentures:* are recorded at fair value at initial recognition, net of incurred transaction costs and subsequently measured by the amortized cost. Any difference between the proceeds (net of transaction costs) and the settlement value is recognized in profit or loss during the period in which the loans and financing are outstanding, using the method of effective interest rate, and do not include future charges in their balances. The details and interest rates are described in Note 11, and do not represent additional risks to the Company at this time. All loans and financing, on March 31, 2016, are related to investments in property, plant and equipment and intangible assets.

*Financial Lease:* are booked when the object lease is effectively available, considering initially the fair value for the assets leased or, when lower, the present value of the minimum payments for the Merchant Financial Lease contract. The amount payable for the Merchant Financial Lease is separated between financial charges and current liabilities. The financial charges are accrued during the entire contract term. Eventual contingent payments are entered as expenses for the period in which they incur. Monetary updates characteristics and rates are described in Note 11 and do not represent additional risks for the company at this point in time.

*Service Concession Contracts:* represent the balance payable for onerous concession contracts in providing public utility services to the City Hall of Curitiba, for a thirty-year term signed on 06 December 2001 (see Note 12).

*Business risk:* The Company's business relates primarily to capture, treat and distribute water, collect and treat sewage for 345 municipal centers operated in the State of Paraná and 1 municipality in the State of Santa Catarina, for which the Company holds its municipal concession.

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 24. FINANCIAL INSTRUMENTS AND RISKS -- continuation

There are a number of associated risks, normal to Sanepar's business activity, but these are all managed or mitigated in order not to impact, significantly, on the Company's operating results. These risks are basically associated to the following factors:

*Interest Rate Risk:* this is the risk that the fair value of future cash flows for financial instruments fluctuate due to variations in the interest rates on the market. The Company's exposure to the risk of changes in market interest rates is, mainly, in reference to long-term obligations subject to variable interest rates.

This risk stems from the possibility that the company will incur in losses due to fluctuations in interest rates that increase the relative financial expenses for loans and financing operations.

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

<b>Indexer</b>	<b>03/31/2017</b>	<b>12/31/2016</b>
TR	870,699	870,430
TJLP	676,128	702,637
IPCA	360,527	351,435
DI	704,579	698,123
IPC-FIPE	41,412	41,108
Without monetary correction	46,610	48,341
	<b>2,699,955</b>	<b>2,712,074</b>

*Interest Rate Sensibility Analysis:* the following is the calculation sensitivity to a possible change in the rate of return on financial investments and interest on the principal of loans and financing subject to variable interest rates, which can have significant impact to the Company. If the return rates of investments and interest on the loans held in real varied around 25% and 50% more or less, with all other variables held constant, the effect on profit before taxes would have been BRL 4,331 and BRL 8,662 plus or minus in particular due to the revenues stemming from financial investments and interest rates expenses lower or higher than in the financial loans as variable interest rates described below:

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 24. FINANCIAL INSTRUMENTS AND RISKS -- continuation

<b>Analysis</b>					
<b>Description</b>	<b>Indexer</b>	<b>+ 25%</b>	<b>-25%</b>	<b>+50%</b>	<b>-50%</b>
Caixa FI Sanepar I Renda Fixa	DI	4,979	(4,979)	9,958	(9,958)
<b>Assets</b>		<b>4,979</b>	<b>(4,979)</b>	<b>9,958</b>	<b>(9,958)</b>
Caixa Econômica Federal	TR	(653)	653	(1,306)	1,306
BNDES	TJLP	(427)	427	(854)	854
BNDES-PAC2	TJLP	(269)	269	(538)	538
Debentures – 2nd Issue – 1st e 3rd Series	TJLP	(517)	517	(1,034)	1,034
Debentures – 2nd Issue – 2nd Series	IPCA	(372)	372	(744)	744
Debentures – 3rd Issue – 1st Series	DI	(1,123)	1,123	(2,246)	2,246
Debentures – 3rd Issue – 2nd Series	IPCA	(348)	348	(696)	696
Debentures – 4th Issue – 1st Series	TJLP	(401)	401	(802)	802
Debentures – 4th Issue – 2nd Series	IPCA	(226)	226	(452)	452
Debentures – 5th Issue – 1st Series	DI	(919)	919	(1,838)	1,838
Debentures – 5th Issue – 2nd Series	DI	(1,572)	1,572	(3,144)	3,144
Debentures – 6th Issue – 1st Series	DI	(703)	703	(1,406)	1,406
Debentures – 6th Issue – 2nd Series	DI	(1,485)	1,485	(2,970)	2,970
Financial Lease	IPC	(295)	295	(590)	590
<b>Liabilities</b>		<b>(9,310)</b>	<b>9,310</b>	<b>(18,620)</b>	<b>18,620</b>
<b>Effects on Profit before tax</b>		<b>(4,331)</b>	<b>4,331</b>	<b>(8,662)</b>	<b>8,662</b>

The TR considered was of 1.92% and a TJLP of 7.50%, obtained from BACEN - Banco Central do Brasil, IPCA rate of 4.57%, obtained from IBGE – Instituto Brasileiro de Geografia e Estatística, and DI rate of 12.13% obtained from CETIP SA and IPC – FIPE of 3,56%, obtained from the Fundação Instituto de Pesquisas Econômicas – FIPE.

*Credit Risk:* practically the entire population of Paraná is a customer of the Company. Considering our type of business, we do not perform a credit history analyses, and adopt the practice of cutting the supply in case of default, with a minimum prior notice of thirty days. The level of losses on accounts receivable is considered normal for the sanitation sector.

The practice of cutting the supply is not applicable to the public bodies, however, Management is intensifying efforts to reduce delinquency levels with negotiations with these municipalities and attempting to offset accounts with those who have credits with the Company. In case there is no agreement, the company files for judicial recovery. For Public State Agencies, the opinion of the State of Paraná Prosecution Office on the possibility of offsetting amounts receivable by the company and amounts payable to the State of Paraná for dividends and/or interest on shareholders capital is addressed.

*Concession Risk:* 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 goals to expand and maintain water and sewage systems, related to the rate of service with water supply and the rate of service with sewage collection. In some situations, the grantor may terminate the contract before its termination or not authorize its renewal upon compensation for the fair value of investment balances not yet depreciated/amortized.

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 24. FINANCIAL INSTRUMENTS AND RISKS -- continuation

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

*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 11, so as not to affect its liquidity. The management of liquidity and cash flow is performed daily by the Company's management, to ensure that the operating cash generation and the upfront funding raise, when necessary, are sufficient to maintain its schedule of commitments, not generating liquidity risks. Additionally, Company Management approved the dividends and treasury and Market risks policy.

*Capital Management:* The Company's capital management objective is to ensure that it maintains a strong credit *rating* with the institutions and a great capital ratio in order to support the business and maximize shareholder value. The Company manages its capital structure and performs the necessary adjustments and adaptations according to the current economic conditions. With this objective, the company can make payments of dividends, enter into new loans, issue promissory notes and contract operations with derivatives. For the period ended on March 31, 2017, there was no change in the objectives, policies or capital structure processes. The Company includes in net debt structure balances of loans, financing and debentures (Note 11), less cash and cash equivalents (Note 4).

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

	<u>03/31/2017</u>	<u>12/31/2016</u>
Loans, Financing, Debentures and Financial Lease	2,699,955	2,712,074
Cash and Cash Equivalents	(724,980)	(638,330)
Net Debt	1,974,975	2,073,744
Shareholders' Equity	4,968,727	4,808,673
Ratio Net Debt/Net Equity	0.40	0.43



# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 25. PENSION AND HEALTH CARE PLANS

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 quarter, the Sponsor passed through the financial amount of BRL 6,752 (BRL 6,206 for the same period in 2016) as contribution to FUSAN.

The Company 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.

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

As a contribution to the Foundation, this Quarter, the Company transferred the amount of BRL 14,395 (BRL 12,804 for the same period in 2016).

The technical reserves for the purpose of meeting the standards set by Previc – National Complementary Welfare Superintendence shall be determined by the actuary responsible for the pension plan, establishing starting January/2017 a plan to solve the technical deficit, according to the legislation, considering that the entity presented result in deficit for the third consecutive year. Additionally, for the purposes of compliance with the determinations contained in CPC 33 (R1), approved by CVM Deliberation 695, Assistants Assessoria, Consultoria e Participações Ltda, was hired and issued detailed reports that support the information included in this Note.

The information below shows the actuarial position of liabilities related to pension and health care plans. The Projected Unit Credit method (PUC) was used to calculate the actuarial liability.

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 25. PENSION AND HEALTH CARE PLANS-- continuation

Demonstration of actuarial liability:

Description	Pension Plan	Health care plan	03/31/2017	12/31/2016
Current Liabilities	19,975	34,904	54,879	53,062
Non-current liabilities	279,647	488,663	768,310	742,866
<b>Total</b>	<b>299,622</b>	<b>523,567</b>	<b>823,189</b>	<b>795,928</b>

The table below shows the projected expenses for tax year 2017:

Description	Pension Plan	Health care plan	2017
Current Cost of Service	11,526	10,303	21,829
Interest Cost	103,656	55,232	158,888
Expected return of Plan Assets	(70,538)	-	(70,538)
Contributions of participants / employer	(2,064)	-	(2,064)
<b>Total</b>	<b>42,580</b>	<b>65,535</b>	<b>108,115</b>

The actuarial estimate for variation expected in the plans for tax year 2017 was of BRL 108,115, which is being booked by the Company on a monthly basis with an accrual of BRL 27,261 (BRL 25,499 on the 1<sup>st</sup> quarter 2016) for the 1<sup>st</sup> Quarter 2017. At the end of 2017, a new actuarial review will be performed to determine the accounting adjustments in the plans. If abnormal variations in the rules of the pension and health care plan occur during the year, or even in the base of participants, which have not occurred to date, an interim actuarial review can be performed.

## 26. SEGMENT INFORMATION

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 INTERIM FINANCIAL INFORMATION MARCH 30, 2017

### 26. SEGMENT INFORMATION-- continuation

Description	01/01/2017 to 03/31/2017			01/01/2016 to 03/31/2016		
	Water	Sewage	Total	Water	Sewage	Total
Direct operating revenue	640.280	351.468	<b>991.748</b>	561.129	299.496	<b>860.625</b>
Other Operating Revenue	4.153	2.925	<b>7.078</b>	3.015	2.061	<b>5.076</b>
<b>Total gross Operating Revenue</b>	<b>644.433</b>	<b>354.393</b>	<b>998.826</b>	564.144	301.557	<b>865.701</b>
Revenue Deductions (PASEP and COFINS)	(42.480)	(29.915)	<b>(72.395)</b>	(35.092)	(23.985)	<b>(59.077)</b>
<b>Net Operating Revenue</b>	<b>601.953</b>	<b>324.478</b>	<b>926.431</b>	529.052	277.572	<b>806.624</b>
Cost of services	(260.328)	(99.450)	<b>(359.778)</b>	(271.140)	(87.378)	<b>(358.518)</b>
<b>Gross Profit</b>	<b>341.625</b>	<b>225.028</b>	<b>566.653</b>	257.912	190.194	<b>448.106</b>
Commercial Expenses	(42.543)	(29.965)	<b>(72.508)</b>	(31.402)	(21.464)	<b>(52.866)</b>
Administrative Expenses	(82.444)	(58.068)	<b>(140.512)</b>	(97.230)	(66.460)	<b>(163.690)</b>
Other Operating Revenues (Expenses)	(1.862)	(1.177)	<b>(3.039)</b>	(565)	(182)	<b>(747)</b>
Equity results	-	(135)	<b>(135)</b>	-	(206)	<b>(206)</b>
Financial Result, net	(12.978)	(20.039)	<b>(33.017)</b>	(10.784)	(18.513)	<b>(29.297)</b>
Provisions	(30.747)	(21.681)	<b>(52.428)</b>	23.786	16.415	<b>40.201</b>
Pension and health care Plans	(15.995)	(11.266)	<b>(27.261)</b>	(15.145)	(10.354)	<b>(25.499)</b>
<b>Profit before Taxes and Contributions</b>	<b>155.056</b>	<b>82.697</b>	<b>237.753</b>	<b>126.572</b>	<b>89.430</b>	<b>216.002</b>
Income Tax and Social Contribution	(50.673)	(27.026)	<b>(77.699)</b>	(42.026)	(29.694)	<b>(71.720)</b>
<b>Net profit for the Period</b>	<b>104.383</b>	<b>55.671</b>	<b>160.054</b>	<b>84.546</b>	<b>59.736</b>	<b>144.282</b>
Operating Margin	24,1%	23,3%	<b>23,8%</b>	22,4%	29,7%	<b>25,0%</b>
Net Margin	17,3%	17,2%	<b>17,3%</b>	16,0%	21,5%	<b>17,9%</b>
<b>EBTIDA</b>	<b>199.128</b>	<b>130.025</b>	<b>329.153</b>	<b>165.592</b>	<b>131.705</b>	<b>297.297</b>
EBITDA Margin	33,1%	40,1%	<b>35,5%</b>	31,3%	47,4%	<b>36,9%</b>
Investments in property, plant and equipment and Intangible in the	71.160	82.760	<b>153.920</b>	63.150	87.814	<b>150.964</b>
Shareholding Interest – CS Bioenergia	-	20.488	<b>20.488</b>	-	1.427	<b>1.427</b>
Loans, financing, debentures and financial leases	1.066.129	1.633.826	<b>2.699.955</b>	997.225	1.372.645	<b>2.369.870</b>
Property, plant and equipment and Intangible, net	3.244.933	4.175.791	<b>7.420.724</b>	3.110.020	3.870.384	<b>6.980.404</b>
Depreciation and Amortization in the Period	(31.094)	(27.289)	<b>(58.383)</b>	(28.236)	(23.762)	<b>(51.998)</b>
Accounts Receivable (Current and Non-current) (b)	489.931	255.384	<b>745.315</b>	434.693	214.503	<b>649.196</b>
Total Assets	4.246.550	5.464.737	<b>9.711.287</b>	3.750.353	4.667.271	<b>8.417.624</b>
Total Liabilities (Current and Non-current)	1.909.285	2.833.275	<b>4.742.560</b>	1.724.966	2.374.356	<b>4.099.322</b>
Number of Users – Not Audited/Reviewed (c)	3.047.486	1.976.253	-	2.988.952	1.872.852	-
Volume Thousand m <sup>3</sup> Invoiced – Not Audited/Reviewed (d)	153.622	108.202	-	148.858	101.750	-

(a) The amounts invested in administrative assets were allocated in proportion to the investments of each segment;

(b) Presented by the gross value;

(c) The users included in the sewage sector are practically all included in the water sector;

(d) Billed volumes of the sewage sector are derived from the billed volumes of the water utility sector.

# Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION MARCH 30, 2017

## 27. INSURANCE

The Company has insurance contract with SOMPO Seguros S/A covering its main assets located in a number of localities throughout the State of Paraná, for the amount of BRL 968,336, with coverage term from 01/09/2017 to 01/09/2018, basic cover for fire, wind and electrical damages to the equipment.

<u>Asset</u>	<u>Amount Insured</u>
Buildings	497,299
Machinery and equipment and vehicles	411,931
Inventories	59,106
<b>Total</b>	<b>968,336</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 March 31, 2017, the Company posted guarantees using the Guarantee Insurance in 58 lawsuits for the amount of BRL 193,670 of which 10 policies with insurer Fairfax Brasil Seguros Corporativos S/A and 48 policies with Pottencial Seguradora S/A.

The Company also entered into an agreement with Zurich Minas Brasil Seguros S.A. for insurance coverage for directors and officers of Sanepar (D&O - Directors and Officers) with national and international coverage, with an indemnity cap of R\$ 20,000, effective contract for 365 days and expiring on 04/14/2018.

## 28. SUBSEQUENT EVENTS

### Tariff Readjustment

The Steering Council of the Delegated Public Infrastructure Services Regulation Agency of Paraná – AGEPAR approved, on April 12, 2017, through Final Technical Note no. 001/2017, the tariff recovery index of 25.63%, deferred in 8 years, with the first installment due in 2017, corresponding to an average recovery of 8.53% and the other 7 installments of 2.11%, plus financial correction (SELIC) on the difference between Required and Actual Revenues, the change in tariff structure and authorized the use of the Tariff Table 30 days after the publication of the Sign Off Resolution no. 003/2017.