

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

ITR - QUARTERLY INFORMATION FIRST QUARTER OF 2018

COMPANHIA DE SANEAMENTO DO PARANÁ – SANEPAR

**Interim financial information
As at March 31, 2018**

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Individual financial statements/ statements of financial position - assets**(In thousands of Brazilian reais)**

Code of Account	Account description	Current quarter 03/31/2018	Prior year 12/31/2017
1	Total Assets	10,352,022	10,122,671
1.01	Current assets	1,292,886	1,239,214
1.01.01	Cash and cash equivalents	549,083	533,888
1.01.01.01	Cash and banks	26,226	23,799
1.01.01.02	Financial investments	522,857	510,089
1.01.03	Accounts receivable	627,441	606,250
1.01.03.01	Trade accounts receivable	627,441	606,250
1.01.04	Inventories	36,309	36,892
1.01.06	Recoverable taxes	24,548	24,098
1.01.06.01	Current recoverable taxes	24,548	24,098
1.01.08	Other current assets	55,505	38,086
1.01.08.03	Others	55,505	38,086
1.01.08.03.01	Restricted deposits	6,160	5,838
1.01.08.03.02	Other accounts receivable	49,345	32,248
1.02	Noncurrent assets	9,059,136	8,883,457
1.02.01	Long-term assets	1,004,283	943,888
1.02.01.03	Accounts receivable	16,684	11,087
1.02.01.03.01	Trade accounts receivable	16,684	11,087
1.02.01.06	Deferred taxes	475,656	453,133
1.02.01.06.01	Deferred Income and Social Contribution Taxes	475,656	453,133
1.02.01.09	Other noncurrent assets	511,943	479,668
1.02.01.09.03	Restricted deposits	50,269	49,499
1.02.01.09.04	Recoverable taxes and contributions	823	823
1.02.01.09.05	Court deposits	186,664	185,365
1.02.01.09.06	Contractual financial assets	226,954	201,077
1.02.01.09.07	Other receivables	47,233	42,904
1.02.02	Investments	20,088	19,466
1.02.03	Fixed assets	136,966	129,945
1.02.04	Intangible assets	7,897,799	7,790,158

Individual financial statements/ statements of financial position - liabilities**(In thousands of Brazilian reais)**

Code of Account	Account description	Current quarter 03/31/2018	Prior year 12/31/2017
2	Total Liabilities	10,352,022	10,122,671
2.01	Current liabilities	1,265,647	1,256,643
2.01.01	Payroll and social charges	100,344	100,036
2.01.01.02	Labor liabilities	100,344	100,036
2.01.02	Trade accounts payable	144,084	182,655
2.01.03	Tax liabilities	86,353	66,941
2.01.04	Loans and financing	569,935	562,548
2.01.04.01	Loans and financing	133,945	131,988
2.01.04.02	Debentures	430,632	426,579
2.01.04.03	Financing from finance lease	5,358	3,981
2.01.05	Other liabilities	208,479	205,336
2.01.05.02	Others	208,479	205,336
2.01.05.02.01	Dividends and interest on equity capital payable	136,410	136,265
2.01.05.02.04	Concession contracts	7,785	7,716
2.01.05.02.05	Collaterals and contractual retentions	2,674	2,674
2.01.05.02.06	Unearned revenue	4,200	4,200
2.01.05.02.07	Other accounts payable	57,410	54,481
2.01.06	Provisions	156,452	139,127
2.01.06.02	Other provisions	156,452	139,127
2.01.06.02.04	Provisions for pension plan and health insurance	63,873	62,443
2.01.06.02.05	Labor provisions	92,579	76,684
2.02	Noncurrent liabilities	3,746,810	3,713,374
2.02.01	Loans and financing	2,144,640	2,154,290
2.02.01.01	Loans and financing	1,133,380	1,148,756
2.02.01.02	Debentures	822,157	832,842
2.02.01.03	Financing from finance lease	189,103	172,692
2.02.02	Other liabilities	173,472	179,251
2.02.02.02	Others	173,472	179,251
2.02.02.02.03	Concession contracts	82,926	84,273
2.02.02.02.04	Taxes and contributions	1,206	1,268
2.02.02.02.05	Unearned revenue	12,250	13,300
2.02.02.02.06	Other accounts payable	77,090	80,410
2.02.04	Provisions	1,428,698	1,379,833
2.02.04.02	Other provisions	1,428,698	1,379,833
2.02.04.02.04	Provisions for pension plan and health insurance	894,224	874,199
2.02.04.02.05	Provisions	534,474	505,634
2.03	Equity	5,339,565	5,152,654
2.03.01	Realized capital stock	2,851,089	2,851,089
2.03.01.01	Paid-in capital stock	2,851,089	2,851,089
2.03.03	Revaluation surplus	79,748	81,204
2.03.03.01	Own assets	79,748	81,204
2.03.04	Income reserves	2,162,899	2,162,899
2.03.04.01	Statutory reserve	238,301	238,301
2.03.04.07	Tax incentive reserve	9,962	9,962
2.03.04.08	Additional proposed dividend	162,816	162,816
2.03.04.10	Investment plan	1,751,820	1,751,820
2.03.05	Retained earnings/(Accumulated losses)	189,164	0
2.03.06	Asset and liability valuation adjustments	7,210	8,007
2.03.08	Other comprehensive income	49,455	49,455

Individual financial statements/ Statements of income**(In thousands of Brazilian reais)**

Code of Account	Account description	Accumulated in	Prior
		current year	year
		01/01/2018 to 03/31/2018	01/01/2017 to 03/31/2017
3.01	Revenue from sales of goods and/or services	999,424	926,431
3.02	Cost of goods sold and/or services rendered	(382,165)	(359,778)
3.03	Gross result	617,259	566,653
3.04	Operating expenses/revenues	(273,811)	(295,883)
3.04.01	Selling expenses	(61,910)	(72,508)
3.04.02	General and administrative expenses	(142,958)	(140,512)
3.04.05	Other operating expenses	(68,324)	(82,728)
3.04.05.01	Provision for contingencies	(28,840)	(52,428)
3.04.05.02	Pension plan and health insurance	(21,455)	(27,261)
3.04.05.04	Profit sharing program	(17,492)	0
3.04.05.05	Other operating expenses (revenues)	(537)	(3,039)
3.04.06	Equity in earnings (losses) of controlled companies	(619)	(135)
3.05	Income (loss) before financial income (loss) and taxes	343,448	270,770
3.06	Financial income (loss)	(55,830)	(33,017)
3.06.01	Financial revenues	13,651	27,544
3.06.02	Financial expenses	(69,481)	(60,561)
3.07	Income (loss) before taxes	287,618	237,753
3.08	Income and Social Contribution Taxes	(100,707)	(77,699)
3.09	Net income (loss) from continuing operations	186,911	160,054
3.11	Income/Loss for the period	186,911	160,054
3.99	Earnings per share – (Reais/Share)		
3.99.01	Basic earnings per share		
3.99.01.01	Preferred shares	0.38265	0.32766
3.99.01.02	Common shares	0.34786	0.29788
3.99.02	Diluted earnings per share		
3.99.02.01	Preferred shares	0.38265	0.32766
3.99.02.02	Common shares	0.34786	0.29788

Individual financial statements/ Statements of comprehensive income
(In thousands of Brazilian reais)

Code of Account	Account description	ccumulated in current Year 01/01/2018 to 03/31/2018	Accumulated in prior year 01/01/2017 to 03/31/2017
4.01	Net income for the period	186,911	160,054
4.03	Comprehensive income for the period	186,911	160,054

Individual financial statements/Statements of cash flows - indirect method

(In thousands of Brazilian reais)

Code of account	Account description	Accumulated in current ye Accumulated in prior year	
		01/01/2018 to 03/31/2018	01/01/2017 to 03/31/2017
6.01	Net cash from operating activities	302,345	337,918
6.01.01	Cash from operations	353,772	344,232
6.01.01.01	Net income for the period	186,911	160,054
6.01.01.02	Depreciation and amortization	65,758	58,383
6.01.01.03	Costs of fixed and intangible assets write-offs	658	803
6.01.01.04	Impairment	(139)	(111)
6.01.01.05	Costs of investments write-offs	0	214
6.01.01.06	Discount to present value of financial assets	(2,002)	(1,679)
6.01.01.07	Allow ance for doubtful accounts	(3,545)	5,600
6.01.01.08	Deferred Income and Social Contribution Taxes, net	(22,523)	(33,574)
6.01.01.09	Provision for contingencies	28,840	52,428
6.01.01.10	Pension plan and medical insurance	21,455	27,261
6.01.01.11	Interest on financing	55,194	63,139
6.01.01.12	Monetary variations on financing	22,362	9,240
6.01.01.13	Equity in earnings (losses) of controlled companies	619	135
6.01.01.14	Appropriation of costs of funds raised from third parties	209	213
6.01.01.15	Adjustment to Fair Value – Investments	(25)	2,126
6.01.02	Changes in assets and liabilities	(51,427)	(6,314)
6.01.02.01	Trade accounts receivable	(23,243)	(25,818)
6.01.02.02	Recoverable taxes and contributions	(450)	37,884
6.01.02.03	Inventories	583	423
6.01.02.04	Court deposits	(1,299)	(26,267)
6.01.02.05	Other receivables and accounts receivable	(21,426)	(22,080)
6.01.02.06	Contractors and Suppliers	(38,571)	(17,111)
6.01.02.07	Concession contracts	(1,278)	(1,088)
6.01.02.08	Taxes and contributions	19,495	9,181
6.01.02.09	Salaries and social charges	16,203	16,372
6.01.02.10	Collaterals and contractual retentions	0	268
6.01.02.11	Unearned revenues	(1,050)	20,108
6.01.02.12	Other accounts payable	(391)	1,814
6.02	Net cash from investing activities	(206,030)	(165,077)
6.02.01	Investments in fixed and intangible assets	(204,814)	(153,920)
6.02.02	Investments	(1,216)	(11,157)
6.03	Net cash from financing activities	(81,120)	(86,191)
6.03.01	Financing	17,902	11,518
6.03.02	Amortization of financing	(47,091)	(44,913)
6.03.03	Payments of interest on financing	(50,569)	(51,316)
6.03.04	Costs of funds raised with third parties	(270)	0
6.03.05	Restricted deposits	(1,092)	(1,480)
6.05	Increase (decrease) in cash and equivalents	15,195	86,650
6.05.01	Beginning balance of cash and cash equivalents	533,888	638,330
6.05.02	Ending balance of cash and cash equivalents	549,083	724,980

Individual financial statements/ Statement of changes in equity - 01/01/2018 to 03/31/2018

(In thousands of Brazilian reais)

Code of account	Account description	Paid-in capital stock	Capital reserves, Granted options and Treasury shares	Income reserves	Retained earnings or accumulated losses	Other comprehensive income	Equity
5.01	Initial balances	2,851,089	-	2,162,899	-	138,666	5,152,654
5.03	Adjusted beginning balances	2,851,089	-	2,162,899	-	138,666	5,152,654
5.05	Total comprehensive income	-	-	-	189,164	(2,253)	186,911
5.05.01	Net income for the period	-	-	-	186,911	-	186,911
5.05.02	Other comprehensive income	-	-	-	2,253	(2,253)	-
5.05.02.06	Realization of revaluation surplus	-	-	-	2,206	(2,206)	-
5.05.02.07	Taxes on the realization of revaluation surplus	-	-	-	(750)	750	-
5.05.02.08	Realization of adjustment to attributed cost	-	-	-	1,207	(1,207)	-
5.05.02.09	Taxes on realization of adjustment to attributed cost	-	-	-	(410)	410	-
5.07	Ending balances	2,851,089	-	2,162,899	189,164	136,413	5,339,565

Individual financial statements/ Statement of changes in equity - 01/01/2017 to 03/31/2017
(In thousands of Brazilian reais)

Code of account	Account description	Paid-in capital stock	Capital reserves, Granted options and Treasury shares	Income reserves	Retained earnings or accumulated losses	Other comprehensive income	Equity
5.01	Initial balances	2,847,664	-	1,779,937	-	181,072	4,808,673
5.03	Adjusted beginning balances	2,847,664	-	1,779,937	-	181,072	4,808,673
5.05	Total comprehensive income	-	-	-	161,641	(1,587)	160,054
5.05.01	Net income for the period	-	-	-	160,054	-	160,054
5.05.02	Other comprehensive income	-	-	-	1,587	(1,587)	-
5.05.02.06	Realization of revaluation surplus	-	-	-	2,109	(2,109)	-
5.05.02.07	Taxes on the realization of revaluation surplus	-	-	-	(717)	717	-
5.05.02.08	Realization of adjustment to attributed cost	-	-	-	295	(295)	-
5.05.02.09	Taxes on realization of adjustment to attributed cost	-	-	-	(100)	100	-
5.07	Ending balances	2,847,664	-	1,779,937	161,641	179,485	4,968,727

Individual financial statements/ Statements of value added

(In thousands of Brazilian reais)

Code of account	Account description	Accumulated in current year: Accumulated in prior year	
		01/01/2018 to 03/31/2018	01/01/2017 to 03/31/2017
7.01	Revenues	1,079,827	992,203
7.01.01	Sales of merchandise, products and services	1,076,819	998,826
7.01.02	Other revenues	(537)	(1,023)
7.01.04	Reversal of/allow ance for doubtful accounts	3,545	(5,600)
7.02	Inputs acquired from third parties	(320,115)	(331,261)
7.02.01	Costs of products, merchandise and services sold	(112,174)	(105,738)
7.02.02	Materials, energy, third-party services and others	(159,418)	(147,262)
7.02.03	Loss/recovery of assets	0	(2,016)
7.02.04	Others	(48,523)	(76,245)
7.03	Gross value added	759,712	660,942
7.04	Withholdings	(65,758)	(58,383)
7.04.01	Depreciation, amortization and depletion	(65,758)	(58,383)
7.05	Net generated value added	693,954	602,559
7.06	Value added received by transfer	13,032	27,409
7.06.01	Equity in earnings (losses) of controlled companies	(619)	(135)
7.06.02	Financial revenues	13,651	27,544
7.07	Total value added to be distributed	706,986	629,968
7.08	Value added distribution	706,986	629,968
7.08.01	Personnel	220,535	207,636
7.08.01.01	Direct compensation	140,325	123,394
7.08.01.02	Benefits	70,249	74,304
7.08.01.03	Severance Pay Fund (FGTS)	9,961	9,938
7.08.02	Taxes, fees and contributions	217,936	190,064
7.08.02.01	Federal	215,533	187,962
7.08.02.02	State	404	351
7.08.02.03	Municipal	1,999	1,751
7.08.03	Return on debt capital	81,604	72,214
7.08.03.01	Interest	69,481	60,561
7.08.03.02	Rents	12,123	11,653
7.08.04	Return on equity capital	186,911	160,054
7.08.04.03	Retained earnings/ Accumulated losses for the period	186,911	160,054

1. OPERATING DATA
1.1 MARKET

We present below the 10 major contracts in % of Total Revenue of the Company:

10 Major Contracts (% of Total Revenue)					Coverage index		Total active units (in millions)	
Municipalities	Total revenue %	Remaining period of concession	Type of concession	Type of contract	Water	Sewage collections	Water	Sewage collections
Curitiba	23.7%	13.8 years	Water & Sewage	Concession	100%	94.5%	808.6	765.2
Londrina	7.1%	28.3 years	Water & Sewage	Program	100%	90.9%	239.1	220.9
Maringá	5.1%	22.4 years	Water & Sewage	Concession	100%	100.0%	160.9	164.7
Ponta Grossa	3.6%	8.0 years	Water & Sewage	Concession	100%	90.2%	137.5	123.1
Foz do Iguaçu	3.5%	25.9 years	Water & Sewage	Program	100%	97.7%	121.2	120.8
Cascavel	3.3%	6.7 years	Water & Sewage	Concession	100%	76.9%	106.9	83.4
São José dos Pinhais	2.8%	25.8 years	Water & Sewage	Program	100%	68.6%	108.3	75.2
Colombo	1.8%	Terminated	Water & Sewage	Concession	100%	60.7%	83.1	51.3
Guarapuava	1.6%	24.6 years	Water & Sewage	Program	100%	77.8%	62.4	49.3
Araucária	1.4%	14.5 years	Water & Sewage	Concession	100%	65.8%	49.9	32.9
					100%	70.9%	3,868.5	2,789.9

On April 05, 2018, the Company signed a Program Contract (contract ruling obligations between public bodies) with the Municipality of Colombo and is about to sign another with the Municipality of Curitiba, both for a period of 30 years.

The current rate of delivery with treated water is of 100.0% and the coverage of sewage collection is of 70.9% 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 90.9% of the total water connections existing at March 31, 2018.

The number of water connections of 3,101,653 in March 2018 is 1.8% higher than the number of connections (3,047,486) existing in March 2017, which represents an increase of 54,167 water connections, as follows:

Number of Water Connections*	MAR/18 (1)	%	MAR/17 (2)	%	Var. % (1/2)
Residential	2,818,783	90.9	2,781,393	91.3	1.3
Commercial	220,820	7.1	205,348	6.7	7.5
Industrial	12,722	0.4	12,338	0.4	3.1
Public Utility	23,348	0.8	22,521	0.7	3.7
Public Administration	25,980	0.8	25,886	0.9	0.4
Total	3,101,653	100.0	3,047,486	100.0	1.8

* Information not reviewed by independent auditors.

The number of sewage connections of 2,061,330 in March 2018 is 4.3% higher than the number of connections (1,976,253) existing in March 2017, representing an increase of 85,077 new sewage connections, as shown below:

1. OPERATING DATA -- continued
1.1 MARKET – continued

Number of Sewage Connections*	MAR/18 (1)	%	MAR/17 (2)	%	Var. % (1/2)
Residential	1,859,423	90.2	1,789,786	90.6	3.9
Commercial	169,078	8.2	155,104	7.8	9.0
Industrial	5,054	0.2	4,867	0.2	3.8
Public Utility	14,302	0.7	13,462	0.7	6.2
Public Administration	13,473	0.7	13,034	0.7	3.4
Total	2,061,330	100.0	1,976,253	100.0	4.3

* Information not reviewed by independent auditors.

1.2 PRODUCTIVITY

Until March 2018, the volume of treated water measured was of 124,3 million m³, as compared to 130.1 million m³ in March 2017, representing a decrease of 4.5%, mainly as the result of climate factors (increase in rain volume and low temperatures), as follows:

Measured Water Volume - million m ³ *	1Q18 (1)	1Q17 (1)	Var. % (1/2)
Residential	106.0	111.1	(4.6)
Commercial	10.0	10.2	(2.0)
Industrial	2.6	2.9	(10.3)
Public Utility	1.3	1.4	(7.1)
Public Administration	4.4	4.5	(2.2)
TOTAL MEASURED	124.3	130.1	(4.5)

* Information not reviewed by independent auditors.

In the first quarter of 2018, the volume of treated water billed was 129.1 million m³, as compared to 153.6 million m³ for the same period of 2017, which corresponds to a reduction of 16.0%, 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 10 m³ to 5 m³, as shown below:

Invoiced Water Volume - million m ³ *	1Q18 (1)	1Q17 (1)	Var. % (1/2)
Residential	110.1	132.2	(16.7)
Commercial	10.8	12.4	(12.9)
Industrial	2.6	3.0	(13.3)
Public Utility	1.1	1.3	(15.4)
Public Administration	4.5	4.7	(4.3)
TOTAL INVOICED	129.1	153.6	(16.0)

* Information not reviewed by independent auditors.

1. OPERATING DATA -- continued

1.2 PRODUCTIVITY - continued

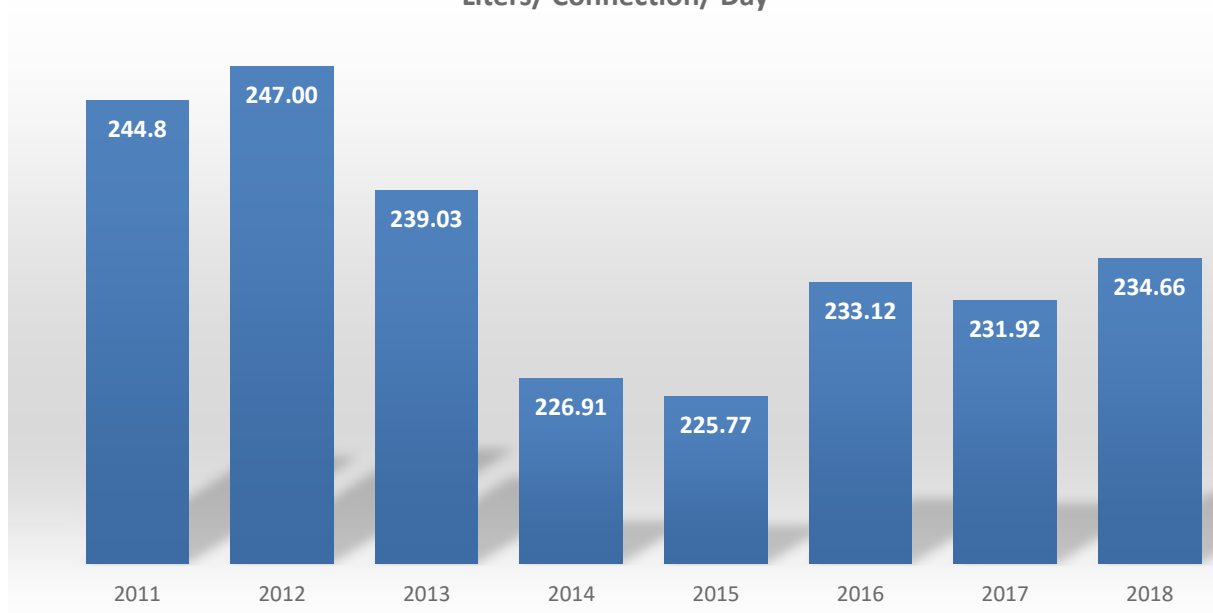
The volume of sewage billed in the first quarter showed a reduction of 13.4% as compared to the same period for the previous year, also the result of the change in the Company's tariff structure, as shown below:

Invoiced Sewage Volume - million m ³ *	1Q18 (1)	1Q17 (1)	Var. % (1/2)
Residential	79.1	92.3	(14.3)
Commercial	9.7	10.7	(9.3)
Industrial	0.7	0.8	(12.5)
Public Utility	0.9	1.0	(10.0)
Public Administration	3.3	3.4	(2.9)
TOTAL INVOICED	93.7	108.2	(13.4)

* Information not reviewed by independent auditors.

LOSSES PER CONNECTION INDEX *

Liters/ Connection/ Day



* Information not reviewed by independent auditors.

(1) Cumulative amounts from January to March 2018.

1. OPERATING DATA -- continued
1.3 OPERATING INDEXES

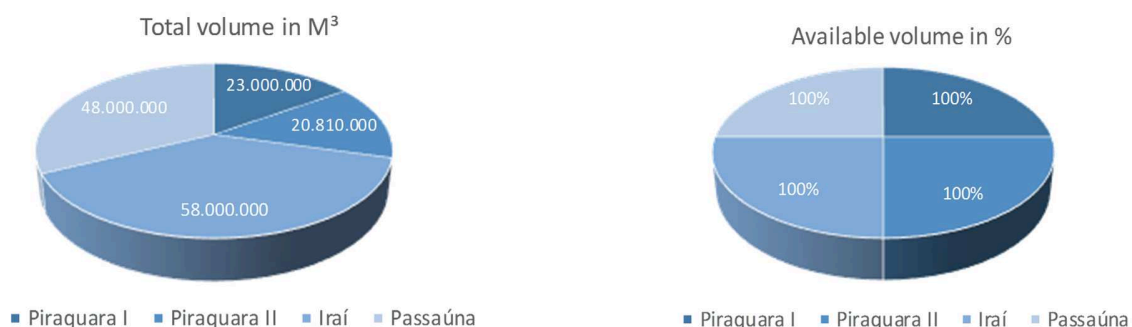
Water	1Q18 (1)	1Q17 (1)	Var. % (1/2)	1Q16 (3)	Var. % (2/3)
Units served by the distribution network	3,868,479	3,767,639	2.7	3,682,486	2.3
Number of treatment stations	166	164	1.2	170	(3.5)
Number of wells	1,070	1,044	2.5	1,033	1.1
Number of surface catchment	229	228	0.4	228	-
Km of laid network	53,119	51,865	2.4	50,303	3.1
Volume produced	189,701,655	192,398,811	(1.4)	186,379,440	3.2
Loss rate:					
In distribution system - %	34.49	32.39	6.5	33.15	(2.3)
In billings - %	31.99	20.15	58.8	20.13	0.1
Evasion of revenues - %	1.94	2.88	(32.6)	3.74	(23.0)
Sewage	1Q18 (1)	1Q17 (2)	Var. % (1/2)	1Q16 (3)	Var. % (2/3)
Units served by the collection network	2,789,849	2,656,202	5.0	2,516,709	5.5
Number of treatment stations	245	239	2.5	237	0.8
Km of laid network	35,407	33,342	6.2	31,314	6.5
Volume collected in m ³	89,782,691	91,403,691	(1.8)	85,140,735	7.4

WATER VOLUME

The average volume available of the Integrated Supply System of Curitiba (SAIC) is formed by the dams Piraquara I, Piraquara II, Iraí and Passaúna.

In the Municipality of Foz do Iguaçu, Sanepar uses water from the dam of the hydroelectric power plant Itaipu Binacional, of Itaipu lake, in Paraná River.

The dams of Sanepar are considered of medium size in relation to storage volume, but large due to height/depth of more than 15 meters. By the end of the quarter, the dams returned to reach their maximum volume, with 100% storage.



2. FINANCIAL DATA
2.1 ECONOMIC PERFORMANCE

Operating revenue	1Q18 (1)	1Q17 (2)	Var. % (1/2)
Revenues from water	658.9	615.0	7.1
Revenues from sewage	376.6	342.6	9.9
Revenues from services	30.7	32.1	(4.4)
Revenues from solid waste	2.3	2.1	9.5
Services provided to Municipalities	4.0	2.9	37.9
Donations made by clients	3.0	3.1	(3.2)
Other revenues	1.3	1.0	30.0
Total operating revenues	1,076.8	998.8	7.8

Gross operating revenue grew 7.8%, from R\$ 998.8 million in the first quarter 2017, to R\$ 1,076.8 million for the equal period of 2018. This growth is the outcome of the tariff readjustment of 8.53% in 2017, the increased delivery of water and sewage services and an increase in the number of connections.

Operating costs and expenses	1Q18 (1)	1Q17 (2)	Var. % (1/2)
Personnel	239.1	244.5	(2.2)
Materials	36.9	37.9	(2.6)
Electricity	93.1	87.2	6.8
Third-party services	140.5	128.9	9.0
Depreciation and amortization	65.8	58.4	12.7
Losses in Realization of Credits	(3.5)	5.6	(162.5)
Municipal Sanitation and Environmental Management Fund	7.1	6.6	7.6
Regulatory fee	5.2	-	-
Sanepar Rural program	0.4	5.8	(93.1)
Other Costs and Expenses	21.0	16.6	26.5
Expenses Capitalized	(18.5)	(18.7)	(1.1)
Total operating costs and expenses	587.1	572.8	2.5

Operating costs and expenses accumulated in the first quarter of 2018 grew 2.5% in comparison to the same period in 2017.

The main changes resulted from:

2. FINANCIAL DATA - continued
2.1 ECONOMIC PERFORMANCE - continued

- Decrease of 2.2% in personnel expenses, mainly due to the lower provision for expenses on termination amounts referring to 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) and to the reduction in staff. The adhesion of 50 employees to the programs (49 to PAI and 1 to PDVTC) represented a decrease of 0.9% in payroll – with payback of the programs estimated in 8 months;
- Growth of 9.0% in expenses on third-party services, mainly in operating maintenance services, surveillance services, expenses on electricity and network maintenance services;
- Decrease of 162.5% in losses on the realization of credits arising from installment payments of the debts from the municipalities of Astorga and Campo Mourão; and
- Increase of 26.5% in other operating expenses, mainly, from compensation of damages to third parties and expenses on social, environmental, educational and research programs and/or partnerships.

Financial income (loss)	1Q18 (1)	1Q17 (2)	Var. % (1/2)
Financial revenues			
Financial investments	9.3	21.9	(57.5)
Monetary variation gains	2.3	2.2	4.5
Other financial revenues	2.1	3.4	(38.2)
Total financial revenues	13.7	27.5	(50.2)
Financial expenses			
Financing and Debenture Interest and Charges	(45.1)	(50.8)	(11.2)
Monetary variation losses	(22.4)	(8.8)	154.5
Other financial expenses	(2.0)	(0.9)	122.2
Total financial expenses	(69.5)	(60.5)	14.9
Financial income (loss)	(55.8)	(33.0)	69.1-

Financial losses increased 69.1% from R\$ 33.0 million to R\$55.8 in the first quarter of 2017 and 2018, respectively, mainly as the result of a reduction in financial revenues (decrease in return rates of financial investments, mainly Reference Rate (TR) and Interbank Deposit Rate (CDI)) by 57.5% and of the increase in monetary variation losses (inflation adjustment of the debt of finance lease in the amount of R\$ 17.4 million) by 154.5%.

2. FINANCIAL DATA - continued
2.2 ECONOMIC INDICATORS

The Company had a net profit of R\$ 186.9 million accumulated up to the first quarter 2018, 16.7% higher than the net result of R\$ 160.1 million posted for the same period in 2017. The result was mainly affected by the increase in operating revenue and management of operating costs and expenses.

Net income (loss)	1Q18 (1)	1Q17 (2)	Var. % (1/2)
Operating income (loss)	343.4	270.8	26.8
Financial income (loss)	(55.8)	(33.0)	69.1
Taxes on income	(100.7)	(77.7)	29.6
Net income	186.9	160.1	16.7

Following is the reclassification of income (loss) of the 1st quarter, excluding non-recurring items.

Non-recurring items	1Q18 (1)	1Q17 (2)
Net income	186.9	160.1
PAI and PDVTC	6.8	15.5
PPR	17.5	-
Regulatory fee	5.2	-
Civil actions, lack of water in Maringá	-	45.8
Brazilian Institute of Environment and Renewable Natural Resources (IBAMA)	18.0	-
Monetary variation loss from financial lease	17.4	-
Tax effects	22.1	20.8
Pro forma net income	273.9	242.2
Net margin	27.4	26.1
EBTIDA	474.1	390.4
EBITDA margin	47.4	42.1

Distribution of the Economic Wealth Generated	1Q18 (1)	1Q17 (2)	Var. % (1/2)
Personnel compensation	220.5	207.6	6.2
Government Compensation (Taxes)	217.9	190.1	14.6
Third-party compensation (property lease)	12.1	11.7	3.4
Return on debt capital (interest and monetary variations)	69.6	60.5	15.0
Net income for the period not distributed	186.9	160.1	16.7
Total Economic Wealth	707.0	630.0	12.2

2. FINANCIAL DATA - continued
2.2 ECONOMIC INDICATORS - continued

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

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

Economic Indicators	1Q18 (1)	1Q17 (2)	Var. % (1/2)
Net operating revenue (1)	999.4	926.4	7.9
Operating profit	343.4	270.8	26.8
Net income	186.9	160.1	16.7
% Operating margin	26.7	23.8	12.2
% Net margin	18.7	17.3	8.1
% Mean PL profitability	3.6	3.3	8.8
Net debt/ EBITDA (Accumulated 12 month)	1.5	1.6	(6.3)

(1) The increase in operating revenue between the months of March 2017 and March 2018, stems from the 1st Tariff Revision of 10.48% starting on 04/01/2016, with full impact in 2017, as well from the 1st Tariff Revision authorized by the Delegated Public Infrastructure Utility Services Regulatory Agency of the State of Paraná (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 (1.8%) and sewage (4.3%) connections.

At the end of the first quarter of 2018, the Company's assets amounted to R\$ 10,352.0 million (R\$ 10,122.7 million as at 12/31/2017), while total debt of the end of the quarter amounted to R\$ 5,012.4 million (R\$ 4,970.0 million as at 12/31/2017).

From total debt, R\$ 2,714.6 million (R\$ 2,716.8 million at 12/31/2017) refer to loans, financing and debentures, with a reduction of 1.0% in comparison with the end of 2017.

	Reference	MAR/18	DEC/17	Var. %
Equity	R\$ million	5,339.6	5,152.7	3.6
Share value	R\$	10.60	10.23	3.6
Indebtedness level	%	48.4	49.1	(1.4)
Current ratio	R\$	1.02	0.99	3.0
Quick ratio	R\$	0.99	0.95	4.2

2. FINANCIAL DATA - continued
2.2 ECONOMIC INDICATORS - continued
EBITDA and Generation of Operating Cash

EBITDA accumulated up to the first quarter 2018, representing the Company's operating results was of R\$ 409.2 million, as compared to R\$ 329.2 million for the same period in the previous year, mainly the result from the increase in revenues. EBITDA margin was reduced from 35.5% to 40.9%.

Operating cash generation was of R\$ 302.3 million, decrease of 10.5% as compared to the same period in 2017. Conversion of EBITDA into Operating Cash was of 73.9%.

EBITDA	1Q18 (1)	1Q17 (2)	Var. % (1/2)
Net profit for the period	186.9	160.1	16.7
(+) Taxes on Income	100.7	77.7	29.6
(+) Financial income	55.8	33.0	69.1
(+) Depreciation and amortization	65.8	58.4	12.7
TOTAL	409.2	329.2	24.3
% EBITDA margin	40.9	35.5	15.2
% EBITDA conversion into cash	73.9	102.7	(28.0)

2.3. INVESTMENTS

The investments made in the first three months of 2018 totaled R\$ 204.8 (R\$ 153.9 million in 1Q17). From the investments made, R\$ 103.0 million were allocated to water supply systems, R\$ 63.9 million to sewage systems and R\$ 37.9 million to infrastructure.

Investments	1Q18 (1)	1Q17 (2)	Var. % (1/2)
Water	103.0	66.8	54.2
Sewage	63.9	77.0	(17.0)
Administrative and others	37.9	10.1	275.2
Total	204.8	153.9	33.1

2.4 INDEBTEDNESS

Gross debt increased from R\$ 2,700.0 million in the 1Q17 to R\$ 2,714.6 in the 1Q18, representing an increase of R\$ 14.6 million. Net debt went from R\$ 1,975.0 million in March 2017 to R\$ 2,165.5 million in March 2018.

2. FINANCIAL DATA - continued
2.4 INDEBTEDNESS - continued

Leverage index measured by Net debt/EBITDA ratio (accumulated 12 months) decreased 9.9% from 1.6x to 1.5x in 1Q17 and 1Q18, respectively, as a result of the increase in EBITDA.

Next is the breakdown of loans, financing, debentures and lease, with their respective interest rates, maturities and debt balances as at March 31, 2018:

Indebtedness	Annual interest rate	Index	Contract termination	Debt balance	%
Caixa Econômica Federal (Federal Bank)	6.62% to 12.68%	TR	02/19/2041	918.8	33.8
BNDES – PAC2	1.76% and 2.05%	Long-term Interest Rate (TJLP)	07/15/2029	230.4	8.5
Finance lease	13.17%	Consumer	12/05/2036	194.5	7.2
Debentures 5th Issue – 2nd series	0.67%	DI	06/15/2018	192.7	7.1
Debentures 4th Issue – 1st series	1.67%	TJLP	07/15/2027	191.2	7.0
Debentures 6th Issue – 2nd series	0.83%	DI	08/15/2019	170.9	6.3
Debentures 3rd Issue – 2nd series	6.99%	National	11/15/2020	135.4	5.0
Debentures 2nd Issue – 2nd series	9.19%	IPCA	09/15/2024	129.5	4.8
Debentures 2nd Issue – 3rd series	1.92%	TJLP	09/15/2024	105.4	3.9
Debentures 4th Issue – 2nd series	7.44%	IPCA	07/15/2027	99.4	3.7
Debentures 6th Issue – 1st series	0.81%	DI	08/15/2018	80.6	2.9
Debentures 2nd Issue – 1st series	1.92%	TJLP	09/15/2024	79.0	2.9
BNDES	1.82% and 2.50%	TJLP	01/15/2023	78.6	2.9
Debentures 3rd Issue – 1st series	0,69%	DI	11/15/2018	68.5	2.5
Banco Itaú – PSI	3.00 to 6.00%	-	01/15/2025	21.4	0.8
Banco do Brasil – PSI	3.00 to 6.00%	-	04/15/2024	18.3	0.7
Total long and short term debt				2,714.6	100.0

We present below the debt profile in relation to maturity:

Description	Debt balance	%
12 months	569.9	21.0
24 months	446.4	16.4
36 months	261.3	9.6
60 months	344.5	12.7
Over 60 months	1,092.5	40.3
Total	2,714.6	100.0

3. REGULATIONS

The Company was authorized by AGEPAR - Agência Reguladora de Serviços Públicos Delegados de Infraestrutura do Paraná (Delegated Public Infrastructure Utility Services Regulatory Agency of the State of Paraná), by means of Ratifying Resolution No. 003, of April 17, to apply a rate adjustment of 25.63%, as provided for in article 3:

“Article 3 – Determine that the application of the tariff revision approved as per article 2 of this Resolution shall be deferred in eight (8) years, the first installment corresponding in 2017 to an average adjustment of eight point fifty-three percent (8.53%), and the remaining in seven (7) installments of two point eleven percent (2.11%), plus the corresponding financial and inflation adjustments, which shall correspond to the Central Bank Overnight Rate (SELIC), in accordance with the terms set forth in the Technical Note approved in article 1 of this Resolution.”

In accordance with Technical Orientation OCPC 08 – Recognition of Certain Assets and Liabilities in Financial Reporting of Energy Distributors issued pursuant to Brazilian and International Accounting Standards, the Company does not record in its Financial Statements the amounts receivable resulting from deferral, considering that: (i) the realization or payment of these amounts depend of a future event not fully under the control of the entity – future billing of water and sewage services; (ii) it is not possible to know, when the receivables are generated, which are the debtors of these amounts; and (iii) the actual receipt of these amounts shall only occur if the concession is maintained.

The estimated receivable resulting from the difference between the Required Revenue and the Verified Revenue shall be measured and disclosed during the whole deferral period, representing, up to March 31, 2018, R\$ 547.9 million. This amount represents the best estimate as at March 31, 2018. In actual terms, the index of 25.63% to be applied in 2017 resulted in 10.82% added to the Company’s tariff, with 13.36% still deferred for the next 6 years.

Portion A Cost Variation Account (CVA)

Portion A cost variation offsetting account corresponds to the offset of the monthly differences, whether gains or losses, calculated as a result of the variations in the costs of electricity, chemical products and segment charges, adjusted by IPCA.

The CVA is determined from the historical cost verified in the period $t - 1$ for the three components referred to above and passed by means of adjustments in the t period. However, the basic formulation of the tariff adjustment does not guarantee the perfect pass through of non-manageable costs to consumers, given that it does not consider, for example, the differences between reference and application markets.

As the calculation of the tariff adjustment assumes that exactly the same volume (m^3) verified upon the calculation of the adjustment will happen in the following period, by the end of t period the balance of CVA would be zero.

3. REGULATIONS - continued

In December 2017, the Company's CVA represents a debt balance of R\$ 8.7 million, which adjusted by IPCA up to March 2018 totaled R\$ 8.8 million, that is, the amount verified in 2017, adjusted up to March 2018, that Sanepar shall return through the tariff. From January to March 2018 the debt value was R\$ 0.4 million, therefore, in March 2018, CVA accumulated debt balance is R\$ 9.2 million.

Tariff Adjustment

The Executive Board of AGEPAR approved on March 28, 2018, through Final Technical Note No. 001/2018, the Annual Tariff Adjustment (IRT) of 5.12% on the services rendered to be applied as from May 17, 2018 and approved the application of the Sanitation Tariff Chart, as per Ratifying Resolution No. 005/2018.

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date March 31, 2018

(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 4.1% of the contracts are currently being renewed for being expired, 17.3% expire from 2018 to 2027 and 78.6% were renewed and expire after 2028. 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 14.

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 11. 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, sent for approval by the proper agencies, being currently under analysis.

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date March 31, 2018

(In thousands of Brazilian Reais)

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 April 27, 2018.

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.

3. MAIN ACCOUNTING PRACTICES

The main accounting practices used in the preparation of the Interim Financial Information for the quarter ended March 31, 2018 are consistent with the practices described in Note 3 of the Company's financial statements for the year ended December 31, 2017.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company is exposed to financial risks, however, they are all managed or mitigated to not significantly affect the results of its operations and are described in this Note.

4.1 Financial risk management

Business risk: The Company's business relates primarily to capture, treat and distribute water, collect and treat sewage for 345 municipal centers operated in the State of Paraná and 1 in the State of Santa Catarina. The Company's results depend on the maintenance of concessions in the municipalities where it operates, usually the concession contracts and program contracts have a term of 30 years. These contracts foresee meeting targets for the expansion and maintenance of water and sewage systems, related to the rate of service of the water supply and sewage collection networks. In some situations, the municipality may terminate the contract before its final term or not authorize its renewal upon compensation

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date March 31, 2018

(In thousands of Brazilian Reais)

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS -- continuation

4.1 Financial risk management -- continuation

at the fair value of the balances of investments not yet depreciated/amortized. The wealth in water resources and efficient systems reduce the risk of water shortage. The process of readjustment and review of the tariff is approved by the Regulatory Agency.

Credit risk: The Company is exposed to credit risk of the counterpart in its financial transactions (cash and cash equivalents, bank deposits and financial institutions) and accounts receivable (credit to customers and balances with related parties). The maximum exposure is equivalent to the accounting value as at March 31, and stated in Notes 6, 9 e 20. The risks related to trade accounts receivable are reduced because their composition includes a dispersed base which covers practically the entire population of the State of Paraná. Considering our type of business, we do not perform a credit history analyses, and adopt the practice of cutting the supply in case of default, with a minimum prior notice of thirty days. The level of losses on accounts receivable is considered normal for the sanitation sector.

The practice of cutting the supply is not applicable to the public bodies, however, Management is intensifying efforts to reduce delinquency levels with negotiations with these municipalities and attempting to offset accounts with those who have credits with the Company, In case there is no agreement, the company files for judicial recovery.

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

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

Sensitivity analysis of interest rate: the following is the calculation sensitivity to a possible change in the rate of return on financial investments and interest on the principal of loans and financing subject to variable interest rates, which can have significant impact to the Company. If the return rates of investments and interest on the loans held in real varied around 25% and 50% more or less, with all other variables held constant, the effect on profit before taxes would have been R\$ 7,426 and R\$ 14,852 plus or minus in particular due to the revenues stemming from financial investments and interest rates expenses lower or higher than in the financial loans as variable interest rates described below:

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date March 31, 2018

(In thousands of Brazilian Reais)

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS -- continuation

4.1 Financial risk management -- continuation

Analysis					
Description	Index	+ 25%	-25%	+50%	-50%
Caixa FI Sanepar I Renda Fixa	DI	2,042	(2,042)	4,084	(4,084)
Assets		2,042	(2,042)	4,084	(4,084)
Caixa Econômica Federal	TJLP	(284)	284	(568)	568
BNDES	TJLP	(630)	630	(1,260)	1,260
BNDES-PAC2	TJLP	(474)	474	(948)	948
Debentures 2nd Issuance - 1st and 3rd series	IPCA	(328)	328	(656)	656
Debentures 2nd Issuance – 2nd series	DI	(296)	296	(592)	592
Debentures 3rd Issuance – 1st series	IPCA	(336)	336	(672)	672
Debentures 3rd Issuance – 2nd series	TJLP	(489)	489	(978)	978
Debentures 4th Issuance – 1st series	IPCA	(268)	268	(536)	536
Debentures 5th Issuance – 2nd series	DI	(835)	835	(1,670)	1,670
Debentures 6th Issuance – 1st series	DI	(381)	381	(762)	762
Debentures 6th Issuance – 2nd series	DI	(798)	798	(1,596)	1,596
Finance lease	IPC	(4,349)	4,349	(8,698)	8,698
Liabilities		(9,468)	9,468	(18,936)	18,936
Effects on Profit before Taxation		(7,426)	7,426	(14,852)	14,852

The TR considered considered in the 12-month period was of 0.24% and the TJLP, 6,94%, obtained from BACEN - Banco Central do Brasil, IPCA rate of 2.68%, obtained from IBGE – Instituto Brasileiro de Geografia e Estatística, and DI rate of 6.39% obtained from CETIP SA and IPC – FIPE of 1.93%, obtained from the Fundação Instituto de Pesquisas Econômicas – FIPE.

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

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

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date March 31, 2018

(In thousands of Brazilian Reais)

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS -- continuation

4.2. Capital risk management

The purpose of the capital management of the Company is to guarantee a strong credit *rating* to financial institutions and an optimal capital ratio in order to support business and maximize values to the shareholders. The Company manages its capital structure by means of adjustments and adequacy to current economic conditions. With this objective, the company can make payments of dividends, enter into new loans, issue promissory notes and contract operations with derivatives. For the period ended on March 31, 2018, there was no change in the objectives, policies or capital structure processes.

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

	<u>03/31/2018</u>	<u>12/31/2017</u>
Loans, financing, debentures and finance lease	2,714,575	2,716,838
Cash and cash equivalents	(549,083)	(533,888)
Net debt	2,165,492	2,182,950
Equity	5,339,565	5,152,654
Ratio Net Debt/Net Equity	0.41	0.42

4.3. Financial Instruments

As at March 31, 2018, the Company had no financial assets or liabilities presented at their fair values through income. 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:

<u>Description</u>	<u>Book value</u>		<u>Fair value</u>	
	<u>03/31/2018</u>	<u>12/31/2017</u>	<u>03/31/2018</u>	<u>12/31/2017</u>
Financial assets				
Cash and cash equivalents	549,083	533,888	549,083	533,888
Accounts receivables from customers, net	644,125	617,337	644,125	617,337
Restricted deposits	56,429	55,337	56,429	55,337
Contractual financial assets	226,954	201,077	226,954	201,077
Total	<u>1,476,591</u>	<u>1,407,639</u>	<u>1,476,591</u>	<u>1,407,639</u>
Financial liabilities				
Loans, financing, debentures and finance lease	2,714,575	2,716,838	2,714,575	2,716,838
Contractors and Suppliers	144,084	182,655	144,084	182,655
Concession agreements	90,711	91,989	90,711	91,989
Total	<u>2,949,370</u>	<u>2,991,482</u>	<u>2,949,370</u>	<u>2,991,482</u>

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date March 31, 2018

(In thousands of Brazilian Reais)

5. CASH AND CASH EQUIVALENTS

These have the following composition:

<u>Descrição</u>	<u>03/31/2018</u>	<u>12/31/2017</u>
Unrestricted bank deposits	10,680	3,618
Restricted bank deposits	15,546	20,181
	26,226	23,799
Financial investments	522,857	510,089
Total cash and cash equivalents	549,083	533,888

The financial investments approximate fair value and are of short-term type, with high liquidity and low risk of change in value. They comprise investments in fixed income funds, whose portfolio mostly consists of securities issued by the Federal Government, with average remuneration of 98.84% of CDI (Interbank Deposit Rate) (99.68% in 2017) and Bank Certificates of Deposit at floating rate of 100.50% to 102.00% do CDI of CDI according to the investment period contracted and elapsed.

6. TRADE ACCOUNTS RECEIVABLES, NET

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

<u>Descrição</u>	<u>03/31/2018</u>	<u>12/31/2017</u>
Falling due accounts receivable	233,580	222,911
Accounts receivable from installment payments	54,500	48,943
Adjustment to present value	(3,909)	(2,453)
Accounts to be billed (Unbilled consumption)	169,792	174,987
	453,963	444,388
Overdue accounts receivable		
From 1 to 30 days	116,712	109,098
From 31 to 60 days	32,812	29,817
From 61 to 90 days	13,080	12,484
From 91 to 180 days	21,296	20,636
Over 180 days	173,853	172,064
Allowance for doubtful accounts	(167,591)	(171,150)
	190,162	172,949
Total accounts receivable, net	644,125	617,337
Current	627,441	606,250
Noncurrent	16,684	11,087

From the total of overdue accounts receivable, net of the allowance for doubtful accounts, R\$6,648 (R\$2,754 as at 12/31/2017) refers to outstanding amounts from municipal governments; R\$179,949 (R\$166,992 as at 12/31/2017) from private customers; R\$44 (R\$3 as at 12/31/2017) from the Federal government, and R\$3,521 (R\$3,200 as at 12/31/2017) from the State government.

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6. TRADE ACCOUNTS RECEIVABLES, NET -- continuation

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

<u>Description</u>	<u>03/31/2018</u>	<u>12/31/2017</u>
Balances at beginning of period	(171,150)	(146,336)
Amounts recorded as expenses	3,545	(28,800)
Write-offs, net of recoveries	14	3,986
Balances at end of period	(167,591)	(171,150)

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

<u>Description</u>	<u>03/31/2018</u>	<u>12/31/2017</u>
Private customers	110,572	103,896
Federal government agencies	-	1
Municipal governments	57,019	67,253
Totais	167,591	171,150

d) The balances of short- and long-term trade accounts receivable arising from installment payments have been discounted to present value. The changes in present value adjustment was as follows:

<u>Description</u>	<u>03/31/2018</u>	<u>12/31/2017</u>
Balances at beginning of period	(2,453)	(3,408)
Adjustment to Present Value	(1,456)	955
Balances at end of period	(3,909)	(2,453)

7. RECOVERABLE TAXES AND CONTRIBUTIONS

These have the following composition:

<u>Description</u>	<u>03/31/2018</u>	<u>12/31/2017</u>
Income tax to offset	20,275	19,903
Social contribution tax to offset	3,861	3,783
Withheld taxes and contributions – public agencies	1,235	1,235
Total	25,371	24,921
Current	24,548	24,098
Noncurrent	823	823

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8. RESTRICTED DEPOSITS

Restricted deposits breakdown as follows:

Description	03/31/2018	12/31/2017
National Water Agency - ANA	6,879	6,777
Health National Foundation - FUNASA	3,867	3,579
Reserves kept in CAIXA (1)	45,683	44,981
Total	56,429	55,337
Current	6,160	5,838
Noncurrent	50,269	49,499

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

9. OTHER ACCOUNTS RECEIVABLE

These break down as follows:

Description	03/31/2018	12/31/2017
Advances to employees	17,381	3,898
Reimbursable payments	20,895	13,930
Guarantee deposits	2,224	2,224
<i>Fundo Municipal de Meio Ambiente</i> (Municipal Fund for the Environment) (1)	46,827	43,195
Prepaid expenses	5,578	4,315
Assignment for operation of financial services	2,900	6,800
Bonds and other receivables	773	790
Totais	96,578	75,152
Current	49,345	32,248
Noncurrent	47,233	42,904

(1)) Transfer of a percentage of revenue for municipalities as established in the concession/program contract.

10. CONTRACTUAL FINANCIAL ASSETS

Changes in financial assets are as follows:

Description	12/31/2017	Additions	PVA revenue	PVA expense	03/31/2018
Investment Not Amortized	570,128	74,664	-	-	644,792
Present Value Adjustment (PVA)	(369,051)	(50,789)	2,002	-	(417,838)
Total	201,077	23,875	2,002	-	226,954

The equivalent discount rate applied to calculate the present value adjustment was 4,0% (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.

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11. INVESTMENTS

<u>Description</u>	<u>03/31/2018</u>	<u>12/31/2017</u>
Jointly controlled investment - CS Bioenergia S.A.	19,429	18,832
Investment recognized at cost method	522	522
Investment recognized at fair value	137	112
Total	20,088	19,466

Investments in joint venture

The Company holds 40% interest in CS Bioenergia S.A. referring to a capital contribution of R\$ 25,858 and R\$1,216 as Advance for Future Increase in Capital - AFAC. The Company's interest is accounted for under the equity method in the investee's financial statements, which are summarized below:

<u>Statement of financial position – CS Bioenergia S.A.</u>	<u>03/31/2018</u>	<u>12/31/2017</u>
Current assets	2,791	897
Noncurrent assets	59,881	60,291
• Fixed assets	40,774	40,770
• Finance lease	19,105	19,519
• Others	2	2
Total Assets	62,672	61,188
Current liabilities	1,392	1,286
• Loans, financing and finance lease	910	910
• Others	482	376
Noncurrent liabilities	12,709	12,822
• Loans, financing and finance lease	12,709	12,822
Equity	48,571	47,080
Total Liabilities	62,672	61,188

<u>Statement of operations – CS Bioenergia S.A.</u>	<u>03/31/2018</u>	<u>12/31/2017</u>
Revenue	1,273	2,633
(-) Operating expenses	(2,083)	(5,786)
Financial income (loss)	(737)	(1,324)
Income (loss) before taxes	(1,547)	(4,477)
IRPJ (Corporate Income Tax) and CSLL (Social Contribution Tax)	-	-
Loss for the period	(1,547)	(4,477)

Changes in the investment in the period are as follows:

<u>Descrição</u>	<u>03/31/2018</u>	<u>12/31/2017</u>
Balance at beginning of period	18,832	9,466
Capital contribution	1,216	11,157
Equity in earnings (losses) of controlled company (percentage of interest 40%)	(619)	(1,791)
Balance at end of period	19,429	18,832

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11. INVESTMENTS - continued

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 12/31/2017).

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 03/31/2018 equivalent to R\$137.

12. FIXED AND INTANGIBLE ASSETS

a) Fixed assets

These have the following composition:

<u>By lines</u>			<u>03/31/2018</u>	<u>12/31/2017</u>
<u>Description</u>	<u>Cost</u>	<u>Accumulated depreciation</u>		<u>Net Amount</u>
Administration	250,024	(113,483)	136,541	129,564
Other fixed assets	2,525	(2,100)	425	381
Totais	252,549	(115,583)	136,966	129,945

<u>By nature</u>			<u>03/31/2018</u>	<u>12/31/2017</u>
<u>Description</u>	<u>Annual depreciation rate</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net Amount</u>
Plots of land	-	2,309	-	2,309
Civil construction	*1.84%	68,634	(15,113)	53,521
Improvements	2%	1,933	(667)	1,266
Facilities	*5.83%	3,844	(2,190)	1,654
Equipment	*6.23%	56,056	(21,261)	34,795
Furniture and fixtures	7.14%	38,536	(17,612)	20,924
IT equipment	*19.82%	34,506	(24,658)	9,848
Vehicles	*13.05%	28,813	(18,911)	9,902
Machinery, tractors and similar	*19.35%	16,518	(14,857)	1,661
Tools	6.67%	1,400	(314)	1,086
Total		252,549	(115,583)	136,966
				129,945

* Weighted average rate

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12. FIXED AND INTANGIBLE ASSETS -- continuation

b) Intangible assets

These have the following composition:

By lines			03/31/2018	12/31/2017
Description	Cost	Accumulated amortization		Net Amount
Water mains	4,236,631	(1,411,296)	2,825,335	2,819,606
Sewage mains	4,868,296	(991,349)	3,876,947	3,841,755
Solid waste	2,213	(2,209)	4	-
System Use and Operation Rights	125,094	(68,149)	56,945	57,986
Other intangible assets	111,036	(52,082)	58,954	45,341
Projects and Works in Progress	1,022,584	-	1,022,584	972,060
Inventory for Construction Work	57,030	-	57,030	53,410
Total	10,422,884	(2,525,085)	7,897,799	7,790,158

By nature			03/31/2018	12/31/2017
Description	Annual amortization rate	Cost	Accumulated amortization	Net Amount
Plots of land	-	138,937	-	138,937
Wells	*3.10%	134,082	(35,459)	98,623
Dams	*2.67%	145,177	(52,682)	92,495
Civil construction	*2.59%	2,096,404	(457,009)	1,639,395
Improvements	*2.67%	21,595	(2,590)	19,005
Piping	*2.64%	4,922,252	(1,151,655)	3,770,597
Building connections	3.33%	666,447	(209,398)	457,049
Facilities	*5.83%	150,138	(48,659)	101,479
Hydrometers	10%	176,853	(71,651)	105,202
Macro-meters	10%	5,638	(3,628)	2,010
Equipment	*6.23%	544,191	(254,753)	289,438
Furniture and fixtures	7.14%	4,867	(2,940)	1,927
IT equipment	*19.82%	86,089	(80,833)	5,256
Computer programs	20%	49,595	(36,520)	13,075
Vehicles	*13.05%	34,604	(15,122)	19,482
Machinery, Tractors and similar	*19.35%	18,346	(17,134)	1,212
Tools	6.67%	279	(182)	97
Rights of Use of Transmission Lines	6.25%	156	(128)	28
Environmental protection and preservation	20%	22,526	(16,593)	5,933
Concession of the Mun. of Curitiba (1)	3.33%	125,000	(68,055)	56,945
Concession of the Mun. of Cianorte (2)	5%	94	(94)	-
Projects and Works in Progress	-	1,022,584	-	1,022,584
Inventory for Construction Work	-	57,030	-	57,030
Total		10,422,884	(2,525,085)	7,897,799

* Weighted average rate

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12. FIXED AND INTANGIBLE ASSETS -- continuation

b) Intangible assets -- continuation

- (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 14.
- (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 March 31, 2018, is in reference to 289 (133 as at 12/31/2017) works in expansion and implementation of Water Supply Systems in 210 (93 as at 12/31/2017) localities, for the amount of R\$483,856 (R\$426,079 as at 12/31/2017); 184 (130 as at 12/31/2017) works in connection with Sewage Collection and Treatment Systems in 127 (91 as at 12/31/2017) localities, for the amount of R\$355,406 (R\$372,357 as at 12/31/2017), as well as R\$183,322 (R\$173,624 as at 12/31/2017) in investments in different operational projects and works in the systems operated by the Company.

In the first quarter of 2018 interest and other financial charges incurred on resources and loans funding Company projects and works were capitalized, for the amount of R\$9,757 (R\$47,358 as at 12/31/2017). The average rate applied in determining cost amounts for loans subject to capitalization in relation to total cost was of 12,6%.

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 December of 2017, 72.2% of the object of said contracts were concluded and delivered, equivalent to the delivery of the first, second and third stages of the contract (79.5% of physical object). The obligations stemming from this contract will be shown in Note 13.

As at March 31, 2018, 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>03/31/2018</u>	<u>12/31/2017</u>
<u>Description</u>	<u>Cost</u>	<u>Accumulated amortization</u>		<u>Net Amount</u>
Buildings	37,434	(476)	36,958	37,114
Piping	94,016	(1,386)	92,630	93,100
Building connections	6,068	(151)	5,917	5,967
Facilities	309	(16)	293	298
Equipment	6,013	(252)	5,761	5,856
Total	143,840	(2,281)	141,559	142,335

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12. FIXED AND INTANGIBLE ASSETS -- continuation

c) Changes to fixed and Intangible assets in the 1st Quarter 2018:

Description	12/31/2017	Additions	Depreciation and amortization	Write-offs and losses	Transfers	03/31/2018
Fixed assets						
Plots of land	2,309	-	-	-	-	2,309
Civil construction	53,371	146	(342)	-	346	53,521
Improvements	1,276	-	(10)	-	-	1,266
Facilities	1,617	99	(56)	-	(6)	1,654
Equipment	30,822	4,731	(848)	2	88	34,795
Furniture and fixtures	19,365	2,175	(595)	1	(22)	20,924
IT equipment	9,558	1,055	(769)	1	3	9,848
Vehicles	9,241	707	(661)	1	614	9,902
Machinery, tractors and similar	2,153	-	(492)	-	-	1,661
Tools	233	864	(11)	-	-	1,086
Total fixed assets	129,945	9,777	(3,784)	5	1,023	136,966
Intangible assets						
Plots of land	137,940	997	-	-	-	138,937
Wells	94,548	43	(423)	1	4,454	98,623
Dams	92,656	507	(642)	-	(26)	92,495
Civil construction	1,623,409	5,046	(10,895)	51	21,784	1,639,395
Improvements	18,405	65	(132)	3	664	19,005
Piping	3,748,692	2,391	(27,368)	-	46,882	3,770,597
Building connections	455,311	74	(5,139)	(6)	6,809	457,049
Facilities	101,965	47	(2,385)	47	1,805	101,479
Hydrometers	108,433	-	(4,313)	(128)	1,210	105,202
Macro-meters	2,036	-	(115)	-	89	2,010
Equipment	284,448	8,212	(6,674)	(515)	3,967	289,438
Furniture and fixtures	1,742	215	(63)	2	31	1,927
IT equipment	5,297	2	(376)	-	333	5,256
Computer programs	13,192	985	(1,102)	-	-	13,075
Vehicles	10,594	9,799	(308)	11	(614)	19,482
Machinery, tractors and similar	1,556	-	(345)	-	1	1,212
Tools	101	-	(3)	-	(1)	97
Rights of Use of Transmission Lines	29	-	(1)	-	-	28
Environmental protection and	6,348	224	(646)	8	(1)	5,933
Concession of the Mun, of Curitiba	57,986	-	(1,042)	-	1	56,945
Concession of the Mun, of Cianorte	-	-	(2)	2	-	-
Total intangible assets	6,764,688	28,607	(61,974)	(524)	87,388	6,818,185
Projects and Works in Progress	972,060	162,810	-	-	(112,286)	1,022,584
Inventories for Construction Work	53,410	3,620	-	-	-	57,030
Total intangible assets	7,790,158	195,037	(61,974)	(524)	(24,898)	7,897,799
Grand total	7,920,103	204,814	(65,758)	(519)	(a) (23,875)	8,034,765

(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.

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13. LOANS, FINANCING, DEBENTURES AND FINANCE LEASE

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

Description	Effective Annual Interest Rate	Index	03/31/2018			12/31/2017		
			Current	Noncurrent	Total	Current	Noncurrent	Total
Debentures 6th Issuance - 1st series	0.81%	DI	80,587	-	80,587	82,394	-	82,394
Debentures 6th Issuance - 2nd series	0.83%	DI	1,104	169,829	170,933	5,113	169,726	174,839
Debentures 5th Issuance - 1st series	0.67%	DI	192,711	-	192,711	189,372	-	189,372
Debentures 5th Issuance - 2nd series	0.69%	DI	68,505	-	68,505	67,319	-	67,319
Debentures 3rd Issuance - 1st series	6.99%	IPCA	3,300	132,140	135,440	1,092	130,795	131,887
Debentures 3rd Issuance - 2nd series	1.82% e 2.50%	TJLP	32,098	46,392	78,490	32,069	54,252	86,321
BNDES	3.00% a 6.00%	-	3,399	14,917	18,316	3,400	15,760	19,160
Banco do Brasil - PSI	1.92%	TJLP	12,387	66,656	79,043	12,374	69,563	81,937
Debentures 2nd Issuance - 1st series	9.19%	IPCA	23,542	105,997	129,539	20,592	104,870	125,462
Debentures 2nd Issuance - 2nd series	1.92%	TJLP	16,516	88,875	105,391	16,500	92,750	109,250
Debentures 2nd Issuance - 3rd series	3.00% a 6.00%	-	3,586	17,784	21,370	3,588	18,669	22,257
Banco Itaú - PSI	1.67%	TJLP	21,047	170,144	191,191	21,026	174,937	195,963
Debentures 4th Issuance - 1st series	7.44%	IPCA	10,933	88,516	99,449	10,797	90,201	100,998
Debentures 4th Issuance - 2nd series	1.67% e 2.05%	TJLP	26,371	204,068	230,439	26,263	210,332	236,595
BNDES - PAC2	13.17%	IPC - FIPE	5,358	189,103	194,461	3,981	172,692	176,673
Finance lease	6.62% a 12.68%	TR (Reference Rate)	68,491	850,219	918,710	66,668	849,743	916,411
Saldos no Final do Período			569,935	2,144,640	2,714,575	562,548	2,154,290	2,716,838
Loans and financing			133,945	1,133,380	1,267,325	131,988	1,148,756	1,280,744
Debentures			430,632	822,157	1,252,789	426,579	832,842	1,259,421
Finance lease			5,358	189,103	194,461	3,981	172,692	176,673

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:

Index	03/31/2018	12/31/2017
TR (Reference Rate)	918,710	916,411
TJLP (Long-Term Interest Rate)	684,554	710,066
IPCA (National Amplified Consumer Price Index)	364,428	358,347
DI	512,736	513,924
IPC-FIPE	194,461	176,673
No Monetary Adjustment	39,686	41,417
	2,714,575	2,716,838

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13. 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 - 2 nd 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
Debentures 2nd Issuance - 1 st and 3rd series (9)	2013 to 2014	2024	30,793	-	Monthly	Quarterly during grace period and monthly at amortization
Debentures 2nd Issuance - 2nd series (9)	2011	2024	276,609	7,000	Monthly	Quarterly during grace period and monthly at amortization
Banco Itaú - PSI - 13 Contracts (6)	2011	2024	118,547	3,000	Annual	Annual
Debentures 4th Issuance - 1st series (10)	2013 to 2014	2025	33,175	-	Monthly	Quarterly during grace period and monthly at amortization
Debentures 2nd Issuance - 1 st and 3rd series (9)	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 - 5 Contracts (7)	2011 to 2014	2029	682,649	-	Monthly	Quarterly during grace period and monthly at amortization
Finance lease (11)	2013	2036	460,592	-	Monthly	Monthly
Caixa Econômica Federal - 246 Contracts (8)	1991 to 2017	2041	1,887,887	-	Monthly	Monthly

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13. LOANS, FINANCING, DEBENTURES AND FINANCE LEASE-- continuation

c) The amortization timeline is as follows:

Description	2018	2019	2020	2021	2022	2023	2024 to 2041	Total
Debentures 2nd Issue	45,376	45,944	45,944	45,944	45,945	45,945	38,875	313,973
Debentures 3rd Issue	71,805	66,070	66,070	-	-	-	-	203,945
Debentures 4th Issue	24,220	31,041	31,041	31,041	31,040	31,041	111,216	290,640
Debentures 5th Issue	192,711	-	-	-	-	-	-	192,711
Debentures 6th Issue	81,794	169,726	-	-	-	-	-	251,520
Subtotal Debentures	415,906	312,781	143,055	76,985	76,985	76,986	150,091	1,252,789
BNDES	24,142	30,918	7,599	7,599	7,599	633	-	78,490
BNDES – PAC2	19,972	25,596	25,596	25,596	23,138	22,415	88,126	230,439
Banco do Brasil - PSI	2,556	3,369	3,369	3,369	3,369	2,093	191	18,316
Banco Itaú - PSI	2,701	3,542	3,542	3,542	3,542	3,056	1,445	21,370
Caixa Econômica Federal	51,234	71,618	75,674	66,545	56,792	45,599	551,248	918,710
Subtotal Loans and Financing	100,605	135,043	115,780	106,651	94,440	73,796	641,010	1,267,325
Lease	4,843	3,250	3,677	4,160	4,706	5,325	168,500	194,461
Total	521,354	451,074	262,512	187,796	176,131	156,107	959,601	2,714,575

As at March 30, 2018, present value of minimum future financial obligations in reference to Finance Lease is shown below:

Description	03/31/2018		12/31/2017	
	Minimum Future Payments	Finance charges	Present Value of Minimum Future Payments	Present Value of Minimum Future Payments
Less than one year	27,083	(21,725)	5,358	3,981
Later than one year and not later than 5 years	106,594	(90,473)	16,121	14,285
Over 5 years	354,575	(181,593)	172,982	158,407
Total	488,252	(293,791)	194,461	176,673

Discount rate applied was of 12,4%.

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

Description	03/31/2018		12/31/2017	
	Current	Non-Current	Current	Non-Current
Balances at beginning of period	562,548	2,154,290	379,163	2,332,911
Releases	-	17,902	-	213,321
Interest and fines	55,194	-	234,116	-
Monetary Variations	-	22,362	-	58,878
Transfers	49,798	(49,798)	554,231	(554,231)
Amortization	(97,660)	-	(605,108)	-
Costs of funds raised with third parties	55	(116)	146	679
Delivery of Finance Lease	-	-	-	102,732
Balances at end of period	569,935	2,144,640	562,548	2,154,290

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13. LOANS, FINANCING, DEBENTURES AND FINANCE LEASE-- continuation

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

In the first quarter of 2018, the Company obtained and amortized funds from third parties, as stated below:

<u>Index</u>	<u>Releases</u>	<u>Amortization</u>
Debentures 2nd Issue	-	10,665
Debentures 4th Issue	-	13,078
Debentures 6th Issue	-	10,428
BNDES	-	9,598
BNDES – PAC2	-	10,731
Banco do Brasil – PSI	-	1,017
Banco Itaú – PSI	-	1,142
Caixa Econômica Federal	17,902	34,843
Lease	-	6,158
	17,902	97,660

f) Restrictive Contractual Clauses – Covenants

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

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

<u>Index</u>	<u>Limit</u>	<u>Range</u>	<u>Realized</u>
EBITDA Debt Service	Equal to or higher than 1.5	Less than 1.5 and equal to or higher than 1.2	2.4
Net Bank Debt/ EBITDA	Equal to or under 3.0	Equal to or under 3.8 or higher than 3.0	1.5
Other Onerous Debt/ EBITDA	Equal to or under 1.0	Equal to or under 1.3 or higher than 1.0	0.7

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

<u>Index</u>	<u>Limit</u>	<u>Realized</u>
Net Bank Debt / adjusted EBITDA	Equal to or under 3.0	1.4
Adjusted EBITDA /Net Financial Expenses	Equal to or higher than 1.5	6.2

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13. LOANS, FINANCING, DEBENTURES AND FINANCE LEASE-- continuation

f) Restrictive Contractual Clauses – *Covenants* -- continuation

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 March 31, 2018, the Company is fully compliant with the restrictive clauses stipulated for the issuance of debentures and BNDES financing operations.

14. 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 March 31, 2018 is of R\$90,711 (R\$91,989 as at 31/12/2017), of which R\$7,785 (R\$7,716 as at 12/31/2017) entered in current liabilities and R\$82,926 (R\$84,273 as at 12/31/2017) in non-current liabilities.

Maturity of the debts is as follows:

<u>Maturity years</u>	<u>Balance payable</u>
2018	5,787
2019	7,776
2020	7,776
2021	7,776
2022	7,776
2023 to 2031	53,820
Total	90,711

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NOTES TO THE FINANCIAL STATEMENTS

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14. CONCESSION AGREEMENT-- continuation

The Company is under negotiation regarding Program Contract (contract ruling obligations between public bodies) with the municipality of Curitiba for a period of 30 years, which was fully disclosed in a public hearing held on March 21, 2018 and, subsequently, the respective bill was sent for appreciation of the City Council of Curitiba.

15. TAXES AND CONTRIBUTIONS

The composition is as follows:

Description	03/31/2018	12/31/2017
Income tax payable	32,981	-
Social Contribution Tax payable	12,706	-
COFINS (tax on sales) payable	22,449	21,616
Social Integration Program (PASEP) payable	4,863	4,683
COFINS - installment payment (1)	4,079	4,079
Property tax (IPTU) - installment payment (2)	1,617	1,667
Taxes and Contributions Retained at Source	8,864	36,164
Total taxes and contributions	87,559	68,209
Current	86,353	66,941
Noncurrent	1,206	1,268

- (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 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 03/31/2018 43 installments had been paid for the amount of R\$1,123.

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

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16. INCOME AND SOCIAL CONTRIBUTION TAXES

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

Description	03/31/2018		12/31/2017	
	Income tax	Social Contribution Tax	Income tax	Social Contribution Tax
Income before Income and Social Contribution Taxes	287,618	287,618	237,753	237,753
Income and social contribution taxes - current rate	(7,905)	(25,886)	(59,438)	(21,398)
Adjustment to Present Value for Accounts Receivable	-	-	55	20
Workers' Meal Program – PAT (1)	3,597	-	3,247	-
Corporate Citizen Incentive (2)	177	-	152	-
Equity in earnings (losses) of controlled companies	(155)	(56)	(34)	(12)
Finance lease	(4,641)	(1,670)	-	-
Others	(106)	(62)	(199)	(92)
Total expenses	(73,033)	(27,674)	(56,217)	(21,482)
Total Income and Social Contribution taxes	(100,707)		(77,699)	
Effective rate	35.0%		32.7%	

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

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

b) Current and deferred income and social contribution taxes

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

Description	03/31/2018	12/31/2017
Income tax	(89,679)	(80,988)
Social Contribution Tax	(33,551)	(30,285)
Realization of Deferred Income Tax	16,646	24,771
Realization of Deferred Social Contribution	5,877	8,803
Total	(100,707)	(77,699)

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

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(In thousands of Brazilian Reais)

16. INCOME AND SOCIAL CONTRIBUTION TAXES -- continuation

b) Current and deferred income and social contribution taxes -- continuation

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 Calculation basis	Income tax	Social contribution	03/31/2018	12/31/2017
					Total	Total
ASSETS						
PVA on Contractual Financial Assets	30 years	417,838	104,459	37,605	142,064	125,478
Pension and Health Plans	15 years	958,097	239,524	86,229	325,753	318,458
Reduction of Recovery Value for Assets	10 years	13,235	3,309	1,191	4,500	4,565
Civil, Labor, Tax and Environmental Provisions	5 years	534,474	133,618	48,103	181,721	171,916
Provision for Losses in Realizing Credits	3 years	42,559	10,640	3,830	14,470	16,842
PAI – Encouraged Retirement Program	2 years	15,901	3,975	1,431	5,406	5,919
Provision for PPR	1 year	58,196	14,549	5,238	19,787	13,839
AVJ – Investment FINAM	1 year	2,064	516	186	702	710
AVP of accounts receivable	1 year	3,909	977	352	1,329	834
Total			511,567	184,165	695,732	658,561
LIABILITIES						
PVA on Contractual Financial Assets	30 anos	409,755	102,439	36,878	139,317	123,214
IRPJ Deferred on Construction and Improvements	25 anos	130,201	32,550	-	32,550	32,870
Donations from Public Agencies	20 anos	10,037	2,509	903	3,412	3,387
Revaluation surplus	14 anos	120,831	30,208	10,875	41,083	41,832
Attribution of New Cost to Fixed Assets	4 anos	10,924	2,731	983	3,714	4,125
Total			170,437	49,639	220,076	205,428
Total Net			341,130	134,526	475,656	453,133

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 March 31, 2018 is as follows:

Periods of Realization	Deferred tax assets			Deferred tax liabilities		
	Income tax	Social Contribution		Income tax	Social Contribution	
		Tax	Total		Tax	Total
2018	31,460	11,326	42,786	5,837	1,746	7,583
2019	34,787	12,523	47,310	7,783	2,329	10,112
2020	19,743	7,107	26,850	7,783	2,328	10,111
2021 to 2023	192,847	69,425	262,272	21,893	6,461	28,354
2024 to 2026	58,936	21,217	80,153	21,165	6,199	27,364
2027 to 2029	58,351	21,006	79,357	21,164	6,199	27,363
2030 to 2032	58,351	21,006	79,357	18,968	5,408	24,376
2033 to 2035	14,438	5,198	19,636	14,574	3,826	18,400
2036 to 2038	10,446	3,761	14,207	14,424	3,772	18,196
2039 to 2041	10,446	3,761	14,207	14,189	3,688	17,877
2042 to 2044	10,446	3,761	14,207	11,559	3,688	15,247
2045 to 2047	10,446	3,761	14,207	10,244	3,688	13,932
2048 to 2050	870	313	1,183	854	307	1,161
Total	511,567	184,165	695,732	170,437	49,639	220,076

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17. REVENUE TO BE APPROPRIATED

The Company renewed the session contract for operation of financial services with Caixa Econômica Federal for a sixty-month term (sixty), starting in March/2017, for the amount of R\$ 21,000. Revenues corresponding to this contract are recognized on a monthly basis, for the term of the contract, on the accrual basis. The amount recognized in the results for the first quarter 2018 was of R\$1,050 (R\$892 for the same period in 2017). The balance as at March 31, 2018 was of R\$16,450 (R\$17,500 as at 12/31/2017), with R\$4,200 (R\$4,200 as at 12/31/2017) entered in current liability and R\$12,250 (R\$13,300 as at 12/31/2017) in non-current liabilities.

18. PROVISIONS, CONTINGENT LIABILITIES AND COURT DEPOSITS

a) Provisions

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

Nature	12/31/2017	Additions	Reversals	03/31/2018
Labor claims (i)	250,813	17,521	(7,726)	260,608
Civil claims (ii)	209,981	6,307	(5,073)	211,215
Environmental claims (iii)	27,440	18,000	(202)	45,238
Tax claims (iv)	17,400	14	(1)	17,413
Total	505,634	41,842	(13,002)	534,474

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	Passivos Contingentes	
	03/31/2018	12/31/2017
Civil claims (ii)	229,766	209,613
Environmental claims (iii)	247,248	268,120
Tax claims (iv)	16,165	14,625
Total	493,179	492,358

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18. PROVISIONS, CONTINGENT LIABILITIES AND COURT DEPOSITS -- continuation

b) Contingent liabilities -- continuation

(i) Labor

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

(ii) Civil

Civil proceedings are related to requests for compensation of customers and suppliers, and third-party damages. The main suits involving the Company are in relation to: i) 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.

(iii) Environmental

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

(iv) Taxes

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

c) Court deposits

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

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18. PROVISIONS, CONTINGENT LIABILITIES AND COURT DEPOSITS -- continuation

c) Court deposits -- continuation

The breakdown is as follows:

Nature	Court deposits	
	03/31/2018	12/31/2017
Labor claims	119,674	117,447
Civil claims	56,426	57,366
Environmental claims	5,080	5,080
Tax claims	5,484	5,472
Total	186,664	185,365

19. 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). In this quarter, the Sponsor passed on the amount of R\$6,824 (R\$6,752 for the same period in 2017) 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 64.0% for the sponsor and 36.0% 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, in this quarter, the Company transferred the amount of R\$15,628 (R\$14,395 for the same period in 2017).

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19. PENSION PLAN AND MEDICAL INSURANCE -- continuation

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.

Statement of actuarial liability:

Description	Pension Plan	Medical Insurance	03/31/2018	12/31/2017
Current	26,021	37,852	63,873	62,443
Noncurrent	364,297	529,927	894,224	874,199
Total	390,318	567,779	958,097	936,642

The table below shows the projected expenses for the year of 2018:

Description	Pension Plan	Medical Insurance	2018
Current service cost	9,065	9,301	18,366
Interest cost	107,913	52,801	160,714
Expected return on the plan's assets	(70,678)	-	(70,678)
Contributions of the sponsor	(2,050)	(20,532)	(22,582)
Total	44,250	41,570	85,820

The amount of R\$85,820 was the actuarial estimate for expected variation in the plans for year 2018, which is being booked by the Company on a monthly basis with an accrual in the first quarter of 2018 the amount of R\$21,455 (R\$27,261 in the first quarter of 2017). At the end of 2018, 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.

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20. RELATED-PARTY TRANSACTIONS

As at March 31, 2018, the State of Paraná holds credits for interest on Self Owned Capital for the amount of R\$74,755 (R\$114,211 for the same period in 2017) e and additional proposed dividends of R\$1,226 (R\$1,174 for the same period in 2017), totaling R75,981 (R\$115,385 for the same period in 2017). The Company also supplied water and sewage services to the state of Paraná for a revenue of R\$26,089 and R\$23,039 up to the first period of 2018 and 2017, respectively.

The Company provides water and sanitary sewage services to a number of city administrations, in particular in the state of Paraná, with which it maintains Concession Contracts and Municipal Program Contracts, with the revenues from said contracts with municipal administrations being, until the first quarter of 2018, R\$21,246 (R\$21,743 for the same period in 2017). The Company also provides services in urban solid waste management in some municipalities of the State of Paraná, with the revenue being R\$2,334 (R\$2,080 for the same period in 2017).

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 ending December 31, 2017 was approved by 54^a/2018 Annual General Meeting (AGO) of April 27, 2018, for the amount of R\$13,918. For 2017, the approval was issued by the 53^a/2017 Annual General Meeting (AGO) held on 27 April, 2017, for the amount of R\$14,255.

Up to first period of 2018, an amount of R\$3,036 (R\$2,894 for the same period in 2017), of which R\$2,401 (R\$2,322 for the same period in 2017) for compensation and R\$635

(R\$572 for the same period in 2017) with reference to charges and benefits. Of the amount for charges and benefits, R\$593 (R\$534 for the same period in 2017) r are with respect to social charges, R\$16 (R\$12 for the same period in 2017), for health insurance plan (SANESAÚDE), R\$26 (R\$20 for the same period in 2017) for Fundação Sanepar (FUSAN) benefits.

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21. OTHER ACCOUNTS PAYABLE

The composition is as follows:

Description	03/31/2018	12/31/2017
Programs Linked to Agência Nacional de Águas - ANA	8,114	8,012
Contracts and Agreements with third parties	8,923	8,753
Agreements with municipal administrations	13,892	13,669
Collaterals and amounts reimbursable	13,123	10,355
Labor Indemnities – PAI/PDVTC	6,982	7,020
Agreement with Instituto Ambiental do Paraná - IAP (1)	1,080	1,620
Installment payment IBAMA – PRD Law No. 13.494/2017 (2)	82,386	85,462
Total	134,500	134,891
Current	57,410	54,481
Noncurrent	77,090	80,410

- (1) 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 12/31/2018 had been paid in 18 installments for the amount of R\$3,240.
- (2) Installment payment of debts referring to 31 environmental assessment notices from the Brazilian Institute of Environment and Renewable Natural Resources – IBAMA, in accordance with the Non-Tax Debt Settlement Program – PRD created by Law No. 13.494/2017. Until 12/31/2017, 20% of consolidated debt amounting to R\$ 29,083 (adhesion to installment payment) was settled and the remaining was paid in installment up to 60 monthly installments, adjusted at SELIC interest rate, and until 03/31/2018 03 installments amounting to R\$ 4,400 were settled.

22. EQUITY

a) Capital Stock

Capital stock, fully paid-in, is composed by 503.735.173 shares, with no par value, being 167.911.753 common shares and 335.823.420 preferred shares. In addition to the common and preferred shares, the Company negotiate Share Deposit Certificates (“Units”), being each "Unit" formed by one common share and four preferred shares.

The equity amount of each share as at March 31, 2018 is R\$10,60 (R\$10,23 as at December 31, 2017) considering a provision for additional dividends proposed by the Management.

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22. EQUITY -- continuation

a) Capital Stock -- continuation

The Capital stock underwritten and fully paid in as at March 31, 2018 is of R\$2,854,952, that net of the share issuance costs is of R\$2,851,089, and the shareholding structure is the following:

Shareholders	Number of shares					
	Ordinary	%	Preferential	%	Total	%
State of Paraná	100,914,575	60,1	1	-	100,914,576	20,0
Municipal Administrations	-	-	2,310,702	0,7	2,310,702	0,5
Foreign Investors	38,153,992	22,7	200,003,193	59,6	238,157,185	47,3
Other Investors	28,843,186	17,2	133,509,524	39,7	162,352,710	32,2
Total	167,911,753	100,0	335,823,420	100,0	503,735,173	100,0

b) Revaluation surplus

The reevaluation surplus was realized up to the quarter, transferring to Accumulated Profits the amount of R\$1,456 (R\$1,392 for the same period in 2017), 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	03/31/2018	12/31/2017
Balances at beginning of period	81,204	87,200
Realization of revaluation surplus	(2,206)	(2,109)
Realization of Taxes on the Revaluation surplus	750	717
Balances at end of period	79,748	85,808

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.

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date March 31, 2018

(In thousands of Brazilian Reais)

22. EQUITY – continuation

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 26, 2018, the Shareholder Meeting approved the payment of Interest on Equity Capital and Additional Dividends, credited to shareholders in the year of 2017, for the gross amount of R\$325,633, which will be paid until June 25, 2018.

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

	<u>2017</u>
Common Shares	0.60603
Preferred shares	0.66663
Value for 1 "Unit"	1.66949

e) Earnings (losses) per share

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

<u>Basic and diluted earnings (loss) per share</u>	<u>03/31/2018</u>	<u>03/31/2017</u>
Numerator		
Net profit for the period attributed to Company shareholders		
Common Shares	58,410	50,017
Preferred shares	128,501	110,037
Denominator (in thousands of shares)		
Weighted average of number of common shares	167,912	167,912
Weighted average of number of preferential shares	335,823	335,823
Basic and diluted earnings (loss)		
Per ordinary share	0.34786	0.29788
Per preferential share	0.38265	0.32766

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date March 31, 2018

(In thousands of Brazilian Reais)

22. EQUITY – continuation

f) 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.

g) 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, deducted from the balance intended to tax incentive reserve, 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.

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\$797 (R\$195 for the same period in 2017), 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.

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

Description	03/31/2018	03/31/2017
Balances at beginning of period	8,007	10,410
Realization of Adjustments to Cost Attributed	(1,207)	(295)
Realization of Taxes on Adjustments to Cost Attributed	410	100
Balances at end of period	7,210	10,215

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date March 31, 2018

(In thousands of Brazilian Reais)

23. OPERATING REVENUES

Operating Revenues composition, by nature, is the following:

Description	03/31/2018	03/31/2017
Revenues		
Revenues from Water	658,946	615,009
Revenues from Sewage	376,570	342,580
Revenues from services	30,739	32,079
Revenues from Solid Waste	2,334	2,080
Services Provided to Municipalities	3,953	2,922
Donations made by clients	3,002	2,927
Other revenues	1,275	1,229
Total operating revenues	1,076,819	998,826
Deductions from Operating Revenues		
COFINS	(63,613)	(59,527)
PASEP	(13,782)	(12,868)
Total Deductions	(77,395)	(72,395)
Total operating revenues, net	999,424	926,431

The Company had revenues and incurred in costs from construction contracts linked to the program contracts of R\$28,607 (R\$10,038 for the same period in 2017), during this first quarter of 2018, i.e., with a null margin. These revenues are shown net of construction costs.

24. COST OF PRODUCTS AND SERVICES

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

Description	03/31/2018			03/31/2017		
	Water	Sewage	Total	Water	Sewage	Total
Personnel	62,496	21,711	84,207	65,023	22,071	87,094
Materials	18,641	8,541	27,182	20,527	7,336	27,863
Electricity	82,792	10,356	93,148	79,264	7,896	87,160
Third-party services	50,094	35,799	85,893	45,041	29,849	74,890
Depreciation and amortization	30,558	29,301	59,859	27,949	25,075	53,024
Other costs	24,809	7,067	31,876	22,524	7,223	29,747
Total	269,390	112,775	382,165	260,328	99,450	359,778

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date March 31, 2018

(In thousands of Brazilian Reais)

25. SELLING, ADMINISTRATIVE AND OTHER EXPENSES

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

Description	03/31/2018	03/31/2017
Selling		
Personnel	25,244	26,729
Materials	765	898
Third-party services	20,881	17,905
Depreciation and amortization	1,615	1,488
Losses in Realization of Credits	(3,545)	5,600
Municipal Sanitation and Environmental Management Fund	7,103	6,643
Indemnities of third-party damages	2,384	236
Sanepar Rural program	436	5,786
Other expenses	7,027	7,223
Total selling expenses	61,910	72,508
Administrative		
Personnel	129,691	130,648
Materials	8,993	9,104
Third-party services	33,730	36,167
Depreciation and amortization	4,284	3,871
Regulatory fee	5,205	7
Travel expenses	1,516	1,292
Environmental and social programs	4,909	4,040
Other expenses	6,652	6,496
Transfers to Selling expenses and cost (1)	(33,464)	(32,409)
Expenses Capitalized (2)	(18,558)	(18,704)
Total administrative expenses	142,958	140,512
Other operating revenues (expenses)		
Expenses		
Environmental fines	(38)	-
Write-off of assets	(524)	(913)
Adjustment to Fair Value – Investments	25	(2,126)
Total other operating revenues (expenses)	(537)	(3,039)

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

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

26. PROFIT SHARING PROGRAM

The Company set up a provision of R\$17,492, as profit sharing, which is recorded in the account Salaries and social charges in current liabilities.

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date March 31, 2018

(In thousands of Brazilian Reais)

27. FINANCIAL INCOME (LOSS)

Description	03/31/2018	03/31/2017
Financial revenues		
Financial investments	9,249	21,893
Monetary variation gains	2,307	2,194
Other financial revenues	2,095	3,457
Total financial revenues	13,651	27,544
Financial expenses		
Financing and Debenture Interest and Charges	(45,074)	(50,823)
Monetary variation losses (1)	(22,362)	(8,803)
Other financial expenses	(2,045)	(935)
Total financial expenses	(69,481)	(60,561)
Financial income (loss)	(55,830)	(33,017)

(1) Recognition of debt monetary adjustments of lease in the 1st quarter of 2018 in the amount of R\$ 17,397.

28. INFORMATION BY BUSINESS SEGMENT

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

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date March 31, 2018

(In thousands of Brazilian Reais)

28. INFORMATION BY BUSINESS SEGMENT -- continued

Description	01/01/2018 a 03/31/2018			01/01/2017 a 03/31/2017		
	Water	Sewage	Total	Water	Sewage	Total
Direct operating revenue	682,764	385,825	1,068,589	640,280	351,468	991,748
Other operating revenues	4,768	3,462	8,230	4,153	2,925	7,078
Total gross operating Revenue	687,532	389,287	1,076,819	644,433	354,393	998,826
Revenue Deductions (PASEP and COFINS)	(44,833)	(32,562)	(77,395)	(42,480)	(29,915)	(72,395)
Net operating revenue	642,699	356,725	999,424	601,953	324,478	926,431
Cost	(269,391)	(112,774)	(382,165)	(260,328)	(99,450)	(359,778)
Gross profit	373,308	243,951	617,259	341,625	225,028	566,653
Selling expenses	(35,863)	(26,047)	(61,910)	(42,543)	(29,965)	(72,508)
Administrative expenses	(82,812)	(60,146)	(142,958)	(82,444)	(58,068)	(140,512)
Other operating revenues (expenses)	(670)	133	(537)	(1,862)	(1,177)	(3,039)
Equity in earnings (losses) of controlled companies	-	(619)	(619)	-	(135)	(135)
Financial income (loss), net	(12,441)	(43,389)	(55,830)	(12,978)	(20,039)	(33,017)
Profit sharing program	(10,133)	(7,359)	(17,492)	-	-	-
Provisions	(16,710)	(12,130)	(28,840)	(30,747)	(21,681)	(52,428)
Pension plan and medical insurance	(12,428)	(9,027)	(21,455)	(15,995)	(11,266)	(27,261)
Income before taxes and contributions	202,251	85,367	287,618	155,056	82,697	237,753
Income and social contribution taxes	(70,816)	(29,891)	(100,707)	(50,673)	(27,026)	(77,699)
Net income for the period	131,435	55,476	186,911	104,383	55,671	160,054
Operating margin	29.4%	21.9%	26.7%	24.1%	23.3%	23.8%
Net margin	20.5%	15.6%	18.7%	17.3%	17.2%	17.3%
EBTIDA	248,668	160,538	409,206	199,128	130,025	329,153
EBITDA margin	38.7%	45.0%	40.9%	33.1%	40.1%	35.5%
Investments in fixed /Intangible assets in the Period (a)	126,386	78,428	204,814	71,160	82,760	153,920
Shareholding Interest – CS Bioenergia	-	19,429	19,429	-	20,488	20,488
Indebtedness – Loans, Financing, Debentures and Finance Lease	1,054,072	1,660,503	2,714,575	1,066,129	1,633,826	2,699,955
Fixed assets and intangible assets, net	3,525,596	4,509,169	8,034,765	3,244,933	4,175,791	7,420,724
Depreciation and amortization for the period	(33,976)	(31,782)	(65,758)	(31,094)	(27,289)	(58,383)
Accounts receivable (current and non-current) (b)	540,258	275,367	815,625	489,931	255,384	745,315
Total assets	4,542,391	5,809,631	10,352,022	4,246,550	5,464,737	9,711,287
Total current and noncurrent liabilities	2,136,984	2,875,473	5,012,457	1,909,285	2,833,275	4,742,560
Number of Users – Not Audited/Reviewed (c)	3,101,653	2,061,330	-	3,047,486	1,976,253	-
Volume Thousand m ³ Invoiced – Not Audited/Reviewed (d)	129,009	93,698	-	153,622	108,202	-

(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 March 31, 2018

(In thousands of Brazilian Reais)

29. INSURANCE

The Company has insurance contract with MAPFRE Seguros Gerais S/A covering its main assets located in a number of localities throughout the State of Paraná, for the amount of R\$1,020,103, with coverage term from 03/10/2018 a 03/10/2019, basic cover for fire, wind and electrical damages to the equipment.

<u>Assets</u>	<u>Amount insured</u>
Buildings	497,418
Machinery, equipment and vehicles	465,919
Inventory	56,766
Total	1,020,103

Additionally, the Company has legal guarantee insurance policies to guarantee values that would be deposited and/or replace the values already deposited and/or seized property in legal proceedings of labor, civil, environmental, and tax proceedings. Until March 31, 2018 the Company posted guarantees using the Guarantee Insurance in 81 lawsuits for the amount of R\$217,565 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 04/14/2019.

30. SUBSEQUENT EVENTS

On April 05, 2018, the Company renewed the concession contract for a term of 30 years with the municipalities of Piraquara and Colombo, by means of the signature of a Program Contract in accordance with Law No. 11.445/07 - Sanitation Regulatory Framework.

In 4th /2018 Annual Meeting held on April 17, 2018, it was approved by the Board of Directors the 7th issuance of simple and registered debentures, not convertible into shares with collateral in the total amount of R\$ 250,000 in two series, for private distribution of the Company and subscription by the National Bank for Economic and Social Development – BNDES and BNDESPAR – BNDES Participações S.A.

On April 24 and 25, the 6th/2018 Extraordinary Meeting of the Board of Directors was held, having on its agenda the nomination of Mr. Ricardo José Soavinski for the position of Managing Director and of Mr. Sergio Ricardo Veroneze for the position of Administrative Director.

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 March 31, 2018, which comprises the statement of financial position as at March 31, 2018, and the respective statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended, as well as the corresponding notes to the financial statements, including a summary of significant accounting policies.

The Company's management is responsible for the preparation of this interim financial information in accordance with Technical Pronouncement CPC 21 (R1) - Interim financial statements 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 the Quarterly Information. 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 three-month period ended March 31, 2018, 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 regarding the statements of income, cash flows, changes in equity and value added for the quarter ended March 31, 2017, presented for comparison purposes, was reviewed by other independent auditors whose review report dated May 02, 2017 was unmodified.

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

Curitiba, April 27, 2018.



BDO RCS Auditores Independentes SS
CRC 2 PR 006853/F-9

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

STATEMENT

Through this instrument, the Executive Board of Companhia de Saneamento do Paraná – Sanepar, mixed capital state administration corporation, listed in stock exchange, with headquarters at Rua Engenheiros Rebouças no. 1376, Curitiba – PR, registered in the CNPJ under no. 76.484.013/0001-45, for the purposes of the dispositions of insets V and VI of article 25 of CVM Instruction no. 480/2009, state that:

(I) they have reviewed, discussed and are in agreement with the opinions stated in the audit report issued by BDO RCS Auditores Independentes with respect to the Sanepar interim financial statements for the period ended on March 31, 2018; and

(II) they have reviewed, discussed and are in agreement with Sanepar interim financial statements for the period ended on March 31, 2018.

Curitiba, April 27, 2018.

RICARDO JOSÉ SOAVINSKI
President

PAULO ROGÉRIO BRAGATTO BATTISTON
Director of Finances and Investor
Relations

PAULO ALBERTO DEDAVID
Director of Operations

JOÃO MARTINHO CLETO REIS JÚNIOR
Director of Investments

ANTONIO CARLOS SALLES BELINATI
Commercial Director

FLAVIO LUIS COUTINHO SLIVINSKI
Legal Director

SÉRGIO RICARDO VERONEZE
Administrative Director

GLAUCO MACHADO REQUIÃO
Director of Environment and Social Action