

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

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

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

**Interim financial information  
As at September 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT ON THE QUARTERLY INFORMATION

To the  
Shareholders, Board Members and Management of  
**Companhia de Saneamento do Paraná - SANEPAR**  
Curitiba - PR

### Introduction

We have reviewed the interim financial information of **Companhia de Saneamento do Paraná - SANEPAR (the "Company")**, included in the Quarterly Information (ITR) for the quarter ended September 30, 2017, which comprises the statement of financial position as at September 30, 2017, and the respective statements of income and comprehensive income for the quarter and nine-month period then ended, and of changes in equity and cash flows for the nine-month period then ended, including a summary of significant accounting policies and other notes.

Management is responsible for the preparation of the interim financial information in accordance with Technical Pronouncement CPC 21 (R1) - Interim financial information, and for the presentation of this interim financial information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of the review

We conducted our review in accordance with Brazilian and international standards for reviewing interim information (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity). An interim review consists principally of applying analytical and other review procedures, and making enquiries of and having discussions with persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit conducted in accordance with auditing standards. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit. Accordingly, we do not express such an audit opinion.

### Conclusion on the interim financial information

Based on our review, we are not aware of any fact that leads us to believe that the interim financial information included in the quarterly information referred to above have not been prepared, in all material respects, in accordance with CPC 21 (R1) applicable to Quarterly Information - ITR, and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

## Other matters

### Statements of value added

We have also reviewed the Statements of Value Added (DVA) for the nine-month period ended September 30, 2017, prepared under the responsibility of the Company's management, whose disclosure in the interim financial information is required in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information (ITR). These statements were submitted to the same review procedures previously described and based on our review, we are not aware of any fact that would lead us to believe that they have not been fairly stated, in all material respects, in relation to the interim financial information taken as a whole.

### Comparative interim financial information

The interim financial information included in the quarterly information related to the statement of financial position of December 31, 2016 and the statements of income, cash flows, changes in equity and value added for the quarter ended September 30, 2016, presented for comparison purposes, were audited and reviewed, respectively, by other independent auditors, whose audit report thereon, dated January 30, 2017, and review report, dated October 18, 2016, were unmodified.

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

Curitiba, October 31, 2017



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

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

## CIA. DE SANEAMENTO DO PARANÁ - SANEPAR

### Statements of financial position

As at September 30, 2017 and December 31, 2016.

(In thousands of Brazilian Reais)

Asset				Liabilities and equity			
	Notes	09/30/2017	12/31/2016		Notes	09/30/2017	12/31/2016
<b>Current</b>		<b>1.254.071</b>	<b>1.307.240</b>	<b>Current</b>		<b>1.280.228</b>	<b>967.318</b>
Cash and cash equivalents	4	535.957	638.330	Payroll and social charges		77.015	83.930
Trade accounts receivable	5	614.697	559.797	Trade accounts payable		134.172	133.505
Inventories		35.579	36.722	Tax liabilities	13	97.159	63.260
Recoverable taxes	6	1.194	39.021	Loans and financing	11	553.232	379.163
Other current assets	7	66.644	33.370	Other liabilities	12/14/15	199.010	180.949
				Provisions	16	219.640	126.511
				<b>Noncurrent</b>		<b>3.564.142</b>	<b>3.678.128</b>
<b>Noncurrent</b>		<b>8.622.650</b>	<b>8.146.879</b>	Loans and financing	11	2.082.101	2.332.911
Long-term assets				Other liabilities	12/14/15	106.105	95.775
Accounts receivable	7	12.724	10.706	Provisions	16	1.375.936	1.249.442
Deferred taxes	17	425.745	373.997	<b>Equity</b>	19	<b>5.032.351</b>	<b>4.808.673</b>
Other noncurrent assets	10	473.281	419.112	Realized capital stock		2.847.664	2.847.664
Investments	8	19.869	12.403	Valuation surplus		83.064	87.200
Fixed assets	9	133.034	131.268	Income reserves		1.631.145	1.779.937
Intangible assets	9	7.557.997	7.199.393	Retained earnings/(Accumulated losses)		377.190	-
				Asset and liability valuation adjustments		9.826	10.410
				Other comprehensive income		83.462	83.462
<b>Total assets</b>		<b>9.876.721</b>	<b>9.454.119</b>	<b>Total liabilities and equity</b>		<b>9.876.721</b>	<b>9.454.119</b>

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

## CIA. DE SANEAMENTO DO PARANÁ - SANEPAR

### Statements of income

As at September 30, 2017 and September 30, 2016.

(In thousands of Brazilian Reais)

	Notes	Current Quarter 07/01/2017 to 09/30/2017	Accumulated in Current Period 01/01/2017 to 09/30/2017	Same Quarter of Previous Year 07/01/2016 to 09/30/2016	Accumulated in Previous Period 01/01/2016 to 09/30/2016
Net revenue from services rendered	20	1.008.668	2.843.946	868.215	2.550.911
Cost of services rendered	21	- 398.940	(1.142.108)	(348.650)	(1.057.700)
<b>Gross result</b>		<b>609.728</b>	<b>1.701.838</b>	<b>519.565</b>	<b>1.493.211</b>
Operating expenses/revenues	22				
Selling expenses		(75.078)	(239.316)	(65.014)	(176.407)
General and administrative expenses		(163.654)	(474.251)	(145.282)	(457.592)
Other operating expenses	23/26	(80.601)	(165.347)	(88.200)	(104.709)
Equity in earnings (losses) of controlled companies		(730)	(1.388)	(831)	(2.257)
		(320.063)	(880.302)	(299.327)	(740.965)
<b>Income (loss) before financial income (loss) and taxes</b>		<b>289.665</b>	<b>821.536</b>	<b>220.238</b>	<b>752.246</b>
Financial income (loss)	24				
Financial revenues		21.576	76.041	14.275	59.764
Financial expenses		(48.873)	(175.844)	(63.813)	(183.152)
		(27.297)	(99.803)	(49.538)	(123.388)
<b>Income (loss) before taxes</b>		<b>262.368</b>	<b>721.733</b>	<b>170.700</b>	<b>628.858</b>
<b>Income and Social Contribution Taxes</b>		<b>(87.302)</b>	<b>(189.753)</b>	<b>(56.138)</b>	<b>(160.938)</b>
<b>Net income (loss) from continuing operations</b>		<b>175.066</b>	<b>531.980</b>	<b>114.562</b>	<b>467.920</b>

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

## CIA. DE SANEAMENTO DO PARANÁ - SANEPAR

Statements of comprehensive income  
As at September 30, 2017 and September 30, 2016.  
(In thousands of Brazilian Reais)

	Current Quarter 07/01/2017 to 09/30/2017	Accumulated in Current Period 01/01/2017 to 09/30/2017	Same Quarter of Previous Year 07/01/2016 to 09/30/2016	Accumulated in Previous Period 01/01/2016 to 09/30/2016
Loss for the year	175.066	531.980	114.562	467.920
Other comprehensive income	-	-	-	(6.288)
Total comprehensive income for the year	175.066	531.980	114.562	461.632

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

## CIA. DE SANEAMENTO DO PARANÁ - SANEPAR

Statements of changes in equity  
From 01/01/2017 to 09/30/2017  
(In thousands of Brazilian Reais)

	Paid-in capital stock	Capital reserves, Granted options and Treasury shares	Income reserves	Retained earnings or accumulated losses	Other comprehensive income	Equity
Beginning balances	2.847.664	-	1.779.937	-	181.072	4.808.673
Adjusted beginning balances	2.847.664	-	1.779.937	-	181.072	4.808.673
Capital Transactions with Shareholders	-	-	(148.792)	(159.510)	-	(308.302)
Total comprehensive income	-	-	-	536.700	(4.720)	531.980
Ending balances	<u>2.847.664</u>	<u>-</u>	<u>1.631.145</u>	<u>377.190</u>	<u>176.352</u>	<u>5.032.351</u>

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



## CIA. DE SANEAMENTO DO PARANÁ - SANEPAR

Statements of changes in equity  
 From 01/01/2016 to 09/30/2016  
 (In thousands of Brazilian Reais)

	Paid-in capital stock	Capital reserves, Granted options and Treasury shares	Income reserves	Retained earnings or accumulated losses	Other comprehensive income	Equity
Beginning balances	2.597.360	-	1.398.472	-	184.475	4.180.307
Adjusted beginning balances	2.597.360	-	1.398.472	-	184.475	4.180.307
Capital Transactions with Shareholders	-	-	(103.951)	(143.307)	-	(247.258)
Total comprehensive income	-	-	-	472.622	(10.990)	461.632
Ending balances	2.597.360	-	1.294.521	329.315	173.485	4.394.681

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

# CIA. DE SANEAMENTO DO PARANÁ - SANEPAR

## Statements of cash flows As at 09/30/2017 and 12/31/2016 (In Brazilian Reais)

	09/30/2017	12/31/2016
<b>Cash from operations</b>	<b>1.021.804</b>	<b>904.706</b>
Net income for the period	531.980	467.920
Depreciation and amortization	178.211	160.081
Cost of fixed and intangible assets write-off	2.738	3.669
Adjustment to Impairment	(585)	(427)
Cost of investments write-off	214	-
Discount to Present Value - Financial Assets	(5.331)	(21.000)
Allowance for doubtful accounts	19.242	14.445
Deferred Income and Social Contribution taxes, Net	(51.748)	(20.080)
Provision for contingencies	50.741	9.036
Pension plan and Health Insurance	81.164	76.497
Interest on financing	179.368	172.792
Monetary variation on financing	31.710	39.350
Equity in earnings (losses) of controlled companies	1.388	2.257
Recognition of costs on Funds Raised from Third Parties	623	166
Fair Value Adjustment - Investments	2.089	-
<b>Changes in assets and liabilities</b>	<b>18.061</b>	<b>(85.634)</b>
Trade accounts receivable	(76.160)	(83.343)
<b>Recoverable Taxes and Contributions</b>	<b>37.791</b>	<b>28.000</b>
Inventories	1.143	284
Court deposits	(25.485)	(17.071)
Other Receivables and Accounts Receivables	(35.459)	(39.294)
Loans and Trade Accounts Payable	667	(2.417)
Service concession agreements	(4.103)	(96)
<b>Taxes and contributions</b>	<b>20.332</b>	<b>2.786</b>
Payroll and Charges	80.803	31.349
Collaterals and Contractual Retentions	224	(75)
Unearned revenue	18.008	(2.438)
Notes payable	-	(3.087)
Other accounts payable	300	(232)
<b>Net cash from investing activities</b>	<b>(519.879)</b>	<b>(532.576)</b>
Investments in fixed and intangible assets	(508.722)	(526.715)
Investments	(11.157)	(5.861)
<b>Net cash from financing activities</b>	<b>(622.359)</b>	<b>(73.813)</b>
<b>Financing Obtained</b>	<b>95.224</b>	<b>402.789</b>
Repayment of financing	(250.620)	(117.396)
<b>Payments of interest on financing</b>	<b>(185.557)</b>	<b>(151.364)</b>
Costs on Funds Raised from Third Parties	-	(1.823)
Restricted deposits	(633)	(8.458)
Payment of interest on equity capital	(280.773)	(197.561)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(102.373)</b>	<b>212.683</b>
Beginning balance of cash and cash equivalents	638.330	163.797
Ending balance of cash and cash equivalents	535.957	376.480

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

## CIA. DE SANEAMENTO DO PARANÁ - SANEPAR

### Statements of value added

As at September 30, 2017 and September 30, 2016.

(In thousands of Brazilian Reais)

	09/30/2017	09/30/2016
<b>Revenues</b>	<b>3.042.044</b>	<b>2.724.721</b>
Sales of merchandise, products and services	3.064.209	2.742.417
Other revenues	(2.923)	(3.251)
Allowance/Reversal of Doubtful Accounts	(19.242)	(14.445)
<b>Acquired Inputs</b>	<b>(940.090)</b>	<b>(820.938)</b>
Cost of goods, merchandise and services sold	(337.701)	(306.798)
Materials, energy, third-party services and others	(462.642)	(460.405)
Loss/recovery of assets	(1.542)	-
Others	(138.205)	(53.735)
<b>Gross value added</b>	<b>2.101.954</b>	<b>1.903.783</b>
<b>Withholdings</b>	<b>(178.211)</b>	<b>160.081</b>
Depreciation, amortization and depletion	(178.211)	160.081
<b>Net generated value added</b>	<b>1.923.743</b>	<b>1.743.702</b>
<b>Value added received in transfer</b>	<b>74.653</b>	<b>57.507</b>
Equity in earnings (losses) of controlled companies	(1.388)	(2.257)
Financial revenues	76.041	59.764
<b>Total value added to be distributed</b>	<b>1.998.396</b>	<b>1.801.209</b>
<b>Value added distribution</b>	<b>1.998.396</b>	<b>1.801.209</b>
<b>Personnel</b>	<b>717.238</b>	<b>650.660</b>
Direct compensation	436.379	378.834
Benefits	248.875	243.954
Severance Pay Fund (FGTS)	31.984	27.872
<b>Taxes, fees and contributions</b>	<b>537.893</b>	<b>466.263</b>
Federal	535.487	464.001
State	373	458
Municipal	2.033	1.804
<b>Return on debt capital</b>	<b>211.285</b>	<b>216.366</b>
Interest	175.844	183.152
Rents	35.441	33.214
<b>Return on equity capital</b>	<b>531.980</b>	<b>467.920</b>
Interest on equity capital	159.510	143.307
Retained earnings/Losses for the Year	372.470	324.613

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

# Companhia de Saneamento do Paraná – SANEPAR

## COMMENTS ON THE COMPANY PERFORMANCE IN 3rd 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, the company’s 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.

On April 12, 2017, through Ratified Decision (Resolução Homologatória) No. 003 of Delegated Public Infrastructure Utility Services Regulatory Agency (Agência Reguladora de Serviços Públicos Delegados de Infraestrutura do Paraná – AGEPAR), the First Periodic Tariff Review (Revisão Tarifária Periódica – RTP) was performed for Sanepar.

In 2017, the Company established the Incentive Retirement Program (Programa de Aposentadoria Incentivada – PAI) and the Voluntary Dismissal with Transfer of Knowledge Program (Demissão Voluntária com Transferência de Conhecimento – PDVTC) with the purpose of allowing employees entitled to those programs to request their dismissal from SANEPAR’s staff, which resulted in 299 employees joining the programs (285 joining PAI and 14 joining PDVTC).

### 03. MARKET

The current rate of delivery with treated water is of 100.0% and the coverage of sewage collection is of 70.2% 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 91.0% of the total water connections existing at September 30, 2017.

# Companhia de Saneamento do Paraná – SANEPAR

## COMMENTS ON THE COMPANY PERFORMANCE IN 3rd QUARTER 2017

### 03. MARKET -- continuation

The number of existing water connections of 3,068,242 in September 2017 is 2.0% higher than the number of connections (3,008,614) existing in September 2016, representing an increment of 59,628 new water connections, as shown below:

**Number of Water Connections \***

<b>Classes</b>	<b>September/2016</b>	<b>September/2017</b>	<b>Var. %</b>
Residential	2,746,823	2,790,986	1.6
Commercial	201,358	215,658	7.1
Industrial	12,289	12,576	2.3
Public Utility	22,300	23,094	3.6
Public Administration	25,844	25,928	0.3
<b>Total</b>	<b>3,008,614</b>	<b>3,068,242</b>	<b>2.0</b>

\* Information not reviewed by independent auditors.

The number of sewage connections of 2,012,976 in September 2017 is 5.1% higher than the number of connections (1,914,695) existing in September 2016, representing an increase of 98,281 new sewage connections, as shown below:

**Number of Sewage Connections \***

<b>Classes</b>	<b>September/2016</b>	<b>September/2017</b>	<b>Var. %</b>
Residential	1,733,758	1,816,860	4.8
Commercial	150,456	163,915	8.9
Industrial	4,705	4,979	5.8
Public Utility	13,032	13,964	7.2
Public Administration	12,744	13,258	4.0
<b>Total</b>	<b>1,914,695</b>	<b>2,012,976</b>	<b>5.1</b>

\* Information not reviewed by 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 of 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 3rd 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. The mentioned partnership started its pre operating phase in July 2017, transforming 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 values 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 million)

	9M16	9M17	Var. %	3Q16	3Q17	Var. %
Personnel compensation	650.7	717.2	10.2	222.1	275.5	24.0
Government Compensation	466.3	537.9	15.4	162.3	208.0	28.2
Third-party compensation	33.2	35.5	6.9	11.7	12.2	4.3
Return on debt capital (Interest and monetary variations)	183.1	175.8	(4.0)	63.8	48.8	(23.5)
Interest on equity capital	143.3	159.5	11.3	-	-	-
Net income for the period not distributed	324.6	372.5	14.8	114.5	175.1	52.9
<b>Total Economic Wealth</b>	<b>1,801.</b>	<b>1,998.</b>	<b>10.9</b>	<b>574.4</b>	<b>719.6</b>	<b>25.3</b>

# Companhia de Saneamento do Paraná – SANEPAR

## COMMENTS ON THE COMPANY PERFORMANCE IN 3rd QUARTER 2017

### 06. PRODUCTIVITY -- continuation

For YTD up to September 30, 2017, the volume of treated water measured was of 372.7 million m<sup>3</sup>, as compared to 361.5 million m<sup>3</sup> for the same period in 2016, representing an increase of 3.1%, which shows the continuous growth of the Company, as follows:

#### COMPARATIVE TABLE OF MEASURED WATER VOLUME - million m<sup>3</sup> \*

<b>Classes</b>	<b>9M16</b>	<b>9M17</b>	<b>Var. %</b>	<b>3Q16</b>	<b>3Q17</b>	<b>Var. %</b>
Residential	305.6	315.7	3.3	99.8	103.7	3.9
Commercial	29.4	30.1	2.4	9.7	10.2	5.2
Industrial	8.4	8.4	0.0	2.7	2.7	0.0
Public Utility	4.2	4.3	2.4	1.4	1.5	7.1
Public Administration	13.9	14.2	2.2	4.7	4.9	4.3
<b>TOTAL INVOICED</b>	<b>361.5</b>	<b>372.7</b>	<b>3.1</b>	<b>118.3</b>	<b>123.0</b>	<b>4.0</b>

\* Information not reviewed by independent auditors.

For YTD up to September 30, 2017, the volume of treated water billed was 420.6 million m<sup>3</sup>, as compared to 439.6 million m<sup>3</sup> for the same period of 2016, which corresponds to a reduction of 4.3%. In comparing the third quarters of 2016 and 2017, a reduction of 12.1% was perceived, resulting from the change in the Company's tariff structure, with changes in consumption ranges, and mainly from the change in the minimum tariff, from 10m<sup>3</sup> to 5m<sup>3</sup>, as shown below:

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

<b>Classes</b>	<b>9M16</b>	<b>9M17</b>	<b>Var. %</b>	<b>3Q16</b>	<b>3Q17</b>	<b>Var. %</b>
Residential	376.2	358.8	(4.6)	124.3	108.0	(13.1)
Commercial	36.0	34.7	(3.6)	11.9	10.8	(9.2)
Industrial	8.8	8.5	(3.4)	2.9	2.7	(6.9)
Public Utility	4.0	3.9	(2.5)	1.3	1.3	(0.0)
Public Administration	14.6	14.7	0.7	5.0	5.0	0.0
<b>TOTAL INVOICED</b>	<b>439.6</b>	<b>420.6</b>	<b>(4.3)</b>	<b>145.4</b>	<b>127.8</b>	<b>(12.1)</b>

\* Information not reviewed by independent auditors.

For YTD up to September 30, 2017, the volume of sewage billed showed a reduction of 1.2% as compared to the same period for the previous year. In comparing the third quarters of 2016 and 2017, a reduction of 9.2% was perceived, also resulting from the change in the Company's tariff structure, as shown below:

#### COMPARATIVE TABLE OF INVOICED SEWAGE VOLUME - million m<sup>3</sup> \*

<b>Classes</b>	<b>9M16</b>	<b>9M17</b>	<b>Var. %</b>	<b>3Q16</b>	<b>3Q17</b>	<b>Var. %</b>
Residential	257.7	254.0	(1.4)	86.2	77.3	(10.3)
Commercial	31.1	30.7	(1.3)	10.4	9.8	(5.8)
Industrial	2.3	2.2	(4.3)	0.8	0.7	(12.5)
Public Utility	2.9	2.9	0.0	1.0	1.0	0.0
Public Administration	10.3	10.7	3.9	3.5	3.7	5.7
<b>TOTAL INVOICED</b>	<b>304.3</b>	<b>300.5</b>	<b>(1.2)</b>	<b>101.9</b>	<b>92.5</b>	<b>(9.2)</b>

\* Information not reviewed by independent auditors.

# Companhia de Saneamento do Paraná – SANEPAR

## COMMENTS ON THE COMPANY PERFORMANCE IN 3rd QUARTER 2017

### 06. PRODUCTIVITY -- continuation

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 16.5% 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 networks and units.

Despite these measures, there was an increase in this period of 0.19 liters lost per connection/day, corresponding to 0.1% in comparison with December 2016 as shown in the table below:

<b>LOSSES PER CONNECTION INDEX *</b>		
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)	233.31	0.19

\* Information not reviewed by independent auditors.

(1) Cumulative amounts from January to September 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 and shareholders.



# Companhia de Saneamento do Paraná – SANEPAR

## COMMENTS ON THE COMPANY PERFORMANCE IN 3rd QUARTER 2017

### 07. ECONOMIC INDICATORS -- continuation

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	R\$ million					
	9M16	9M17	Var. %	3Q16	3Q17	Var. %
Net operating revenue (1)	2,550.9	2,843.9	11.5	868.2	1,008.7	16.2
Operating profit	752.2	821.5	9.2	220.2	289.7	31.6
Net Profit	467.9	532.0	13.7	114.6	175.1	52.8
% Operating margin	22.9	23.6	2.7	18.3	24.1	31.7
% Net margin	18.3	18.7	2.2	13.2	17.4	31.8
% Mean PL profitability	10.9	10.8	(0.9)	2.6	3.5	34.6
Net debt/ EBITDA (Accumulated 12 month)	2.0	1.7	(15.0)	-	-	

(1) The increase in operating revenue between the months of September 2016 and September 2017, stems from the tariff adjustment of 10.48% starting on 04/01/2016, with full impact in 2017, as well from the 1st Tariff Review authorized by AGEPAR of 8.53% in 2017, starting on 06/01/2017, pro-rata since 05/16/2017, in addition to an increase in water and sewage services, increasing the number of water (2.0%) and sewage (5.1%) connections.

At the end of the third quarter 2017, total Company assets reached R\$ 9,876.7 million (R\$ 9,454.1 million on 12/31/2016), with total liabilities at the end of the same quarter being R\$ 4,844.4 million (R\$ 4,645.4 million on 12/31/2016).

Of the total liability amount, R\$ 2,635.3 million (R\$ 2,712.1 million on 12/31/2016) are in reference to loans, financing and debentures, showing a reduction of 2.8% as compared to the end of the 2016 tax year.

Description	Reference	R\$ million		
		12/31/2016	09/30/2017	Var. %
Net equity	R\$ million	4,808.7	5,032.4	4.7
Share value	R\$	9.55	9.99	4.6
Indebtedness level	%	49.1	49.0	(0.2)
Current ratio	R\$	1.35	0.98	(27.4)
Quick ratio	R\$	1.30	0.95	(26.9)

### Generation of Operating Cash

EBITDA accumulated up to the third quarter 2017, representing the Company's operating results was of R\$ 999.8 million, as compared to R\$ 912.3 million for the same period in the previous year, mainly the result from the increase in revenues. EBITDA margin was reduced from 35.8% to 35.2%.

# Companhia de Saneamento do Paraná – SANEPAR

## COMMENTS ON THE COMPANY PERFORMANCE IN 3rd QUARTER 2017

### 07. ECONOMIC INDICATORS -- continuation

Operating cash generation was of R\$ 1,040.0 million, growth of 27.0% as compared to the same period in 2016. Conversion of EBITDA into Operating Cash was of 104.0%.

In comparing EBITDA between the third quarters of 2016 and 2017, an increase of 27.2% is perceived, stemming mainly from the increase in net revenue.

Description	R\$ million					
	9M16	9M17	Var. %	3Q16	3Q17	Var. %
Net profit for the period	467.9	532.0	13.7	114.6	175.1	52.8
(+) Taxes on profit	160.9	189.8	18.0	56.1	87.3	55,6
(+) Financial result	123.4	99.8	(19.1)	49.5	27.3	(44,8)
(+) Depreciation and amortization	160.1	178.2	11.3	55.2	60.5	9,6
(=) EBITDA	912.3	999.8	9.6	275.4	350.2	27,2
% EBITDA margin	35.8	35.2	(1.7)	31.7	34.7	9.5
% EBITDA conversion into operating cash	89.8	104.0	15.8	110.4	107.9	(2.3)

### 08. ECONOMIC PERFORMANCE

#### Operating revenue

Gross operating revenue grew 11.7%, from R\$ 2,742.4 million accumulated for the third quarter 2016, to R\$ 3,064.2 million for the equal period of 2017. This growth is the outcome of the tariff readjustment, the increased delivery of water and sewage services and an increase in the number of connections.

#### Operating costs and expenses

Operating costs and expenses for the third quarter of 2017 grew 12.4% in comparison to the same period in 2016. The main variations occurred were as a result of a growth of 9.2% in expenses on personnel, in particular, due to the 4.69% readjustment to the labor and meal resulting from signing 2017/2018 Collective Bargaining Agreement and provision for expenses on the programs PAI and PDVTC (nonrecurring cost totaling 45.8 million), growth of 14.5% in expenses on materials, in particular due to the increased level in deployment of treatment materials and electro-mechanical maintenance, of 2.7% with expenses on third-party services, mainly related to operating maintenance and removal of sewage residue services and of 35.3% with other operating expenses, mainly from the increase with third party indemnity payments, amortizations and provision for losses in realization of credits.

# Companhia de Saneamento do Paraná – SANEPAR

## COMMENTS ON THE COMPANY PERFORMANCE IN 3rd QUARTER 2017

### 08. ECONOMIC PERFORMANCE – continuation

#### Net Profit

The Company had a net profit of R\$ 532.0 million accumulated up to the third quarter 2017, 13.7.0% higher than the net result of R\$ 467.9 million posted for the same period in 2016. The result was mainly affected by the increase in operating revenue and management of operating costs and expenses.

Following is the reclassification of income (loss) up to the 3<sup>rd</sup> quarter, excluding non-recurring items.

Description	Accumulated September/2016	Accumulated September/2016
Net Profit	467.9	532.0
PAI and PDVTC	53.2	45.8
Collective Bargaining Agreement	(38.7)	-
Review of the analysis of contingent risk	(48.7)	-
Environmental provision	40.0	-
Regulatory fee	-	9.5
Actions, lack of water in Maringá	-	27.0
Installment payments of accounts receivable from municipal governments	(0.8)	-
Tax effects	3.6	28.0
<b>Pro forma net profit</b>	<b>476.5</b>	<b>642.3</b>
<b>Net margin</b>	<b>18.7%</b>	<b>22.6%</b>
<b>EBITDA</b>	<b>917.3</b>	<b>1.082.1</b>
<b>EBITDA margin</b>	<b>36.0%</b>	<b>38.0%</b>

Results reclassified per quarter, less nonrecurring items, as shown next:

Description	1Q17	2Q17	3Q17
Net Profit	160.0	196.9	175.1
PAI and PDVTC	15.5	-	30.3
Regulatory fee	-	4.7	4.8
Actions, lack of water in Maringá	45.8	(18.8)	-
Tax effects	20.8	(4.8)	12.0
<b>Pro forma net profit</b>	<b>242.1</b>	<b>178.0</b>	<b>222.2</b>
<b>Net margin</b>	<b>26.1%</b>	<b>19.6%</b>	<b>22.0%</b>
<b>EBITDA</b>	<b>390.4</b>	<b>306.4</b>	<b>385.3</b>
<b>EBITDA margin</b>	<b>42.1%</b>	<b>33.7%</b>	<b>38.2%</b>

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2017

(In thousands of Brazilian Reais)

### 1. OPERATIONS

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

By means of municipal concessions, the Company renders services of treatment and distribution of water and collection and treatment of sewage. Contract renewals have average term of 30 years. From a total of 346 municipalities served, about 5.2% of the contracts are currently being renewed for being expired, 17.6% expire from 2017 to 2026, and 77.2% were renewed and expire after 2027. In the case of non renewed concessions, the municipalities shall reimburse to the Company the residual amounts of the assets related to the concession upon termination.

Only the concession related to the municipality of Curitiba has rules determining a concession cost to be paid by the Company, as mentioned in Note 12.

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

The Company has 40% interest in the Special Purpose Entity, organized as a closely-held corporation, named “CS Bioenergia S/A”, engaged in rendering services of proper final destination of solid and organic waste and of the sludge generated in the sewage stations, production of biogas and generation of energy, as mentioned in Note 8. In September 2017, the Board of Directors approved in its annual meeting an increase of 11% in the interest held in CS Bioenergia S.A, after approval from the proper agencies.

The Company was authorized by AGEPAR - *Agência Reguladora de Serviços Públicos Delegados de Infraestrutura do Paraná* (Delegated Public Infrastructure Utility Services Regulatory Agency of the State of Paraná), by means of Ratifying Resolution No. 003, of April 12, 2017, to apply a rate adjustment of 25.63%, as provided for in article 3:

*“Article 3 – Determine that the application of the tariff revision approved according to article 2 of this Resolution shall be deferred for eight (8) years, with the first installment corresponding, in 2017, to an average adjustment of eight point fifty-three percent (8.53%), and the remaining installments to two point eleven percent (2.11%), plus the corresponding inflation adjustments according to the weighted average SELIC rate (Central Bank Overnight Rate), as provided for in Technical Note approved in article 1 of this Resolution.”*

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2017

(In thousands of Brazilian Reais)

### 1. OPERATIONS - continuation

In accordance with Technical Orientation OCPC 08 – Recognition of Certain Assets and Liabilities in Financial Reporting of Energy Distributors issued pursuant to Brazilian and International Accounting Standards, the Company does not record in its Financial Statements the amounts receivable resulting from deferral, considering that: (i) the realization or payment of these amounts depend of a future event not fully under the control of the entity – future billing of water and sewage services; (ii) it is not possible to know, when the receivables are generated, which are the debtors of these amounts; and (iii) the actual receipt of these amounts shall only occur if the concession is maintained. The estimated receivable resulting from the difference between the Required Revenue and the Verified Revenue shall be measured and disclosed during the whole deferral period, representing, up to the 3<sup>rd</sup> quarter of 2017, R\$ 219,232. This amount represents the best estimate as at September 30, 2017 and may change according to the Selic variation.

Additionally, on 07/21/2017, the Company filed an official letter with AGEPAR requesting the agency to define the rules for the regulatory bookkeeping, for evidencing financial assets and liabilities. On 09/18/2017 the additional information required by AGEPAR was sent.

### 2. PRESENTATION OF THE FINANCIAL STATEMENTS

#### 2.1 Statement of Compliance

The financial statements are presented in conformity with Laws 6.404/76, 11.638/07 and 11.941/09 and were prepared in accordance with Brazilian Accounting Practices which include the Brazilian Corporate Law, the Pronouncements, Guidelines and Interpretations issued by CPC (Committee of Accounting Pronouncements) and also based on the standards and accounting procedures determined by CVM.

The financial statements were authorized for disclosure by the Company's Management on October 31, 2017.

#### 2.2. Measurement Basis

The financial statements were prepared considering historical cost as base value and financial assets measured at fair value.

#### 2.3. Functional and Reporting Currency

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

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2017

(In thousands of Brazilian Reais)

### 3. MAIN ACCOUNTING PRACTICES

The main accounting practices used in the preparation of the Interim Financial Information for the quarter ended September 30, 2017 are consistent with the practices described in Note 3 of the Company's financial statements for the year ended December 31, 2016.

### 4. CASH AND CASH EQUIVALENTS

These have the following composition:

<b>Description</b>	<b>09/30/2017</b>	<b>12/31/2016</b>
Cash	-	-
Unrestricted bank deposits	185	2,988
Restricted bank deposits	16,823	24,687
	<u>17,008</u>	<u>27,675</u>
Financial investments		
Caixa FI Sanepar I Renda Fixa (1)	414,980	511,541
CDB Flex Empresarial (2)	103,969	99,114
	<u>518,949</u>	<u>610,655</u>
<b>Total cash and cash equivalents</b>	<b><u>535,957</u></b>	<b><u>638,330</u></b>

The financial investments are of short term type, with high liquidity and low risk of change in value. They consist of fixed income funds invested in Funds with average return at 99.78% of CDI (Interbank Deposit Rate) (100.18% in 2016) and CDBs (Bank Certificates of Deposit) of CAIXA (Federal Bank).

(1) The Investment Fund CAIXA FI SANEPAR I RENDA FIXA is exclusive for the Company's investments. As at 09/30/2017, 83/72% of the funds were allocated to NTN-B (National Treasury Notes) repurchase agreements, with option of immediate repurchase of the notes by the bank, 0.10% to government bonds (LFT - Zero coupon floating rate bills and LTN - Zero coupon fixed rate bills), and 16.18% to CDBs from top-tier financial institution (61.46%, 0.07% and 38.47%, respectively, in 2016);

(2) The CDB is issued by Caixa Econômica Federal at floating rate of 100.50% to 102.00% of CDI with high liquidity, according to the investment period contracted and elapsed.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2017

(In thousands of Brazilian Reais)

### 5. TRADE ACCOUNTS RECEIVABLES, NET

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

Description	09/30/2017	12/31/2016
Falling due accounts receivable	246,181	199,442
Accounts receivable from installment payments	51,676	37,151
Adjustment to present value	(2,936)	(3,408)
Accounts to be billed (Unbilled consumption)	156,494	160,852
	451,415	394,037
Overdue accounts receivable		
From 1 to 30 days	114,289	100,748
From 31 to 60 days	28,073	25,850
From 61 to 90 days	10,906	11,431
From 91 to 180 days	18,439	19,505
Over 180 days	168,608	165,268
Allowance for doubtful accounts	(164,309)	(146,336)
	176,006	176,466
<b>Total accounts receivable, net</b>	<b>627,421</b>	<b>570,503</b>
<b>Current</b>	<b>614,697</b>	<b>559,797</b>
<b>Noncurrent</b>	<b>12,724</b>	<b>10,706</b>

From the total of overdue accounts receivable, net of the allowance for doubtful accounts, R\$ 3,163 (R\$ 6,244 as at 12/31/2016) refers to outstanding amounts from municipal governments; R\$ 165,637 (R\$ 145,499 as at 12/31/2016) from private customers; R\$ 521 (R\$ 453 as at 12/31/2016) from the Federal government, and R\$ 6,685 (R\$ 24,270 as at 12/31/2016) from the State government.

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

Description	09/30/2017	12/31/2016
Balances at beginning of period	(146,336)	(125,395)
Amounts recorded as expenses	(19,242)	(21,775)
Write-offs, net of recoveries	1,269	834
<b>Balances at end of period</b>	<b>(164,309)</b>	<b>(146,336)</b>

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

Description	09/30/2017	12/31/2016
Private customers	97,824	81,558
Federal government agencies	1	7
Municipal governments	66,484	64,771
<b>Total</b>	<b>164,309</b>	<b>146,336</b>

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2017

(In thousands of Brazilian Reais)

### 6. RECOVERABLE TAXES AND CONTRIBUTIONS

These have the following composition:

<b>Description</b>	<b>09/30/2017</b>	<b>12/31/2016</b>
Income tax to offset	796	29,219
Social contribution tax to offset	-	9,422
Withheld taxes and contributions – public agencies	1,194	1,140
<b>Total</b>	<b>1,990</b>	<b>39,781</b>
<b>Current</b>	<b>1,194</b>	<b>39,021</b>
<b>Noncurrent</b>	<b>796</b>	<b>760</b>

### 7. OTHER ACCOUNTS RECEIVABLE

These break down as follows:

<b>Description</b>	<b>09/30/2017</b>	<b>12/31/2016</b>
Advances to employees	36,381	3,739
Reimbursable payments	4,414	4,092
Guarantee deposits	2,112	1,888
<i>Fundo Municipal de Meio Ambiente</i> (Municipal Fund for the Environment)	43,586	44,462
Prepaid expenses	4,664	12,105
Bonds and other receivables	11,523	935
<b>Total</b>	<b>102,680</b>	<b>67,221</b>
<b>Current</b>	<b>59,384</b>	<b>23,526</b>
<b>Noncurrent</b>	<b>43,296</b>	<b>43,695</b>

### 8. INVESTMENTS

<b>Description</b>	<b>09/30/2017</b>	<b>12/31/2016</b>
Jointly controlled investment - CS Bioenergia S.A.	19,235	9,466
Investment recognized at cost method	522	522
Investment recognized at fair value	112	2,415
<b>Total</b>	<b>19,869</b>	<b>12,403</b>

#### Investments in joint venture

The Company holds 40% interest in CS Bioenergia S.A. referring to a capital contribution of R\$ 25,858. The Company's interest is accounted for under the equity method in the investee's financial statements, which are summarized below:



# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2017

(In thousands of Brazilian Reais)

### 8. INVESTMENTS - continuation

<b>Statement of financial position – CS Bioenergia S.A.</b>	<b>09/30/2017</b>	<b>12/31/2016</b>
Current assets	2,172	1,139
Noncurrent assets	60,570	59,858
• Fixed assets	40,757	39,831
• Finance lease	19,810	20,026
• Others	3	1
<b>Total Assets</b>	<b>62,742</b>	<b>60,997</b>
Current liabilities	1,848	37,334
• Loans, financing and finance lease	910	37,334
• Others	938	-
Noncurrent liabilities	12,806	-
Equity	48,088	23,663
<b>Total Liabilities</b>	<b>62,742</b>	<b>60,997</b>

<b>Statement of operations – CS Bioenergia S.A.</b>	<b>09/30/2017</b>	<b>12/31/2016</b>
Revenue	631	-
(-) Operating expenses	(3,556)	(2,701)
Financial income (loss)	(544)	(5,693)
Income (loss) before taxes	(3,469)	(8,394)
IRPJ (Corporate Income Tax) and CSLL (Social Contribution Tax)	-	-
<b>Loss for the period</b>	<b>(3,469)</b>	<b>(8,394)</b>

Changes in the investment in the period are as follows:

<b>Description</b>	<b>09/30/2017</b>	<b>12/31/2016</b>
Balance at beginning of period	9,466	5,287
Capital contribution	11,157	7,540
Equity in earnings (losses) of controlled company (percentage of interest 40%)	(1,388)	(3,361)
<b>Balance at end of period</b>	<b>19,235</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 and for a total of R\$ 522 (R\$ 522 as at 12/31/2016).

The Company has investments in FINAM (Fund of Investment in Amazônia) resulting from the investment of the Tax Incentive from the Income Tax for the amount of R\$ 2,201, which brought the fair value considering the price for 09/30/2017 equivalent to R\$ 112.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2017

(In thousands of Brazilian Reais)

### 9. FIXED AND INTANGIBLE ASSETS

#### a) Fixed assets

These have the following composition:

<b>By lines</b>			<b>09/30/2017</b>	<b>12/31/2016</b>
<b>Description</b>	<b>Cost</b>	<b>Accumulated depreciation</b>		<b>Net Amount</b>
Administration	240,146	(108,678)	131,468	130,449
Other fixed assets	8,181	(6,615)	1,566	819
<b>Total</b>	<b>248,327</b>	<b>(115,293)</b>	<b>133,034</b>	<b>131,268</b>

<b>By nature</b>			<b>09/30/2017</b>	<b>12/31/2016</b>
<b>Description</b>	<b>Annual depreciation rate</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net Amount</b>
Plots of land	-	2,309	-	2,309
Civil construction	*1.84%	68,765	(14,721)	54,044
Improvements	2%	1,788	(648)	1,166
Facilities	*5.83%	3,684	(2,080)	1,604
Equipment	*6.23%	49,646	(20,509)	29,137
Furniture and fixtures	7.14%	37,891	(18,025)	19,866
IT equipment	*19.82%	34,750	(23,630)	11,120
Vehicles	*13.05%	30,740	(20,383)	10,357
Machinery, tractors and similar	*19.35%	18,187	(14,972)	3,215
Tools	6.67%	567	(325)	242
<b>Total</b>		<b>248,327</b>	<b>(115,293)</b>	<b>133,034</b>
				<b>131,268</b>

\* Weighted average rate

#### b) Intangible assets

These have the following composition:

<b>By lines</b>			<b>09/30/2017</b>	<b>12/31/2016</b>
<b>Description</b>	<b>Cost</b>	<b>Accumulated amortization</b>		<b>Net Amount</b>
Water mains	4,142,152	(1,362,127)	2,780,025	2,731,814
Sewage mains	4,535,394	(932,961)	3,602,433	3,323,219
Solid waste	3,730	(1,943)	1,787	-
System Use and Operation Rights	125,091	(66,063)	59,028	62,153
Other intangible assets	91,456	(55,356)	36,100	32,924
Projects and Works in Progress	1,033,586	-	1,033,586	1,000,861
Inventory for Construction Work	45,038	-	45,038	48,422
<b>Total</b>	<b>9,976,447</b>	<b>(2,418,450)</b>	<b>7,557,997</b>	<b>7,199,393</b>

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2017

(In thousands of Brazilian Reais)

### 9. FIXED AND INTANGIBLE ASSETS -- continuation

#### b) Intangible assets -- continuation

By nature				09/30/2017	12/31/2016
Description	Annual amortization rate	Cost	Accumulated amortization	Net Amount	
Plots of land	-	134,789	-	134,789	113,041
Wells	*3.10%	128,267	(34,528)	93,739	89,045
Dams	*2.67%	144,559	(51,399)	93,160	93,351
Civil construction	*2.59%	1,955,924	(436,015)	1,519,909	1,387,226
Improvements	*2.67%	20,172	(2,332)	17,840	16,072
Piping	*2.64%	4,711,466	(1,099,269)	3,612,197	3,480,386
Building connections	3.33%	634,483	(203,758)	430,725	414,824
Facilities	*5.83%	147,009	(43,927)	103,082	99,680
Hydrometers	10%	173,226	(70,987)	102,239	100,813
Macro-meters	10%	5,502	(3,397)	2,105	1,939
Equipment	*6.23%	520,686	(243,683)	277,003	254,223
Furniture and fixtures	7.14%	5,033	(3,208)	1,825	1,888
IT equipment	*19.82%	88,394	(80,510)	7,884	8,712
Computer programs	20%	46,259	(35,881)	10,378	10,372
Vehicles	*13.05%	17,561	(13,645)	3,916	4,352
Machinery, Tractors and similar	*19.35%	16,676	(14,628)	2,048	3,052
Tools	6.67%	286	(181)	105	103
Rights of Use of Transmission Lines	6.25%	156	(126)	30	34
Environmental protection and preservation	20%	22,284	(14,913)	7,371	8,844
Concession of the Mun. of Curitiba (1)	3.33%	125,000	(65,972)	59,028	62,153
Concession of the Mun. of Cianorte (2)	5%	91	(91)	-	-
Projects and Works in Progress	-	1,033,586	-	1,033,586	1,000,861
Inventory for Construction Work	-	45,038	-	45,038	48,422
<b>Total</b>		<b>9,976,447</b>	<b>(2,418,450)</b>	<b>7,557,997</b>	<b>7,199,393</b>

\* Weighted average rate

- (1) It refers to the cost of the concession agreement in return for payment. It is effective for 30 years and its amortization rate is an integral part of the costs incurred with the sanitation services rendered to the municipality of Curitiba, as mentioned in Note 12.
- (2) Cost of the concession agreement with the Municipality of Cianorte to provide public utility services of collection, treatment and final disposition of solid waste for a period of 20 years.

The balance of line "Projects and Works in progress" as at September 30, 2017, is in reference to 129 (144 as at 12/31/2016) works in expansion and implementation of Water Supply Systems in 96 (109 as at 12/31/2016) localities, for the amount of R\$383,326 (R\$295,787 as at 12/31/2016); 95 (161 as at 12/31/2016) works in connection with Sewage Collection and Treatment Systems in 69 (99 as at 12/31/2016) localities, for the amount of R\$492,047 (R\$ 569,947 as at 12/31/2016), as well as R\$158,213 (R\$ 135,127 as at 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 FINANCIAL STATEMENTS

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### 9. FIXED AND INTANGIBLE ASSETS -- continuation

#### b) Intangible assets -- continuation

Up to the quarter ended September 30, 2017 interest and other financial charges incurred on resources and loans funding Company projects and works were capitalized, for the amount of R\$37,713 (R\$34,623 for the same period of 2016). The average rate applied in determining cost amounts for loans subject to capitalization was of 17.8%.

Finance lease the Company has Asset Lease contracts evaluated at R\$ 199.3 million preceded by the concession of effective use rights for the areas and the execution of the works required for expansion of the sewage system in the municipalities of Matinhos and Pontal do Paraná, for a term of two hundred and forty (240) months, with payback starting in February 2017. The asset subject of this Finance Lease are built and will be delivered by the lease holder in four stages, with intervals of one (1) year between them. At the end of August 2017, 47% of the object of said contracts were concluded and delivered, equivalent to the delivery of the first and second stages of the contract (49% of physical object). The obligations stemming from this contract will be shown in Note 11.

As at September 30, 2017, the book value for each class of asset under the Finance Lease commitment is entered in the Intangible Asset line and shown below:

<u>By lines</u>			<u>09/30/2017</u>	<u>12/31/2016</u>
<u>Description</u>	<u>Cost</u>	<u>Accumulated amortization</u>		<u>Net Amount</u>
Buildings	25,234	(197)	25,037	11,390
Piping	60,547	(558)	59,989	26,647
Building connections	3,920	(62)	3,858	1,815
Facilities	208	(7)	201	94
Equipment	3,710	(87)	3,623	1,090
<b>Total</b>	<b>93,619</b>	<b>(911)</b>	<b>92,708</b>	<b>41,036</b>

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## NOTES TO THE FINANCIAL STATEMENTS

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### 9. FIXED AND INTANGIBLE ASSETS -- continuation

#### c) Changes to fixed and Intangible assets in the 3<sup>rd</sup> Quarter 2017:

Description	12/31/2016	Additions	Depreciation and amortization	Write-offs and losses	Transfers	09/30/2017
<b>Fixed assets</b>						
Plots of land	2,309	-	-	-	-	2,309
Civil construction	54,241	30	(1,004)	-	777	54,044
Improvements	1,166	-	(26)	-	-	1,140
Facilities	1,722	3	(116)	-	(5)	1,604
Equipment	24,626	5,431	(1,822)	33	869	29,137
Furniture and fixtures	19,554	1,685	(1,424)	5	46	19,866
IT equipment	13,101	235	(2,279)	6	57	11,120
Vehicles	8,683	2,669	(983)	3	(15)	10,357
Machinery, tractors and similar	5,629	11	(2,426)	-	1	3,215
Tools	237	18	(13)	-	-	242
<b>Total fixed assets</b>	<b>131,268</b>	<b>10,082</b>	<b>(10,093)</b>	<b>47</b>	<b>1,730</b>	<b>133,034</b>
<b>Intangible assets</b>						
Plots of land	113,041	5,668	-	-	16,080	134,789
Wells	89,045	179	(1,301)	12	5,804	93,739
Dams	93,351	15	(1,903)	-	1,697	93,160
Civil construction	1,387,226	15,988	(28,800)	140	145,355	1,519,909
Improvements	16,072	85	(353)	9	2,027	17,840
Piping	3,480,386	44,944	(76,016)	1	162,882	3,612,197
Building connections	414,824	2,300	(13,869)	(211)	27,681	430,725
Facilities	99,680	503	(6,522)	85	9,336	103,082
Hydrometers	100,813	-	(11,720)	(1,099)	14,245	102,239
Macro-meters	1,939	-	(265)	-	431	2,105
Equipment	254,223	14,414	(16,939)	(1,425)	26,730	277,003
Furniture and fixtures	1,888	96	(139)	4	(24)	1,825
IT equipment	8,712	15	(869)	2	24	7,884
Computer programs	10,372	2,915	(2,909)	-	-	10,378
Vehicles	4,352	5	(456)	-	15	3,916
Machinery, tractors and similar	3,052	-	(1,004)	-	-	2,048
Tools	103	11	(9)	-	-	105
Rights of Use of Transmission Lines	34	-	(4)	-	-	30
Environmental protection and preservation	8,844	414	(1,910)	25	(2)	7,371
Concession of the Mun. of Curitiba	62,153	-	(3,125)	-	-	59,028
Concession of the Mun. of Cianorte	-	-	(5)	5	-	-
<b>Subtotal intangible assets</b>	<b>6,150,110</b>	<b>87,552</b>	<b>(168,118)</b>	<b>(2,452)</b>	<b>412,281</b>	<b>6,479,373</b>
Projects and Works in Progress	1,000,861	466,984	-	252	(434,511)	1,033,586
Inventories for Construction Work	48,422	(3,385)	-	-	1	45,038
<b>Total intangible assets</b>	<b>7,199,393</b>	<b>551,151</b>	<b>(168,118)</b>	<b>(2,200)</b>	<b>(22,229)</b>	<b>7,557,997</b>
<b>Grand total</b>	<b>7,330,661</b>	<b>561,233</b>	<b>(178,211)</b>	<b>(2,153)</b>	<b>(a) (20,499)</b>	<b>7,691,031</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

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### 10. CONTRACTUAL FINANCIAL ASSETS

Changes in financial assets are as follows:

Description	12/31/2016	Additions	PVA revenue	PVA expense	09/30/2017
Investment Not Amortized	480,131	55,487	-	-	535,618
Present Value Adjustment (PVA)	(307,750)	(34,988)	5,333	(2)	(337,407)
<b>Total</b>	<b>172,381</b>	<b>20,499</b>	<b>5,333</b>	<b>(2)</b>	<b>198,211</b>

The equivalent discount rate applied to calculate the present value adjustment was 3.8% (spread between the IPCA projected for the period and the Company's WACC rate) and took into account Program Contracts with terms of 23 to 30 years.

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

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

Description	Effective Annual Interest Rate	Index	09/30/2017			12/31/2016		
			Current	Noncurrent	Total	Current	Noncurrent	Total
Debentures 6th Issuance - 1st series	1.28%	DI	80,715	-	<b>80,715</b>	3,566	79,803	<b>83,369</b>
Debentures 6th Issuance - 2nd series	1.32%	DI	1,689	169,623	<b>171,312</b>	7,822	169,315	<b>177,137</b>
Debentures 5th Issuance - 1st series	0.98%	DI	-	-	-	111,886	-	<b>111,886</b>
Debentures 5th Issuance - 2nd series	1.06%	DI	194,418	-	<b>194,418</b>	1,225	188,819	<b>190,044</b>
Debentures 3rd Issuance - 1st series	1.10%	DI	71,875	66,689	<b>138,564</b>	68,997	66,690	<b>135,687</b>
Debentures 3rd Issuance - 2nd series	6.99%	IPCA	3,451	129,622	<b>133,073</b>	1,130	127,166	<b>128,296</b>
BNDES	1.82% and 2.50%	TJLP	32,000	62,044	<b>94,044</b>	34,393	92,168	<b>126,561</b>
Banco do Brasil - PSI	3.00% to 6.00%	-	3,400	16,602	<b>20,002</b>	3,406	19,129	<b>22,535</b>
Debentures 2nd Issuance - 1st series	1.92%	TJLP	12,337	72,413	<b>84,750</b>	12,284	80,788	<b>93,072</b>
Debentures 2nd Issuance - 2nd series	9.20%	IPCA	17,788	103,929	<b>121,717</b>	20,551	118,953	<b>139,504</b>
Debentures 2nd Issuance - 3rd series	1.92%	TJLP	16,450	96,550	<b>113,000</b>	16,378	107,718	<b>124,096</b>
Banco Itaú - PSI	3.00% to 6.00%	-	3,587	19,554	<b>23,141</b>	3,595	22,211	<b>25,806</b>
Debentures 4th Issuance - 1st series	1.67%	TJLP	18,497	158,564	<b>177,061</b>	10,162	170,597	<b>180,759</b>
Debentures 4th Issuance - 2nd series	7.44%	IPCA	8,658	74,183	<b>82,841</b>	4,680	78,955	<b>83,635</b>
BNDES - PAC2	1.76% and 2.05%	TJLP	21,265	173,579	<b>194,844</b>	17,934	160,215	<b>178,149</b>
Finance lease	12.40%	IPC - FIPE	1,860	106,042	<b>107,902</b>	562	40,546	<b>41,108</b>
		TR	65,242	832,707	<b>897,949</b>	60,592	809,838	<b>870,430</b>
Caixa Econômica Federal	6.62% to 12.68%	(Reference Rate)						
<b>Balances at end of period</b>			<b>553,232</b>	<b>2,082,101</b>	<b>2,635,333</b>	<b>379,163</b>	<b>2,332,911</b>	<b>2,712,074</b>
Loans and financing			125,494	1,104,486	1,229,980	119,920	1,103,561	1,223,481
Debentures			425,878	871,573	1,297,451	258,681	1,188,804	1,447,485
Finance lease			1,860	106,042	107,902	562	40,546	41,108

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## NOTES TO THE FINANCIAL STATEMENTS

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### 11. LOANS, FINANCING, DEBENTURES AND FINANCE LEASE -- continuation

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

Description	Period of Issuance	Final maturity	Amount Contracted	Number of Debentures	Payments	
					Amortization	Interest
Debentures 6th Issuance - 1st series (1)	2016	2018	80,000	8,000	2018	Six-monthly
Debentures 6th Issuance - 2nd series (1)	2016	2019	170,000	17,000	2019	Six-monthly
Debentures 5th Issuance - 1st series (2)	2015	2017	111,160	11,116	2017	Six-monthly
Debentures 5th Issuance - 2 <sup>nd</sup> series (2)	2015	2018	188,840	18,884	2018	Six-monthly
Debentures 3rd Issuance - 1st series (3)	2013	2018	199,670	19,967	2016/2017/2018	Six-monthly
Debentures 3rd Issuance - 2nd series (3)	2013	2020	100,330	10,033	2019/2020	Six-monthly
BNDES - 3 Contracts (4)	2007	2023	295,967	-	Monthly	Quarterly during grace period and monthly at amortization
Banco do Brasil - PSI - 11 Contracts (5)	2013 to 2014	2024	30,793	-	Monthly	Quarterly during grace period and monthly at amortization
Debentures 2nd Issuance - 1 <sup>st</sup> and 3rd series (9)	2011	2024	276,609	7,000	Monthly	Quarterly during grace period and monthly at amortization
Debentures 2nd Issuance - 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 during grace period and monthly at amortization
Debentures 4th Issuance - 1st series (10)	2014	2027	230,012	7,000	Monthly	Quarterly during grace period and monthly at amortization
Debentures 4th Issuance - 2nd series (10)	2014	2027	98,576	3,000	Monthly	Quarterly during grace period and monthly at amortization
BNDES - PAC2 - 4 Contracts (7)	2011 to 2013	2028	395,902	-	Monthly	Quarterly during grace period and monthly at amortization
Finance lease (11)	2013	2036	460,592	-	Monthly	Monthly
Caixa Econômica Federal - 224 Contracts (8)	1991 to 2017	2041	1,558,903	-	Monthly	Monthly

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

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(In thousands of Brazilian Reais)

### 11. LOANS, FINANCING, DEBENTURES AND FINANCE LEASE -- continuation

#### Description of loans, financing, debentures and finance lease -- continuation

- (1) Debentures 6th Issuance – issued on 08/15/2016 and with placement on 09/05/2016 of 25,000 debentures in the amount of R\$ 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 Issuance – issued on 06/15/2015 and with placement on 06/25/2015 of 30,000 debentures in the amount of R\$ 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. The full payments of amortization of 2<sup>nd</sup> series corresponding to 11,116 debentures, as well as the due interest were made on 06/16/2017.
- (3) Debentures 3rd Issuance – issued on 11/15/2013 and with placement on 11/27/2013 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 installments, 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. This financing is guaranteed 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 FINANCIAL STATEMENTS

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### 11. LOANS, FINANCING, DEBENTURES AND FINANCE LEASE -- continuation

#### Description of loans, financing, debentures and finance lease -- 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 financing are guaranteed by the Company's own revenue and escrow accounts, maintained at Caixa Econômica Federal, with balance not less than 03 maturing instalments. By the end the 3rd quarter, the amount of R\$ 29,122 was released.
- (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 cities 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 3rd quarter there was a release in the amount of R\$ 66,102.
- (9) Debentures 2nd Issue - Based on the exclusive underwriting between Sanepar, BNDES and BNDESPAR, they were issued on 08/15/2011 in 3 series with a nominal unit value of R\$ 39,515.53, with the first two series with 3,000 debentures each, and 4,000 debentures in the 3rd series, totaling 10,000 debentures for the total amount of R\$ 395,155. These debentures are simple type, not convertible into shares, with collateral for private distribution.
- (10) Debentures 4th Issuance – Through exclusive underwriting between Sanepar, BNDES and BNDESPAR, were issued on 07/15/2014 for placement in two series, with a nominal value of R\$ 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 R\$ 328,588. These debentures are simple type and registered, not convertible into shares, with collateral for private distribution.
- (11) Finance Lease – contracted for the amount of R\$ 460,592 with Monthly Lease Amount (VML) of R\$ 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% of VML. By the third quarter 2017, R\$4,625 had been amortized.

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## NOTES TO THE FINANCIAL STATEMENTS

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### 11. LOANS, FINANCING, DEBENTURES AND FINANCE LEASE -- continuation

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

Description	09/30/2017		12/31/2016	
	Current	Non-Current	Current	Non-Current
Balances at beginning of period	379,163	2,332,911	230,660	2,105,348
Releases	-	95,224	-	494,178
Interest and fines	179,368	-	238,666	-
Monetary Variations	-	31,710	-	50,055
Transfers	430,818	(430,818)	356,452	(356,452)
Amortization	(436,177)	-	(446,496)	-
Costs of funds raised with third parties	60	563	(681)	(764)
Delivery of Finance Lease	-	52,511	562	40,546
<b>Balances at end of period</b>	<b>553,232</b>	<b>2,082,101</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 to 2038	Total
Debentures 2nd Issue	8,134	45,482	45,482	45,482	45,482	45,482	83,923	319,467
Debentures 3rd Issue	75,326	66,690	64,811	64,810	-	-	-	271,637
Debentures 4th Issue	7,393	26,350	26,350	26,350	26,350	26,350	120,759	259,902
Debentures 5th Issue	5,598	188,820	-	-	-	-	-	194,418
Debentures 6 <sup>th</sup> Issue	2,909	79,392	169,726	-	-	-	-	252,027
<b>Subtotal Debentures</b>	<b>99,360</b>	<b>406,734</b>	<b>306,369</b>	<b>136,642</b>	<b>71,832</b>	<b>71,832</b>	<b>204,682</b>	<b>1,297,451</b>
BNDES	8,231	31,691	30,789	7,567	7,567	7,567	632	94,044
BNDES – PAC2	5,779	20,648	20,648	20,648	20,648	18,200	88,273	194,844
Banco do Brasil – PSI	873	3,369	3,369	3,369	3,369	3,369	2,284	20,002
Banco Itaú – PSI	930	3,542	3,542	3,542	3,542	3,542	4,501	23,141
Caixa Econômica Federal	17,056	64,977	71,039	74,176	64,714	54,837	551,150	897,949
<b>Subtotal loans and financing</b>	<b>32,869</b>	<b>124,227</b>	<b>129,387</b>	<b>109,302</b>	<b>99,840</b>	<b>87,515</b>	<b>646,840</b>	<b>1,229,980</b>
Lease	800	1,622	1,823	2,048	2,302	2,586	96,721	107,902
<b>Total</b>	<b>133,029</b>	<b>532,583</b>	<b>437,579</b>	<b>247,992</b>	<b>173,974</b>	<b>161,933</b>	<b>948,243</b>	<b>2,635,333</b>

As at September 30, 2017, present value of minimum future financial obligations in reference to Finance Lease is shown below:

Description	09/30/2017		12/31/2016	
	Minimum Future Payments	Finance charges	Present Value of Minimum Future Payments	Present Value of Minimum Future Payments
Less than one year	14,625	(12,497)	2,128	562
Later than one year and not later than 5 years	70,440	(59,002)	11,438	3,019
Over 5 years	185,505	(91,169)	94,336	37,527
<b>Total</b>	<b>270,570</b>	<b>(162,668)</b>	<b>107,902</b>	<b>41,108</b>

Discount rate applied was of 11.5%.

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### 11. LOANS, FINANCING, DEBENTURES AND FINANCE LEASE -- 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 Issuance of Debentures*

<u>Index</u>	<u>Limit</u>	<u>Range</u>
EBITDA Debt Service	Equal to or higher than 1.5	Less than 1.5 and equal to or higher than 1.2
Net Bank Debt/ EBITDA	Equal to or under 3.0	Equal to or under 3.8 or higher than 3.0
Other Onerous Debt/ 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 Issuances*

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

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

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

For contracts in item (ii), of the 3rd, 5th and 6th issuances of simple debentures, not convertible into shares, the type species, considering that it does not confer any special or general privilege to the holders, the Company must maintain the ratios mentioned above throughout the period and until the final maturity.

As at September 30, 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 FINANCIAL STATEMENTS

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### 12. CONCESSION AGREEMENT

The Company has an onerous concession contract for the operation of the public utility services of water supply and collection, removal and treatment of sewage with the Municipality of Curitiba, with a 30-year term, signed on December 06, 2001. Based on this contract, the amount to be paid for the concession was fixed, for a total of R\$ 125,000, owed in separate installments during the contract period, adjusted based on the IPCA by IBGE. Balance as at September 30, 2017 is of R\$ 92,823 (R\$ 96,926 as at 12/31/2016), of which R\$ 7,662 (R\$ 7,501 as at 12/31/2016) entered in current liabilities and R\$ 85,161 (R\$ 89,425 as at 12/31/2016) in non-current liabilities.

Maturity of the debts is as follows:

<u>Maturity years</u>	<u>Balance payable</u>
2017	1,874
2018	7,629
2019	7,629
2020	7,629
2021	7,629
2022 to 2031	60,433
<b>Total</b>	<b>92,823</b>

### 13. TAXES AND CONTRIBUTIONS

The composition is as follows:

<u>Description</u>	<u>09/30/2017</u>	<u>12/31/2016</u>
Income tax payable	41,919	-
Social Contribution Tax payable	15,749	-
COFINS (tax on sales) payable	21,495	20,237
Social Integration Program (PASEP) payable	4,657	4,378
COFINS - installment payment (1)	4,079	4,079
Property tax (IPTU) - installment payment (2)	1,714	1,749
Taxes and Contributions Retained at Source	8,874	34,228
<b>Total taxes and contributions</b>	<b>98,487</b>	<b>64,671</b>
<b>Current</b>	<b>97,159</b>	<b>63,260</b>
<b>Noncurrent</b>	<b>1,328</b>	<b>1,411</b>

- (1) Refers to installments of COFINS fine for the period September/1994 to September/1996 in accordance with Law No. 11.941/2009. The debt was divided into 60 monthly installments, restated at 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 06/28/2011, challenging the consolidated amount of debt alleged by the Attorney General National Treasury, obtaining an injunction on 06/29/2011 to reduce the debt amount. The process was judged on 06/12/2011 favorable to the Company. The Attorney General of the National Treasury filed an appeal on

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

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### 13. TAXES AND CONTRIBUTIONS -- continuation

02/07/2012, which was judged and denied. On August 27, 2014, the Federal Prosecutor's Office expressed 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 06/08/2015 the case was reallocated to the Minister Olindo Herculano de Menezes. On 03/02/2016 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 R\$ 1,664, was divided by the Company in 90 monthly installments restated by the IPCA, plus moratorium interest of 1% per month, and until 09/30/2017, 37 installments had been paid for the amount of R\$ 923.

### 14. UNEARNED REVENUE

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 R\$ 21,000. Revenues corresponding to this contract are recognized on a monthly basis, for the term of the contract, on the accrual basis. The amount recognized in the results for the third quarter 2017 was of R\$ 2,992 (R\$ 1,625 for the same period in 2016). The balance as at September 30, 2017 was of R\$ 18,550 (R\$ 542 as at 12/31/2016), with R\$ 4,200 (R\$ 542 as at 12/31/2016) entered in current liability and R\$ 14,350 in non-current liabilities.

### 15. OTHER ACCOUNTS PAYABLE

The composition is as follows:

Description	09/30/2017	12/31/2016
Programs Linked to Agência Nacional de Águas - ANA	7,899	7,409
Contracts and Agreements with third parties	9,421	12,224
Agreements with municipal administrations	12,391	11,338
Collaterals and amounts reimbursable	9,881	6,701
Agreement with Instituto Ambiental do Paraná - IAP (1)	2,160	3,780
<b>Total</b>	<b>41,752</b>	<b>41,452</b>
<b>Current</b>	<b>36,486</b>	<b>36,513</b>
<b>Noncurrent</b>	<b>5,266</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 R\$ 4,320 payable in 24 installments of R\$ 180, and by 09/30/2017 had been paid in 12 installments for the amount of R\$ 2,160.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

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

#### a) Provisions

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

<b>Nature</b>	<b>12/31/2016</b>	<b>Additions</b>	<b>Reversals</b>	<b>09/30/2017</b>
Labor claims	184,236	72,162	(34,207)	222,191
Civil claims	196,994	81,684	(54,270)	224,408
Environmental claims	113,228	5,307	(19,976)	98,559
Tax claims	12,118	55	(14)	12,159
<b>Total</b>	<b>506,576</b>	<b>159,208</b>	<b>(108,467)</b>	<b>557,317</b>

#### Labor

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

#### Civil

Civil proceedings are related to requests for compensation of customers and suppliers, and third-party damages. The main suits involving the Company are in relation to: i) request of annulment of concession contract of the municipality of Maringá; ii) indemnity referring to contracts of construction work due to economic and financial instabilities and iii) other proceedings arising from indemnity referring to contract suspension, traffic accident, material damages, loss of profits, among others.

In May 2017 the Civil Court of TJ-PR issued a decision on the Incident of Resolution of Repetitive Claims, determining the immediate suspension of all claims being judged in the Special Civil Claims Court of the County of Maringá and Appeal Courts of the Special Civil Claims Court of the State of Paraná, in connection with indemnity requests for moral damages due to shortage of water in the municipality of Maringá. In 2017, provisions for R\$ 66,177 were entered with consequent reversal of R\$ 39,213, resulting in a net provision of R\$ 26,964.

#### Environmental

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

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

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(In thousands of Brazilian Reais)

### 16. PROVISIONS, CONTINGENT LIABILITIES AND COURT DEPOSITS – continuation

#### a) Provisions -- continuation

##### Tax

Tax proceedings are mainly in relation to queries connected to collection of ISSQN (Tax over Services of Any Nature) due to divergent interpretations of the law. The main claims with which the Company is involved include the municipalities of Piraquara, 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 CPC 25 of the Accounting Pronouncement Committee.

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

Nature	Contingent liabilities	
	09/30/2017	12/31/2016
Civil claims	189,090	143,176
Environmental claims	311,244	252,819
Tax claims	14,615	8,328
<b>Total</b>	<b>514,949</b>	<b>404,323</b>

##### Civil

Civil proceedings are related to requests for compensation of customers and suppliers, and third-party damages. The main suits involving the Company are in relation to: i) request of annulment of concession contract of the municipality of Maringá; ii) indemnity referring to contracts of construction work due to economic and financial instabilities and iii) other proceedings arising from indemnity referring to traffic accident, material damages, loss of profits, among 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 parameters required by legislation; ii) installation and operation of water and sewage treatment plants without environmental license.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2017

(In thousands of Brazilian Reais)

### 16. PROVISIONS, CONTINGENT LIABILITIES AND COURT 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 suits involving the Company are in relation to: i) fiscal execution for ISSQN collection (Tax on Services of Any Nature) and; ii) fiscal execution for IPTU collection (Urban Property Tax).

##### c) Court deposits

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

The breakdown is as follows:

Nature	Court deposits	
	09/30/2017	12/31/2016
Labor claims	111,538	91,216
Civil claims	55,579	57,259
Environmental claims	6,013	2,981
Tax claims	8,797	4,986
<b>Total</b>	<b>181,927</b>	<b>156,442</b>

### 17. INCOME AND SOCIAL CONTRIBUTION TAXES

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

Description	09/30/2017		09/30/2016	
	Income tax	Social Contribution Tax	Income tax	Social Contribution Tax
Income before Income and Social Contribution Taxes	721,733	721,733	628.858	628.858
Income and social contribution taxes - current rate	(180,433)	(64,956)	(157.215)	(56.597)
Interest Deductibility Benefit on Interest on Equity Capital	39,877	14,356	35.827	12.898
Subventions and Donations Received from Public Agencies (1)	116	42	44	15
Adjustment to Present Value for Accounts Receivable (1)	118	42	(116)	(42)
Workers' Meal Program – PAT (2)	6,539	-	5.290	-
Corporate Citizen Incentive (3)	520	-	296	-
Equity in earnings (losses) of controlled companies	(347)	(125)	(564)	(203)
Finance Lease	(3,571)	(1,285)	-	-
Others	(424)	(222)	(389)	(182)
<b>Total expenses</b>	<b>(137,605)</b>	<b>(52,148)</b>	<b>(116.827)</b>	<b>(44.111)</b>
<b>Total Income and Social Contribution taxes</b>	<b>(189,753)</b>		<b>(160,938)</b>	
<b>Effective rate</b>	<b>26.3%</b>		<b>25.6%</b>	

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

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

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



# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

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

#### a. Current and deferred income and social contribution taxes

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

Description	09/30/2017	09/30/2016
Income tax	(162,781)	(131,847)
Social Contribution Tax	(60,866)	(49,171)
Realization of Deferred Income Tax	25,176	15,020
Realization of Deferred Social Contribution	8,718	5,060
<b>Total</b>	<b>(189,753)</b>	<b>(160,938)</b>

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

#### b. Deferred Income and Social Contribution taxes

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

Description	Estimated Realization Term	Estimated Calculatio n basis	Income tax	Social contribution	09/30/2017	12/31/2016
					Total	Total
<b>ASSETS</b>						
PVA on Contractual Financial Assets	30 years	337,407	84,352	30,367	114,719	104,635
Pension and Health Plans	15 years	877,092	219,273	78,938	298,211	270,615
Reduction of Recovery Value for Assets	10 years	11,938	2,984	1,074	4,058	4,258
Civil, Labor, Tax and Environmental Provisions	5 years	557,317	139,329	50,159	189,488	172,236
Provision for Losses in Realizing Credits	3 years	46,839	11,710	4,215	15,925	15,912
Provision for PPR	1 year					12,647
PAI – Encouraged Retirement Program	2 years	41,474	10,369	3,733	14,102	-
AVJ – Investment FINAM	1 year	2,089	522	188	710	-
<b>Total</b>			<b>468,539</b>	<b>168,674</b>	<b>637,213</b>	<b>580,303</b>
<b>LIABILITIES</b>						
PVA on Contractual Financial Assets	30 years	343,352	85,838	30,901	116,739	107,900
IRPJ Deferred on Construction and Improvements	25 years	132,836	33,209	-	33,209	34,169
Finance lease	20 years	40,197	10,049	3,618	13,667	13,952
Revaluation surplus	16 years	125,855	31,464	11,327	42,791	44,922
Attribution of New Cost to Fixed Assets	6 years	14,888	3,722	1,340	5,062	5,363
<b>Total</b>			<b>164,282</b>	<b>47,186</b>	<b>211,468</b>	<b>206,306</b>
<b>Total Net</b>			<b>304,257</b>	<b>121,488</b>	<b>425,745</b>	<b>373,997</b>

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

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

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

The estimated future realization of deferred tax assets and deferred tax liabilities as at September 30, 2017 is as follows:

Periods of Realization	Deferred tax assets			Deferred tax liabilities		
	Income tax	Social Contribution		Income tax	Social Contribution	
		Tax	Total		Tax	Total
2017	15,378	5,536	20,914	1,954	580	2,534
2018	18,990	6,837	25,827	7,816	2,320	10,136
2019	29,659	10,677	40,336	7,816	2,320	10,136
2020 to 2022	193,177	69,544	262,721	23,448	6,962	30,410
2023 to 2025	53,848	19,385	73,233	21,321	6,197	27,518
2026 to 2028	53,141	19,131	72,272	21,321	6,197	27,518
2029 to 2031	53,141	19,131	72,272	21,321	6,197	27,518
2032 to 2034	20,250	7,290	27,540	17,194	4,711	21,905
2035 to 2037	9,286	3,343	12,629	14,563	3,764	18,327
2038 to 2040	9,286	3,343	12,629	13,558	3,402	16,960
2041 to 2043	9,287	3,343	12,630	10,820	3,402	14,222
2044 to 2046	3,096	1,114	4,210	3,150	1,134	4,284
<b>Total</b>	<b>468,539</b>	<b>168,674</b>	<b>637,213</b>	<b>164,282</b>	<b>47,186</b>	<b>211,468</b>

### 18. RELATED-PARTY TRANSACTIONS

As at September 30, 2017, the State of Paraná holds credits for interest on Self Owned Capital for the amount of R\$44,781 (R\$72,073 for the same period in 2016). The Company also supplied water and sewage services to the state of Paraná for a revenue of R\$75,073 and R\$66,681 up to the third quarters of 2017 and 2016, respectively.

COPEL (Holding and Copel Comercialização S/A. – direct shareholders of the Company and controlled by the State of Paraná), as at September 30, 2017, holds credits in connection with Interest on Equity Capital for the amount of R\$ 12,096. (R\$ 9,718 for the same period in 2016).

Additionally, COPEL provided electric energy and telecommunications services to the Company for the amounts of R\$ 262,597 and R\$ 2,734, respectively up to the third quarter of 2017 (R\$ 291,728 and R\$ 2,822, respectively for the same period in 2016). The Company provided water and sewage services to COPEL for a revenue of R\$ 1,379 and R\$ 1,162 for the third quarter of 2017 and 2016, respectively.

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## NOTES TO THE FINANCIAL STATEMENTS

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### 18. RELATED-PARTY TRANSACTIONS -- continuation

The Company provides water and sanitary sewage services to a number of city administrations, in particular in the state of Paraná, with which it maintains Concession Contracts and Municipal Program Contracts, with the revenues from said contracts with municipal administrations being, until the third quarter of 2017, R\$ 71,811 (R\$ 70,785 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 for the third quarter of 2017 being R\$ 6,291 (R\$ 5,797 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>/2017 Annual General Meeting (AGO) of April 27, 2017, for the amount of R\$ 14,255. For 2016, the approval was issued by the 53<sup>rd</sup>/2016 Annual General Meeting (AGO) held on April 28, 2016, for the amount of R\$ 13,055, of which R\$ 9,142 paid as compensation and R\$ 2,454 in connection with charges and benefits, for a total amount of R\$ 11,596. Of the amount in relation to charges and benefits, R\$ 2,272 are in connection with social charges, R\$ 51 are in reference to profit sharing, R\$ 47 are in reference to the health insurance plan (SANESAÚDE), R\$ 65 are in benefits from Fundação Sanepar (FUSAN) and R\$ 19 are in reference to Supplementary Programs.

Up to third quarter of 2017, an amount of R\$ 9,484 (R\$ 7,664 for the same period in 2016), was disbursed, of which R\$7,523 (R\$ 6,138 for the same period in 2016) for compensation and R\$ 1,961 (R\$ 1,526 for the same period in 2016) with reference to charges and benefits. Of the amount for charges and benefits, R\$ 1,853 (R\$ 1,435 for the same period in 2016) are with respect to social charges, R\$ 39 (R\$ 34 for the same period in 2016), for health insurance plan (SANESAÚDE), R\$ 63 (R\$ 48 for the same period in 2016) for Fundação Sanepar (FUSAN) benefits and R\$ 6 for Supplementary Programs (R\$ 9 for the same period in 2016).

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

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### 19. EQUITY

#### a) Capital stock

The Company's Capital stock 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.

As at September 30, 2017, share value is R\$9.99 (R\$ 9.55 as at December 31, 2016).

The Capital stock underwritten and fully paid in as at September 30, 2017 is of R\$ 2,854,952, that net of the share issuance costs is of R\$ 2,847,664, and the shareholding structure is the following:

Shareholders	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	7,956,306	4.7	36,343,267	10.8	44,299,573	8.8
Andrade Gutierrez Concessões S/A	7,000,000	4.2	-	-	7,000,000	1.4
Municipal Administrations	-	-	2,292,955	0.7	2,292,955	0.5
Foreign Investors	400	-	153,001,101	45.6	153,001,501	30.4
Other Investors	2,109,128	1.3	144,186,125	42.9	146,295,253	29.0
<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) Revaluation surplus

The reevaluation surplus was realized up to the second quarter, transferring to Accumulated Profits the amount of R\$ 4,136 (R\$ 4,228 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 fixed and intangible assets line, object of said reevaluation.

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

Description	09/30/2017	09/30/2016
Balances at beginning of period	87,200	92,825
Realization of revaluation surplus	(6,267)	(6,406)
Realization of Taxes on the Revaluation surplus	2,131	2,178
<b>Balances at end of period</b>	<b>83,064</b>	<b>88,597</b>

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

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### 19. EQUITY – continuation

#### c) Reserve for Investment Plan

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

#### d) Shareholders' compensation

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

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

On April 27, 2017, the Shareholder Meeting approved the payment of Interest on Equity Capital and Additional Dividends, credited to shareholders in the year of 2016, for the gross amount of R\$ 297,585, that Net of Income Tax Withheld at the Source represented R\$ 281,471. By September 30, 2017, the amount of R\$ 280,771 was settled.

In June 2017, Company Management and Management Council approved, according to the 6th/2017 Ordinary Management Council Meeting of June 13, 2017, the credit for Interest on Equity Capital at a ratio of 50%, observing the legal limit of the variation of the TJLP for the period, based on the results posted for the 1<sup>st</sup> half of 2017. The gross amount of Interest on Shareholder Capital, calculated for the first half of 2017, was of R\$ 159,510, with R\$ 13,560 being withheld as Income Tax Withheld at the Source. This credit generated a tax saving of R\$ 54,233.

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## NOTES TO THE FINANCIAL STATEMENTS

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### 19. EQUITY – continuation

#### e) Earnings (losses) per share

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

<b>Basic and diluted earnings (loss) per share</b>	<b>09/30/2017</b>	<b>09/30/2016</b>
<b>Numerator</b>		
Net profit for the period attributed to Company shareholders		
Common Shares	166,244	216,615
Preferred shares	365,736	251,305
<b>Denominator (in thousands of shares)</b>		
Weighted average of number of common shares	167,912	231,968
Weighted average of number of preferential shares	335,823	244,652
<b>Basic and diluted earnings (loss)</b>		
Per ordinary share	0.99007	0.93381
Per preferential share	1.08907	1.02719

#### f) Statutory reserve

Statutory reserve is recorded in compliance with the Brazilian Corporate Law and Company By-Laws, based on 5% of net income for each year, up to the limit of 20% of the paid-in capital stock. The statutory 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) Tax incentive reserve

Tax 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) Asset and liability valuation adjustments

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

During this period, the amount of R\$ 584 (R\$ 474 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 fixed and intangible assets, based on the new value attributed.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

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### 19. EQUITY – continuation

#### h) Asset and liability valuation adjustments – continuation

Changes in realization of the Asset and liability valuation adjustments were as follows:

Description	09/30/2017	09/30/2016
<b>Balances at beginning of period</b>	<b>10,410</b>	<b>12,147</b>
Realization of Adjustments to Cost Attributed	(885)	(718)
Realization of Taxes on Adjustments to Cost Attributed	301	244
<b>Balances at end of period</b>	<b>9,826</b>	<b>11,673</b>

### 20. OPERATING REVENUES

Operating Revenues composition, by nature, is the following:

Description	09/30/2017	09/30/2016
<b>Revenues</b>		
Revenues from Water	1,872,169	1,696,300
Revenues from Sewage	1,060,560	928,664
Revenues from services	97,282	92,141
Revenues from Solid Waste	6,291	5,797
Services Provided to Municipalities	10,285	5,770
Donations made by clients	12,444	10,194
Other revenues	5,178	3,551
<b>Total operating revenues</b>	<b>3,064,209</b>	<b>2,742,417</b>
<b>Deductions from Operating Revenues</b>		
COFINS	(181,099)	(157,416)
PASEP	(39,164)	(34,090)
<b>Total Deductions</b>	<b>(220,263)</b>	<b>(191,506)</b>
<b>Total operating revenues, net</b>	<b>2,843,946</b>	<b>2,550,911</b>

The Company had revenues and incurred in costs from construction contracts linked to the program contracts of R\$ 87,552 up to the 3rd quarter 2017 (R\$ 32,506 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	09/30/2017			09/30/2016		
	Water	Sewage	Total	Water	Sewage	Total
Personnel	214,776	73,405	288,181	181,131	57,301	238,432
Materials	58,854	25,650	84,504	56,298	17,542	73,840
Electricity	241,649	25,944	267,593	267,840	29,046	296,886
Third-party services	143,401	102,760	246,161	135,219	82,441	217,660
Depreciation and amortization	84,977	77,155	162,132	76,621	67,792	144,413
Other costs	70,794	22,743	93,537	65,975	20,494	86,469
<b>Total</b>	<b>814,451</b>	<b>327,657</b>	<b>1,142,108</b>	<b>783,084</b>	<b>274,616</b>	<b>1,057,700</b>

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

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### 22. SELLING, ADMINISTRATIVE AND OTHER EXPENSES

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

Description	09/30/2017	09/30/2016
<b>Selling</b>		
Personnel	87,612	71,640
Materials	3,189	2,511
Third-party services	58,308	50,361
Depreciation and amortization	4,489	4,249
Losses in Realization of Credits	19,242	14,560
Municipal Sanitation and Environmental Management Fund	20,787	13,214
Indemnities of third-party damages	15,455	13,569
Sanepar Rural program	8,119	-
Other expenses	22,115	6,303
<b>Total selling expenses</b>	<b>239,316</b>	<b>176,407</b>
<b>Administrative</b>		
Personnel	434,616	432,289
Materials	28,200	24,830
Third-party services	115,516	104,497
Depreciation and amortization	11,590	11,419
Regulatory fee	9,506	31
Travel expenses	6,347	5,079
Environmental and social programs	5,947	1,848
Other expenses	20,707	33,330
Transfers to Selling expenses and cost (a)	(97,383)	(91,199)
Expenses Capitalized (b)	(60,795)	(64,532)
<b>Total administrative expenses</b>	<b>474,251</b>	<b>457,592</b>
<b>Other operating revenues (expenses)</b>		
<b>Expenses</b>		
Write-off of assets	(2,376)	(3,251)
Adjustment to Fair Value – Investments	(2,089)	-
<b>Total other operating revenues (expenses), net</b>	<b>(4,465)</b>	<b>(3,251)</b>

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

(b) These amounts refer to capitalized administrative expenses, as they relate to projects and works in progress, allocated directly by the Service Units.

### 23. PROFIT SHARING PROGRAM

In July 2017, the Company recorded in accounting a supplementary provision for profit sharing program for 2016 in the amount of R\$ 28,977.



# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

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### 24. FINANCIAL INCOME (LOSS)

Description	09/30/2017	09/30/2016
<b>Financial revenues</b>		
Monetary variation gains	11,541	13,062
Financial investments	54,742	23,766
Other financial revenues	9,758	22,936
<b>Total financial revenues</b>	<b>76,041</b>	<b>59,764</b>
<b>Financial expenses</b>		
Financing and Debenture Interest and Charges	(143,056)	(139,954)
Monetary variation losses	(30,931)	(37,573)
Other financial expenses	(1,857)	(5,625)
<b>Total financial expenses</b>	<b>(175,844)</b>	<b>(183,152)</b>
<b>Financial income (loss), net</b>	<b>(99,803)</b>	<b>(123,388)</b>

### 25. FINANCIAL INSTRUMENTS AND RISKS

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	
	09/30/2017	12/31/2016	09/30/2017	12/31/2016
<b>Financial assets</b>				
Cash and cash equivalents	535,957	638,330	535,957	638,330
Accounts receivables from customers, net	627,421	570,503	627,421	570,503
Restricted deposits	56,311	55,678	56,311	55,678
Contractual financial assets	198,211	172,381	198,211	172,381
<b>Total</b>	<b>1,417,900</b>	<b>1,436,892</b>	<b>1,417,900</b>	<b>1,436,892</b>
<b>Financial liabilities</b>				
Loans, financing, debentures and finance lease	2,635,333	2,712,074	2,635,333	2,712,074
Contractors and Suppliers	134,172	133,505	134,172	133,505
Concession agreements	92,823	96,926	92,823	96,926
<b>Total</b>	<b>2,862,328</b>	<b>2,942,505</b>	<b>2,862,328</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 statement of financial position 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.

*Restricted deposits:* Long-term restricted deposits refer to the National Water Agency programs - ANA for the amount of R\$ 4,470 (R\$ 4,180 in 2016); as well as reserves maintained at Caixa Econômica Federal, for R\$ 16,390 (R\$ 15,351 in 2016), R\$ 11,847 (R\$ 11,094 in 2016), R\$ 16,244 (R\$ 15,209 in 2016) and R\$ 100.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2017

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

*Accounts receivable:* the amounts disclosed in the statement of financial position for these accounts approximate their fair values, taking into consideration the respective provisions set up, and the lack of monetary restatement of the receivables' portion already overdue.

The balances of short- and long-term trade accounts receivable arising from installment payments have been discounted to present value.

The changes in present value adjustment was as follows:

Description	January to September 2017	January to September 2016
Balances at beginning of period	(3,408)	(2,840)
Adjustment at Present Value	472	(463)
<b>Balances at end of period</b>	<b>(2,936)</b>	<b>(3,303)</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 thirty (30) days, and, as a result, recognized as fair value. The average payment period is twenty-eight (28) 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, as at 09/30/2017, are related to investments in fixed and intangible assets.

*Finance 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 Finance Lease contract. The amount payable for the Finance 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. The details and interest rates are described in Note 11, and do not represent additional risks to the Company at this time.

*Concession agreements:* 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 December 06, 2001 (see Note 12).

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2017

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

*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.

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

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

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

<b>Index</b>	<b>09/30/2017</b>	<b>12/31/2016</b>
TR (Reference Rate)	897,949	870,430
TJLP	663,699	702,637
IPCA	337,631	351,435
DI	585,009	698,123
IPC-FIPE	107,902	41,108
No Monetary Adjustment	43,143	48,341
	<b>2,635,333</b>	<b>2,712,074</b>

*Sensitivity analysis of interest rate:* the following is the calculation sensitivity to a possible change in the rate of return on financial investments and interest on the principal of loans and financing subject to variable interest rates, which can have significant impact to the Company. If the return rates of investments and interest on the loans held in real varied around 25% and 50% more or less, with all other variables held constant, the effect on profit before taxes would have been R\$ 14,594 and R\$ 29,188 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:

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## NOTES TO THE FINANCIAL STATEMENTS

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

<b>Analysis</b>					
<b>Description</b>	<b>Index</b>	<b>+ 25%</b>	<b>-25%</b>	<b>+50%</b>	<b>-50%</b>
Caixa FI Sanepar I Renda Fixa	DI	11,949	(11,949)	23,898	(23,898)
<b>Assets</b>		<b>11,949</b>	<b>(11,949)</b>	<b>23,898</b>	<b>(23,898)</b>
Caixa Econômica Federal	TR	(1,104)	1,104	(2,208)	2,208
BNDES	TJLP	(1,135)	1,135	(2,270)	2,270
BNDES-PAC2	TJLP	(882)	882	(1,764)	1,764
Debentures 2nd Issuance - 1st and 3rd series	TJLP	(1,413)	1,413	(2,826)	2,826
Debentures 2nd Issuance – 2nd series	IPCA	(652)	652	(1,304)	1,304
Debentures 3rd Issuance – 1st series	DI	(2,939)	2,939	(5,878)	5,878
Debentures 3rd Issuance – 2nd series	IPCA	(614)	614	(1,228)	1,228
Debentures 4th Issuance – 1st series	TJLP	(1,172)	1,172	(2,344)	2,344
Debentures 4 <sup>th</sup> Issuance – 2nd series	IPCA	(398)	398	(796)	796
Debentures 5th Issuance – 1st series	DI	(1,605)	1,605	(3,210)	3,210
Debentures 5th Issuance – 2nd series	DI	(4,151)	4,151	(8,302)	8,302
Debentures 6th Issuance – 1st series	DI	(1,849)	1,849	(3,698)	3,698
Debentures 6th Issuance – 2nd series	DI	(3,902)	3,902	(7,804)	7,804
Finance lease	IPC	(4,727)	4,727	(9,454)	9,454
<b>Liabilities</b>		<b>(26,543)</b>	<b>26,543</b>	<b>(53,086)</b>	<b>53,086</b>
<b>Effects on Profit before Taxation</b>		<b>(14,594)</b>	<b>14,594</b>	<b>(29,188)</b>	<b>29,188</b>

The TR considered was of 1.09% and the TJLP, 7.25%, obtained from BACEN - Banco Central do Brasil, IPCA rate of 2.54%, obtained from IBGE – Instituto Brasileiro de Geografia e Estatística, and DI rate of 8.14% obtained from CETIP SA and IPC – FIPE of 2.25%, obtained from the Fundação Instituto de Pesquisas Econômicas – FIPE.

*Credit risk:* Virtually the whole population of the State is a client 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, and it adopts Credit Recovery Program of Municipal Administrations – RECRED. In case there is no agreement, the company files for judicial recovery.

*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 FINANCIAL STATEMENTS

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### 25. 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 purpose of the capital management of the Company is to guarantee a strong credit *rating* to financial institutions and an optimal capital ratio in order to support business and maximize values to the shareholders. The Company manages its capital structure by means of adjustments and adequacy to current economic conditions. With this objective, the company can make payments of dividends, enter into new loans, issue promissory notes and contract operations with derivatives. For the period ended on September 30, 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>09/30/2017</u>	<u>12/31/2016</u>
Loans, financing, debentures and finance lease	2,635,333	2,712,074
Cash and cash equivalents	(535,957)	(638,330)
Net debt	2,099,376	2,073,744
Equity	5,032,351	4,808,673
Ratio Net Debt/Net Equity	0.42	0.43

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

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### 26. PENSION PLAN AND MEDICAL INSURANCE

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

The retirement/pension plan managed by FUSAN has the following main features: defined contribution during the working phase and defined benefit with lifetime income for retirees, pensioners and risk benefits (disability retirement, death pension, sickness and accident). Up to the 3rd quarter, the Sponsor passed on the amount of R\$ 21,280 (R\$ 18,800 for the same period in 2016) as contribution to FUSAN.

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

SaneSaúde is a collective of medical and dental care insurance plan, self-managed, financed by pre-payment, and the contributions made on average 63.8% for the sponsor and 36.2% 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, up to the 3rd Quarter, the Company transferred the amount of R\$44,680 (R\$40,378 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 and approval of statutory bodies and sponsors. 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.

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## NOTES TO THE FINANCIAL STATEMENTS

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### 26. PENSION PLAN AND MEDICAL INSURANCE – continuation

Statement of actuarial liability:

<b>Description</b>	<b>Pension Plan</b>	<b>Medical Insurance</b>	<b>09/30/2017</b>	<b>12/31/2016</b>
Current	21,394	37,079	58,473	53,062
Noncurrent	299,518	519,101	818,619	742,866
<b>Total</b>	<b>320,912</b>	<b>556,180</b>	<b>877,092</b>	<b>795,928</b>

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

<b>Description</b>	<b>Pension Plan</b>	<b>Medical Insurance</b>	<b>2017</b>
Current service cost	11,526	10,303	21,829
Interest cost	103,656	55,232	158,888
Expected return on the plan's assets	(70,538)	-	(70,538)
Contributions of the sponsor	(2,064)	-	(2,064)
<b>Total</b>	<b>42,580</b>	<b>65,535</b>	<b>108,115</b>

The amount of R\$ 108,115 was the actuarial estimate for expected variation in the plans for year 2017, which is being booked by the Company on a monthly basis with an accrual up to the 3rd quarter 2017 of R\$ 81,164 (R\$ 76,497 up to 3rd quarter 2016). 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.

### 27. INFORMATION BY BUSINESS SEGMENT

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

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### 27. INFORMATION BY BUSINESS SEGMENT -- continuation

Description	01/01/2017 to 09/30/2017			01/01/2016 to 09/30/2016		
	Water	Sewage	Total	Water	Sewage	Total
Direct operating revenue	1,947,127	1,089,175	<b>3,036,302</b>	1,765,436	957,466	<b>2,722,902</b>
Other operating revenues	16,278	11,629	<b>27,907</b>	11,533	7,982	<b>19,515</b>
<b>Total gross operating Revenue</b>	<b>1,963,405</b>	<b>1,100,804</b>	<b>3,064,209</b>	<b>1,776,969</b>	<b>965,448</b>	<b>2,742,417</b>
Revenue Deductions (PASEP and COFINS)	(128,408)	(91,855)	<b>(220,263)</b>	(113,155)	(78,351)	<b>(191,506)</b>
<b>Net operating revenue</b>	<b>1,834,997</b>	<b>1,008,949</b>	<b>2,843,946</b>	<b>1,663,814</b>	<b>887,097</b>	<b>2,550,911</b>
Cost	(814,451)	(327,657)	<b>(1,142,108)</b>	(783,084)	(274,616)	<b>(1,057,700)</b>
<b>Gross profit</b>	<b>1,020,546</b>	<b>681,292</b>	<b>1,701,838</b>	<b>880,730</b>	<b>612,481</b>	<b>1,493,211</b>
Selling expenses	(139,590)	(99,726)	<b>(239,316)</b>	(104,252)	(72,155)	<b>(176,407)</b>
Administrative expenses	(276,625)	(197,626)	<b>(474,251)</b>	(270,425)	(187,167)	<b>(457,592)</b>
Other operating revenues (expenses)	(3,414)	(1,051)	<b>(4,465)</b>	(3,255)	4	<b>(3,251)</b>
Equity in earnings (losses) of controlled companies	-	(1,388)	<b>(1,388)</b>	-	(2,257)	<b>(2,257)</b>
Financial income (loss), net	(31,695)	(68,108)	<b>(99,803)</b>	(53,329)	(70,059)	<b>(123,388)</b>
Profit sharing program	(16,902)	(12,075)	<b>(28,977)</b>	(9,411)	(6,514)	<b>(15,925)</b>
Provisions	(29,672)	(21,069)	<b>(50,741)</b>	(5,146)	(3,890)	<b>(9,036)</b>
Pension plan and medical insurance	(47,322)	(33,842)	<b>(81,164)</b>	(45,205)	(31,292)	<b>(76,497)</b>
<b>Income before taxes and contributions</b>	<b>475,326</b>	<b>246,407</b>	<b>721,733</b>	<b>389,707</b>	<b>239,151</b>	<b>628,858</b>
Income and social contribution taxes	(124,969)	(64,784)	<b>(189,753)</b>	(99,734)	(61,204)	<b>(160,938)</b>
<b>Net income for the period</b>	<b>350,357</b>	<b>181,623</b>	<b>531,980</b>	<b>289,973</b>	<b>177,947</b>	<b>467,920</b>
Operating margin	24.2%	22.4%	<b>23.6%</b>	21.9%	24.8%	<b>22.9%</b>
Net margin	19.1%	18.0%	<b>18.7%</b>	17.4%	20.1%	<b>18.3%</b>
<b>EBTIDA</b>	<b>601,374</b>	<b>398,373</b>	<b>999,747</b>	<b>528,917</b>	<b>383,410</b>	<b>912,327</b>
EBITDA margin	32.8%	39.5%	<b>35.2%</b>	31.8%	43.2%	<b>35.8%</b>
Investments in fixed /Intangible assets in the Period (a)	255,410	305,823	<b>561,233</b>	210,461	316,254	<b>526,715</b>
Shareholding Interest – CS Bioenergia	-	19,235	<b>19,235</b>	-	8,891	<b>8,891</b>
Indebtedness – Loans, Financing, Debentures and Finance Lease	1,006,925	1,628,408	<b>2,635,333</b>	1,091,045	1,589,477	<b>2,680,522</b>
Fixed assets and intangible assets, net	3,351,259	4,339,772	<b>7,691,031</b>	3,175,565	4,015,319	<b>7,190,884</b>
Depreciation and amortization for the period	(94,353)	(83,858)	<b>(178,211)</b>	(85,881)	(74,200)	<b>(160,081)</b>
Accounts receivable (current and non-current) (b)	525,643	269,023	<b>794,666</b>	461,155	237,189	<b>698,344</b>
Total assets	4,303,643	5,573,078	<b>9,876,721</b>	3,963,056	5,011,054	<b>8,974,110</b>
Total current and noncurrent liabilities	1,951,495	2,892,875	<b>4,844,370</b>	1,863,951	2,715,478	<b>4,579,429</b>
Number of Users – Not Audited/Reviewed (c)	3,068,242	2,012,976	-	3,008,614	1,914,695	-
Volume Thousand m <sup>3</sup> Invoiced – Not Audited/Reviewed (d)	420,576	300,466	-	439,607	304,261	-

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

(b) Presented by the gross value;

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

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



# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2017

(In thousands of Brazilian Reais)

### 28. 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 R\$ 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>Assets</u>	<u>Amount insured</u>
Buildings	497,299
Machinery, equipment and vehicles	411,931
Inventory	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 September 30, 2017, the Company posted guarantees using the Guarantee Insurance in 75 lawsuits for the amount of R\$ 214,907 of which 02 policies with insurer Fairfax Brasil Seguros Corporativos S/A and 73 policies with Pottencial Seguradora S/A.

The Company also entered into an agreement with Zurich Minas Brasil Seguros S.A. for insurance coverage for members, directors and managers 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.