

**COMPANHIA DE SANEAMENTO DO PARANÁ – SANEPAR**  
**LISTED COMPANY**  
**REGISTRATION CVM 01862-7 - CNPJ/MF 76.484.013/0001-45**

**RELEVANT FACTS**

The State of Paraná Sanitation Company (**Companhia de Saneamento do Paraná – Sanepar**) (“Company”), advises its shareholders and the market in general that, as approved in the Extraordinary General Assembly and the Board Meeting held on October 27, 2017, and in accordance with the rules established in its Bylaws including all its amendments and consolidated on this date (“Bylaws”), it will sponsor a Company share deposit certificate issuance program to establish units (“Units”) by Itaú Corretora de Valores S.A., as the issuing agent for the Units (“Issuing Agent”), with each Unit representing 01 (one) ordinary share and 4 (four) preferential shares issued by the Company, addressed and complied with all the general rules described below and the operational procedures adopted by the Issuing Agent in so far as the issuance of Units (“Unit Issuance Program”). The details and procedures with respect to the implementation of the Unit Issuance Program are part of the item under the same name below, herein.

Additionally, with a view to improving its corporate governance, the Company informs that, with respect to its Investor Relations area and shareholder Communication Channels as well as the market in general: (A) a number of improvements have been implemented, among which the following stand out: (i) incorporation of the Investor Relations Department by the Financial Department, with the creation of the Financial and Investor Relations Department (Diretoria Financeira e de Relações com Investidores - “DFRI”); (ii) the election of an Adjunct Director to advise DFRI on issues in connection with the Investors Relations area; (iii) increase of the DFRI headcount with an additional professional migrated from the Company Regulation area, currently already performing his/her duties; (iv) reorganization of the Company’s Investor Relations website with better distribution of the information contained therein; and (v) hiring of specialized company to deliver infrastructure organization services for events targeted at the market, such as quarterly videoconferencing events and public meetings for market analysts to be held on an annual basis in São Paulo, in the Brazilian Portuguese language with simultaneous translation into English, starting in 2017; and (B) the following additional improvements are currently under implementation: (i) content of the Company’s Investor Relations website in the Portuguese and English languages, to be concluded still in 2017; (ii) process for contracting Investor Relations consultancy services with operational support to optimize daily activities performed by the area, such as enhanced information availability for regulatory agencies, inspection agencies and the market at large, to begin in early 2018; (iii) process for contracting information disclosure software management services (*mailing list*) starting in early 2018; (iv) process for contracting English language course with the business oriented methodology, to update the current staffing at DFRI, to begin in early 2018; (v) review of strategic content, legal advertising, legal advertising documents, as well as translation into the English language for the second quarter 2018; (vi) in line with enhancing the current DFRI skill sets, an internal selection process to transfer one additional Company headcount, fluent in English and knowledgeable of capital markets; (vii) drafting of satisfaction survey (with service delivery and availability of information on the Company website) for early 2018; and (viii)

implementation of distance voting infrastructure to be deployed in General Assemblies starting in 2018.

The Company further advises that, with respect to its Bylaws, in addition to the inclusion of the rules stemming from the establishment of the Units Issuance Program, and in line with the improvements in its corporate government mentioned above, **but conditioned to the effective implementation of said Units Issuance Program**, a disposition was included for the purpose of ensuring compliance with the current regulations published by the State of Paraná Regulatory Agency (Agência Reguladora do Paraná – AGEPAR), with a view to ensuring the full deployment of any tariff readjustments and reviews that may come to be authorized, with any exclusion or amendment targeting the exclusion of said disposition from the Bylaws depending on approval by absolute majority of preferential shares in special assembly of preferential shareholders convened specifically for this purpose.

### UNITS ISSUANCE PROGRAM

Within the scope of the Units Issuance Program, the Issuing Agent shall establish a purpose specific account at B3 S.A. – Brasil, Bolsa, Balcão (“B3”) to which holders of multiples of 01 (one) ordinary share and 4 (four) preferential shares issued by the Company (“Share Multiples”), addressed the disposed below, wishing to form Units must transfer them (“Units Issuance Program Account”).

The Company further advises that, within the scope of the Units Issuance Program and with a view to forming said Units, for a given period of time specified below, the conversion of preferential shares into ordinary shares at a ratio of 1 (one) preferential share to 1 (one) ordinary share has been authorized, as well as the conversion of ordinary shares into preferential shares at a ratio of 1 (one) ordinary share to 1 (one) preferential share, in compliance with the general rules established below and the operational procedures adopted by B3 for conversions (“Conversions”), the always respected the legal limit that is object of item II.4 in this Relevant Fact.

With a view to enabling the implementation of the Units Program, Conversions shall comply with the following conditions: (i) for each group of 5 (five) preferential shares issued by the company held by shareholders, owners of said shares will be entitled to convert 1 (one) preferential share into 1 (one) ordinary share; and (ii) for each group of 5 (five) ordinary shares issued by the company held by shareholders, owners of said shares will be entitled to convert 4 (four) ordinary shares into 4 (four) preferential shares.

In addition, and for the purpose of enabling all Company shareholders to participate in the Units Issuance Program and, thereby, promote its liquidity, shareholders wishing to form Units and holders of lot(s) of 5 (five) shares issued by the company in any ratio between preferential and ordinary shares not in compliance with the Share Multiple rule, may request the Conversion of the shares needed for these Share Lots to become Multiples of Share, i.e., multiples of 1 (one) ordinary share and 4 (four) preferential shares issued by the company, observed the dispositions of item II.2 below.

According to the deliberation of the Extraordinary General Assembly and the Meeting of the Board held on October 27, 2017, the Controlling Shareholder (as defined below) has committed to requesting the Conversion of its shares only in the Third Conversion period (as defined below). Thus, Conversions of ordinary shares into preferential shares and of preferential shares into ordinary shares mentioned above will be performed first for the Other Shareholders (as defined below) in order to compile the maximum number of Units for and by them, limiting the number of Unit formed by the Controlling Shareholder, addressed the appropriate Conversion Periods (as defined below).

For the purposes of this Relevant Fact and the Units Issuance Program, the “Controlling Shareholder” corresponds to the State of Paraná; and “Other Shareholders” correspond to all other Company shareholders, excluded the Controlling Shareholder

B3 shall establish specific portfolios (to be disclosed by B3) during the Conversion Period (as defined below) to which shareholders of preferential shares and ordinary shares wishing to undertake the Conversion shall transfer their shares (“Conversion Portfolio”). For shareholders owners of shares registered at Itaú Unibanco S.A. (“Stockholder”), the disposition of items II and III shall apply, as applicable.

During the Conversion Periods, the Conversion and/or Issuance of Units, as the case may be, must be requested through the transfer of shares to the purpose specific portfolios at B3 or by the Stockholder, as the case may be. On the Share Conversion/Unit Issuance Dates (defined below), all shares in the Conversion Portfolios or, as the case may be, according to what is advised to the Stockholder, will be converted and the corresponding Units issued mandatorily, addressed the legal limit established in item II.4 of this Relevant Fact.

Upon conversion, the shares shall entitle their holders to the rights, advantages and constraints of the other shares issued by the Company of the same nature into which they are converted, including with respect to the payment of dividends, interest of shareholder capital and any other bonuses, payments or proceeds to which they may be entitled.

Additionally, the Units shall grant their holders the same rights, advantages and constraints as the other shares issued by the Company they represent, including with respect to the payment of dividends, interest on shareholder capital and any other bonuses, payments or proceeds to which they may be entitled.

**The Units Issuance Program may be canceled, on decision of the Company Board, up to the actual date of implementation, i.e., November 17, 2017, final date for the First Conversion Period, as defined below), or, in the event of an operational problem at B3 or at the Stockholder that prevents or impairs verifying the number of Conversion requests made by that date, by November 21, 2017. Additionally, the Units Issuance Program shall only be implemented if, at the end of the First Conversion Period, or, in the event of an operational problem at B3 or for the Stockholder that prevents or impairs checking the number of Conversion requests made by that date, by November 21, 2017, a sufficient number of Other Shareholders, at the exclusive discretion of the Company**

**Board, is deemed sufficient to proceed with the Unit Issuance Program. In this sense, the Company shall publish a new Relevant Fact by November 21, 2017, informing whether the Units Issuance Program will be effectively implemented, or not.**

Only shares free of onus or liens can be object of deposit for the purpose of issuance of Units.

**I. CONVERSION PERIOD, REQUEST PERIODS AND DATES OF SHARE CONVERSION/UNIT ISSUANCE**

Conversion requests, performed by way of transfer of shares to the Conversion Portfolios or at the Stockholder, as the case may be, can only take place within the request periods informed below, with the respective share conversion for the transferred shares and the consequent issuance of the corresponding Units occurring on the dates of share conversion and Units issuance indicated below ("Share Conversion/Units Issuance Dates").

The period comprised between October 30, 2017 and November 17, 2017 shall be considered the first conversion period ("First Conversion Period.") And, during it, only Other Shareholders may request Conversions. **In the event the Units Issuance Program is not effectively put in place, Conversion requests shall automatically be canceled.**

In addition to the First Conversion Period, **and in the event Unit Issuance Program is effectively implemented as mentioned above**, two further conversion periods will be carried out:

- (a) immediately following the First Conversion Period, a period comprised between November 21, 2017 and November 24, 17, will be established for Other Shareholders that did not request the Conversion of their respective shares to form Units during the First Conversion Period to perform said request ("Second Conversion Period"); and
- (b) immediately following the Second Conversion Period, a period comprised between November 27, 2017 and November 28, 17, will be established for the Controlling Shareholder to request the Conversions of its shares for the purpose of forming Units ("Third Conversion Period" and, together with the First Conversion Period and the Second Conversion Period, the "Conversion Periods").

On the first working day following each Share Conversion/Units Issuance Date, the following credits shall be made: (i) to the Issuing Agent, the total of preferential shares and ordinary shares stemming from the Units Issuance Program Account; and (ii) to each shareholder having transferred shares or Multiples of Shares, as the case may be, to the Conversion Portfolio or to the Units Issuance Program Account for the number of corresponding Units. Also, starting on November 22, 2017, the Units issued may be traded by their holders at B3. A detailed schedule of the Conversion Periods and the Share Conversion/Units Issuance Dates is shown below:

<b>Conversion Periods</b>	<b>Share Conversion/Units Issuance Dates</b>
October 30, 2017 to November 17, 2017	November 21, 2017
November 21, 2017 to November 24, 2017	November 27, 2017
November 27, 2017 to November 28, 2017	November 29, 2017

## **II. PROCEDURES FOR CONVERSION, ISSUANCE AND CANCELATION OF UNITS DURING CONVERSION PERIODS**

### **II.1. Procedures for Share Conversions**

Shareholders holders of ordinary shares or preferential shares, as the case may be, may, exclusively during the Conversion Periods, request the conversion of these shares into preferential shares or ordinary shares, respectively, addressing the following procedure:

- (i) shareholders holders of shares deposited at B3 must request – through their respective custody agents – the transfer of their shares to the Conversion Portfolio, addressed the operational procedures adopted by B3; and
- (ii) Shareholders holders of shares registered at the Stockholder wishing to convert shares can do so by submitting, **at the latest by 12:00 o'clock of the last day of the Conversion Period in which they wish to request the Conversion**, the purpose specific form, appropriately signed and notarized in Notary Public Office, which may be obtained and delivered at any branch of Itaú Unibanco S.A., specialized in addressing securities, specified in item IV.2 of this Relevant Fact, or through the Company, at its head office facilities located at Rua Engenheiros Rebouças, nº 1.376, in the city of Curitiba, State of Paraná.

Conversion requests, – whether through request of transfers of Shares to Conversion Portfolios or through submission of the purpose specific form to the Stockholder – shall comprise an irrevocable and irreversible manifestation of intent by the requesting shareholder authorizing: (i) the Conversion, according to the terms described above, of the Shares transferred to the Conversion Portfolio; (ii) the deposit of shares of his/her/its property of the Issuing Agent for the purpose of issuing the corresponding Units; (iii) the issuance of the respective Units by the Issuing Agent; and (iv) credit of said Units by the Issuing Agent, at the respective custody account at B3.

The ordinary or preferential shares transferred to the Conversion Portfolios at B3 that do not correspond to Multiples of Shares shall be ignored for the purpose of Conversion and the subsequent issuance of the corresponding Units. The portion for which it is not possible to establish Multiples of Shares remaining in the Conversion Portfolio shall be returned to the free portfolio, in the requesting shareholder's custody account (or to the Stockholder, as the case maybe).

## **II.2. Units issuance procedures during the Conversion Period**

The issuance of Units to shareholders having transferred their shares to the Conversion Portfolios at B3, or as the case may be, having requested the Conversion to the Stockholder, shall take place automatically on the respective Share Conversion/Units Issuance Dates, **upon the effective implementation of the Units Issuance Program.**

Additionally, and also during the Conversion Periods, shareholders wishing to form Units and holders of lot(s) of 5 (five) shares issued by the Company in any ratio between preferential and ordinary shares, that, however, do not match the ratio established for the Multiples of Shares, may request the respective issuance of Units, addressed the following procedure:

- (i) shareholders holders of shares deposited at B3 may request – through their respective custody agents – the transfer of their shares to the Units Issuance Program Account; and
- (ii) shareholders holders of shares registered at Stockholders wishing to request the formation of Units may do so by submitting, **at the latest at 12:00 o'clock on the last day of the Conversion Periods in which they wish to request the formation of the Units**, two purpose specific forms, authorizing the Stockholder to: (i) transfer shares to an account belonging to Itaú Unibanco S.A., where they will be registered as coverage for the Units to be issued by the Issuing Agent; and (ii) issue the corresponding Units in the account of the requesting shareholder from which the corresponding shares were previously debited. In order to execute the procedure object of this item, interested shareholders can obtain and deliver the respective forms, appropriately signed and notarized in Notary Public Office, in branches of Itaú Unibanco S.A., specialized in securities services, specified in item IV.2 of this Relevant Fact, or to the Company, at its head office facilities located at Rua Engenheiros Rebouças, nº 1.376, in the City of Curitiba, State of Paraná.

Units issuance request – whether through request of transfers of shares to Conversion Portfolios or through purpose specific forms submitted by the holder – shall comprise an irrevocable and irreversible manifestation of intent by the requesting shareholder authorizing: (i) the deposit of shares of their property at the Issuing Agent for the purpose of issuing of the corresponding Units; (ii) issuance of the respective Units by the Issuing Agent; and (iii) credit of these Units by the Issuing Agent to the respective custody account at B3.

The ordinary or preferential shares transferred to the Conversion Portfolios at B3 that do not correspond to Multiples of Shares shall be ignored for the purpose of Conversion and the subsequent issuance of the corresponding Units. The portion for which it is not possible to establish Multiples of Shares remaining in the Conversion Portfolio shall be returned to the free portfolio, in the requesting shareholder's custody account (or to the Stockholder, as the case maybe).

## **II.3. Approval of Share Conversions**

On each Share Conversion/ Units Issuance Dates, the Company Board shall meet and raise the total number of Conversion Request performed in the preceding Conversion Periods for the purpose of deliberating on the ratification of the Conversion performed.

#### **II.4. Legal Limit for Preferential Shares**

In the event that addressing the Conversion requests placed within a specific Request Period results in the issuance of preferential shares in excess of 2/3 (two thirds) of the Company share capital, violating the legal cap, said request shall be addressed until the legal cap is reached.

#### **II.5. Cancellation of Units during the Share Conversion Periods**

During the Conversion Periods, holders of Units are not allowed to request their cancellation.

### **III. UNITS ISSUANCE AND CANCELLATION PROCEDURES AFTER THE CONVERSION PERIODS**

#### **III.1. Procedures for the issuance of Units after the Conversion Period**

After the end of the Conversion Period, shareholders holders of Multiple of Shares may request, at any time, the issuance of Units, addressed the following procedure:

- (i) shareholders holders of Multiples of Shares deposited at B3 shall request – through their respective custody agent, with a minimum advance of 3 (three) working days from the date on which they wish to request the issuance of the Units – the transfer of their Multiples of Shares to the Units Issuance Program Account, addressed the operational procedures adopted by B3; and
- (ii) shareholders holders of Multiple of Shares registered at the Stockholder wishing to issue Units may do so, with a minimum advance of 3 (three) working days with respect to the date on which they wish to request a issuance of Units, through delivery of purpose specific forms authorizing the Stockholder to: (i) transfer the corresponding Multiples of Shares to an account belonging to the Stockholder, where these will be registered as coverage for the Units to be issued by the Issuing Agent; and (ii) issue the corresponding Units to the requesting shareholder's account from which the shares comprising the respective Multiples of Shares were previously debited. In order to execute the procedure object of this item, interested shareholders can obtain and deliver the respective forms, appropriately signed and notarized in Notary Public Office, in branches of Itaú Unibanco S.A., specialized in securities services, specified in item IV.2 of this Relevant Fact, or to the Company, at its head office facilities located at Rua Engenheiros Rebouças, nº 1.376, in the City of Curitiba, State of Paraná.

Units issuance requests – whether through transfer request of Multiples of Shares to the Units Issuance Program Account or through purpose specific forms delivered to the holder – shall comprise an irrevocable and irreversible manifestation of intent by the requesting shareholder authorizing: (i)



the deposit of shares of their property at the Issuing Agent for the purpose of issuing of the corresponding Units; (ii) issuance of the respective Units by the Issuing Agent; and (iii) credit of these Units by the Issuing Agent to the respective custody account at B3.

The ordinary or preferential shares transferred to the Conversion Portfolios at B3 that do not correspond to Multiples of Shares shall be ignored for the purpose of Conversion and the subsequent issuance of the corresponding Units. The portion for which it is not possible to establish Multiples of Shares remaining in the Conversion Portfolio shall be returned to the free portfolio, in the requesting shareholder's custody account (or to the Stockholder, as the case maybe).

### **III.2. Cancellation of Units**

Except during the Share Conversion periods, holders of Units may request the financial depository institution to cancel their Units and return the respective shares deposited.

The Company Board may, at any time, suspend, for indeterminate period of time, the possibility of cancellation of Units, in the event of the onset of a public offering of primary and/or secondary distribution of Units, on the local and/or international markets, and, this being the case, the suspension period may not exceed 30 (thirty) days.

Transfer request to the Units Issuance Program Account shall comprise an irrevocable and irreversible manifestation of intent by the holder, authorizing: (a) return of Units to the Issuing Agent for the purpose of canceling them; and (b) cancellation of the respective Units.

At no moment can Units whose coverage shares bear onus, liens or other constraints be canceled.

## **IV. ADDITIONAL CLARIFICATIONS**

### **IV.1. Shareholders registered in the Company Share Registration Book wishing to deposit their shares at B3**

In supplement to the procedural nature information found in this Relevant Fact, we hereby inform that shareholders registered in the Company Share Registration Book wishing to deposit their shares in a Custody Agents to provide for the conversion of ordinary shares into preferential shares and/or preferential into ordinary and/or simply issue Units, (stressing that the option for share conversion from ordinary to preferential and/or preferential into ordinary will only be allowed to shareholders wishing to later convert them into Units), and already the registered in a Custody Agent, or wishing to register, may request the deposit of shares in custody and the conversion of shares and/or formation of Units directly to the Custody Agent of their preference, that will then be in charge of providing for the Conversion of Shares and formation of Units at B3.



#### **IV.2. Itaú Unibanco S.A. branches specialized in dealing with Securities**

- São Paulo (SP): Rua XV de Novembro, 176, ground floor; and
- Rio de Janeiro (RJ): Rua 7 de Setembro, 99, underground.

#### **V. RISKS RELATED TO THE CONVERSION AND THE UNITS ISSUANCE PROGRAM**

In the event the Units Issuance Program is effectively implemented, said Units will be listed for trading at B3. However, given that they are new security options that, despite being covered by shares traded at B3, currently have no established market. Therefore, it is not possible to guarantee that these Units will have liquidity or make any other statement with respect to Unit trading prices in the event that the Units Issuance Program is implemented.

Considering the volunteer nature of the Units Issuance Program and of the Conversion, the Company informs that, after the end of the Conversion Periods, individual negotiations will continue to be accepted at B3, for both, ordinary shares and preferential shares. However, the Company understands that the liquidity of both types of shares will be impacted if an active market should become established for the Units.

Curitiba, October 27, 2017.

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**Paulo Rogério Bragatto Battiston**  
Director of Finances and Investor Relations