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## **ITR - QUARTERLY INFORMATION SECOND QUARTER OF 2018**

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

**Interim financial information  
As at June 30, 2018**

## **Contents**

**Statements of financial position**

**Statements of income**

**Statements of comprehensive income**

**Statements of cash flows**

**Statements of changes in equity**

**Statements of value added**

**Comments on the Company performance**

**Notes**

**Independent auditor's report on the quarterly information**

**Statement**

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

<b>Code of Account</b>	<b>Account description</b>	<b>Current quarter 06/30/2018</b>	<b>Prior year 12/31/2017</b>
1	Total Assets	10,390,663	10,122,671
1.01	Current assets	1,118,614	1,239,214
1.01.01	Cash and cash equivalents	342,091	533,888
1.01.01.01	Cash and banks	25,383	23,799
1.01.01.02	Financial investments	316,708	510,089
1.01.03	Accounts receivable	632,250	606,250
1.01.03.01	Trade accounts receivable	632,250	606,250
1.01.04	Inventories	38,695	36,892
1.01.06	Recoverable taxes	42,300	24,098
1.01.06.01	Current recoverable taxes	42,300	24,098
1.01.08	Other current assets	63,278	38,086
1.01.08.03	Others	63,278	38,086
1.01.08.03.01	Restricted deposits	8,598	5,838
1.01.08.03.02	Other accounts receivable	54,680	32,248
1.02	Noncurrent assets	9,272,049	8,883,457
1.02.01	Long-term assets	1,175,740	943,888
1.02.01.04	Accounts receivable	16,726	11,087
1.02.01.04.01	Trade accounts receivable	16,726	11,087
1.02.01.07	Deferred taxes	491,962	453,133
1.02.01.07.01	Deferred Income and Social Contribution Taxes	491,962	453,133
1.02.01.10	Other noncurrent assets	667,052	479,668
1.02.01.10.03	Restricted deposits	53,045	49,499
1.02.01.10.04	Recoverable taxes and contributions	844	823
1.02.01.10.05	Court deposits	208,565	185,365
1.02.01.10.06	Contractual financial assets	356,804	201,077
1.02.01.10.07	Other receivables	47,794	42,904
1.02.02	Investments	19,344	19,466
1.02.03	Fixed assets	146,492	129,945
1.02.04	Intangible assets	7,930,473	7,790,158

Code of Account	Account description	Current quarter	Prior year
		06/30/2018	12/31/2017
2	Total Liabilities	10,390,663	10,122,671
2.01	Current liabilities	1,158,900	1,256,643
2.01.01	Payroll and social charges	129,664	100,036
2.01.01.02	Labor liabilities	129,664	100,036
2.01.02	Trade accounts payable	154,373	182,655
2.01.03	Tax liabilities	55,616	66,941
2.01.04	Loans and financing	384,990	562,548
2.01.04.01	Loans and financing	137,430	131,988
2.01.04.02	Debentures	242,552	426,579
2.01.04.03	Financing from finance lease	5,008	3,981
2.01.05	Other liabilities	239,956	205,336
2.01.05.02	Others	239,956	205,336
2.01.05.02.01	Dividends and interest on equity capital payable	145,213	136,265
2.01.05.02.04	Concession contracts	29,913	7,716
2.01.05.02.05	Collaterals and contractual retentions	2,576	2,674
2.01.05.02.06	Unearned revenue	4,200	4,200
2.01.05.02.07	Other accounts payable	58,054	54,481
2.01.06	Provisions	194,301	139,127
2.01.06.02	Other provisions	194,301	139,127
2.01.06.02.04	Provisions for pension plan and health insurance	65,303	62,443
2.01.06.02.05	Labor provisions	128,998	76,684
2.02	Noncurrent liabilities	3,960,742	3,713,374
2.02.01	Loans and financing	2,399,616	2,154,290
2.02.01.01	Loans and financing	1,151,317	1,148,756
2.02.01.02	Debentures	1,059,987	832,842
2.02.01.03	Financing from finance lease	188,312	172,692
2.02.02	Other liabilities	113,792	179,251
2.02.02.02	Others	113,792	179,251
2.02.02.02.03	Concession contracts	29,913	84,273
2.02.02.02.04	Taxes and contributions	1,135	1,268
2.02.02.02.05	Unearned revenue	11,200	13,300
2.02.02.02.06	Other accounts payable	71,544	80,410
2.02.04	Provisions	1,447,334	1,379,833
2.02.04.02	Other provisions	1,447,334	1,379,833
2.02.04.02.04	Provisions for pension plan and health insurance	914,249	874,199
2.02.04.02.05	Provisions	533,085	505,634
2.03	Equity	5,271,021	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	78,034	81,204
2.03.03.01	Own assets	78,034	81,204
2.03.04	Income reserves	2,000,083	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	0	162,816
2.03.04.10	Investment plan	1,751,820	1,751,820
2.03.05	Retained earnings/(Accumulated losses)	285,816	0
2.03.06	Asset and liability valuation adjustments	6,544	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	Current quarter	Accumulated in current year	Prior quarter	Accumulated in prior year
		04/01/2018 to 06/30/2018	01/01/2018 to 06/30/2018	04/01/2017 to 06/30/2017	01/01/2017 to 06/30/2017
3.01	Revenue from sales of goods and/or services	1,019,641	2,019,065	908,847	1,835,278
3.02	Cost of goods sold and/or services rendered	-401,759	-783,924	-383,390	-743,168
3.03	Gross result	617,882	1,235,141	525,457	1,092,110
3.04	Operating expenses/revenues	-284,185	-557,996	-264,356	-560,239
3.04.01	Selling expenses	-79,512	-141,422	-91,730	-164,238
3.04.02	General and administrative expenses	-153,055	-296,013	-170,085	-310,597
3.04.05	Other operating expenses	-50,610	-118,934	-2,018	-84,746
3.04.05.01	Provision for contingencies	1,389	-27,451	25,710	-26,718
3.04.05.02	Pension plan and health insurance	-21,455	-42,910	-26,952	-54,213
3.04.05.03	Profit sharing program	-23,738	-41,230	0	0
3.04.05.04	Other operating expenses (revenues)	-6,806	-7,343	-776	-3,815
3.04.06	Equity in earnings (losses) of controlled companies	-1,008	-1,627	-523	-658
3.05	Income (loss) before financial income (loss) and taxes	333,697	677,145	261,101	531,871
3.06	Financial income (loss)	-33,345	-89,175	-39,489	-72,506
3.06.01	Financial revenues	17,691	31,342	26,921	54,465
3.06.02	Financial expenses	-51,036	-120,517	-66,410	-126,971
3.07	Income (loss) before taxes	300,352	587,970	221,612	459,365
3.08	Income and Social Contribution Taxes	-46,788	-147,495	-24,752	-102,451
3.09	Net income (loss) from continuing operations	253,564	440,475	196,860	356,914
3.11	Income/Loss for the period	253,564	440,475	196,860	356,914
3.99	Earnings per share – (Reais/Share)				
3.99.01	Basic earnings per share				
3.99.01.01	Preferred shares	0.51910	0.90174	0.40301	0.73068
3.99.01.02	Common shares	0.47191	0.81976	0.36637	0.66425
3.99.02	Diluted earnings per share				
3.99.02.01	Preferred shares	0.51910	0.90174	0.40301	0.73068
3.99.02.02	Common shares	0.47191	0.81976	0.36637	0.66425

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

Code of Account	Account description	Current	Accumulated in	Prior	Accumulated in	
		quarter	current year	quarter	prior year	
		04/01/2018 to 06/30/2018	01/01/2018 to 06/30/2018	04/01/2017 to 06/30/2017	01/01/2017 to 06/30/2017	
4.01	Net income for the period		253,564	440,475	196,860	356,914
4.03	Comprehensive income for the period		253,564	440,475	196,860	356,914

Individual financial statements/Statements of cash flows - indirect method  
(In thousands of Brazilian reais)

Code of account	Account description	Accumulated in current year	Accumulated in prior year
		01/01/2018 to 06/30/2018	01/01/2017 to 06/30/2017
6.01	Net cash from operating activities	628,885	662,107
6.01.01	Cash from operations	748,106	685,197
6.01.01.01	Net income for the period	440,475	356,914
6.01.01.02	Depreciation and amortization	132,198	117,698
6.01.01.03	Costs of fixed and intangible assets w rite-offs	6,075	1,701
6.01.01.04	Impairment	-277	-222
6.01.01.05	Costs of investments w rite-offs	0	214
6.01.01.06	Discount to present value of financial assets	-4,571	-3,534
6.01.01.07	Allow ance for doubtful accounts	4,817	12,996
6.01.01.08	Deferred Income and Social Contribution Taxes, net	-38,829	-35,502
6.01.01.09	Provision for contingencies	27,451	26,718
6.01.01.10	Pension plan and medical insurance	42,910	54,213
6.01.01.11	Interest on financing	109,796	123,378
6.01.01.12	Monetary variations on financing	26,068	27,430
6.01.01.13	Equity in earnings (losses) of controlled companies	1,627	658
6.01.01.14	Appropriation of costs of funds raised from third parties	415	421
6.01.01.15	Adjustment to Fair Value – Investments	-49	2,114
6.01.02	Changes in assets and liabilities	-119,221	-23,090
6.01.02.01	Trade accounts receivable	-36,456	-17,845
6.01.02.02	Recoverable taxes and contributions	-18,223	16,107
6.01.02.03	Inventories	-1,803	571
6.01.02.04	Court deposits	-23,200	-18,567
6.01.02.05	Other receivables and accounts receivable	-27,322	-40,225
6.01.02.06	Contractors and Suppliers	-28,282	-13,117
6.01.02.07	Concession contracts	-32,163	-2,764
6.01.02.08	Taxes and contributions	-26,223	-23,123
6.01.02.09	Salaries and social charges	81,942	54,606
6.01.02.10	Collaterals and contractual retentions	-98	-20
6.01.02.11	Unearned revenues	-2,100	19,058
6.01.02.13	Other accounts payable	-5,293	2,229
6.02	Net cash from investing activities	-447,470	-327,661
6.02.01	Investments in fixed and intangible assets	-446,014	-315,744
6.02.02	Investments	-1,456	-11,917
6.03	Net cash from financing activities	-373,212	-521,917
6.03.01	Financing	321,413	64,233
6.03.02	Amortization of financing	-284,052	-192,066
6.03.03	Payments of interest on financing	-105,074	-119,519
6.03.04	Restricted deposits	-6,306	-1,654
6.03.05	Payments of interest on equity capital	-298,395	-272,911
6.03.06	Costs of funds raised w ith third parties	-798	0
6.05	Increase (decrease) in cash and equivalents	-191,797	-187,471
6.05.01	Beginning balance of cash and cash equivalents	533,888	638,330
6.05.02	Ending balance of cash and cash equivalents	342,091	450,859

Individual financial statements/ Statement of changes in equity - 01/01/2018 to 06/30/2018

(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	0	2,162,899	0	138,666	5,152,654
5.03	Adjusted beginning balances	2,851,089	0	2,162,899	0	138,666	5,152,654
5.04	Capital transactions with shareholders	0	0	-162,816	-159,292	0	-322,108
5.04.06	Dividends	0	0	-162,816	0	0	-162,816
5.04.07	Interest on equity	0	0	0	-159,292	0	-159,292
5.05	Total comprehensive income	0	0	0	445,108	-4,633	440,475
5.05.01	Net income for the period	0	0	0	440,475	0	440,475
5.05.02	Other comprehensive income	0	0	0	4,633	-4,633	0
5.05.02.06	Realization of revaluation surplus	0	0	0	4,803	-4,803	0
5.05.02.07	Taxes on the realization of revaluation surplus	0	0	0	-1,633	1,633	0
5.05.02.08	Realization of adjustment to attributed cost	0	0	0	2,217	-2,217	0
5.05.02.09	Taxes on realization of adjustment to attributed cost	0	0	0	-754	754	0
5.07	Ending balances	2,851,089	0	2,000,083	285,816	134,033	5,271,021



Individual financial statements/ Statement of changes in equity - 01/01/2017 to 06/30/2017

(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	0	1,779,937	0	181,072	4,808,673
5.03	Adjusted beginning balances	2,847,664	0	1,779,937	0	181,072	4,808,673
5.04	Capital transactions with shareholders	0	0	-148,792	-159,510	0	-308,302
5.04.06	Dividends	0	0	-148,792	0	0	-148,792
5.04.07	Interest on equity	0	0	0	-159,510	0	-159,510
5.05	Total comprehensive income	0	0	0	360,092	-3,178	356,914
5.05.01	Net income for the period	0	0	0	356,914	0	356,914
5.05.02	Other comprehensive income	0	0	0	3,178	-3,178	0
5.05.02.06	Realization of revaluation surplus	0	0	0	4,206	-4,206	0
5.05.02.07	Taxes on the realization of revaluation surplus	0	0	0	-1,430	1,430	0
5.05.02.08	Realization of adjustment to attributed cost	0	0	0	609	-609	0
5.05.02.09	Taxes on realization of adjustment to attributed cost	0	0	0	-207	207	0
5.07	Ending balances	2,847,664	0	1,631,145	200,582	177,894	4,857,285

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 06/30/2018	01/01/2017 to 06/30/2017
7.01	Revenues	2,163,333	1,962,255
7.01.01	Sales of merchandise, products and services	2,175,493	1,977,162
7.01.02	Other revenues	-7,343	-1,911
7.01.04	Reversal of/allow ance for doubtful accounts	-4,817	-12,996
7.02	Inputs acquired from third parties	-616,553	-619,563
7.02.01	Costs of products, merchandise and services sold	-233,486	-221,105
7.02.02	Materials, energy, third-party services and others	-323,388	-301,623
7.02.03	Loss/recovery of assets	0	-1,904
7.02.04	Others	-59,679	-94,931
7.03	Gross value added	1,546,780	1,342,692
7.04	Withholdings	-132,198	-117,698
7.04.01	Depreciation, amortization and depletion	-132,198	-117,698
7.05	Net generated value added	1,414,582	1,224,994
7.06	Value added received by transfer	29,715	53,807
7.06.01	Equity in earnings (losses) of controlled companies	-1,627	-658
7.06.02	Financial revenues	31,342	54,465
7.07	Total value added to be distributed	1,444,297	1,278,801
7.08	Value added distribution	1,444,297	1,278,801
7.08.01	Personnel	470,593	441,740
7.08.01.01	Direct compensation	312,008	270,656
7.08.01.02	Benefits	137,463	149,941
7.08.01.03	Severance Pay Fund (FGTS)	21,122	21,143
7.08.02	Taxes, fees and contributions	388,471	329,913
7.08.02.01	Federal	385,730	327,547
7.08.02.02	State	441	354
7.08.02.03	Municipal	2,300	2,012
7.08.03	Return on debt capital	144,758	150,234
7.08.03.01	Interest	120,517	126,971
7.08.03.02	Rents	24,241	23,263
7.08.04	Return on equity capital	440,475	356,914
7.08.04.01	Interest on equity	159,292	159,510
7.08.04.03	Retained earnings/ Accumulated losses for the period	281,183	197,404

**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	24.3%	30.0 years	Water & Sewage	Program	100%	94.6%	812.1	769.4
Londrina	7.3%	28.0 years	Water & Sewage	Program	100%	91.1%	240.1	221.9
Maringá	5.2%	22.2 years	Water & Sewage	Concession	100%	100.0%	161.7	165.8
Ponta Grossa	3.5%	7.8 years	Water & Sewage	Concession	100%	90.3%	137.9	123.6
Foz do Iguaçu	3.5%	25.7 years	Water & Sewage	Program	100%	77.0%	107.4	84.0
Cascavel	3.3%	6.4 years	Water & Sewage	Concession	100%	97.9%	121.6	121.5
São José dos Pinhais	2.8%	25.5 years	Water & Sewage	Program	100%	68.7%	109.6	76.5
Colombo	1.8%	29.8 years	Water & Sewage	Program	100%	60.9%	83.1	51.4
Guarapuava	1.6%	24.3 years	Water & Sewage	Program	100%	78.1%	62.8	50.0
Araucária	1.4%	14.3 years	Water & Sewage	Concession	100%	67.0%	50.0	33.6
Others	45.3%						2,000.5	1,118.0
					<b>100%</b>	<b>71.2%</b>	<b>3,886.8</b>	<b>2,815.7</b>

In the 2Q18, a Program Contract was entered into with the Municipalities of Colombo, Piraquara and Curitiba for a period of 30 years.

The Company renewed the concession with the municipality of Curitiba on June 05, 2018 by the early termination of the onerous concession contract for the operation of the public utility services of water supply and collection, removal and treatment of sewage signed on December 06, 2001 for a 30-year term, establishing the amount of R\$125.0 million to be paid for the concession.

The renewal of the concession was agreed by means of Program Contract No. 186/2018 signed on June 05, 2018 and for compensation of the early maturity of the former contract, as per Clause 29 of the Program Contract, the Company shall transfer to the municipality of Curitiba the amount of R\$88.8 million to the Municipal Sanitation and Environmental Management Fund, corresponding to the remaining balance still due from the onerous concession contract previously in effect. The transfer shall be made in three installments, having the payment of the first occurred upon the contract signature, the second to be paid in March 2019 and the third in November 2019, the last two adjusted at the IPCA (Amplified Consumer Price Index).

The current rate of delivery with treated water is of 100.0% and the coverage of sewage collection is of 71.2% of the urban population within the concession area, with a treatment rate of 100.0% as per the Corporate Information System.

Revenues stem mainly from residential water connections, representing 90.9% of the total water connections existing at June 30, 2018.

The number of water connections of 3,112,939 in June 2018 is 1.8% higher than the number of connections (3,056,784) existing in June 2017, which represents an increase of 56,155 water connections, as follows:

**1. OPERATING DATA -- continued**
**1.1 MARKET – continued**

Number of Water Connections*	JUN/18 (1)	%	JUN/17 (2)	%	Var. % (1/2)
Residential	2,828,366	90.9	2,786,613	91.2	1.5
Commercial	222,264	7.1	209,260	6.8	6.2
Industrial	12,741	0.4	12,348	0.4	3.2
Public Utility	23,491	0.8	22,703	0.7	3.5
Public Administration	26,077	0.8	25,860	0.9	0.8
<b>Total</b>	<b>3,112,939</b>	<b>100.0</b>	<b>3,056,784</b>	<b>100.0</b>	<b>1.8</b>

\* Information not reviewed by independent auditors.

The number of sewage connections of 2,079,427 in June 2018 is 4.3% higher than the number of connections (1,994,218) existing in June 2017, representing an increase of 85,209 new sewage connections, as shown below:

Number of Sewage Connections*	JUN/18 (1)	%	JUN/17 (2)	%	Var. % (1/2)
Residential	1,875,746	90.2	1,803,913	90.5	4.0
Commercial	170,567	8.2	158,631	8.0	7.5
Industrial	5,056	0.2	4,885	0.2	3.5
Public Utility	14,464	0.7	13,669	0.7	5.8
Public Administration	13,594	0.7	13,120	0.6	3.6
<b>Total</b>	<b>2,079,427</b>	<b>100.0</b>	<b>1,994,218</b>	<b>100.0</b>	<b>4.3</b>

\* Information not reviewed by independent auditors.

**1.2 PRODUCTIVITY**

In the 2Q18, the volume of treated water measured was of 124.4 million m<sup>3</sup>, as compared to 119.6 million m<sup>3</sup> in the 2Q17, representing an increase of 4.0%, as follows:

Measured Water Volume - million m <sup>3</sup> *	2Q18 (1)	2Q17 (2)	Var. % (1/2)	6M18 (3)	6M17 (4)	Var. % (3/4)
Residential	105.2	100.9	4.3	211.2	212.0	-0.4
Commercial	10.3	9.7	6.2	20.3	19.9	2.0
Industrial	2.4	2.8	-14.3	5.0	5.7	-12.3
Public Utility	1.4	1.4	-	2.7	2.8	-3.6
Public Administration	5.1	4.8	6.2	9.5	9.3	2.2
<b>TOTAL MEASURED</b>	<b>124.4</b>	<b>119.6</b>	<b>4.0</b>	<b>248.7</b>	<b>249.7</b>	<b>-0.4</b>

\* Information not reviewed by independent auditors.

**1. OPERATING DATA -- continued**
**1.2 PRODUCTIVITY - continued**

In the 2Q18, the volume of treated water billed was 129.4 million m<sup>3</sup>, as compared to 139.2 million m<sup>3</sup> in the 2Q17, which corresponds to a reduction of 7.0%, 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 m<sup>3</sup> to 5 m<sup>3</sup>, as shown below:

<b>Invoiced Water Volume - million m<sup>3</sup> *</b>	<b>2Q18 (1)</b>	<b>2Q17 (2)</b>	<b>Var. % (1/2)</b>	<b>6M18 (3)</b>	<b>6M17 (4)</b>	<b>Var. % (3/4)</b>
Residential	109.6	118.6	-7.6	219.7	250.8	-12.4
Commercial	11.0	11.5	-4.3	21.8	23.9	-8.8
Industrial	2.5	2.8	-10.7	5.1	5.8	-12.1
Public Utility	1.1	1.3	-15.4	2.2	2.6	-15.4
Public Administration	5.2	5.0	4.0	9.7	9.7	-
<b>TOTAL INVOICED</b>	<b>129.4</b>	<b>139.2</b>	<b>-7.0</b>	<b>258.5</b>	<b>292.8</b>	<b>-11.7</b>

\* Information not reviewed by independent auditors.

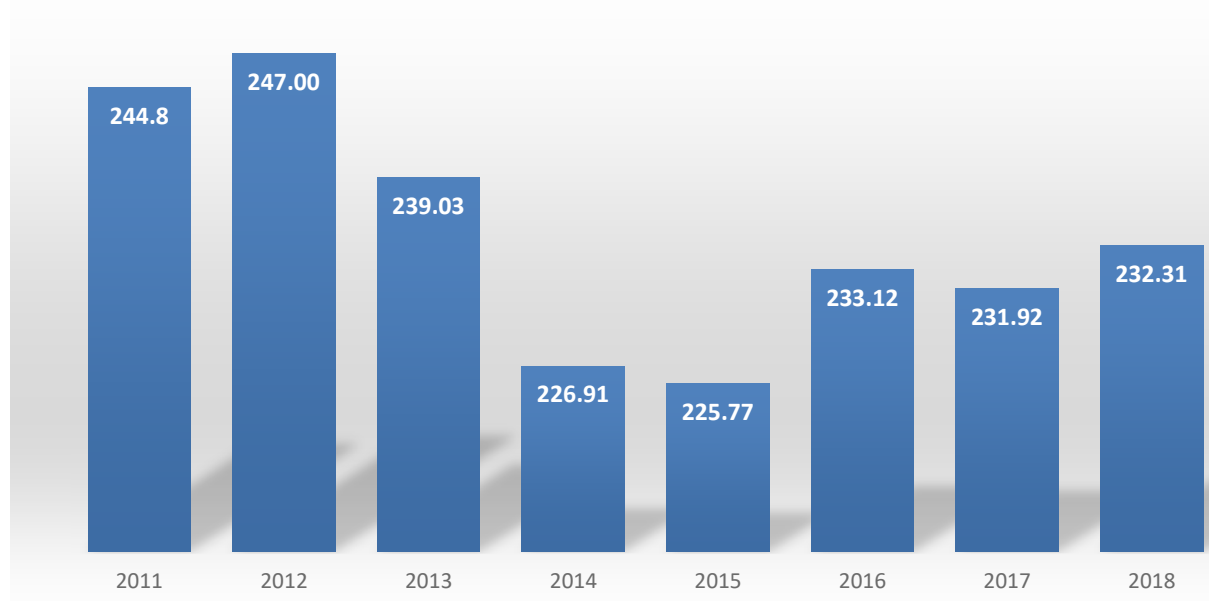
The volume of sewage billed in the 2Q18 showed a reduction of 4.5% as compared to the same period for the previous year, also the result of the change in the Company's tariff structure, as shown below:

<b>Invoiced Sewage Volume - million m<sup>3</sup> *</b>	<b>2Q18 (1)</b>	<b>2Q17 (2)</b>	<b>Var. % (1/2)</b>	<b>6M18 (3)</b>	<b>6M17 (4)</b>	<b>Var. % (3/4)</b>
Residential	79.8	84.4	-5.5	158.9	176.7	-10.1
Commercial	9.9	10.3	-3.9	19.6	21.0	-6.7
Industrial	0.9	0.7	28.6	1.6	1.5	6.7
Public Utility	0.9	0.9	-	1.8	1.9	-5.3
Public Administration	3.9	3.6	8.3	7.2	7.0	2.9
<b>TOTAL INVOICED</b>	<b>95.4</b>	<b>99.9</b>	<b>-4.5</b>	<b>189.1</b>	<b>208.1</b>	<b>-9.1</b>

\* Information not reviewed by independent auditors.

**1. OPERATING DATA -- continued****1.2 PRODUCTIVITY - continued****LOSSES PER CONNECTION INDEX \***

Liters/ Connection/ Day



\* Information not reviewed by independent auditors.

(1) Cumulative amounts from January to June 2018.

**1. OPERATING DATA -- continued**
**1.3 OPERATING INDEXES**

<b>Water</b>	<b>6M18 (1)</b>	<b>6M17 (2)</b>	<b>Var. (1/2)</b>	<b>6M16 (3)</b>	<b>Var. (2/3)</b>
Units served by the distribution network	3,886,782	3,790,300	2.5 %	3,699,828	2.4 %
Number of treatment stations	166	164	1.2 %	170	-3.5 %
Number of wells	1,172	1,050	11.6 %	1,034	1.5 %
Number of surface catchment	229	230	-0.4 %	232	-0.9 %
Km of laid network	53,317	52,094	2.3 %	50,598	3.0 %
Volume produced	379,510,532	377,722,316	0.5 %	369,409,942	2.3 %
Loss rate:					
In distribution system - %	34.47	33.88	0.59 p.p.	34.18	-0.3 p.p.
In billings - % (1)	31.89	22.47	9.42 p.p.	20.35	2.12 p.p.
Evasion of revenues - %	1.51	1.54	-0.03 p.p.	3.05	-1.51 p.p.
(1) This index shows the difference between produced volume and billed volume. The increase was mainly the result of the tariff structure implemented as of June 2017.					
<b>Sewage</b>	<b>6M18 (1)</b>	<b>6M17 (2)</b>	<b>Var. (1/2)</b>	<b>6M16 (3)</b>	<b>Var. (2/3)</b>
Units served by the collection network	2,815,678	2,686,856	4.8 %	2,545,716	5.5 %
Number of treatment stations	246	239	2.9 %	238	0.4 %
Km of laid network	35,453	33,547	5.7 %	31,826	5.4 %
Volume collected in m <sup>3</sup>	181,114,186	177,359,575	2.1 %	167,715,045	5.8 %

**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. Due to the lower rain volume and higher use of the dams, the average storage volume by the end of the quarter was 87%.



**2. FINANCIAL DATA**
**2.1 ECONOMIC PERFORMANCE**

<b>Operating revenue</b>	<b>2Q18 (1)</b>	<b>2Q17 (2)</b>	<b>Var. % (1/2)</b>	<b>6M18 (3)</b>	<b>6M17 (4)</b>	<b>Var. % (3/4)</b>
Revenues from water	666.8	595.8	11.9	1,325.7	1,210.8	9.5
Revenues from sewage	385.8	339.5	13.6	762.4	682.1	11.8
Revenues from services	33.8	32.0	5.6	64.5	64.1	0.6
Revenues from solid waste	2.6	2.1	23.8	4.9	4.2	16.7
Services provided to	4.0	3.6	11.1	8.0	6.5	23.1
Donations made by clients	4.5	3.9	15.4	7.5	7.0	7.1
Other revenues	1.2	1.5	-20.0	2.5	2.5	-
<b>Total operating revenues</b>	<b>1,098.7</b>	<b>978.4</b>	<b>12.3</b>	<b>2,175.5</b>	<b>1,977.2</b>	<b>10.0</b>

Gross operating revenue increased 12.3%, from R\$978.4 million in 2Q17 to R\$1,098.7 million in 2Q18, an increase resulting from the tariff revision of 8.53% in 2017, with full effects in 2018, from the IRT (Annual Tariff Adjustment) of 5.12% in effect as of 05/17/2018 and from the increase in water and sewage services and an increase in the number of connections.

<b>Operating costs and expenses</b>	<b>2Q18 (1)</b>	<b>2Q17 (2)</b>	<b>Var. % (1/2)</b>	<b>6M18 (3)</b>	<b>6M17 (4)</b>	<b>Var. % (3/4)</b>
Personnel	269.8	278.4	-3.1	508.9	522.9	-2.7
Materials	36.3	40.7	-10.8	73.2	78.6	-6.9
Electricity	92.5	85.2	8.6	185.6	172.4	7.7
Third-party services	154.5	144.9	6.6	295.0	273.8	7.7
Depreciation and amortization	66.4	59.3	12.0	132.2	117.7	12.3
Losses in Realization of Credits	8.3	7.4	12.2	4.8	13.0	-63.1
Municipal Sanitation and Environmental Management Fund	8.2	6.9	18.8	15.2	13.5	12.6
Regulatory fee	5.2	4.8	8.3	10.4	4.8	116.7
Sanepar Rural program	0.3	2.1	-85.7	0.7	7.9	-91.1
Other Costs and Expenses	19.9	33.7	-40.9	40.9	50.3	-18.7
Expenses Capitalized	-27.1	-18.2	-48.9	-45.6	-36.9	23.6
<b>Total operating costs and</b>	<b>634.3</b>	<b>645.2</b>	<b>-1.7</b>	<b>221.3</b>	<b>1,218.0</b>	<b>0.3</b>

Operating costs and expenses accumulated in the second quarter of 2018 were reduced by 1.7% in comparison to the same period in 2017.



## 2. FINANCIAL DATA - continued

### 2.1 ECONOMIC PERFORMANCE - continued

The main changes resulted from:

- **Personnel:**

Decrease of 3.1% as a result of the Incentive Retirement Programs (Programa de Aposentadoria Incentivada – PAI) and the Voluntary Dismissal with Transfer of Knowledge Program (Demissão Voluntária com Transferência de Conhecimento – PDVTC) implemented in January/2017, September/2017 and February/2018, and decrease of 4.5% in the staff, from 7,383 employees in 2Q17 to 7,054 employees in the 2Q18, offset by the Collective Bargaining Agreement 2018/2019, signed in June 2018, with payment retroactive to March 2018 (base date), which included: i) salary adjustment from 2.00 to 4.04%, according to the employees' salary bracket in their career plan, (ii) amount of R\$ 105.00 to all employees; (iii) adjustment of 1.81% (INPC) in the meal voucher; and (iv) adjustment of 2% retroactive to January 2018, referring to the annual assessment cycle of the career plan (one position higher in the salary bracket for years of service or merit for the employees meeting the established criteria).

After the full salary recovery, established by the application of the measures referred to above, the employees represented by their respective unions promoted the full, general and unrestricted settlement of all and any rights resulting from the liability generated by the lack of assessment related to the System of Management by Competence/2009, with the consequent extinguishment of the related class actions, considering the termination of those rights.

In June 2018, the Company extinguished 44 positions of strategic consultant, with the dismissal of 41 staff members, which represented monthly costs of R\$1,012 thousand.

- **Materials**

Decrease of 10.8%, mainly related to materials for systems operations, treatment and maintenance of networks.

- **Electricity**

Increase of 8.6% in electricity expenses allocated to operation costs, resulting from the System of Rate Classification of the energy sector being in its highest level (Red Flag) in May and June and from the adjustment of 15.99% in rate as from 06/24/2018.

- **Third-party services**

Increase of 6.6%, mainly related to services of surveillance, collection, network maintenance and removal of sewage residue.

- **Depreciation and amortization**

Increase of 12.0%, mainly related to the start of operations of intangible assets and/or fixed assets totaling R\$640,4 million.

**2. FINANCIAL DATA - continued**
**2.1 ECONOMIC PERFORMANCE - continued**

<b>Financial income (loss)</b>	<b>2Q18 (1)</b>	<b>2Q17 (2)</b>	<b>Var. % (1/2)</b>	<b>6M18 (3)</b>	<b>6M17 (4)</b>	<b>Var. % (3/4)</b>
<b>Financial revenues</b>						
Financial investments	9.5	20.6	-53.9	18.8	42.5	-55.8
Monetary variation gains	2.8	2.6	7.7	5.1	4.8	6.3
Other financial revenues	5.4	3.8	42.1	7.5	7.2	4.2
<b>Total financial revenues</b>	<b>17.7</b>	<b>27.0</b>	<b>-34.4</b>	<b>31.4</b>	<b>54.5</b>	<b>-42.4</b>
<b>Financial expenses</b>						
Financing and Debenture	-46.2	-48.2	-4.1	-91.3	-99.0	-7.8
Monetary variation losses	-3.5	-18.0	-80.6	-25.9	-26.8	-3.4
Other financial expenses	-1.3	-0.3	333.3	-3.3	-1.2	175.0
<b>Total financial expenses</b>	<b>-51.0</b>	<b>-66.5</b>	<b>-23.3</b>	<b>-120.5</b>	<b>-127.0</b>	<b>-5.1</b>
<b>Financial income (loss)</b>	<b>-33.3</b>	<b>-39.5</b>	<b>-15.7</b>	<b>-89.1</b>	<b>-72.5</b>	<b>-22.9</b>

Financial losses increased 15.7% from R\$39.5 million to R\$33.3 million in the second 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 53.9%

**2.2 ECONOMIC INDICATORS**

<b>Net income (loss)</b>	<b>2Q18 (1)</b>	<b>2Q17 (2)</b>	<b>Var. % (1/2)</b>	<b>6M18 (3)</b>	<b>6M17 (4)</b>	<b>Var. % (3/4)</b>
<b>Operating income (loss)</b>	<b>333.7</b>	<b>261.1</b>	<b>27.8</b>	<b>677.1</b>	<b>531.9</b>	<b>27.3</b>
Financial income (loss)	-33.3	-39.5	-15.7	-89.1	-72.5	22.9
Taxes on income	-46.8	-24.8	88.7	-147.5	-102.5	43.9
<b>Net income</b>	<b>253.6</b>	<b>196.8</b>	<b>28.9</b>	<b>440.5</b>	<b>356.9</b>	<b>23.4</b>

The Company had a net profit of R\$253.6 million accumulated up to the second quarter 2018, 28.9% higher than the net result of R\$196.8 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.

Following is the reclassification of income of the 2Q18, excluding non-recurring items.

**2. FINANCIAL DATA – continued**
**2.2 ECONOMIC INDICATORS – continued**

<b>Non-recurring items</b>	<b>2T18</b>	<b>2T17</b>	<b>6M18</b>	<b>6M17</b>
<b>Net income</b>	<b>253.6</b>	<b>196.8</b>	<b>440.5</b>	<b>356.9</b>
PAI and PDVTC	-	-	6.8	15.5
PPR	23.7	-	41.2	-
Regulatory fee	-	-	5.2	-
Civil actions, lack of water in Maringá	-	-	18.0	-
Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) Agreement – Notices of violation	-	-	17.4	-
Monetary variation loss from financial lease	-	-18.8	-	27.0
Tax effects	-8.1	6.4	-30.1	-14.4
<b>Pro forma net income</b>	<b>269.2</b>	<b>184.4</b>	<b>499.0</b>	<b>385.0</b>
Net margin	26.4	20.3	24.7	21.0
EBTIDA	423.8	301.6	880.5	692.1
EBITDA margin	41.6	33.2	43.6	37.7

<b>Distribution of the Economic Wealth Generated</b>	<b>2Q18 (1)</b>	<b>2Q17 (2)</b>	<b>Var. % (1/2)</b>	<b>6M18 (3)</b>	<b>6M17 (4)</b>	<b>Var. % (3/4)</b>
Personnel compensation	250.1	234.1	6.8	470.6	441.7	6.5
Government Compensation (Taxes)	170.6	139.8	22.0	388.5	329.9	17.8
Third-party compensation (property lease)	12.1	11.6	4.3	24.2	23.3	3.9
Return on debt capital (interest and monetary variations)	50.9	66.5	-23.5	120.5	127.0	-5.1
Interest on equity capital	159.3	159.5	-0.1	159.3	159.5	-0.1
Net income for the period not distributed	94.3	37.3	152.8	281.2	197.4	42.5
<b>Total Economic Wealth</b>	<b>737.3</b>	<b>648.8</b>	<b>13.6</b>	<b>1.444.3</b>	<b>1.278.8</b>	<b>12.9</b>

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.

**2. FINANCIAL DATA – continued**
**2.2 ECONOMIC INDICATORS – continued**

<b>Economic Indicators</b>	<b>2Q18 (1)</b>	<b>2Q17 (2)</b>	<b>Var. (1/2)</b>	<b>6M18 (3)</b>	<b>6M17 (4)</b>	<b>Var. (3/4)</b>
Net operating revenue (1)	1,019.6	908.9	12.2 %	2,019.0	1,835.3	10.0 %
Operating profit	333.7	261.1	27.8 %	677.1	531.9	27.3 %
Net income	253.6	196.8	28.9 %	440.5	356.9	23.4 %
% Operating margin	27.3	22.7	4.6 p.p.	27.0	23.2	3.8 p.p.
% Net margin	24.9	21.7	3.2 p.p.	21.8	19.4	2.4 p.p.
% Mean PL profitability	4.9	4.1	0.8 p.p.	8.5	7.4	1.1 p.p.
Net debt/ EBITDA (Accumulated 12 month)	-	-	-	1.7	1.8	-0.1 p.p.

- (1) The increase in operating revenue, comparing the 2Q17 with the 2Q18, results from the 1<sup>st</sup> Tariff Revision authorized by AGEPAR of 8.53% in 2017, as from 06/01/2017, proportionally since 05/16/2017, with full effects in 2018; from the IRT (Annual Tariff Adjustment) of 5.12% in effect as of 05/17/2018; and from the increase in water and sewage services, by means of an increase in the number of water (1.8%) and sewage (4.3%) connections.

At the end of the second quarter of 2018, the Company's assets amounted to R\$10,390.7 million (R\$10,122.7 million as at 12/31/2017), while total debt of the end of the quarter amounted to R\$5,119.6 million (R\$ 4,970.0 million as at 12/31/2017).

From total debt, R\$2,784.6 million (R\$2,716.8 million at 12/31/2017) refer to loans, financing and debentures, with an increase of 2.5% in comparison with the end of 2017.

	<b>Reference</b>	<b>JUN/18</b>	<b>DEC/17</b>	<b>Var.</b>
Equity	R\$ million	5,271.0	5,152.7	2.3 %
Share value	R\$	10.46	10.23	2.3 %
Indebtedness level	%	49.3	49.1	0.2 p.p.
Current ratio	R\$	0.97	0.99	-0.02 p.p.
Quick ratio	R\$	0.93	0.95	-0.02 p.p.

**EBITDA and Generation of Operating Cash**

EBITDA in the 2Q18, representing the Company's operating results was of R\$400.1 million, as compared to R\$320.4 million for the same period in the previous year, mainly due to the increase in operating revenue. EBITDA margin was reduced from 35.3% to 39.2%.

Operating cash generation in the 2Q18 was of R\$326.6 million, increase of 0.7% as compared to the same period in 2017. Conversion of EBITDA into Operating Cash was of 81,6%.

**2. FINANCIAL DATA - continued**
**2.2 ECONOMIC INDICATORS - continued**

<b>EBITDA</b>	<b>2Q18 (1)</b>	<b>2Q17 (2)</b>	<b>Var. (1/2)</b>	<b>6M18 (3)</b>	<b>6M17 (4)</b>	<b>Var. (3/4)</b>
Net profit for the period	253.6	196.8	28.9 %	440.5	356.9	23.4 %
(+) Taxes on Income	46.8	24.8	88.7 %	147.5	102.5	43.9 %
(+) Financial income	33.3	39.5	-15.7 %	89.1	72.5	22.9 %
(+) Depreciation and amortization	66.4	59.3	12.0 %	132.2	117.7	12.3 %
<b>TOTAL</b>	<b>400.1</b>	<b>320.4</b>	<b>24.9%</b>	<b>809.3</b>	<b>649.6</b>	<b>24.6%</b>
% EBITDA margin	39.2	35.3	3.9 p.p.	40.1	35.4	4.7 p.p.
% EBITDA conversion into cash	81.6	101.2	-19.6 %	77.7	101.9	-24.2 %

**2.3. INVESTMENTS**

The investments made in the second quarter of 2018 totaled R\$241.2 (R\$161.8 million in 2Q17), as shown below:

<b>Investments</b>	<b>2Q18 (1)</b>	<b>2Q17 (2)</b>	<b>Var. % (1/2)</b>	<b>6M18 (3)</b>	<b>6M17 (4)</b>	<b>Var. % (3/4)</b>
Water	118.4	71.5	65.6	221.4	138.3	60.1
Sewage	80.4	72.8	10.4	144.3	149.8	-3.7
Administrative and others	42.4	17.5	142.3	80.3	27.6	190.9
<b>Total</b>	<b>241.2</b>	<b>161.8</b>	<b>49.1-</b>	<b>446.0</b>	<b>315.7</b>	<b>41.3</b>

**2.4 INDEBTEDNESS**

Gross debt increased from R\$2,716.8 million in December 2017 to R\$2,784.6 in the 2Q18, representing an increase of R\$67.8 million. Net debt went from R\$2,182.9 million in December 2017 to R\$2,442.5 million in June 2018.

Leverage index measured by Net debt/EBITDA ratio (accumulated 12 months) decreased 5.6% from 1.8x to 1.7x in 6M17 and 6M18, 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 June 30, 2018:

**2. FINANCIAL DATA - continued**
**2.4 INDEBTEDNESS - continued**

Indebtedness	Annual interest rate	Index	Contract termination	Debt balance	%
Caixa Econômica Federal (Federal Bank)	6.62% a 12.68%	TR	19/08/2041	933.2	33.5
BNDES – PAC2	1.67% e 2.05%	TJLP	15/11/2028	247.0	8.9
Finance lease	13.17%	IPC-FIPE	05/12/2036	193.3	6.9
Debentures 4th Issue – 1st series	1.67%	TJLP	15/07/2027	186.3	6.7
Debentures 6th Issue – 2nd series	0.83%	DI	15/08/2019	174.1	6.3
Debentures 8th Issue – 2nd series	0.51%	DI	15/06/2023	155.0	5.6
Debentures 3rd Issue – 2nd series	6.99%	IPCA	15/11/2020	134.4	4.8
Debentures 2nd Issue – 2nd series	9.19%	IPCA	15/09/2024	133.4	4.8
Debentures 2nd Issue – 3rd series	1.92%	TJLP	15/09/2024	101.5	3.6
Debentures 4th Issue – 2nd series	7.44%	IPCA	15/07/2027	97.5	3.5
Debentures 8th Issue – 1st series	0.42%	DI	15/06/2021	95.0	3.4
Debentures 6th Issue – 1st series	0.81%	DI	15/08/2018	82.1	2.9
Debentures 2nd Issue – 1st series	1.92%	TJLP	15/09/2024	76.1	2.7
BNDES	1.82% e 2.50%	TJLP	15/01/2023	70.6	2.5
Debentures 3rd Issue – 1st series	0.69%	DI	15/11/2018	67.3	2.4
Banco Itaú – PSI	3.00 a 6.00%	-	15/01/2025	20.4	0.8
Banco do Brasil – PSI	3.00 a 6.00%	-	15/04/2024	17.4	0.7
<b>Total long and short term debt</b>				<b>2,784.6</b>	<b>100.0</b>

We present below the debt profile in relation to maturity:

Description	Debt balance	%
12 months	385.0	13.8
24 months	445.6	16.0
36 months	358.0	12.9
60 months	343.8	12.3
Over 60 months	1,252.2	45.0
<b>Total</b>	<b>2,784.6</b>	<b>100.0</b>

**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 12, to apply a rate adjustment of 25.63% as of April 17, as provided for in article 3:

### **3. REGULATIONS - continued**

*“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 June 30, 2018, R\$698.0 million. This amount represents the best estimate as at June 30, 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.

Up to June 2018, the Company’s CVA recorded a positive balance of R\$2,8 million that Sanepar shall recover, through tariff adjustments in the following year.

#### **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 June 30, 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 2.3% of the contracts are currently being renewed for being expired, 17.3% expire from 2018 to 2027 and 80.4% 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.

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 June 30, 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 Interim Financial Information was authorized for disclosure by the Company's Management on July 30, 2018.

#### 2.2 Measurement Basis

The Interim Financial Information was 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 Interim Financial Information, 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 June 30, 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 June 30, 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 June 30, 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\$ 10,362 and R\$ 20,724 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 June 30, 2018

(In thousands of Brazilian Reais)

### 4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS -- continuation

#### 4.1 Financial risk management -- continuation

<u>Analysis</u>					
<u>Description</u>	<u>Index</u>	<u>+ 25%</u>	<u>-25%</u>	<u>+50%</u>	<u>-50%</u>
Caixa FI Sanepar I Renda Fixa	DI	3,950	(3,950)	7,900	(7,900)
<b>Assets</b>		<b>3,950</b>	<b>(3,950)</b>	<b>7,900</b>	<b>(7,900)</b>
BNDES	TJLP	(552)	552	(1,104)	1,104
BNDES-PAC2	TJLP	(1,163)	1,163	(2,326)	2,326
Debentures 2nd Issuance - 1st and 3rd series	TJLP	(1,007)	1,007	(2,014)	2,014
Debentures 2nd Issuance – 2nd series	IPCA	(557)	557	(1,114)	1,114
Debentures 3rd Issuance – 1st series	DI	(587)	587	(1,174)	1,174
Debentures 3rd Issuance – 2nd series	IPCA	(600)	600	(1,200)	1,200
Debentures 4th Issuance – 1st series	TJLP	(1,094)	1,094	(2,188)	2,188
Debentures 4th Issuance – 2nd series	IPCA	(430)	430	(860)	860
Debentures 5th Issuance – 2nd series	DI	(1,522)	1,522	(3,044)	3,044
Debentures 6th Issuance – 1st series	DI	(754)	754	(1,508)	1,508
Debentures 6th Issuance – 2nd series	DI	(1,581)	1,581	(3,162)	3,162
Debentures 8th Issuance – 1st series	DI	(44)	44	(88)	88
Debentures 8th Issuance – 2nd series	DI	(72)	72	(144)	144
Finance lease	IPC	(4,349)	4,349	(8,698)	8,698
<b>Liabilities</b>		<b>(14,312)</b>	<b>14,312</b>	<b>(28,624)</b>	<b>28,624</b>
<b>Effects on Profit before Taxation</b>		<b>(10,362)</b>	<b>10,362</b>	<b>(20,724)</b>	<b>20,724</b>

The TR considered in the 12-month period was of 0.11% and the TJLP, 6.84%, obtained from BACEN - Banco Central do Brasil, IPCA rate of 4.39%, obtained from IBGE – Instituto Brasileiro de Geografia e Estatística, and DI rate of 6.39% obtained from CETIP SA and IPC – FIPE of 2.51%, 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 June 30, 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 June 30, 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>06/30/2018</u>	<u>12/31/2017</u>
Loans, financing, debentures and finance lease	2,784,606	2,716,838
Cash and cash equivalents	(342,091)	(533,888)
Net debt	2,442,515	2,182,950
Equity	5,271,021	5,152,654
Ratio Net Debt/Net Equity	0.46	0.42

#### 4.3. Financial Instruments

As at June 30, 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>06/30/2018</u>	<u>12/31/2017</u>	<u>06/30/2018</u>	<u>12/31/2017</u>
<b>Financial assets</b>				
Cash and cash equivalents	342,091	533,888	342,091	533,888
Accounts receivables from customers, net	648,976	617,337	648,976	617,337
Restricted deposits	61,643	55,337	61,643	55,337
Contractual financial assets	356,804	201,077	356,804	201,077
<b>Total</b>	<b><u>1,409,514</u></b>	<b><u>1,407,639</u></b>	<b><u>1,409,514</u></b>	<b><u>1,407,639</u></b>
<b>Financial liabilities</b>				
Loans, financing, debentures and finance lease	2,784,606	2,716,838	2,784,606	2,716,838
Contractors and Suppliers	154,373	182,655	154,373	182,655
Concession agreements	59,826	91,989	59,826	91,989
<b>Total</b>	<b><u>2,998,805</u></b>	<b><u>2,991,482</u></b>	<b><u>2,998,805</u></b>	<b><u>2,991,482</u></b>

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

### 5. CASH AND CASH EQUIVALENTS

These have the following composition:

<u>Description</u>	<u>06/30/2018</u>	<u>12/31/2017</u>
Unrestricted bank deposits	3,532	3,618
Restricted bank deposits	21,851	20,181
	<u>25,383</u>	<u>23,799</u>
Financial investments	316,708	510,089
<b>Total cash and cash equivalents</b>	<b><u>342,091</u></b>	<b><u>533,888</u></b>

The financial investments approximate fair value and are of short-term type, with high liquidity and low risk of change in value. They comprise investments in fixed income funds, whose portfolio mostly consists of securities issued by the Federal Government, with average remuneration of 98.62% 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>Description</u>	<u>06/30/2018</u>	<u>12/31/2017</u>
Falling due accounts receivable	250,620	222,911
Accounts receivable from installment payments	53,492	48,943
Adjustment to present value	(3,202)	(2,453)
Accounts to be billed (Unbilled consumption)	161,068	174,987
	<u>461,978</u>	<u>444,388</u>
Overdue accounts receivable		
From 1 to 30 days	122,644	109,098
From 31 to 60 days	31,370	29,817
From 61 to 90 days	12,971	12,484
From 91 to 180 days	21,204	20,636
Over 180 days	171,888	172,064
Allowance for doubtful accounts	(173,079)	(171,150)
	<u>186,998</u>	<u>172,949</u>
<b>Total accounts receivable, net</b>	<b><u>648,976</u></b>	<b><u>617,337</u></b>
<b>Current</b>	<b>632,250</b>	<b>606,250</b>
<b>Noncurrent</b>	<b>16,726</b>	<b>11,087</b>

From the total of overdue accounts receivable, net of the allowance for doubtful accounts, R\$2,100 (R\$2,754 as at 12/31/2017) refers to outstanding amounts from municipal governments; R\$184,276 (R\$166,992 as at 12/31/2017) from private customers; R\$452 (R\$3 as at 12/31/2017) from the Federal government, and R\$170 (R\$3,200 as at 12/31/2017) from the State government.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

### 6. TRADE ACCOUNTS RECEIVABLES, NET -- continuation

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

<u>Description</u>	<u>06/30/2018</u>	<u>12/31/2017</u>
Balances at beginning of period	(171,150)	(146,336)
Amounts recorded as expenses	(4,817)	(28,800)
Write-offs, net of recoveries	2,888	3,986
<b>Balances at end of period</b>	<b>(173,079)</b>	<b>(171,150)</b>

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

<u>Description</u>	<u>06/30/2018</u>	<u>12/31/2017</u>
Private customers	115,361	103,896
Federal government agencies	-	1
Municipal governments	57,718	67,253
<b>Total</b>	<b>173,079</b>	<b>171,150</b>

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

<u>Description</u>	<u>06/30/2018</u>	<u>12/31/2017</u>
Balances at beginning of period	(2,453)	(3,408)
Adjustment to Present Value	(749)	955
<b>Balances at end of period</b>	<b>(3,202)</b>	<b>(2,453)</b>

### 7. RECOVERABLE TAXES AND CONTRIBUTIONS

These have the following composition:

<u>Description</u>	<u>06/30/2018</u>	<u>12/31/2017</u>
Income tax to offset	34,392	19,903
Social contribution tax to offset	7,486	3,783
Withheld taxes and contributions – public agencies	1,266	1,235
<b>Total</b>	<b>43,144</b>	<b>24,921</b>
<b>Current</b>	<b>42,300</b>	<b>24,098</b>
<b>Noncurrent</b>	<b>844</b>	<b>823</b>

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

### 8. RESTRICTED DEPOSITS

Restricted deposits breakdown as follows:

<u>Description</u>	<u>06/30/2018</u>	<u>12/31/2017</u>
National Water Agency - ANA	6,949	6,777
Health National Foundation - FUNASA	6,282	3,579
Reserves kept in CAIXA (1)	48,412	44,981
<b>Total</b>	<b>61,643</b>	<b>55,337</b>
<b>Current</b>	<b>8,598</b>	<b>5,838</b>
<b>Noncurrent</b>	<b>53,045</b>	<b>49,499</b>

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

### 9. OTHER ACCOUNTS RECEIVABLE

These break down as follows:

<u>Description</u>	<u>06/30/2018</u>	<u>12/31/2017</u>
Advances to employees	24,689	3,898
Reimbursable payments	21,391	13,930
Guarantee deposits	2,127	2,224
Municipal Fund for the Environment (1)	47,423	43,195
Prepaid expenses	6,074	4,315
Assignment for operation of financial services	-	6,800
Bonds and other receivables	770	790
<b>Total</b>	<b>102,474</b>	<b>75,152</b>
<b>Current</b>	<b>54,680</b>	<b>32,248</b>
<b>Noncurrent</b>	<b>47,794</b>	<b>42,904</b>

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

### 10. CONTRACTUAL FINANCIAL ASSETS

Changes in financial assets are as follows:

<u>Description</u>	<u>12/31/2017</u>	<u>Additions</u>	<u>PVA revenue</u>	<u>PVA expense</u>	<u>06/30/2018</u>
Investment Not Amortized	570,128	485,919	-	-	1,056,047
Present Value Adjustment (PVA)	(369,051)	(334,763)	4,584	(13)	(699,243)
<b>Total</b>	<b>201,077</b>	<b>151,156</b>	<b>4,584</b>	<b>(13)</b>	<b>356,804</b>

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.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

### 11. INVESTMENTS

Description	06/30/2018	12/31/2017
Jointly controlled investment - CS Bioenergia S.A.	18,660	18,832
Investment recognized at cost method	522	522
Investment recognized at fair value	162	112
<b>Total</b>	<b>19,344</b>	<b>19,466</b>

#### Investments in joint venture

The Company holds 40% interest in CS Bioenergia S.A. referring to a capital contribution of R\$27,314. The Company's interest is accounted for under the equity method in the investee's financial statements, which are summarized below:

Statement of financial position – CS Bioenergia S.A.	06/30/2018	12/31/2017
Current assets	5,995	897
Noncurrent assets	59,580	60,291
• Fixed assets	40,877	40,770
• Finance lease	18,689	19,519
• Others	14	2
<b>Total Assets</b>	<b>65,575</b>	<b>61,188</b>
Current liabilities	1,825	1,286
• Loans, financing and finance lease	910	910
• Others	915	376
Noncurrent liabilities	17,099	12,822
• Loans, financing and finance lease	17,099	12,822
Equity	46,651	47,080
<b>Total Liabilities</b>	<b>65,575</b>	<b>61,188</b>

Statement of operations – CS Bioenergia S.A.	06/30/2018	12/31/2017
Revenue	2,764	2,633
(-) Operating expenses	(5,255)	(5,786)
Financial income (loss)	(1,577)	(1,324)
Income (loss) before taxes	(4,068)	(4,477)
IRPJ (Corporate Income Tax) and CSLL (Social Contribution Tax)	-	-
<b>Loss for the period</b>	<b>(4,068)</b>	<b>(4,477)</b>

Changes in the investment in the period are as follows:

Description	06/30/2018	12/31/2017
Balance at beginning of period	18,832	9,466
Capital contribution	1,455	11,157
Equity in earnings (losses) of controlled company (percentage of interest 40%)	(1,627)	(1,791)
<b>Balance at end of period</b>	<b>18,660</b>	<b>18,832</b>



# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

### 11. INVESTMENTS -- continuation

#### 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 06/30/2018 equivalent to R\$162.

### 12. FIXED AND INTANGIBLE ASSETS

#### a) Fixed assets

These have the following composition:

<b>By lines</b>			<b>06/30/2018</b>	<b>12/31/2017</b>
<b>Description</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net Amount</b>	
Administration	262,979	(116,914)	146,065	129,564
Other fixed assets	750	(323)	427	381
<b>Total</b>	<b>263,729</b>	<b>(117,237)</b>	<b>146,492</b>	<b>129,945</b>

<b>By nature</b>			<b>06/30/2018</b>	<b>12/31/2017</b>
<b>Description</b>	<b>Annual depreciation rate</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net Amount</b>
Plots of land	-	2,309	-	2,309
Civil construction	*1.84%	68,862	(15,440)	53,422
Improvements	2%	1,933	(677)	1,256
Facilities	*5.83%	3,935	(2,243)	1,692
Equipment	*6.23%	56,593	(21,647)	34,946
Furniture and fixtures	7.14%	40,034	(17,041)	22,993
IT equipment	*19.82%	34,466	(25,044)	9,422
Vehicles	*13.05%	37,179	(19,531)	17,648
Machinery, tractors and similar	*19.35%	16,740	(15,279)	1,461
Tools	6.67%	1,400	(335)	1,065
Assets to merge	-	278	-	278
<b>Total</b>		<b>263,729</b>	<b>(117,237)</b>	<b>146,492</b>
				<b>129,945</b>

\* Weighted average rate

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

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

#### b) Intangible assets

These have the following composition:

By lines			06/30/2018	12/31/2017
Description	Cost	Accumulated amortization		Net Amount
Water mains	4,235,326	(1,437,886)	2,797,440	2,819,606
Sewage mains	4,828,884	(1,018,147)	3,810,737	3,841,755
Solid waste	2,355	(2,340)	15	-
System Use and Operation Rights	125,096	(69,002)	56,094	57,986
Other intangible assets	116,548	(51,299)	65,249	45,341
Projects and Works in Progress	1,140,746	-	1,140,746	972,060
Inventory for Construction Work	60,192	-	60,192	53,410
<b>Total</b>	<b>10,509,147</b>	<b>(2,578,674)</b>	<b>7,930,473</b>	<b>7,790,158</b>

By nature			06/30/2018	12/31/2017
Description	Annual amortization rate	Cost	Accumulated amortization	Net Amount
Plots of land	-	143,466	-	143,466
Wells	*3.10%	136,776	(35,885)	100,891
Dams	*2.67%	140,254	(53,328)	86,926
Civil construction	*2.59%	2,067,658	(468,112)	1,599,546
Improvements	*2.67%	22,383	(2,730)	19,653
Piping	*2.64%	4,882,661	(1,177,005)	3,705,656
Building connections	3.33%	675,468	(213,782)	461,686
Facilities	*5.83%	152,872	(51,089)	101,783
Hydrometers	10%	178,961	(74,958)	104,003
Macro-meters	10%	5,684	(3,735)	1,949
Equipment	*6.23%	561,707	(259,345)	302,362
Furniture and fixtures	7.14%	5,311	(2,994)	2,317
IT equipment	*19.82%	86,042	(81,069)	4,973
Computer programs	20%	53,117	(35,315)	17,802
Vehicles	*13.05%	26,236	(15,333)	10,903
Machinery, Tractors and similar	*19.35%	19,569	(17,440)	2,129
Tools	6.67%	279	(184)	95
Rights of Use of Transmission Lines	6.25%	156	(129)	27
Environmental protection and preservation	20%	22,590	(17,239)	5,351
Concession of the Mun. of Curitiba (1)	1.50%	125,000	(68,906)	56,094
Concession of the Mun. of Cianorte (2)	5%	96	(96)	-
Assets to merge	-	1,923	-	1,923
Projects and Works in Progress	-	1,140,746	-	1,140,746
Inventory for Construction Work	-	60,192	-	60,192
<b>Total</b>		<b>10,509,147</b>	<b>(2,578,674)</b>	<b>7,930,473</b>

\* Weighted average rate

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

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

#### b) Intangible assets -- continuation

- (1) Concession right established in the onerous concession contract signed on December 6, 2001 and early renewed on June 5, 2018 by the signature of the program contract, in conformity with Law No. 11.445, of January 5, 2007, and other related legal acts.
- (2) Concession right of the onerous concession contract entered into 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 Company renewed the concession agreement entered into with the Municipality of Curitiba, resulting in the early maturity of the existing onerous concession contract, through the signature, on June 5, 2018, of the Program Contract for a 30-year term, as from the date of signature, for the operation of the public utility services of water supply and collection, removal and treatment of sewage. As compensation for the early maturity of the former contract, the Company shall transfer to the municipality of Curitiba the amount of R\$88,771 to the Municipal Sanitation and Environmental Management Fund. The main characteristics of the new program contract with the Municipality of Curitiba are as follows:

**Type:** Program Contract in conformity with Law 11.445/2017, exempt from the performance of public tender, resulting from the Cooperation Agreement entered into between the State of Paraná and the Municipality of Curitiba, authorizing the associated management, and determining Sanepar as the service provider and AGEPAR as the Regulatory agency.

**Term** 30 years;

**Main Obligations:** i) In compensation for the early maturity of Concession Contract No. 13.543/2001, transfer to the municipality of Curitiba the amount of R\$88,771 to the Municipal Basic Sanitation Fund; and ii) monthly transfer to the Municipal Basic Sanitation Fund, net of the amount of taxes levied on revenue and losses on the realization of receivables, the amount corresponding to 2% of operating revenues from the municipality of Curitiba.

**Main Targets:** i) Maintain the rate of service of the water supply network at 100% of the population of the municipality, during the whole term of the contract; ii) Meet the target established for the rate of service of sewage collection network, as provided for in the Municipal Plan for Basic Sanitation, of 94% up to 2020, 96% up to 2028 and 98% up to 2036.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

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

#### b) Intangible assets -- continuation

The balance of the line “Projects and Work in progress” as at June 30, 2018, refers to 130 (133 as at 12/31/2017) works of expansion and implementation of Water Supply Systems in 91 (93 as at 12/31/2017) localities, for the amount of R\$548,934 (R\$426,079 as at 12/31/2017); 124 (130 as at 12/31/2017) works in connection with Sewage Collection and Treatment Systems in 79 (91 as at 12/31/2017) localities, for the amount of R\$392,185 (R\$372,357 as at 12/31/2017), as well as R\$199,627 (R\$173,624 as at 12/31/2017) from investments in different operational projects and works in the systems operated by the Company.

Until this quarter ended June 30, 2018 interest and other financial charges incurred on resources and loans funding Company projects and works were capitalized, for the amount of R\$18,532 (R\$25,448 as at 06/30/2017). The average rate applied in determining cost amounts for loans subject to capitalization in relation to total cost was of 13.7%.

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 June 30, 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>06/30/2018</u>	<u>12/31/2017</u>
<u>Description</u>	<u>Cost</u>	<u>Accumulated amortization</u>		<u>Net Amount</u>
Buildings	37,434	(633)	36,801	37,114
Piping	94,016	(1,856)	92,160	93,100
Building connections	6,068	(202)	5,866	5,967
Facilities	309	(21)	288	298
Equipment	6,013	(345)	5,668	5,856
<b>Total</b>	<b>143,840</b>	<b>(3,057)</b>	<b>140,783</b>	<b>142,335</b>

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

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

#### c) Changes to fixed and Intangible assets in the 2<sup>nd</sup> Quarter 2018:

Description	12/31/2017	Additions	Depreciation and amortization	Write-offs and losses	Transfers	06/30/2018
<b>Fixed assets</b>						
Plots of land	2,309	-	-	-	-	2,309
Civil construction	53,371	146	(685)	(24)	614	53,422
Improvements	1,276	-	(20)	-	-	1,256
Facilities	1,617	218	(113)	(2)	(28)	1,692
Equipment	30,822	6,143	(1,717)	(102)	(200)	34,946
Furniture and fixtures	19,365	5,029	(1,240)	(93)	(68)	22,993
IT equipment	9,558	1,378	(1,479)	(38)	3	9,422
Vehicles	9,241	714	(1,299)	(10)	9,002	17,648
Machinery, tractors and similar	2,153	222	(914)	-	-	1,461
Tools	233	864	(32)	-	-	1,065
Assets to merger	-	278	-	-	-	278
<b>Total fixed assets</b>	<b>129,945</b>	<b>14,992</b>	<b>(7,499)</b>	<b>(269)</b>	<b>9,323</b>	<b>146,492</b>
<b>Intangible assets</b>						
Plots of land	137,940	4,445	-	-	1,081	143,466
Wells	94,548	187	(849)	1	7,004	100,891
Dams	92,656	575	(1,288)	-	(5,017)	86,926
Civil construction	1,623,409	7,914	(22,052)	76	(9,801)	1,599,546
Improvements	18,405	115	(272)	6	1,399	19,653
Piping	3,748,692	5,476	(55,540)	(2,466)	9,494	3,705,656
Building connections	455,311	170	(10,352)	(375)	16,932	461,686
Facilities	101,965	464	(4,815)	94	4,075	101,783
Hydrometers	108,433	16	(8,409)	(434)	4,397	104,003
Macro-meters	2,036	3	(223)	-	133	1,949
Equipment	284,448	27,198	(13,354)	(2,268)	6,338	302,362
Furniture and fixtures	1,742	641	(134)	(10)	78	2,317
IT equipment	5,297	2	(650)	(8)	332	4,973
Computer programs	13,192	7,201	(2,405)	(186)	-	17,802
Vehicles	10,594	9,800	(510)	22	(9,003)	10,903
Machinery, tractors and similar	1,556	1,223	(650)	-	-	2,129
Tools	101	-	(6)	-	-	95
Rights of Use of Transmission Lines	29	-	(2)	-	-	27
Environmental protection and	6,348	280	(1,293)	16	-	5,351
Concession of the Mun, of Curitiba	57,986	-	(1,892)	-	-	56,094
Concession of the Mun, of Cianorte	-	-	(3)	3	-	-
Assets to merger	-	1,923	-	-	-	1,923
<b>Intangible assets</b>	<b>6,764,688</b>	<b>67,633</b>	<b>(124,699)</b>	<b>(5,529)</b>	<b>27,442</b>	<b>6,729,535</b>
Projects and Works in Progress	972,060	356,607	-	-	(187,921)	1,140,746
Inventories for Construction Work	53,410	6,782	-	-	-	60,192
<b>Total intangible assets</b>	<b>7,790,158</b>	<b>431,022</b>	<b>(124,699)</b>	<b>(5,529)</b>	<b>(160,479)</b>	<b>7,930,473</b>
<b>Grand total</b>	<b>7,920,103</b>	<b>446,014</b>	<b>(132,198)</b>	<b>(5,798)</b>	<b>(a) (151,156)</b>	<b>8,076,965</b>

(a) Amount transferred to the Contractual Financial Assets line with reference to the expected residual amount receivable by the end of the program contracts, net of present value adjustment.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

### 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	06/30/2018			12/31/2017		
			Current	Noncurrent	Total	Current	Noncurrent	Total
Debentures 6th Issuance - 1st series	0.81%	DI	82,080	-	<b>82,080</b>	82,394	-	<b>82,394</b>
Debentures 6th Issuance - 2nd series	0.83%	DI	4,132	169,932	<b>174,064</b>	5,113	169,726	<b>174,839</b>
Debentures 5th Issuance - 2nd series	0.67%	DI	-	-	-	189,372	-	<b>189,372</b>
Debentures 3rd Issuance - 1st series	0.69%	DI	67,292	-	<b>67,292</b>	67,319	-	<b>67,319</b>
Debentures 3rd Issuance - 2nd series	6.99%	IPCA	1,184	133,196	<b>134,380</b>	1,092	130,795	<b>131,887</b>
Debentures 8th Issuance - 1st series	0.42%	DI	107	94,866	<b>94,973</b>	-	-	-
Debentures 8th Issuance - 2nd series	0.51%	DI	223	154,738	<b>154,961</b>	-	-	-
BNDES	1.82% e 2.50%	TJLP	31,873	38,718	<b>70,591</b>	32,069	54,252	<b>86,321</b>
Banco do Brasil - PSI	3.00% a 6.00%	-	3,396	14,075	<b>17,471</b>	3,400	15,760	<b>19,160</b>
Debentures 2nd Issuance - 1st series	1.92%	TJLP	12,378	63,718	<b>76,096</b>	12,374	69,563	<b>81,937</b>
Debentures 2nd Issuance - 2nd series	9.19%	IPCA	26,623	106,795	<b>133,418</b>	20,592	104,870	<b>125,462</b>
Debentures 2nd Issuance - 3rd series	1.92%	TJLP	16,504	84,957	<b>101,461</b>	16,500	92,750	<b>109,250</b>
Banco Itaú - PSI	3.00% a 6.00%	-	3,582	16,898	<b>20,480</b>	3,588	18,669	<b>22,257</b>
Debentures 4th Issuance - 1st series	1.67%	TJLP	21,022	165,277	<b>186,299</b>	21,026	174,937	<b>195,963</b>
Debentures 4th Issuance - 2nd series	7.44%	IPCA	11,007	86,508	<b>97,515</b>	10,797	90,201	<b>100,998</b>
BNDES - PAC2	1.67% e 2.05%	TJLP	28,845	218,136	<b>246,981</b>	26,263	210,332	<b>236,595</b>
Finance lease	13.17%	IPC - FIPE	5,008	188,312	<b>193,320</b>	3,981	172,692	<b>176,673</b>
Caixa Econômica Federal	6.62% a 12.68%	TR	69,734	863,490	<b>933,224</b>	66,668	849,743	<b>916,411</b>
<b>Balances at end of period</b>			<b>384,990</b>	<b>2,399,616</b>	<b>2,784,606</b>	<b>562,548</b>	<b>2,154,290</b>	<b>2,716,838</b>
Loans and financing			137,430	1,151,317	1,288,747	131,988	1,148,756	1,280,744
Debentures			242,552	1,059,987	1,302,539	426,579	832,842	1,259,421
Finance lease			5,008	188,312	193,320	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	06/30/2018	12/31/2017
TR (Reference Rate)	933,224	916,411
TJLP (Long-Term Interest Rate)	681,428	710,066
IPCA (National Amplified Consumer Price Index)	365,313	358,347
DI	573,370	513,924
IPC-FIPE	193,320	176,673
No Monetary Adjustment	37,951	41,417
	<b>2,784,606</b>	<b>2,716,838</b>

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

### 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	2016	2018	80,000	8,000	2018	Six-monthly
Debentures 6th Issuance - 2nd series	2016	2019	170,000	17,000	2019	Six-monthly
Debentures 5th Issuance – 2 <sup>nd</sup> series	2015	2018	188,840	18,884	2018	Six-monthly
Debentures 3rd Issuance - 1st series	2013	2018	199,670	19,967	2016/2017/2018	Six-monthly
Debentures 3rd Issuance – 2nd series	2013	2020	100,330	10,033	2019/2020	Six-monthly
Debentures 8th Issuance - 1st series	2018	2021	95,000	9,500	2021	Six-monthly
Debentures 8th Issuance – 2nd series	2018	2023	155,000	15,500	2023	Six-monthly
BNDES – 3 Contracts	2007	2023	295,967	-	Monthly	Quarterly during grace period and monthly at amortization
Banco do Brasil – 11 Contracts	2013 to 2014	2024	30,793	-	Monthly	Quarterly during grace period and monthly at amortization
Debentures 2nd Issuance - 1 <sup>st</sup> and 3rd series	2011	2024	276,609	7,000	Monthly	Quarterly during grace period and monthly at amortization
Debentures 2nd Issuance – 2nd series	2011	2024	118,547	3,000	Annual	Annual
Banco Itaú – PSI – 13 Contracts	2013 to 2014	2025	33,175	-	Monthly	Quarterly during grace period and monthly at amortization
Debentures 4th Issuance - 1 <sup>st</sup>	2014	2027	230,012	7,000	Monthly	Quarterly during grace period and monthly at amortization
Debentures 4th Issuance – 2nd series	2014	2027	98,576	3,000	Monthly	Quarterly during grace period and monthly at amortization
BNDES – PAC2 – 5 Contracts	2011 to 2014	2029	682,649	-	Monthly	Quarterly during grace period and monthly at amortization
Finance lease	2013	2036	460,592	-	Monthly	Monthly
Caixa Econômica Federal – 258 Contracts	1991 to 2017	2041	1,969,820	-	Monthly	Monthly

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

### 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	41,345	46,118	46,118	46,118	46,118	46,118	39,040	310,975
Debentures 3rd Issue	68,476	66,598	66,598	-	-	-	-	201,672
Debentures 4th Issue	16,454	31,150	31,150	31,150	31,150	31,150	111,610	283,814
Debentures 6th Issue	86,213	169,931	-	-	-	-	-	256,144
Debentures 8th Issue	330	-	-	94,899	-	154,705	-	249,934
<b>Subtotal Debentures</b>	<b>212,818</b>	<b>313,797</b>	<b>143,866</b>	<b>172,167</b>	<b>77,268</b>	<b>231,973</b>	<b>150,650</b>	<b>1302,539</b>
BNDES	16,165	30,963	7,610	7,610	7,610	633	-	70,591
BNDES – PAC2	14,811	28,068	28,068	28,068	25,606	24,882	97,478	246,981
Banco do Brasil - PSI	1,712	3,369	3,369	3,369	3,369	2,093	190	17,471
Banco Itaú - PSI	1,811	3,542	3,542	3,542	3,542	3,056	1,445	20,480
Caixa Econômica Federal	35,102	71,503	76,182	67,408	57,823	46,694	578,512	933,224
<b>Subtotal Loans and Financing</b>	<b>69,601</b>	<b>137,445</b>	<b>118,771</b>	<b>109,997</b>	<b>97,950</b>	<b>77,358</b>	<b>677,625</b>	<b>1,288,747</b>
Lease	3,702	3,250	3,677	4,160	4,706	5,325	168,500	193,320
<b>Total</b>	<b>286,121</b>	<b>454,492</b>	<b>266,314</b>	<b>286,324</b>	<b>179,924</b>	<b>314,656</b>	<b>996,775</b>	<b>2,784,606</b>

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

Description	06/30/2018		12/31/2017	
	Minimum Future Payments	Finance charges	Present Value of Minimum Future Payments	Present Value of Minimum Future Payments
Less than one year	26,649	(21,641)	5,008	3,981
Later than one year and not later than 5 years	106,594	(89,968)	16,626	14,285
Over 5 years	347,912	(176,226)	171,686	158,407
<b>Total</b>	<b>481,155</b>	<b>(287,835)</b>	<b>193,320</b>	<b>176,673</b>

Discount rate applied was of 12.4%.

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

Description	06/30/2018		12/31/2017	
	Current	Non-Current	Current	Non-Current
<b>Balances at beginning of period</b>	<b>562,548</b>	<b>2,154,290</b>	<b>379,163</b>	<b>2,332,911</b>
Releases	-	321,413	-	213,321
Interest and fines	109,796	-	234,116	-
Monetary Variations	-	26,068	-	58,878
Transfers	101,768	(101,768)	554,231	(554,231)
Amortization	(389,126)	-	(605,108)	-
Costs of funds raised with third parties	4	(387)	146	679
Delivery of Finance Lease	-	-	-	102,732
<b>Balances at end of period</b>	<b>384,990</b>	<b>2,399,616</b>	<b>562,548</b>	<b>2,154,290</b>



# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

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

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

In the second 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	-	21,289
Debentures 3rd Issue	-	6,779
Debentures 4nd Issue	-	26,221
Debentures 5nd Issue	-	195,460
Debentures 6nd Issue	-	10,428
Debentures 8nd Issue	250,000	-
BNDES	-	19,084
BNDES – PAC2	23,000	22,218
Banco do Brasil – PSI	-	2,030
Bando Itaú – PSI	-	2,279
Caixa Econômica Federal	48,413	70,083
Lease	-	13,255
	<b>321,413</b>	<b>389,126</b>

#### 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	2.3
Net Bank Debt/ EBITDA	Equal to or under 3.0	Equal to or under 3.8 or higher than 3.0	1.6
Other Onerous Debt/ EBITDA	Equal to or under 1.0	Equal to or under 1.3 or higher than 1.0	0.6

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

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

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

##### (ii) Contract Covenants for the 3rd, 6th and 8th Debenture Issuances

<u>Index</u>	<u>Limit</u>	<u>Realized</u>
Adjusted EBITDA /Net Financial Expenses	Equal to or higher than 1.5	6.8
Net Bank Debt / adjusted EBITDA	Equal to or under 3.0	1.5

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

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

For contracts in item (ii), of the 3rd, 6th and 8th 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 June 30, 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 advanced the maturity the onerous concession contract entered into with the Municipality of Curitiba and signed on June 5, 2018, a Program Contract for a 30-year term for the operation of the public utility services of water supply and collection, removal and treatment of sewage. As compensation for the early maturity, the Company shall transfer to the municipality of Curitiba through the Municipal Basic Sanitation Fund, the amount of R\$88.771 in three (03) instalments, the first paid upon the signature of the contract, the second to be paid in March 2019 and the third in November 2019. The 2nd and 3rd instalments will be adjusted by IPCA.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

### 15. TAXES AND CONTRIBUTIONS

The composition is as follows:

<b>Description</b>	<b>06/30/2018</b>	<b>12/31/2017</b>
COFINS (tax on sales) payable	21,297	21,616
Social Integration Program (PASEP) payable	4,613	4,683
COFINS - installment payment (1)	4,079	4,079
Property tax (IPTU) - installment payment (2)	1,558	1,667
Taxes and Contributions Retained at Source	25,204	36,164
<b>Total taxes and contributions</b>	<b>56,751</b>	<b>68,209</b>
<b>Current</b>	<b>55,616</b>	<b>66,941</b>
<b>Noncurrent</b>	<b>1,135</b>	<b>1,268</b>

- (1) Refers to installments of COFINS fine for the period September/1994 to September/1996 in accordance with Law No. 11.941/2009. The debt was divided into 60 monthly installments, restated at SELIC interest rate by the Attorney General of the National Treasury, being settled on October 31, 2014. The Company filed a writ of mandamus before the 2nd Curitiba Justice Court on 06/28/2011, challenging the consolidated amount of debt alleged by the Attorney General National Treasury, obtaining an injunction on 06/29/2011 to reduce the debt amount. The process was judged on 06/12/2011 favorable to the Company. The Attorney General of the National Treasury filed an appeal on 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 06/30/2018 46 installments had been paid for the amount of R\$1,228.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

### 16. INCOME AND SOCIAL CONTRIBUTION TAXES

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

Description	06/30/2018		06/30/2017	
	Income tax	Social Contribution Tax	Income tax	Social Contribution Tax
Income before Income and Social Contribution Taxes	587,970	587,970	459,365	459,365
<b>Income and social contribution taxes - current rate</b>	<b>(146,993)</b>	<b>(52,917)</b>	<b>(114,841)</b>	<b>(41,343)</b>
Benefit of deduction of Interest on equity capital	39,823	14,336	39,877	14,356
Subventions and donations received from Government bodies (1)	-	-	69	25
Adjustment to Present Value for Accounts Receivable	-	-	159	57
Workers' Meal Program – PAT (2)	5,444	-	4,035	-
Corporate Citizen Incentive (3)	362	-	351	-
Equity in earnings (losses) of controlled companies	(407)	(146)	(164)	(59)
Finance lease	(4,550)	(1,638)	(3,330)	(1,199)
Others	(559)	(250)	(292)	(152)
<b>Total expenses</b>	<b>(106,880)</b>	<b>(40,615)</b>	<b>(74,136)</b>	<b>(28,315)</b>
<b>Total Income and Social Contribution taxes</b>	<b>(147,495)</b>		<b>(102,451)</b>	
<b>Effective rate</b>	<b>25.1%</b>		<b>22.3%</b>	

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

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

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

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

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

Description	06/30/2018	06/30/2017
Income tax	(135,615)	(100,410)
Social Contribution Tax	(50,709)	(37,543)
Realization of Deferred Income Tax	28,735	26,274
Realization of Deferred Social Contribution	10,094	9,228
<b>Total</b>	<b>(147,495)</b>	<b>(102,451)</b>

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

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(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	06/30/2018	12/31/2017
					Total	Total
<b>ASSETS</b>						
PVA on Contractual Financial Assets	30 years	699,242	174,811	62,932	237,743	125,478
Pension and Health Plans	15 years	979,552	244,888	88,160	333,048	318,458
Reduction of Recovery Value for Assets	10 years	13,108	3,277	1,180	4,457	4,565
Civil, Labor, Tax and Environmental Provisions	5 years	533,085	133,271	47,978	181,249	171,916
Provision for Losses in Realizing Credits	3 years	44,026	11,006	3,962	14,968	16,842
PAI – Encouraged Retirement Program	2 years	13,204	3,301	1,188	4,489	5,919
Provision for PPR	1 year	81,934	20,484	7,374	27,858	13,839
AVJ – Investment FINAM	1 year	2,040	510	184	694	710
AVP of accounts receivable	1 year	3,202	800	288	1,088	834
<b>Total</b>			<b>592,348</b>	<b>213,246</b>	<b>805,594</b>	<b>658,561</b>
<b>LIABILITIES</b>						
PVA on Contractual Financial Assets	30 years	689,616	172,404	62,065	234,469	123,214
IRPJ Deferred on Construction and Improvements	25 years	128,700	32,174	-	32,174	32,870
Donations from Public Agencies	20 years	10,050	2,513	905	3,418	3,387
Revaluation surplus	14 years	118,233	29,558	10,641	40,199	41,832
Attribution of New Cost to Fixed Assets	4 years	9,916	2,480	892	3,372	4,125
<b>Total</b>			<b>239,129</b>	<b>74,503</b>	<b>313,632</b>	<b>205,428</b>
<b>Total Net</b>			<b>353,219</b>	<b>138,743</b>	<b>491,962</b>	<b>453,133</b>

#### 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 June 30, 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	22,816	8,214	31,030	5,044	1,579	6,623
2019	48,002	17,281	65,283	10,088	3,159	13,247
2020	22,451	8,083	30,534	10,088	3,159	13,247
2021 to 2023	200,624	72,225	272,849	28,847	8,967	37,814
2024 to 2026	67,055	24,140	91,195	28,139	8,711	36,850
2027 to 2029	66,459	23,925	90,384	28,139	8,711	36,850
2030 to 2032	66,459	23,925	90,384	25,949	7,923	33,872
2033 to 2035	25,644	9,232	34,876	21,570	6,347	27,917
2036 to 2038	17,481	6,293	23,774	21,418	6,292	27,710
2039 to 2041	17,481	6,293	23,774	21,180	6,207	27,387
2042 to 2044	17,481	6,293	23,774	18,554	6,207	24,761
2045 to 2047	17,481	6,293	23,774	17,240	6,207	23,447
2048 to 2050	2,914	1,049	3,963	2,873	1,034	3,907
<b>Total</b>	<b>592,348</b>	<b>213,246</b>	<b>805,594</b>	<b>239,129</b>	<b>74,503</b>	<b>313,632</b>

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

### 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 second quarter 2018 was of R\$2,100 (R\$1,942 for the same period in 2017). The balance as at June 30, 2018 was of R\$15,400 (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\$11,200 (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:

<b>Nature</b>	<b>12/31/2017</b>	<b>Additions</b>	<b>Reversals</b>	<b>06/30/2018</b>
Labor claims (i)	250,813	29,998	(20,926)	259,885
Civil claims (ii)	209,981	10,194	(9,485)	210,690
Environmental claims (iii)	27,440	19,655	(2,015)	45,080
Tax claims (iv)	17,400	31	(1)	17,430
<b>Total</b>	<b>505,634</b>	<b>59,878</b>	<b>(32,427)</b>	<b>533,085</b>

#### b) Contingent liabilities

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

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

<b>Nature</b>	<b>Contingent liabilities</b>	
	<b>06/30/2018</b>	<b>12/31/2017</b>
Civil claims (ii)	220,458	209,613
Environmental claims (iii)	340,058	268,120
Tax claims (iv)	16,188	14,625
<b>Total</b>	<b>576,704</b>	<b>492,358</b>

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

### **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) reimbursement of costs incurred from the substitution of material; 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.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

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

#### c) Court deposits

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

The breakdown is as follows:

Nature	Court deposits	
	06/30/2018	12/31/2017
Labor claims	122,533	117,447
Civil claims	55,906	57,366
Environmental claims	24,623	5,080
Tax claims	5,503	5,472
<b>Total</b>	<b>208,565</b>	<b>185,365</b>

### 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\$13,991 (R\$14,188 for the same period in 2017) as contribution to FUSAN.

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 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.



# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

### 19. PENSION PLAN AND MEDICAL INSURANCE -- continuation

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

As a contribution to the Foundation, in this quarter, the Company transferred the amount of R\$31,306 (R\$29,170 for the same period in 2017).

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:

<b>Description</b>	<b>Pension Plan</b>	<b>Medical Insurance</b>	<b>06/30/2018</b>	<b>12/31/2017</b>
Current	26,758	38,545	65,303	62,443
Noncurrent	374,622	539,627	914,249	874,199
<b>Total</b>	<b>401,380</b>	<b>578,172</b>	<b>979,552</b>	<b>936,642</b>

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

<b>Description</b>	<b>Pension Plan</b>	<b>Medical Insurance</b>	<b>2018</b>
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)
<b>Total</b>	<b>44,250</b>	<b>41,570</b>	<b>85,820</b>

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 second quarter of 2018 the amount of R\$42,910 (R\$54,213 in the second 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.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

### 20. RELATED-PARTY TRANSACTIONS

As at June 30, 2018, the State of Paraná holds credits for interest on Self Owned Capital for the amount of R\$29,917 (R\$44,781 for the same period in 2017). The Company also supplied water and sewage services to the state of Paraná for a revenue of R\$56,626 and R\$60,364 up to the second 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 second quarter of 2018, R\$47,592 (R\$45,360 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\$4,894 (R\$4,191 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.

The Company also conducts transactions with CS Bioenergia S.A., from which it obtained revenues from the rent of properties, in the first half of 2018, in the amount of R\$146 and expenses arising from the removal of sludge from the Sewage Treatment Station - ETE Belém in the amount of R\$2,755.

#### *Management compensation*

The overall annual management compensation for the year ending December 31, 2018 was approved by 54<sup>a</sup>/2018 Annual General Meeting (AGO) of April 26, 2018, for the amount of R\$13,918. For 2017, the approval was issued by the 53<sup>a</sup>/2017 Annual General Meeting (AGO) held on 27 April, 2017, for the amount of R\$14,255.

Up to second period of 2018, an amount of R\$6,499 (R\$6,129 for the same period in 2017), of which R\$5,170 (R\$4,865 for the same period in 2017) for compensation and R\$1,329 (R\$1,264 for the same period in 2017) with reference to charges and benefits. Of the amount for charges and benefits, R\$ R\$1,235 (R\$1,192 for the same period in 2017) rare with respect to social charges, R\$36 (R\$25 for the same period in 2017), for health insurance plan (SANESAÚDE), R\$58 (R\$41 for the same period in 2017) for Fundação Sanepar (FUSAN) benefits.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

### 21. OTHER ACCOUNTS PAYABLE

The composition is as follows:

<u>Description</u>	<u>06/30/2018</u>	<u>12/31/2017</u>
Programs Linked to Agência Nacional de Águas - ANA	8,216	8,012
Contracts and Agreements with third parties	10,863	8,753
Agreements with municipal administrations	14,417	13,669
Collaterals and amounts reimbursable	8,478	7,804
Labor Indemnities – PAI/PDVTC	4,866	7,020
Agreement with Instituto Ambiental do Paraná - IAP (1)	540	1,620
Installment payment IBAMA – PRD Law No. 13.494/2017 (2)	79,158	85,462
Municipal Sanitation and Environmental Management Fund	3,060	2,551
<b>Total</b>	<b>129,598</b>	<b>134,891</b>
<b>Current</b>	<b>58,054</b>	<b>54,481</b>
<b>Noncurrent</b>	<b>71,544</b>	<b>80,410</b>

- (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 06/30/2018 had been paid in 21 installments for the amount of R\$3,780.
- (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 06/30/2018 06 installments amounting to R\$8,867 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.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

### 22. EQUITY -- continuation

#### a) Capital Stock -- continuation

The equity amount of each share as at June 30, 2018 is R\$10.46 (R\$10.23 as at December 31, 2017) considering a provision for additional dividends proposed by the Management.

The Capital stock underwritten and fully paid in as at June 30, 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	37,863,137	22.5	195,858,371	58.3	233,721,508	46.4
Other Investors	29,134,041	17.4	137,654,346	41.0	166,788,387	33.1
<b>Total</b>	<b>167,911,753</b>	<b>100.0</b>	<b>335,823,420</b>	<b>100.0</b>	<b>503,735,173</b>	<b>100.0</b>

#### b) Revaluation surplus

The reevaluation surplus was realized up to the quarter, transferring to Accumulated Profits the amount of R\$3,170 (R\$2,776 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	06/30/2018	06/30/2017
<b>Balances at beginning of period</b>	<b>81,204</b>	<b>87,200</b>
Realization of revaluation surplus	(4,803)	(4,206)
Realization of Taxes on the Revaluation surplus	1,633	1,430
<b>Balances at end of period</b>	<b>78,034</b>	<b>84,424</b>

#### 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

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

### 22. EQUITY -- continuation

#### (c) Reserve for Investment Plan -- continuation

in construction projects and expansion of water supply systems, collection and treatment of sewage, as established in the Company's investment plans.

#### d) Shareholders' compensation

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

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

On April 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 net of Withholding Income Tax represented R\$297,608. Until 06/30/2018, the amount of R\$297,254 was settled.

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

In the second quarter of 2018, the Company's management proposed and the Board of Directors approved, as per the 6th/2018 Board of Directors' Annual Meeting of June 19, 2018 the credit of Interest on Equity Capital at a ratio of 50%, observing the legal limit of the variation of the TJLP for the period, based on the results posted for the 1st half of 2018. The gross amount of Interest on Equity Capital, calculated for the first half of 2018, was of R\$159,292, with R\$14,437 being withheld as Withholding Income Tax. This credit generated tax savings of R\$54,159.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

### 22. EQUITY -- continuation

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

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

<b>Basic and diluted earnings (loss) per share</b>	<b>06/30/2018</b>	<b>06/30/2017</b>
<b>Numerator</b>		
Net profit for the period attributed to Company shareholders		
Common Shares	137,648	111,536
Preferred shares	302,827	245,378
<b>Denominator (in thousands of shares)</b>		
Weighted average of number of common shares	167,912	167,912
Weighted average of number of preferential shares	335,823	335,823
<b>Basic and diluted earnings (loss)</b>		
Per ordinary share	0.81976	0.66425
Per preferential share	0.90174	0.73068

#### 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\$1,463 (R\$402 for the same period in 2017), was transferred to Accumulated Profits, net of Income Tax and Social Contribution. The

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

### 22. EQUITY -- continuation

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

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:

<u>Description</u>	<u>06/30/2018</u>	<u>06/30/2017</u>
<b>Balances at beginning of period</b>	<b>8,007</b>	<b>10,410</b>
Realization of Adjustments to Cost Attributed	(2,217)	(609)
Realization of Taxes on Adjustments to Cost Attributed	754	207
<b>Balances at end of period</b>	<b>6,544</b>	<b>10,008</b>

### 23. OPERATING REVENUES

Operating Revenues composition, by nature, is the following:

<u>Description</u>	<u>06/30/2018</u>	<u>06/30/2017</u>
<b>Revenues</b>		
Revenues from Water	1,325,650	1,210,771
Revenues from Sewage	762,422	682,144
Revenues from services	64,493	64,110
Revenues from Solid Waste	4,894	4,191
Services Provided to Municipalities	8,028	6,450
Donations made by clients	7,486	6,985
Other revenues	2,520	2,511
<b>Total operating revenues</b>	<b>2,175,493</b>	<b>1,977,162</b>
<b>Deductions from Operating Revenues</b>		
COFINS	(128,574)	(116,665)
PASEP	(27,854)	(25,219)
<b>Total Deductions</b>	<b>(156,428)</b>	<b>(141,884)</b>
<b>Total operating revenues, net</b>	<b>2,019,065</b>	<b>1,835,278</b>

The Company had revenues and incurred in costs from construction contracts linked to the program contracts of R\$67,633 (R\$21,802 for the same period in 2017), during this second quarter of 2018, i.e., with a null margin. These revenues are shown net of construction costs.

# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

### 24. COST OF PRODUCTS AND SERVICES

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

Description	06/30/2018			06/30/2017		
	Water	Sewage	Total	Water	Sewage	Total
Personnel	132,395	47,086	179,481	137,711	47,203	184,914
Materials	36,311	16,343	52,654	41,480	16,124	57,604
Electricity	165,856	19,782	185,638	155,759	16,677	172,436
Third-party services	105,434	72,630	178,064	94,538	64,343	158,881
Depreciation and amortization	61,123	59,334	120,457	56,370	50,615	106,985
Other costs	51,720	15,910	67,630	47,310	15,038	62,348
<b>Total</b>	<b>552,839</b>	<b>231,085</b>	<b>783,924</b>	<b>533,168</b>	<b>210,000</b>	<b>743,168</b>

### 25. SELLING, ADMINISTRATIVE AND OTHER EXPENSES

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

Description	06/30/2018	06/30/2017
<b>Selling</b>		
Personnel	53,804	57,216
Materials	1,544	2,039
Third-party services	44,693	38,055
Depreciation and amortization	3,010	2,988
Losses in Realization of Credits	4,817	12,996
Municipal Sanitation and Environmental Management Fund	15,287	13,525
Indemnities of third-party damages	3,218	248
Sanepar Rural program	701	7,886
Other expenses	14,348	29,285
<b>Total selling expenses</b>	<b>141,422</b>	<b>164,238</b>
<b>Administrative</b>		
Personnel	275,598	280,767
Materials	18,985	18,985
Third-party services	72,211	76,874
Depreciation and amortization	8,731	7,725
Regulatory fee	10,414	4,757
Travel expenses	3,958	3,651
Environmental and social programs	4,133	4,872
Exhibitions, congresses and events	5,967	2,982
Other expenses	11,495	11,129
Transfers to Selling expenses and cost (1)	(69,867)	(64,270)
Expenses Capitalized (2)	(45,612)	(36,875)
<b>Total administrative expenses</b>	<b>296,013</b>	<b>310,597</b>
<b>Other operating revenues (expenses)</b>		
<b>Expenses</b>		
Environmental fines	(1,488)	-
Write-off of assets	(5,904)	(1,701)
Adjustment to Fair Value – Investments	49	(2,114)
<b>Total other operating revenues (expenses)</b>	<b>(7,343)</b>	<b>(3,815)</b>

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

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



# Companhia de Saneamento do Paraná - SANEPAR

## NOTES TO THE FINANCIAL STATEMENTS

Base date June 30, 2018

(In thousands of Brazilian Reais)

### 26. PROFIT SHARING PROGRAM

The Company set up a provision of R\$41.230, as profit sharing, which is recorded in the account Salaries and social charges in current liabilities.

### 27. FINANCIAL INCOME (LOSS)

<u>Description</u>	<u>06/30/2018</u>	<u>06/30/2017</u>
<b>Financial revenues</b>		
Financial investments	18,020	42,518
Monetary variation gains	5,071	4,736
Other financial revenues	7,451	7,211
<b>Total financial revenues</b>	<b>31,342</b>	<b>54,465</b>
<b>Financial expenses</b>		
Financing and Debenture Interest and Charges	(91,291)	(98,966)
Monetary variation losses	(25,883)	(26,814)
Other financial expenses	(3,343)	(1,191)
<b>Total financial expenses</b>	<b>(120,517)</b>	<b>(126,971)</b>
<b>Financial income (loss)</b>	<b>(89,175)</b>	<b>(72,506)</b>

### 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 June 30, 2018

(In thousands of Brazilian Reais)

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

Description	01/01/2018 a 06/30/2018			01/01/2017 a 06/30/2017		
	Water	Sewage	Total	Water	Sewage	Total
Direct operating revenue	1,374,512	782,947	<b>2,157,459</b>	1,260,533	700,683	<b>1,961,216</b>
Other operating revenues	10,415	7,619	<b>18,034</b>	9,323	6,623	<b>15,946</b>
<b>Total gross operating Revenue</b>	<b>1,384,927</b>	<b>790,566</b>	<b>2,175,493</b>	<b>1,269,856</b>	<b>707,306</b>	<b>1,977,162</b>
Revenue Deductions (PASEP and COFINS)	(90,337)	(66,091)	<b>(156,428)</b>	(82,932)	(58,952)	<b>(141,884)</b>
<b>Net operating revenue</b>	<b>1,294,590</b>	<b>724,475</b>	<b>2,019,065</b>	<b>1,186,924</b>	<b>648,354</b>	<b>1,835,278</b>
Cost	(552,839)	(231,085)	<b>(783,924)</b>	(533,168)	(210,000)	<b>(743,168)</b>
<b>Gross profit</b>	<b>741,751</b>	<b>493,390</b>	<b>1,235,141</b>	<b>653,756</b>	<b>438,354</b>	<b>1,092,110</b>
Selling expenses	(81,672)	(59,750)	<b>(141,422)</b>	(96,020)	(68,218)	<b>(164,238)</b>
Administrative expenses	(170,949)	(125,064)	<b>(296,013)</b>	(181,588)	(129,009)	<b>(310,597)</b>
Other operating revenues (expenses)	(5,180)	(2,163)	<b>(7,343)</b>	(2,616)	(1,199)	<b>(3,815)</b>
Equity in earnings (losses) of controlled companies	-	(1,627)	<b>(1,627)</b>	-	(658)	<b>(658)</b>
Financial income (loss), net	(21,947)	(67,228)	<b>(89,175)</b>	(22,357)	(50,149)	<b>(72,506)</b>
Profit sharing program	(23,811)	(17,419)	<b>(41,230)</b>	-	-	<b>-</b>
Provisions	(15,905)	(11,546)	<b>(27,451)</b>	(15,732)	(10,986)	<b>(26,718)</b>
Pension plan and medical insurance	(24,781)	(18,129)	<b>(42,910)</b>	(31,685)	(22,528)	<b>(54,213)</b>
<b>Income before taxes and contributions</b>	<b>397,506</b>	<b>190,464</b>	<b>587,970</b>	<b>303,758</b>	<b>155,607</b>	<b>459,365</b>
Income and social contribution taxes	(99,716)	(47,779)	<b>(147,495)</b>	(67,747)	(34,704)	<b>(102,451)</b>
<b>Net income for the period</b>	<b>297,790</b>	<b>142,685</b>	<b>440,475</b>	<b>236,011</b>	<b>120,903</b>	<b>356,914</b>
Operating margin	28.7%	24.1%	<b>27.0%</b>	23.9%	22.0%	<b>23.2%</b>
Net margin	23.0%	19.7%	<b>21.8%</b>	19.9%	18.6%	<b>19.4%</b>
<b>EBTIDA</b>	<b>487,349</b>	<b>321,994</b>	<b>809,343</b>	<b>388,748</b>	<b>260,821</b>	<b>649,569</b>
EBITDA margin	37.6%	44.4%	<b>40.1%</b>	32.8%	40.2%	<b>35.4%</b>
Investments in fixed /Intangible assets in the Period (a)	270,020	175,994	<b>446,014</b>	150,600	165,144	<b>315,744</b>
Shareholding Interest – CS Bioenergia	-	18,660	<b>18,660</b>	-	20,724	<b>20,724</b>
Indebtedness – Loans, Financing, Debentures and Finance Lease	1,089,139	1,695,467	<b>2,784,606</b>	1,023,593	1,592,358	<b>2,615,951</b>
Fixed assets and intangible assets, net	3,580,227	4,496,738	<b>8,076,965</b>	3,281,360	4,233,924	<b>7,515,284</b>
Depreciation and amortization for the period	(67,896)	(64,302)	<b>(132,198)</b>	(62,633)	(55,065)	<b>(117,698)</b>
Accounts receivable (current and non-current) (b)	544,363	280,894	<b>825,257</b>	482,401	254,224	<b>736,625</b>
Total assets	4,605,806	5,784,857	<b>10,390,663</b>	4,206,585	5,353,214	<b>9,559,799</b>
Total current and noncurrent liabilities	2,196,337	2,923,305	<b>5,119,642</b>	1,889,857	2,812,657	<b>4,702,514</b>
Number of Users – Not Audited/Reviewed (c)	3,112,939	2,079,427	-	3,056,784	1,994,218	-
Volume Thousand m <sup>3</sup> Invoiced – Not Audited/Reviewed (d)	258,477	189,098	-	292,841	208,050	-

(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 June 30, 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
<b>Total</b>	<b>1,020,103</b>

Additionally, the Company has legal guarantee insurance policies to guarantee values that would be deposited and/or replace the values already deposited and/or seized property in legal proceedings of labor, civil, environmental, and tax proceedings. Until June 30, 2018 the Company posted guarantees using the Guarantee Insurance in 82 lawsuits for the amount of R\$288,926 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.

## 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 June 30, 2018, which comprises the statement of financial position as at June 30, 2018, and the respective statements of income, comprehensive income for the three- and six-month periods then ended, changes in equity and cash flows for the six-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 may 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).

## 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 June 30, 2018; and

(II) they have reviewed, discussed and are in agreement with Sanepar interim financial statements for the period ended on June 30, 2018.

Curitiba, July 30, 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

**MARIO CELSO PUGLIELLI DA CUNHA**  
Commercial Director

**EDUARDO RAMOS CARON TESSEROLLI**  
Legal Director

**SÉRGIO RICARDO VERONEZE**  
Administrative Director

**FABIANA CRISTINA DE CAMPOS**  
Director of Environment and Social Action