

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

ITR - QUARTERLY INFORMATION THIRD QUARTER OF 2018

COMPANHIA DE SANEAMENTO DO PARANÁ – SANEPAR

**Interim financial information
As at September 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)**

Code of Account	Account description	Current quarter	Prior year
		09/30/2018	12/31/2017
1	Total Assets	10,545,641	10,122,671
1.01	Current assets	1,054,284	1,239,214
1.01.01	Cash and cash equivalents	322,698	533,888
1.01.01.01	Cash and banks	23,870	23,799
1.01.01.02	Financial investments	298,828	510,089
1.01.03	Accounts receivable	621,467	606,250
1.01.03.01	Trade accounts receivable	621,467	606,250
1.01.04	Inventories	37,843	36,892
1.01.06	Recoverable taxes	654	24,098
1.01.06.01	Current recoverable taxes	654	24,098
1.01.08	Other current assets	71,622	38,086
1.01.08.03	Others	71,622	38,086
1.01.08.03.01	Restricted deposits	7,482	5,838
1.01.08.03.02	Other accounts receivable	64,140	32,248
1.02	Noncurrent assets	9,491,357	8,883,457
1.02.01	Long-term assets	1,169,897	943,888
1.02.01.04	Accounts receivable	20,895	11,087
1.02.01.04.01	Trade accounts receivable	20,895	11,087
1.02.01.07	Deferred taxes	485,243	453,133
1.02.01.07.01	Deferred Income and Social Contribution Taxes	485,243	453,133
1.02.01.10	Other noncurrent assets	663,759	479,668
1.02.01.10.03	Restricted deposits	49,471	49,499
1.02.01.10.04	Recoverable taxes and contributions	-	823
1.02.01.10.05	Court deposits	198,706	185,365
1.02.01.10.06	Contractual financial assets	368,222	201,077
1.02.01.10.07	Other receivables	47,360	42,904
1.02.02	Investments	19,597	19,466
1.02.03	Fixed assets	158,921	129,945
1.02.04	Intangible assets	8,142,942	7,790,158

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

Code of		Current quarter	Prior year
Account	Account description	09/30/2018	12/31/2017
2	Total Liabilities	10,545,641	10,122,671
2.01	Current liabilities	1,287,183	1,256,643
2.01.01	Payroll and social charges	95,977	100,036
2.01.01.02	Labor liabilities	95,977	100,036
2.01.02	Trade accounts payable	163,120	182,655
2.01.03	Tax liabilities	74,938	66,941
2.01.04	Loans and financing	472,897	562,548
2.01.04.01	Loans and financing	137,422	131,988
2.01.04.02	Debentures	327,061	426,579
2.01.04.03	Financing from finance lease	8,414	3,981
2.01.05	Other liabilities	250,937	205,336
2.01.05.02	Others	250,937	205,336
2.01.05.02.01	Dividends and interest on equity capital payable	145,315	136,265
2.01.05.02.04	Concession contracts	30,129	7,716
2.01.05.02.05	Collaterals and contractual retentions	2,792	2,674
2.01.05.02.06	Unearned revenue	4,200	4,200
2.01.05.02.07	Other accounts payable	68,501	54,481
2.01.06	Provisions	229,314	139,127
2.01.06.02	Other provisions	229,314	139,127
2.01.06.02.04	Provisions for pension plan and health insurance	66,734	62,443
2.01.06.02.05	Labor provisions	162,580	76,684
2.02	Noncurrent liabilities	3,855,438	3,713,374
2.02.01	Loans and financing	2,301,227	2,154,290
2.02.01.01	Loans and financing	1,172,946	1,148,756
2.02.01.02	Debentures	861,637	832,842
2.02.01.03	Financing from finance lease	266,644	172,692
2.02.02	Other liabilities	101,953	179,251
2.02.02.02	Others	101,953	179,251
2.02.02.02.03	Concession contracts	30,129	84,273
2.02.02.02.04	Taxes and contributions	1,071	1,268
2.02.02.02.05	Unearned revenue	10,150	13,300
2.02.02.02.06	Other accounts payable	60,603	80,410
2.02.04	Provisions	1,452,258	1,379,833
2.02.04.02	Other provisions	1,452,258	1,379,833
2.02.04.02.04	Provisions for pension plan and health insurance	934,273	874,199
2.02.04.02.05	Provisions	517,985	505,634
2.03	Equity	5,403,020	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 reserve	76,579	81,204
2.03.03.01	Own assets	76,579	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	-	162,816
2.03.04.10	Investment plan	1,751,820	1,751,820
2.03.05	Retained earnings/(Accumulated losses)	419,722	-
2.03.06	Asset and liability valuation adjustments	6,092	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	Accumulated in	Prior	Accumulated in
		quarter	current period	quarter	prior period
		07/01/2018 to 09/30/2018	01/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017	01/01/2017 to 09/30/2017
3.01	Revenue from sales of goods and/or services	1,045,190	3,064,255	1,008,668	2,843,946
3.02	Cost of goods sold and/or services rendered	-453,378	-1,237,302	-398,940	-1,142,108
3.03	Gross result	591,812	1,826,953	609,728	1,701,838
3.04	Operating expenses/revenues	-303,662	-861,658	-320,063	-880,302
3.04.01	Selling expenses	-80,475	-221,897	-75,078	-239,316
3.04.02	General and administrative expenses	-143,270	-439,283	-163,654	-474,251
3.04.05	Other operating expenses	-78,647	-197,581	-80,601	-165,347
3.04.05.01	Provision for contingencies	15,100	-12,351	-24,023	-50,741
3.04.05.02	Pension plan and health insurance	-21,455	-64,365	-26,951	-81,164
3.04.05.03	Profit sharing program	-53,097	-94,327	-28,977	-28,977
3.04.05.04	Other operating expenses (revenues)	-19,195	-26,538	-650	-4,465
3.04.06	Equity in earnings (losses) of controlled companies	-1,270	-2,897	-730	-1,388
3.05	Income (loss) before financial income (loss) and taxes	288,150	965,295	289,665	821,536
3.06	Financial income (loss)	-68,126	-157,301	-27,297	-99,803
3.06.01	Financial revenues	14,962	46,304	21,576	76,041
3.06.02	Financial expenses	-83,088	-203,605	-48,873	-175,844
3.07	Income (loss) before taxes	220,024	807,994	262,368	721,733
3.08	Income and Social Contribution Taxes	-88,025	-235,520	-87,302	-189,753
3.09	Net income (loss) from continuing operations	131,999	572,474	175,066	531,980
3.11	Income/Loss for the period	131,999	572,474	175,066	531,980
3.99	Earnings per share – (Reais/Share)				
3.99.01	Basic earnings per share				
3.99.01.01	Preferred shares	0.27023	1.17198	0.35840	1.08907
3.99.01.02	Common shares	0.24566	1.06543	0.32582	0.99007
3.99.02	Diluted earnings per share				
3.99.02.01	Preferred shares	0.27023	1.17198	0.35840	1.08907
3.99.02.02	Common shares	0.24566	1.06543	0.32582	0.99007

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 period	quarter	prior period
		07/01/2018 to 09/30/2018	01/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017	01/01/2017 to 09/30/2017
4.01	Net income for the period	131.999	572.474	175.066	531.980
4.03	Comprehensive income for the peri	131.999	572.474	175.066	531.980

Individual financial statements/Statements of cash flows - indirect method

Code of account	Account description	Accumulated in	Accumulated in
		current period	prior period
		01/01/2018 to 09/30/2018	01/01/2017 to 09/30/2017
6.01	Net cash from operating activities	1,006,210	1,039,865
6.01.01	Cash from operations	1,048,158	1,021,804
6.01.01.01	Net income for the period	572,474	531,980
6.01.01.02	Depreciation and amortization	201,036	178,211
6.01.01.03	Costs of fixed and intangible assets write-offs	8,093	2,738
6.01.01.04	Impairment	-404	-585
6.01.01.05	Costs of investments write-offs	-	214
6.01.01.06	Discount to present value of financial assets	-8,975	-5,331
6.01.01.07	Allowance for doubtful accounts	5,439	19,242
6.01.01.08	Deferred Income and Social Contribution Taxes, net	-32,110	-51,748
6.01.01.09	Provision for contingencies	12,351	50,741
6.01.01.10	Pension plan and medical insurance	64,365	81,164
6.01.01.11	Interest on financing	165,682	179,368
6.01.01.12	Monetary variations on financing	57,942	31,710
6.01.01.13	Equity in earnings (losses) of controlled companies	2,897	1,388
6.01.01.14	Appropriation of costs of funds raised from third parties	620	623
6.01.01.15	Adjustment to Fair Value – Investments	-1,252	2,089
6.01.02	Changes in assets and liabilities	-41,948	18,061
6.01.02.01	Trade accounts receivable	-30,464	-76,160
6.01.02.02	Recoverable taxes and contributions	24,267	37,791
6.01.02.03	Inventories	-951	1,143
6.01.02.04	Court deposits	-13,341	-25,485
6.01.02.05	Other receivables and accounts receivable	-36,348	-35,459
6.01.02.06	Contractors and Suppliers	-19,535	667
6.01.02.07	Concession contracts	-31,731	-4,103
6.01.02.08	Taxes and contributions	-6,863	20,332
6.01.02.09	Salaries and social charges	81,837	80,803
6.01.02.10	Collaterals and contractual retentions	118	224
6.01.02.11	Unearned revenues	-3,150	18,008
6.01.02.13	Other accounts payable	-5,787	300
6.02	Net cash from investing activities	-694,973	-519,879
6.02.01	Investments in fixed and intangible assets	-693,197	-508,722
6.02.02	Investments	-1,776	-11,157
6.03	Net cash from financing activities	-522,427	-622,359
6.03.01	Financing	378,972	95,224
6.03.02	Amortization of financing	-433,991	-250,620
6.03.03	Payments of interest on financing	-166,600	-185,557
6.03.04	Restricted deposits	-797	0
6.03.05	Payments of interest on equity capital	-1,616	-633
6.03.06	Costs of funds raised with third parties	-298,395	-280,773
6.05	Increase (decrease) in cash and equivalents	-211,190	-102,373
6.05.01	Beginning balance of cash and cash equivalents	533,888	638,330
6.05.02	Ending balance of cash and cash equivalents	322,698	535,957

Individual financial statements/ Statement of changes in equity - 01/01/2018 to 09/30/2018

Code of account	Account description	Capital stock	Capital reserves, Granted options and Treasury shares	Income reserves	Retained earnings or accumulated losses	Other comprehensive income	Equity
5.01	Initial balances	2,851,089	-	2,162,899	-	138,666	5,152,654
5.03	Adjusted beginning balances	2,851,089	-	2,162,899	-	138,666	5,152,654
5.04	Capital transactions with shareholders	-	-	-162,816	-159,292	-	-322,108
5.04.06	Dividends	-	-	-162,816	-159,292	-	-322,108
5.05	Total comprehensive income	-	-	-	579,014	-6,540	572,474
5.05.01	Net income for the period	-	-	-	572,474	-	572,474
5.05.02	Other comprehensive income	-	-	-	6,540	-6,540	-
5.05.02.06	Realization of revaluation surplus	-	-	-	7,007	-7,007	-
5.05.02.07	Taxes on the realization of revaluation surplus	-	-	-	-2,382	2,382	-
5.05.02.08	Realization of adjustment to attributed cost	-	-	-	2,901	-2,901	-
5.05.02.09	Taxes on realization of adjustment to attributed cost	-	-	-	-986	986	-
5.07	Ending balances	2,851,089	-	2,000,083	419,722	132,126	5,403,020

Individual financial statements/ Statement of changes in equity - 01/01/2017 to 09/30/2017

Code of account	Account description	Capital stock	Capital reserves, Granted options and Treasury		Retained earnings or accumulated losses	Other comprehensive income	Equity
			shares	Income reserves			
5.01	Initial balances	2,847,664	-	1,779,937	-	181,072	4,808,673
5.03	Adjusted beginning balances	2,847,664	-	1,779,937	-	181,072	4,808,673
5.04	Capital transactions with shareholders	-	-	-148,792	-159,510	-	-308,302
5.04.06	Dividends	-	-	-148,792	-	-	-148,792
5.04.07	Interest on equity	-	-	-	-159,510	-	-159,510
5.05	Total comprehensive income	-	-	-	536,700	-4,720	531,980
5.05.01	Net income for the period	-	-	-	531,980	-	531,980
5.05.02	Other comprehensive income	-	-	-	4,720	-4,720	-
5.05.02.06	Realization of revaluation surplus	-	-	-	6,267	-6,267	-
5.05.02.07	Taxes on the realization of revaluation surplus	-	-	-	-2,131	2,131	-
5.05.02.08	Realization of adjustment to attributed cost	-	-	-	885	-885	-
5.05.02.09	Taxes on realization of adjustment to attributed cost	-	-	-	-301	301	-
5.07	Ending balances	2,847,664	-	1,631,145	377,190	176,352	5,032,351

Individual financial statements/ Statements of value added

Code of account	Account description	Accumulated in current period	Accumulated in prior period
		01/01/2018 to 09/30/2018	01/01/2017 to 09/30/2017
7.01	Revenues	3,267,369	3,042,044
7.01.01	Sales of merchandise, products and services	3,299,346	3,064,209
7.01.02	Other revenues	-26,538	-2,923
7.01.04	Reversal of/allow ance for doubtful accounts	-5,439	-19,242
7.02	Inputs acquired from third parties	-957,025	-940,090
7.02.01	Costs of products, merchandise and services sold	-384,480	-337,701
7.02.02	Materials, energy, third-party services and others	-511,587	-462,642
7.02.03	Loss/recovery of assets	-	-1,542
7.02.04	Others	-60,958	-138,205
7.03	Gross value added	2,310,344	2,101,954
7.04	Withholdings	-201,036	-178,211
7.04.01	Depreciation, amortization and depletion	-201,036	-178,211
7.05	Net generated value added	2,109,308	1,923,743
7.06	Value added received by transfer	43,407	74,653
7.06.01	Equity in earnings (losses) of controlled companies	-2,897	-1,388
7.06.02	Financial revenues	46,304	76,041
7.07	Total value added to be distributed	2,152,715	1,998,396
7.08	Value added distribution	2,152,715	1,998,396
7.08.01	Personnel	742,676	717,238
7.08.01.01	Direct compensation	504,511	436,379
7.08.01.02	Benefits	206,088	248,875
7.08.01.03	Severance Pay Fund (FGTS)	32,077	31,984
7.08.02	Taxes, fees and contributions	597,447	537,893
7.08.02.01	Federal	594,622	535,487
7.08.02.02	State	497	373
7.08.02.03	Municipal	2,328	2,033
7.08.03	Return on debt capital	240,118	211,285
7.08.03.01	Interest	203,605	175,844
7.08.03.02	Rents	36,513	35,441
7.08.04	Return on equity capital	572,474	531,980
7.08.04.01	Interest on equity	159,292	159,510
7.08.04.03	Retained earnings/ Accumulated losses for the period	413,182	372,470

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	24.5%	29.8 years	Water & Sewage	Program	100%	94.6%	815.0	773.6
Londrina	7.2%	27.8 years	Water & Sewage	Program	100%	91.6%	241.9	224.5
Maringá	5.2%	21.9 years	Water & Sewage	Concession	100%	100.0%	162.0	167.0
Ponta Grossa	3.5%	7.5 years	Water & Sewage	Concession	100%	90.3%	138.3	123.9
Foz do Iguaçu	3.4%	25.4 years	Water & Sewage	Program	100%	77.3%	108.0	84.9
Cascavel	3.4%	6.2 years	Water & Sewage	Concession	100%	98.6%	122.3	123.1
São José dos Pinhais	2.9%	25.3 years	Water & Sewage	Program	100%	71.1%	110.0	80.0
Colombo	1.8%	29.6 years	Water & Sewage	Program	100%	60.4%	83.2	51.8
Guarapuava	1.6%	24.1 years	Water & Sewage	Program	100%	78.6%	63.1	50.6
Araucária	1.4%	14.0 years	Water & Sewage	Concession	100%	72.1%	50.3	36.4
Other	45.1%						2,010.1	1,139.3
					100%	71.8%	3,904.2	2,855.1

* Information not reviewed by independent auditors.

The current rate of delivery with treated water is of 100.0% and the coverage of sewage collection is of 71.8% of the urban population within the concession area, with a treatment rate of 100% as per the Corporate Information System.

Revenues stem mainly from residential water connections, representing 90.8% of the total water connections existing at September 30, 2018.

The number of water connections of 3,125,179 in September 2018 is 1.9% higher than the number of connections (3,068,242) existing in September 2017, which represents an increase of 56,937 water connections, as follows:

Number of Water Connections*	SEP/18 (1)	%	SEP/17 (2)	%	Var. % (1/2)
Residential	2,838,717	90.8	2,790,986	91.0	1.7
Commercial	223,987	7.2	215,658	7.0	3.9
Industrial	12,758	0.4	12,576	0.4	1.4
Public Utility	23,571	0.8	23,094	0.8	2.1
Public Administration	26,146	0.8	25,928	0.8	0.8
Total	3,125,179	100.0	3,068,242	100.0	1.9

* Information not reviewed by independent auditors.

1. OPERATING DATA - continued
1.1 MARKET - continued

The number of sewage connections of 2,108,551 in September 2018 is 4.7% higher than the number of connections (2,012,976) existing in September 2017, representing an increase of 95,575 new sewage connections, as shown below:

Number of Sewage Connections*	SEP/18 (1)	%	SEP/17 (2)	%	Var. % (1/2)
Residential	1,902,440	90.2	1,816,860	90.3	4.7
Commercial	172,647	8.2	163,915	8.1	5.3
Industrial	5,118	0.2	4,979	0.2	2.8
Public Utility	14,632	0.7	13,964	0.7	4.8
Public Administration	13,714	0.7	13,258	0.7	3.4
Total	2,108,551	100.0	2,012,976	100.0	4.7

* Information not reviewed by independent auditors.

1.2 PRODUCTIVITY

In 3Q18, the volume of treated water was 120.7 million m³ versus 123.0 million m³ in 3Q17, representing a reduction of 1.9%, as shown below:

Measured Water Volume - million m ³ *	3Q18 (1)	3Q17 (2)	Var. % (1/2)	9M18 (3)	9M17 (4)	Var. % (3/4)
Residential	101.5	103.7	-2.1	312.7	315.7	-1.0
Commercial	10.1	10.2	-1.0	30.4	30.1	1.0
Industrial	2.8	2.7	3.7	7.8	8.4	-7.1
Public Utility	1.3	1.5	-13.3	4.0	4.3	-7.0
Public Administration	5.0	4.9	2.0	14.5	14.2	2.1
TOTAL MEASURED	120.7	123.0	-1.9	369.4	372.7	-0.9

* Information not reviewed by independent auditors.

In the third quarter of 2018, the volume of treated water billed was 126.1 million m³, as compared to 127.8 million m³ for the same period of 2017, which corresponds to a reduction of 1.3%, resulting from the change in the Company's tariff structure, with changes in consumption ranges, and mainly from the change in the minimum tariff, from 10 m³ to 5 m³, as shown below:

Invoiced Water Volume - million m ³ *	3Q18 (1)	3Q17 (2)	Var. % (1/2)	9M18 (3)	9M17 (4)	Var. % (3/4)
Residential	106.3	108.0	-1.6	326.0	358.8	-9.1
Commercial	10.8	10.8	-	32.6	34.7	-6.1
Industrial	2.8	2.7	3.7	7.9	8.5	-7.1
Public Utility	1.2	1.3	-7.7	3.4	3.9	-12.8
Public Administration	5.0	5.0	-	14.7	14.7	-
TOTAL INVOICED	126.1	127.8	-1.3	384.6	420.6	-8.6

* Information not reviewed by independent auditors.

1. OPERATING DATA - continued

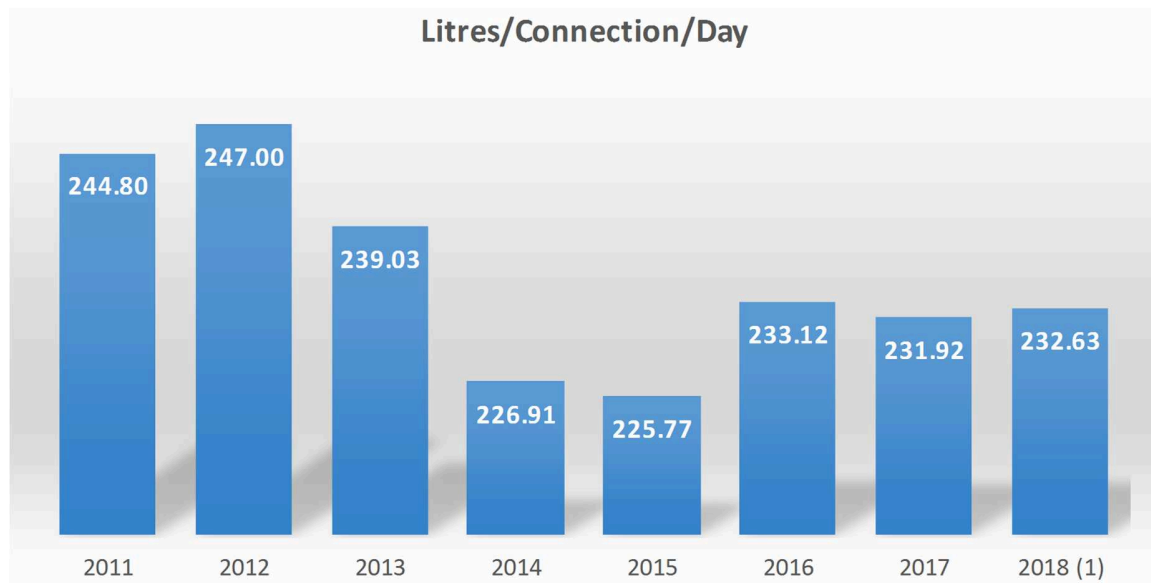
1.2 PRODUCTIVITY - continued

The volume of sewage billed in the third quarter showed an increase of 1.3% as compared to the same period for the previous year, as shown below:

Invoiced Sewage Volume - million m ³ *	3Q18 (1)	3Q17 (2)	Var. % (1/2)	9M18 (3)	9M17 (4)	Var. % (3/4)
Residential	78.3	77.3	1.3	237.2	254.0	-6.6
Commercial	9.8	9.7	1.0	29.4	30.7	-4.2
Industrial	0.8	0.7	14.3	2.4	2.2	9.1
Public Utility	0.9	1.0	-10.0	2.7	2.9	-6.9
Public Administration	3.8	3.7	2.7	11.0	10.7	2.8
TOTAL INVOICED	93.6	92.4	1.3	282.7	300.5	-5.9

* Information not reviewed by independent auditors.

DEMONSTRATIVE OF THE LOSS INDEX BY CONNECTION*



* Information not reviewed by independent auditors.

(1) Accumulated amounts from January to September 2018.

1. OPERATING DATA - continued
1.3 OPERATING INDEXES

Water*	9M18 (1)	9M17 (2)	Var. (1/2)	9M16 (3)	Var. (2/3)
Units served by the distribution network	3,904,196	3,821,335	2.2 %	3,710,958	3.0 %
Number of treatment stations	166	166	-	170	-2.4 %
Number of wells	1,179	1,058	11.4 %	1,035	2.2 %
Number of surface catchment	230	229	0.4 %	232	-1.3 %
Km of laid network	53,808	52,353	2.8 %	50,985	2.7 %
Volume produced	567,774,838	568,133,691	-0.1 %	552,342,764	2.9 %
Loss rate:					
In distribution system - %	34.94	34.40	0.54 p.p.	34.56	-0.16 p.p.
In billings - % (1)	32.27	25.97	6.30 p.p.	20.41	5.56 p.p.
Evasion of revenues - %	1.57	2.91	1.34 p.p.	3.46	-0.55 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.

Sewage*	9M18 (1)	9M17 (2)	Var. (1/2)	9M16 (3)	Var. (2/3)
Units served by the collection network	2,855,124	2,723,459	4.8 %	2,573,428	5.8 %
Number of treatment stations	243	242	0.4 %	238	1.7 %
Km of laid network	35,655	34,082	4.6 %	32,152	6.0 %
Volume collected in m ³	270,406,204	265,980,050	1.7 %	251,181,798	5.9 %

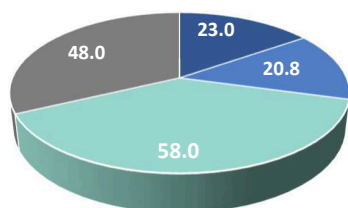
* Information not reviewed by independent auditors.

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.

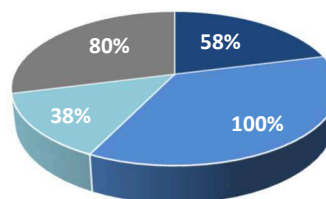
In the Municipality of Foz do Iguaçu, Sanepar uses water from the dam of the hydroelectric power plant Itaipu Binacional, of Itaipu lake, in Paraná River. The dams of Sanepar are considered of medium size in relation to storage volume, but large due to height/depth of more than 15 meters. Due to the lower rain volume and higher use of the dams, the average storage volume by the end of the quarter was 63%.

Total Volumes in Millions of M³



■ Piraquara I ■ Piraquara II ■ Iraí ■ Passaúna

Available Volume in %



■ Piraquara I ■ Piraquara II ■ Iraí ■ Passaúna

2. FINANCIAL DATA

2.1 ECONOMIC PERFORMANCE

Operating revenue – R\$ Million	3Q18 (1)	3Q17 (2)	Var. % (1/2)	9M18 (3)	9M17 (4)	Var. % (3/4)
Revenues from water	676.7	661.4	2.3	2,002.4	1,872.2	7.0
Revenues from sewage	393.2	378.4	3.9	1,155.6	1,060.5	9.0
Revenues from services	43.1	33.2	29.8	107.6	97.3	10.6
Revenues from solid waste	2.4	2.1	14.3	7.3	6.3	15.9
Services provided to Municipalities	4.3	3.8	13.2	12.3	10.3	19.4
Donations made by clients	2.9	5.4	-46.3	10.4	12.4	-16.1
Other revenues	1.2	2.7	-55.6	3.7	5.2	-28.8
Total operating revenues	1,123.8	1,087.0	3.4	3,299.3	3,064.2	7.7

Gross operating revenue increased 3.4%, from R\$ 1,087.0 million in 3Q17 to R\$ 1,123.8 million in 3Q18, 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.

Operating costs and expenses – R\$ Million	3Q18 (1)	3Q17 (2)	Var. % (1/2)	9M18 (3)	9M17 (4)	Var. % (3/4)
Personnel	260.1	287.5	-9.5	769.0	810.4	-5.1
Materials	38.2	37.3	2.4	111.4	115.9	-3.9
Electricity	115.0	95.2	20.8	300.6	267.6	12.3
Third-party services	152.5	146.2	4.3	447.5	420.0	6.5
Depreciation and amortization	68.8	60.5	13.7	201.0	178.2	12.8
Losses in Realization of Credits	0.7	6.2	-88.7	5.5	19.2	-71.4
Municipal Sanitation and Environmental Management Fund	14.4	7.3	97.3	29.6	20.8	42.3
Regulatory fee	5.2	4.7	10.6	15.6	9.5	64.2
Sanepar Rural program	0.1	0.2	-50.0	0.8	8.1	-90.1
Indemnifications for damages to third parties	28.9	2.1	1,276.2	36.3	20.7	75.4
Other Costs and Expenses	17.5	14.3	22.4	51.0	46.0	10.9
Expenses Capitalized	-24.2	-23.9	1.3	-69.8	-60.8	14.8
Total operating costs and expenses	677.2	637.6	6.2	1,898.5	1,855.6	2.3

Operating costs and expenses accumulated in the third quarter of 2018 increase by 6.2% in comparison to the same period in 2017.

The main changes resulted from:

2. FINANCIAL DATA - continued**2.1 ECONOMIC PERFORMANCE - continued****• Personnel:**

Decrease of 9.5% 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 7,417 employees in 3Q17 to 7,038 employees in the 3Q18, 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 2.0% to 4.0%, 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).

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

Growth of 2.4%, mainly in electromechanical maintenance materials, fuels and lubricants, safety material, protection and clothing and network maintenance material;

• Electricity

Increase of 20.8% 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 July to September and from the adjustment of 15.99% in rate as from 06/24/2018;

• Third-party services

Growth of 4.3%, mainly in system operation and maintenance services, registration and billing services, surveillance services, collection services and sewage removal services;

• Depreciation and amortization

Increase of 13.7%, mainly due to the start-up of intangible assets and / or fixed assets in the amount of R\$841.4 million (net of depreciation and amortization);

• Municipal Sanitation and Environmental Management Fund

Increase of 97.3%, due to the signing of the new Program Contracts, mainly with the Municipality of Curitiba;

2. FINANCIAL DATA - continued
2.1 ECONOMIC PERFORMANCE - continued

- **Indemnifications for damages to third parties**

Growth of 1,276.2%, mainly due to the payment of two lawsuits aiming at the economic and financial rebalancing of works executed in 2002 and 2008 by Itajuí Engenharia de Obras Ltda. in the amount of R\$ 25.1 million.

2.2 ECONOMIC INDICATORS

- **Other Costs and Expenses**

Growth of 22.4%, mainly in legal and judicial costs and social, educational, environmental and research programs/agreements.

Financial income (loss) – R\$ Million	3Q18 (1)	3Q17 (2)	Var. % (1/2)	9M18 (3)	9M17 (4)	Var. % (3/4)
Financial revenues						
Financial investments	6.6	12.2	-45.9	25.4	54.7	-53.6
Monetary variation gains	4.0	6.7	-40.3	9.1	11.5	-20.9
Other financial revenues	4.3	2.6	65.4	11.8	9.8	20.4
Total financial revenues	14.9	21.5	-30.7	46.3	76.0	-39.1
Financial expenses						
Financing and Debenture Interest and Charges	-50.0	-44.0	13.6	-141.3	-143.0	-1.2
Monetary variation losses	-31.3	-4.1	663.4	-57.2	-30.9	85.1
Other financial expenses	-1.8	-0.7	157.1	-5.1	-1.9	168.4
Total financial expenses	-83.1	-48.8	70.3	-203.6	-175.8	15.8
Financial income (loss)	-68.2	-27.3	149.8	-157.3	-99.8	57.6

The financial result decreased by 149.8%, from R\$27.3 million to R\$68.2 million in 3Q17 and 3Q18, respectively, mainly as a result of the reduction of 45.9% in financial investments and (monetary restatement of financial lease debt in the amount of R\$26.5 million) by 663.4%.

Net income (loss) – R\$ Million	2Q18 (1)	2Q17 (2)	Var. % (1/2)	6M18 (3)	6M17 (4)	Var. % (3/4)
Operating income (loss)	288.2	289.6	-0.5	965.3	821.5	17.5
Financial income (loss)	-68.2	-27.3	149.8	-157.3	-99.8	57.6
Taxes on income	-88.0	-87.2	0.9	-235.5	-189.7	24.1
Net income	132.0	175.1	-24.6	572.5	532.0	7.6

2. FINANCIAL DATA - continued
2.2 ECONOMIC INDICATORS - continued

The Company posted a net income of R\$132.0 million in 3Q18, 24.6% below the net result of R\$175.1 million registered in 3Q17. The result was mainly impacted by net revenue growth of 3.6%, while operating costs and expenses increased by 6.2%, reflected by the payment of lawsuits in the amount of R\$25.1 million and also by the increase in expenses mainly due to the updating of the financial lease (sewage works in the Litoral) of R\$26.5 million.

Following is the reclassification of income (loss) of the 3rd quarter, excluding non-recurring items.

Non-recurring items – R\$ Million	3Q18	3Q17	9M18	9M17
Net income	132.0	175.1	572.5	532.0
PAI and PDVTC	-	30.3	6.8	45.8
PPR (1)	12.4	-	53.6	-
Regulatory fee	-	-	5.2	-
Civil actions, lack of water in Maringá	-	-	-	27.0
Brazilian Institute of Environment and Renewable Natural	-	-	18.0	-
Indemnifications for damages to third parties	16.2	-	16.2	-
Monetary variation loss from financial lease	26.5	-	43.9	-
Tax effects	-5.5	-	-7.3	-
Pro forma net income	181.6	205.4	708.9	604.8
Net margin	17.4	20.4	23.1	21.3
EBTIDA	385.6	380.4	1,266.1	1,072.5
EBITDA margin	36.9	37.7	41.3	37.7

(1) Beginning in 2018, the Company started to record the provision quarterly. Up to 2017, the provision was recorded in December.

Distribution of the Economic Wealth Generated – R\$ Million	3Q18 (1)	3Q17 (2)	Var. % (1/2)	9M18 (3)	9M17 (4)	Var. % (3/4)
Personnel compensation	272.1	275.5	-1.2	742.7	717.2	3.6
Government Compensation (Taxes)	208.9	208.0	0.4	597.4	537.9	11.1
Third-party compensation (property lease)	12.3	12.2	0.8	36.5	35.5	2.8
Return on debt capital (interest and monetary variations)	83.1	48.8	70.3	203.6	175.8	15.8
Interest on equity capital	-	-	-	159.3	159.5	-0.1
Net income for the period not distributed	132.0	175.1	-24.6	413.2	372.5	10.9
Total Economic Wealth	708.4	719.6	-1.6	2,152.7	1,998.4	7.7

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.

2. FINANCIAL DATA - continued
2.2 ECONOMIC INDICATORS - continued

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

Economic Indicators – R\$ Million	3Q18 (1)	3Q17 (2)	Var. (1/2)	9M18 (3)	9M17 (4)	Var. (3/4)
Net operating revenue (1)	1,045.3	1,008.6	3.6 %	3,064.3	2,843.9	7.7 %
Operating profit	288.2	289.6	-0.5 %	965.3	821.5	17.5 %
Net income	132.0	175.1	-24.6 %	572.5	532.0	7.6 %
% Operating margin	19.6	24.1	-4.5 p.p.	24.5	23.6	0.9 p.p.
% Net margin	12.6	17.4	-4.8 p.p.	18.7	18.7	0.0 p.p.
% Mean PL profitability	2.5	3.5	-1.1 p.p.	10.8	10.8	0.0 p.p.
Net debt/ EBITDA (Accumulated 12 month)	-	-	-	1.6	1.7	-0.1 p.p.

At the end of the third quarter of 2018, the Company's assets amounted to R\$ 10,545.6 million (R\$ 10,122.7 million as at 12/31/2017), while total debt of the end of the quarter amounted to R\$ 5,142.6 million (R\$ 4,970.0 million as at 12/31/2017).

From total debt, R\$ 2,774.1 million (R\$ 2,716.8 million at 12/31/2017) refer to loans, financing and debentures, with an increase of 2.1% in comparison with the end of 2017.

	Reference	SEP/18	DEC/17	Var.
Equity	R\$ million	5,403.0	5,152.7	4.9 %
Share value	R\$	10.73	10.23	4.9 %
Indebtedness level	%	48.8	49.1	-0.3 p.p.
Current ratio	R\$	0.82	0.99	-0.17 p.p.
Quick ratio	R\$	0.79	0.95	-0.16 p.p.

EBITDA and Generation of Operating Cash

The EBITDA in 3Q18, which represents the Company's operating income, was R\$357.0 million, against R\$350.1 million in 3Q17. The EBITDA margin increased from 34.7% to 34.2%. The decline was driven by net revenue growth of 3.6%, while costs and expenses impacting EBITDA increased by 4.5%.

Operating cash generation was of R\$ 377.3 million, increase of 0.1% as compared to the same period in 2017. Conversion of EBITDA into Operating Cash was of 105.7%.

2. FINANCIAL DATA - continued
2.2 ECONOMIC INDICATORS - continued

EBITDA – R\$ Million	3Q18 (1)	3Q17 (2)	Var. % (1/2)	9M18 (3)	9M17 (4)	Var. % (3/4)
Net profit for the period	132.0	175.1	-24.6 %	572.5	532.0	7.6 %
(+) Taxes on Income	88.0	87.2	0.9 %	235.5	189.7	24.1 %
(+) Financial income	68.2	27.3	149.8 %	157.3	99.8	57.6 %
(+) Depreciation and amortization	68.8	60.5	13.7 %	201.0	178.2	12.8 %
TOTAL	357.0	350.1	2.0%	1,166.3	999.7	16.7%
% EBITDA margin	34.2	34.7	-0.5 p.p.	38.1	35.2	2.9 p.p.
% EBITDA conversion into cash	105.7	107.9	-2.0 %	86.3	104.0	-17.0 %

2.3 INVESTMENTS

The investments made in the third quarter of 2018 totaled R\$ 302.7 (R\$ 245.5 million in 3Q17), as shown below:

Investments – R\$ Million	3Q18 (1)	3Q17 (2)	Var. % (1/2)	9M18 (3)	9M17 (4)	Var. % (3/4)
Water	113.4	92.7	22.3	334.8	231.0	44.9
Sewage	145.6	124.9	16.6	289.9	274.7	5.5
Administrative and others	43.7	27.9	56.6	124.0	55.5	123.4
Total	302.7	245.5	23.3	748.7	561.2	33.4

2.4 INDEBTEDNESS

Gross debt increased from R\$ 2,716.8 million in December 2017 to R\$ 2,774.1 in the 3Q18, representing an increase of R\$ 57.3 million. Net debt went from R\$ 2,182.9 million in December 2017 to R\$ 2,451.4 million in September 2018.

Leverage index measured by Net debt/EBITDA ratio (accumulated 12 months) decreased 5.9% from 1.7x to 1.6x in 3Q17 and 3Q18, respectively, as a result of the increase in EBITDA.

The level of indebtedness was 48.8% at the end of 3Q18 (49.0% in 3Q17).

2. FINANCIAL DATA - continued
2.4. INDEBTEDNESS - continued

Next is the breakdown of loans, financing, debentures and lease, with their respective interest rates, maturities and debt balances as at September 30, 2018:

Indebtedness – R\$ Million	Annual interest rate	Index	Contract termination	Debt balance	%
Caixa Econômica Federal (Federal Bank)	6.62% a 12.00%	TR	01/19/2042	953.9	34.4
Finance lease	11.14%	IPC-FIPE	12/05/2036	275.1	9.9
BNDES – PAC2	1.67% e 2.05%	TJLP	07/15/2029	257.6	9.3
Debentures 4th Issue – 1st series	1.67%	TJLP	07/15/2027	181.3	6.5
Debentures 6th Issue – 2nd series	0.83%	DI	08/15/2019	171.1	6.2
Debentures 8th Issue – 2nd series	0.51%	DI	06/15/2023	157.6	5.7
Debentures 3rd Issue – 2nd series	6.99%	IPCA	11/15/2020	138.4	5.0
Debentures 2nd Issue – 2nd series	9.19%	IPCA	09/15/2024	108.5	3.9
Debentures 2nd Issue – 3rd series	1.92%	TJLP	09/15/2024	97.5	3.5
Debentures 8th Issue – 1st series	0.42%	DI	06/15/2021	96.6	3.5
Debentures 4th Issue – 2nd series	7.44%	IPCA	07/15/2027	96.0	3.5
Debentures 2nd Issue – 1st series	1.92%	TJLP	09/15/2024	73.1	2.6
Debentures 3rd Issue – 1st series	0.69%	DI	11/15/2018	68.5	2.5
BNDES	1.82% e 2.50%	TJLP	01/15/2023	62.7	2.2
Banco Itaú – PSI	3.00 a 6.00%	-	01/15/2025	19.6	0.7
Banco do Brasil – PSI	3.00 a 6.00%	-	04/15/2024	16.6	0.6
Total long and short term debt				2,774.1	100.0

We present below the debt profile in relation to maturity:

Description – R\$ Million	Debt balance	%
12 months	472.9	17.0
24 months	277.5	10.0
36 months	554.6	20.0
60 months	143.9	5.2
Over 60 months	1,325.2	47.8
Total	2,774.1	100.0

3. REGULATIONS

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

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

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

The estimated receivable resulting from the difference between the Required Revenue and the Verified Revenue shall be measured and disclosed during the whole deferral period, representing, up to September 30, 2018, R\$818.0 million. This amount represents the best estimate as at September 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 September 2018, the Company’s CVA recorded a positive balance of R\$57.0 million that Sanepar shall recover, through tariff adjustments in the following year.

3. REGULATIONS - continued
EBITDA Adjusted with non-manageable items - Not reviewed by independent auditors

The Company is announcing pro forma the adjusted EBITDA with non-manageable items as a metric to analyze the impacts of the offsetting of the "A" portion (electricity, treatment material, fees and charges) of the tariff model.

EBITDA adjusted with non-manageable items is a non-accounting measurement and should not be considered in isolation as an operating indicator or cash flow or to measure the Company's liquidity or debt capacity.

The EBITDA calculation is as follows, considering the estimated amounts of non-manageable items, accumulated up to 3Q18:

EBTIDA – R\$ million	9M18
EBITDA	1,166.3
(+) Unmanageable Items	57.0
Electricity	20.0
Treatment Material	-0.6
Fees and charges	37.6
(=) Adjusted EBITDA with non-manageable items	1,223.3
% EBITDA margin	39.9

It should be noted that these amounts may change until the end of the year, due to what may occur in 4Q18.

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 September 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 September 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 October 29, 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.

2.4 Operational continuity

The Company's Management has carried out all its planning and actions aiming at the continuity of its business, so it evaluates that it has the conditions to make available all the resources to continue its operations. Management is not aware of any material uncertainties that may raise doubts about the Company's operating continuity, and so the interim financial information was prepared taking into account this assumption.

3. MAIN ACCOUNTING PRACTICES

The main accounting practices used in the preparation of the Interim Financial Information for the quarter ended September 30, 2018 are consistent with the practices described in Note 3 of the Company's financial statements for the year ended December 31, 2017.

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2018
(In thousands of Brazilian Reais)

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 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 September 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.

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2018
(In thousands of Brazilian Reais)

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS -- continuation

4.1 Financial risk management -- continuation

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\$21,520 and R\$43,040 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:

Analysis					
Description	Index	+ 25%	-25%	+50%	-50%
Caixa FI Sanepar I Renda Fixa	DI	5,185	(5,185)	10,370	(10,370)
Assets		5,185	(5,185)	10,370	(10,370)
BNDES	TJLP	(820)	820	(1,640)	1,640
BNDES-PAC2	TJLP	(1,705)	1,705	(3,410)	3,410
Debentures 2nd Issuance - 1st and 3rd series	TJLP	(1,701)	1,701	(3,402)	3,402
Debentures 2nd Issuance – 2nd series	IPCA	(932)	932	(1,864)	1,864
Debentures 3rd Issuance – 1st series	DI	(883)	883	(1,766)	1,766
Debentures 3rd Issuance – 2nd series	IPCA	(1,014)	1,014	(2,028)	2,028
Debentures 4th Issuance – 1st series	TJLP	(1,960)	1,960	(3,920)	3,920
Debentures 4th Issuance – 2nd series	IPCA	(670)	670	(1,340)	1,340
Debentures 5th Issuance – 2nd series	DI	(1,522)	1,522	(3,044)	3,044
Debentures 6th Issuance – 1st series	DI	(949)	949	(1,898)	1,898
Debentures 6th Issuance – 2nd series	DI	(2,375)	2,375	(4,750)	4,750
Debentures 8th Issuance – 1st series	DI	(450)	450	(900)	900
Debentures 8th Issuance – 2nd series	DI	(741)	741	(1,482)	1,482
Finance lease	IPC	(10,983)	10,983	(21,966)	21,966
Liabilities		(26,705)	26,705	(53,410)	53,410
Effects on Profit before Taxation		(21,520)	21,520	(43,040)	43,040

The TR considered in the 12-month period was of 0.00% and the TJLP, 6.76%, obtained from BACEN - Banco Central do Brasil, IPCA rate of 4.53%, obtained from IBGE – Instituto Brasileiro de Geografia e Estatística, and DI rate of 6.39% obtained from CETIP SA and IPC – FIPE of 3.46%, 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,

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2018
(In thousands of Brazilian Reais)

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS -- continuation

4.1 Financial risk management -- continuation

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.

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 September 30, 2018, here 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>09/30/2018</u>	<u>12/31/2017</u>
Loans, financing, debentures and finance lease	2,774,124	2,716,838
Cash and cash equivalents	(322,698)	(533,888)
Net debt	2,451,426	2,182,950
Equity	5,403,020	5,152,654
Ratio Net Debt/Net Equity	0.45	0.42

4.3. Financial Instruments

Financial instruments related to financial investments are classified as Level 2, in the hierarchy of fair value.

Considering the nature of the other financial instruments, assets and liabilities of the Company, the balances recognized in the balance sheet approximate fair values, taking into account maturities close to the balance sheet date, comparison of contractual interest rates with rates similar transactions at the year-end dates, and their nature and maturity dates.

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2018
(In thousands of Brazilian Reais)

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS -- continuation

4.3. Financial Instruments - continuation

As at September 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:

Description	Book value		Fair value	
	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Financial assets				
Cash and cash equivalents	322,698	533,888	322,698	533,888
Accounts receivables from customers, net	642,362	617,337	642,362	617,337
Restricted deposits	56,953	55,337	56,953	55,337
Contractual financial assets	368,222	201,077	368,222	201,077
Total	1,390,235	1,407,639	1,309,235	1,407,639
Financial liabilities				
Loans, financing, debentures and finance lease	2,774,124	2,716,838	2,774,124	2,716,838
Contractors and Suppliers	163,120	182,655	163,120	182,655
Concession agreements	60,258	91,989	60,258	91,989
Total	2,997,502	2,991,482	2,997,502	2,991,482

5. CASH AND CASH EQUIVALENTS

These have the following composition:

Description	09/30/2018	12/31/2017
Unrestricted bank deposits	5,886	3,618
Restricted bank deposits	17,984	20,181
	23,870	23,799
Financial investments	298,828	510,089
Total cash and cash equivalents	322,698	533,888

Financial investments are close to fair value and have short-term characteristics, high liquidity and low risk of change in value. They consist of fixed income funds invested in Investment Funds whose portfolio is comprised mostly of government securities of the Federal Government and Bank Certificate of Deposit contracted at a floating rate of 100.50% to 102.00% of the CDI in accordance with the contracted and completed period of application, with average remuneration of 98.83% of the CDI (99.68% in 2017).

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2018
(In thousands of Brazilian Reais)

6. TRADE ACCOUNTS RECEIVABLES, NET

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

Description	09/30/2018	12/31/2017
Falling due accounts receivable	248,548	222,911
Accounts receivable from installment payments	57,702	48,943
Adjustment to present value	(4,472)	(2,453)
Accounts to be billed (Unbilled consumption)	156,323	174,987
	<u>458,101</u>	<u>444,388</u>
Overdue accounts receivable		
From 1 to 30 days	122,848	109,098
From 31 to 60 days	32,018	29,817
From 61 to 90 days	11,903	12,484
From 91 to 180 days	20,047	20,636
Over 180 days	171,146	172,064
Allowance for doubtful accounts	(173,701)	(171,150)
	<u>184,261</u>	<u>172,949</u>
Total accounts receivable, net	<u>642,362</u>	<u>617,337</u>
Current	621,467	606,250
Noncurrent	20,895	11,087

From the total of overdue accounts receivable, net of the allowance for doubtful accounts, R\$1,649 (R\$2,754 as at 12/31/2017) refers to outstanding amounts from municipal governments; R\$182,065 (R\$166,992 as at 12/31/2017) from private customers; R\$76 (R\$3 as at 12/31/2017) from the Federal Government, and R\$471 (R\$3,200 as at 12/31/2017) from the State government.

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

Description	09/30/2018	12/31/2017
Balances at beginning of period	(171,150)	(146,336)
Amounts recorded as expenses	(5,439)	(28,800)
Write-offs, net of recoveries	2,888	3,986
Balances at end of period	<u>(173,701)</u>	<u>(171,150)</u>

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

Description	09/30/2018	12/31/2017
Private customers	121,073	103,896
Federal government agencies	-	1
Municipal governments	52,628	67,253
Total	<u>173,701</u>	<u>171,150</u>

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2018
(In thousands of Brazilian Reais)

6. TRADE ACCOUNTS RECEIVABLES, NET -- continuation

- 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:

Description	09/30/2018	12/31/2017
Balances at beginning of period	(2,453)	(3,408)
Adjustment to Present Value	(2,019)	955
Balances at end of period	(4,472)	(2,453)

7. RECOVERABLE TAXES AND CONTRIBUTIONS

These have the following composition:

Description	09/30/2018	12/31/2017
Income tax to offset	336	19,903
Social contribution tax to offset	-	3,783
Withheld taxes and contributions – public agencies	318	1,235
Total	654	24,921
Current	654	24,098
Noncurrent	-	823

8. RESTRICTED DEPOSITS

Restricted deposits breakdown as follows:

Description	09/30/2018	12/31/2017
National Water Agency - ANA	1,755	6,777
Health National Foundation - FUNASA	5,727	3,579
Reserves kept in CAIXA (1)	49,471	44,981
Total	56,953	55,337
Current	7,482	5,838
Noncurrent	49,471	49,499

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

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2018
(In thousands of Brazilian Reais)

9. OTHER ACCOUNTS RECEIVABLE

These break down as follows:

Description	09/30/2018	12/31/2017
Advances to employees	35,404	3,898
Reimbursable payments	20,295	13,930
Guarantee deposits	2,342	2,224
Municipal Fund for the Environment (1)	46,989	43,195
Prepaid expenses	5,483	4,315
Assignment for operation of financial services	-	6,800
Bonds and other receivables	987	790
Total	111,500	75,152
Current	64,140	32,248
Noncurrent	47,360	42,904

(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:

Description	12/31/2017	Additions	PVA revenue	PVA expense	09/30/2018
Investment Not Amortized	570,128	506,683	-	-	1,076,811
Present Value Adjustment (PVA)	(369,051)	(348,513)	8,999	(24)	(708,589)
Total	201,077	158,170	8,999	(24)	368,222

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 September 30, 2018
(In thousands of Brazilian Reais)

11. INVESTMENTS

<u>Description</u>	<u>09/30/2018</u>	<u>12/31/2017</u>
Jointly controlled investment - CS Bioenergia S.A.	17,711	18,832
Investment recognized at fair value	1.886	634
Total	19,597	19,466

Investments in joint venture

The Company holds 40% interest in CS Bioenergia S.A. referring to a capital contribution of R\$ 27,314 and R\$320 as Advance for Future Increase in Capital - AFAC. The Company's interest is accounted for under the equity method in the investee's financial statements, which are summarized below:

<u>Statement of financial position – CS Bioenergia S.A.</u>	<u>09/30/2018</u>	<u>12/31/2017</u>
Current assets	5,457	897
Noncurrent assets	61,642	60,291
• Fixed assets	42,876	40,770
• Finance lease	18,272	19,519
• Others	494	2
Total Assets	67,099	61,188
Current liabilities	4,914	1,286
• Loans, financing and finance lease	2,472	910
• Others	2,442	376
Noncurrent liabilities	17,099	12,822
• Loans, financing and finance lease	17,099	12,822
Equity	44,276	47,080
Total Liabilities	67,099	61,188

<u>Statement of operations – CS Bioenergia S.A.</u>	<u>09/30/2018</u>	<u>12/31/2017</u>
Revenue	4,479	2,633
(-) Operating expenses	(9,377)	(5,786)
Financial income (loss)	(2,344)	(1,324)
Income (loss) before taxes	(7,242)	(4,477)
IRPJ (Corporate Income Tax) and CSLL (Social Contribution Tax)	-	-
Loss for the period	(7,242)	(4,477)

Changes in the investment in the period are as follows:

<u>Description</u>	<u>09/30/2018</u>	<u>12/31/2017</u>
Balance at beginning of period	18,832	9,466
Capital contribution	1,776	11,157
Equity in earnings (losses) of controlled company (percentage of interest 40%)	(2,897)	(1,791)
Balance at end of period	17,711	18,832

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2018
(In thousands of Brazilian Reais)

11. INVESTMENTS -- continuation

Other investments

The Company has investment quotas in FINAM (Amazon Investment Fund) arising from the application of Tax Incentive Income Tax in the amount of R\$2,201 and several investments over which it does not exercise significant influence in the amount of R\$522, which are brought to value fair considering the quotation on 09/30/2018, equivalent to R\$1,886.

12. FIXED AND INTANGIBLE ASSETS

a) Fixed assets

These have the following composition:

<u>By lines</u>			<u>09/30/2018</u>	<u>12/31/2017</u>
<u>Description</u>	<u>Cost</u>	<u>Accumulated depreciation</u>		<u>Net Amount</u>
Administration	274,669	(116,572)	158,097	129,564
Other fixed assets	2,551	(1,727)	824	381
Total	277,220	(118,299)	158,921	129,945

<u>By nature</u>			<u>09/30/2018</u>	<u>12/31/2017</u>
<u>Description</u>	<u>Annual depreciation rate</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net Amount</u>
Plots of land	-	2,307	-	2,309
Civil construction	*1.84%	69,593	(15,785)	53,371
Improvements	2%	1,949	(686)	1,276
Facilities	*5.83%	3,935	(2,301)	1,634
Equipment	*6.23%	64,199	(22,361)	30,822
Furniture and fixtures	7.14%	40,107	(17,357)	19,365
IT equipment	*19.82%	34,105	(25,279)	9,558
Vehicles	*13.05%	38,210	(19,434)	9,241
Machinery, tractors and similar	*19.35%	20,984	(14,741)	2,153
Tools	6.67%	1,400	(335)	233
Assets to merge	-	431	-	-
Total		277,220	(118,299)	129,945

* Weighted average rate

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2018
(In thousands of Brazilian Reais)

12. FIXED AND INTANGIBLE ASSETS -- continuation

b) Intangible assets

These have the following composition:

By lines			09/30/2018	12/31/2017
Description	Cost	Accumulated amortization		Net Amount
Water mains	4,311,510	(1,464,587)	2,846,923	2,819,606
Sewage mains	4,933,235	(1,049,974)	3,833,261	3,841,755
Solid waste	2,528	(2,507)	21	-
System Use and Operation Rights	125,097	(69,472)	55,625	57,986
Other intangible assets	122,495	(54,921)	67,574	45,341
Projects and Works in Progress	1,222,880	-	1,222,880	972,060
Inventory for Construction Work	66,658	-	66,658	53,410
Total	10,784,403	(2,641,461)	8,142,942	7,790,158

By nature			09/30/2018	12/31/2017
Description	Annual amortization rate	Cost	Accumulated amortization	Net Amount
Plots of land	-	157,978	-	157,978
Wells	*3.10%	139,039	(36,316)	102,723
Dams	*2.67%	140,254	(54,068)	86,186
Civil construction	*2.59%	2,088,025	(480,121)	1,607,904
Improvements	*2.67%	22,810	(2,877)	19,933
Piping	*2.64%	4,993,876	(1,207,047)	3,786,829
Building connections	3.33%	693,988	(218,649)	475,349
Facilities	*5.83%	155,890	(53,518)	102,372
Hydrometers	10%	181,923	(75,280)	106,643
Macro-meters	10%	5,757	(3,827)	1,930
Equipment	*6.23%	570,768	(265,668)	305,100
Furniture and fixtures	7.14%	6,021	(3,307)	2,714
IT equipment	*19.82%	86,522	(81,769)	4,753
Computer programs	20%	53,220	(36,683)	16,537
Vehicles	*13.05%	25,213	(16,629)	8,944
Machinery, Tractors and similar	*19.35%	24,182	(18,386)	5,796
Tools	6.67%	280	(188)	92
Rights of Use of Transmission Lines	6.25%	156	(130)	26
Environmental protection and preservation	20%	22,645	(17,886)	4,759
Concession of the Mun. of Curitiba (1)	1.5%	125,000	(69,375)	55,625
Concession of the Mun. of Cianorte (2)	5%	97	(97)	-
Assets to merge	-	1,211	-	1,211
Projects and Works in Progress	-	1,222,880	-	1,222,880
Inventory for Construction Work	-	66,658	-	66,658
Total		10,784,403	(2,641,461)	8,142,942
				7,790,158

* Weighted average rate

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date September 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.

The balance of the line "Projects and Work in progress" as at September 30, 2018, refers to 136 (133 as at 12/31/2017) works of expansion and implementation of Water Supply

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2018
(In thousands of Brazilian Reais)

12. FIXED AND INTANGIBLE ASSETS -- continuation

b) Intangible assets -- continuation

Systems in 92 (93 as at 12/31/2017) localities, for the amount of R\$585,908 (R\$426,079 as at 12/31/2017); 152 (130 as at 12/31/2017) works in connection with Sewage Collection and Treatment Systems in 94 (91 as at 12/31/2017) localities, for the amount of R\$430,969 (R\$372,357 as at 12/31/2017), as well as R\$ 206,003 (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 September 30, 2018 interest and other financial charges incurred on resources and loans funding Company projects and works were capitalized, for the amount of R\$25,108 (R\$37,713 as at 09/30/2017). The average rate applied in determining cost amounts for loans subject to capitalization in relation to total cost was of 11.2%.

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 Agosto of 2018, 100% of the object of said contracts were concluded. The obligations stemming from this contract will be shown in Note 13.

As at September 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>09/30/2018</u>	<u>12/31/2017</u>
<u>Description</u>	<u>Cost</u>	<u>Accumulated amortization</u>		<u>Net Amount</u>
Buildings	37,434	(789)	36,645	37,114
Piping	147,315	(2,504)	144,811	93,100
Building connections	8,226	(265)	7,961	5,967
Facilities	309	(26)	283	298
Equipment	6,013	(439)	5,574	5,856
Total	199,297	(4,023)	195,274	142,335

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2018
(In thousands of Brazilian Reais)

12. FIXED AND INTANGIBLE ASSETS -- continuation

c) Changes to fixed and Intangible assets in the 3rd Quarter 2018:

Description	12/31/2017	Additions	Depreciation and amortization	Write-offs and losses	Transfers	09/30/2018
Fixed assets						
Plots of land	2,309	-	-	(2)	-	2,307
Civil construction	53,371	239	(1,030)	(24)	1,252	53,808
Improvements	1,276	-	(29)	-	16	1,263
Facilities	1,617	218	(171)	(2)	(28)	1,634
Equipment	30,822	14,239	(2,655)	(102)	(466)	41,838
Furniture and fixtures	19,365	5,802	(1,866)	(102)	(449)	22,750
IT equipment	9,558	1,492	(2,146)	(37)	(41)	8,826
Vehicles	9,241	716	(1,933)	(10)	10,762	18,776
Machinery, tractors and similar	2,153	222	(1,238)	-	5,106	6,243
Tools	233	864	(52)	-	-	1,045
Assets to merger	-	431	-	-	-	431
Total fixed assets	129,945	24,223	(11,120)	(279)	16,152	158,921
Intangible assets						
Plots of land	137,940	9,950	-	-	10,088	157,978
Wells	94,548	187	(1,280)	2	9,266	102,723
Dams	92,656	575	(2,028)	-	(5,017)	86,186
Civil construction	1,623,409	8,948	(34,060)	127	9,480	1,607,904
Improvements	18,405	65	(419)	9	1,873	19,933
Piping	3,748,692	61,651	(85,581)	(2,467)	64,534	3,786,829
Building connections	455,311	2,328	(15,727)	(501)	33,938	475,349
Facilities	101,965	1,830	(7,244)	141	5,680	102,372
Hydrometers	108,433	17	(12,598)	(1,282)	12,073	106,643
Macro-meters	2,036	2	(315)	-	207	1,930
Equipment	284,448	35,359	(19,989)	(3,279)	8,561	305,100
Furniture and fixtures	1,742	740	(212)	(18)	462	2,714
IT equipment	5,297	8	(923)	(8)	379	4,753
Computer programs	13,192	7,304	(3,773)	(186)	-	16,537
Vehicles	10,594	9,804	(715)	23	(10,762)	8,944
Machinery, tractors and similar	1,556	10,080	(734)	-	(5,106)	5,796
Tools	101	-	(9)	-	-	92
Rights of Use of Transmission Lines	29	-	(3)	-	-	26
Environmental protection and	6,348	327	(1,940)	24	-	4,759
Concession of the Mun, of Curitiba	57,986	-	(2,361)	-	-	55,625
Concession of the Mun, of Cianorte	-	-	(5)	5	-	-
Assets to merger	-	1,211	-	-	-	1,211
Intangible assets	6,764,688	150,386	(189,916)	(7,410)	135,656	6,853,404
Projects and Works in Progress	972,060	560,798	-	-	(309,978)	1,222,880
Inventories for Construction Work	53,410	13,248	-	-	-	66,658
Total intangible assets	7,790,158	724,432	(189,916)	(7,410)	(174,322)	8,142,942
Grand total	7,920,103	748,655	(201,036)	(7,689)	(a) (158,170)	8,301,863

(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 September 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	09/30/2018			12/31/2017		
			Current	Noncurrent	Total	Current	Noncurrent	Total
Debentures 6th Issuance - 1st series	0.81%	DI	-	-	-	82,394	-	82,394
Debentures 6th Issuance - 2nd series	0.83%	DI	171,141	-	171,141	5,113	169,726	174,839
Debentures 5th Issuance - 2nd series	0.67%	DI	-	-	-	189,372	-	189,372
Debentures 3rd Issuance - 1st series	0.69%	DI	68,475	-	68,475	67,319	-	67,319
Debentures 3rd Issuance - 2nd series	6.99%	IPCA	3,553	134,852	138,405	1,092	130,795	131,887
Debentures 8th Issuance - 1st series	0.42%	DI	1,715	94,883	96,598	-	-	-
Debentures 8th Issuance - 2nd series	0.51%	DI	2,883	154,755	157,638	-	-	-
BNDES	1.82% e 2.50%	TJLP	31,522	31,133	62,655	32,069	54,252	86,321
Banco do Brasil - PSI	3.00% a 6.00%	-	3,391	13,233	16,624	3,400	15,760	19,160
Debentures 2nd Issuance - 1st series	1.92%	TJLP	12,354	60,766	73,120	12,374	69,563	81,937
Debentures 2nd Issuance - 2nd series	9.19%	IPCA	18,399	90,102	108,501	20,592	104,870	125,462
Debentures 2nd Issuance - 3rd series	1.92%	TJLP	16,472	81,022	97,494	16,500	92,750	109,250
Banco Itaú - PSI	3.00% a 6.00%	-	3,575	16,013	19,588	3,588	18,669	22,257
Debentures 4th Issuance - 1st series	1.67%	TJLP	20,960	160,382	181,342	21,026	174,937	195,963
Debentures 4th Issuance - 2nd series	7.44%	IPCA	11,109	84,875	95,984	10,797	90,201	100,998
BNDES - PAC2	1.67% e 2.05%	TJLP	30,516	227,067	257,583	26,263	210,332	236,595
Finance lease	11.14%	IPC - FIPE	8,414	266,644	275,058	3,981	172,692	176,673
Caixa Econômica Federal	6.62% a 12.00%	TR	68,418	885,500	953,918	66,668	849,743	916,411
Balances at end of period			472,897	2,301,227	2,774,124	562,548	2,154,290	2,716,838
Loans and financing			137,422	1,172,946	1,310,368	131,988	1,148,756	1,280,744
Debentures			327,061	861,637	1,188,698	426,579	832,842	1,259,421
Finance lease			8,414	266,644	275,058	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	09/30/2018	12/31/2017
TR (Reference Rate)	953,918	916,411
TJLP (Long-Term Interest Rate)	672,194	710,066
IPCA (National Amplified Consumer Price Index)	342,890	358,347
DI	493,852	513,924
IPC-FIPE	275,058	176,673
No Monetary Adjustment	36,212	41,417
	2,774,124	2,716,838

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date September 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 - 2st series	2016	2019	170,000	17,000	2019	Six-monthly
Debentures 3th Issuance - 1nd series	2013	2018	199,670	19,967	2016/2017/2018	Six-monthly
Debentures 3th Issuance - 2nd series	2013	2020	100,330	10,033	2019/2020	Six-monthly
Debentures 8rd Issuance - 1st series	2018	2021	95,000	9,500	2021	Six-monthly
Debentures 8rd 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 - PSI - 11 Contracts	2013 to 2014	2024	30,793	-	Monthly	Quarterly during grace period and monthly at amortization
Debentures 2nd Issuance - 1st 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 - 1st	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 - 325 Contracts	1991 to 2017	2041	3,372,361	-	Monthly	Monthly

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date September 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	7,936	46,378	46,378	46,378	46,378	46,378	39,289	279,115
Debentures 3rd Issue	72,028	67,426	67,426	-	-	-	-	206,880
Debentures 4th Issue	8,585	31,311	31,311	31,311	31,311	31,311	112,186	277,326
Debentures 6th Issue	1,210	169,931	-	-	-	-	-	171,141
Debentures 8th Issue	4,599	-	-	94,883	-	154,754	-	254,236
Subtotal Debentures	94,358	315,046	145,115	172,572	77,689	232,443	151,475	1,188,698
BNDES	8,155	31,004	7,620	7,620	7,620	636	-	62,655
BNDES – PAC2	8,155	29,814	29,814	29,814	27,349	26,624	106,013	257,583
Banco do Brasil - PSI	865	3,369	3,369	3,369	3,369	2,093	190	16,624
Banco Itaú - PSI	919	3,542	3,542	3,542	3,542	3,056	1,445	19,588
Caixa Econômica Federal	17,881	68,854	76,972	68,749	59,351	48,316	613,795	953,918
Subtotal Loans and Financing	35,975	136,583	121,317	113,094	101,231	80,725	721,443	1,310,368
Lease	4,375	6,146	6,748	7,418	8,164	8,995	233,212	275,058
Total	134,708	457,775	273,180	293,084	187,084	322,163	1,106,130	2,774,124

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

Description	09/30/2018		12/31/2017	
	Minimum Future Payments	Finance charges	Present Value of Minimum Future Payments	Present Value of Minimum Future Payments
Less than one year	34,509	(26,095)	8,414	3,981
Later than one year and not later than 5 years	137,793	(107,452)	30,341	14,285
Over 5 years	435,439	(199,136)	236,303	158,407
Total	607,741	(332,683)	275,058	176,673

Discount rate applied was of 10.6%.

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

Description	09/30/2018		12/31/2017	
	Current	Non-Current	Current	Non-Current
Balances at beginning of period	562,548	2,154,290	379,163	2,332,911
Releases	-	378,972	-	213,321
Interest and fines	165,682	-	234,116	-
Monetary Variations	-	57,942	-	58,878
Transfers	345,170	(345,170)	554,231	(554,231)
Amortization	(600,591)	-	(605,108)	-
Costs of funds raised with third parties	88	(265)	146	679
Delivery of Finance Lease	-	55,458	-	102,732
Balances at end of period	472,897	2,301,227	562,548	2,154,290

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date September 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 third 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	-	61,400
Debentures 3rd Issue	-	6,779
Debentures 4nd Issue	-	39,441
Debentures 5nd Issue	-	195,460
Debentures 6nd Issue	-	99,389
Debentures 8nd Issue	250,000	-
BNDES	-	28,448
BNDES – PAC2	40,500	34,347
Banco do Brasil – PSI	-	3,039
Bando Itaú – PSI	-	3,411
Caixa Econômica Federal	88,472	108,905
Lease	55,458	19,972
	434,430	600,591

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	2.0
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 September 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	5.7
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 September 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 September 30, 2018
(In thousands of Brazilian Reais)

15. TAXES AND CONTRIBUTIONS

The composition is as follows:

Description	09/30/2018	12/31/2017
Income Tax	25,800	-
Social Contribution payable	10,027	-
COFINS (tax on sales) payable	20,730	21,616
Social Integration Program (PASEP) payable	4,498	4,683
COFINS - installment payment (1)	4,079	4,079
Property tax (IPTU) - installment payment (2)	1,511	1,667
Taxes and Contributions Retained at Source	9,364	36,164
Total taxes and contributions	76,009	68,209
Current	74,938	66,941
Noncurrent	1,071	1,268

- (1) Refers to installments of COFINS fine for the period September/1994 to September/1996 in accordance with Law No. 11.941/2009. The debt was divided into 60 monthly installments, restated at SELIC interest rate by the Attorney General of the National Treasury, being settled on October 31, 2014. The Company filed a writ of mandamus before the 2nd Curitiba Justice Court on 06/28/2011, challenging the consolidated amount of debt alleged by the Attorney General National Treasury, obtaining an injunction on 06/29/2011 to reduce the debt amount. The process was judged on 06/12/2011 favorable to the Company. The Attorney General of the National Treasury filed an appeal on 02/07/2012, which was judged and denied. On August 27, 2014, the Federal Prosecutor's Office expressed the Union's special appeal dismissal. On October 13, 2014, the special feature was the conclusion of Minister Marga Tesler the first Supreme Court Panel, which in view of the completion of the call, the case was returned without order for new distribution the successor of the Minister. On 06/08/2015 the case was reallocated to the Minister Olindo Herculano de Menezes. On 03/02/2016 the case was reallocated to the Minister Gurgel de Faria, and on 08/29/2018 a favorable decision was issued to the company, in which the final decision is awaited.
- (2) This amount is in reference to IPTU (Urban Property Tax) by the City of Curitiba, relevant to the legal expropriation of property subject to an area occupied by ETE CIC/Shale, for the period 2002-2013, encompassing interest, and monetary indexed and legal fees of 10% on the total amount of debt. The amount of debt of R\$ 1,664, was divided by the Company in 90 monthly installments restated by the IPCA, plus moratorium interest of 1% per month, and until 09/30/2018 49 installments had been paid for the amount of R\$1,337.

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date September 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	09/30/2018		09/30/2017	
	Income tax	Social Contribution Tax	Income tax	Social Contribution Tax
Income before Income and Social Contribution Taxes	807,994	807,994	721,733	721,733
Income and social contribution taxes - current rate	(201,999)	(72,719)	(180,433)	(64,956)
Benefit of deduction of Interest on equity capital	39,823	14,336	39,877	14,356
Subventions and donations received from Government bodies (1)	-	-	116	42
Adjustment to Present Value for Accounts Receivable	269	97	118	42
Workers' Meal Program – PAT (2)	7,820	-	6,539	-
Corporate Citizen Incentive (3)	541	-	520	-
Equity in earnings (losses) of controlled companies	(724)	(261)	(347)	(125)
Finance lease	(11,362)	(4,090)	(3,571)	(1,285)
Others	(5,279)	(1,972)	(424)	(222)
Total expenses	(170,911)	(64,609)	(137,605)	(52,148)
Total Income and Social Contribution taxes	(235,520)		(189,753)	
Effective rate	29.1%		26.3%	

(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	09/30/2018	09/30/2017
Income tax	(194,789)	(162,781)
Social Contribution Tax	(72,840)	(60,866)
Realization of Deferred Income Tax	23,878	25,176
Realization of Deferred Social Contribution	8,231	8,718
Total	(235,520)	(189,753)

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 September 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	09/30/2018	12/31/2017
					Total	Total
ASSETS						
AVP on Contractual Financial Assets	30 years	708,589	177,147	63,773	240,920	125,478
Pension and Health Plans	15 years	1,001,007	250,252	90,091	340,343	318,458
Reduction of Recovery Value for Assets	10 years	12,981	3,245	1,168	4,413	4,565
Civil, Labor, Tax and Environmental Provisions	5 years	517,985	129,496	46,619	176,115	171,916
Provision for Losses in Realizing Credits	3 years	43,406	10,852	3,907	14,759	16,842
PAI – Encouraged Retirement Program	2 years	10,560	2,640	950	3,590	5,919
Provision for PPR	1 year	53,575	13,394	4,822	18,216	13,839
AVJ – Investment FINAM	1 year	837	209	75	284	710
AVP of accounts receivable	1 year	4,472	1,118	402	1,520	834
Total			588,353	211,807	800,160	658,561
LIABILITIES						
AVP on Contractual Financial Assets	30 years	697,080	174,270	62,737	237,007	123,214
IRPJ Deferred on Construction and Improvements	25 years	127,423	31,855	-	31,855	32,870
Donations from Public Agencies	20 years	10,195	2,549	917	3,466	3,387
Revaluation surplus	14 years	116,029	29,007	10,443	39,450	41,832
Attribution of New Cost to Fixed Assets	4 years	9,231	2,308	831	3,139	4,125
Total			239,989	74,928	314,917	205,428
Total Net			348,364	136,879	485,243	453,133

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

The estimated future realization of deferred tax assets and deferred tax liabilities as at September 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	6,383	2,298	8,681	2,539	796	3,335
2019	51,486	18,535	70,021	10,155	3,183	13,338
2020	22,892	8,241	31,133	10,155	3,183	13,338
2021 to 2023	198,174	71,343	269,517	29,046	9,038	38,084
2024 to 2026	68,373	24,614	92,987	28,336	8,782	37,118
2027 to 2029	67,765	24,396	92,161	28,336	8,782	37,118
2030 to 2032	67,765	24,396	92,161	26,147	7,994	34,141
2033 to 2035	30,227	10,882	41,109	21,769	6,418	28,187
2036 to 2038	17,715	6,377	24,092	21,613	6,362	27,975
2039 to 2041	17,715	6,377	24,092	21,368	6,274	27,642
2042 to 2044	17,715	6,377	24,092	18,741	6,274	25,015
2045 to 2047	17,715	6,377	24,092	17,427	6,274	23,701
2048 to 2050	4,428	1,594	6,022	4,357	1,568	5,925
Total	588,353	211,807	800,160	239,989	74,928	314,917

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date September 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 third quarter 2018 was of R\$3,150 (R\$2,992 for the same period in 2017), The balance as at September 30, 2018 was of R\$14,350 (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\$10,150 (R\$13,300 as at 12/31/2017) in non-current liabilities.

18. PROVISIONS, CONTINGENT LIABILITIES AND COURT DEPOSITS

a) Provisions

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

Nature	12/31/2017	Additions	Reversals	09/30/2018
Labor claims (i)	250,813	66,506	(29,215)	288,104
Civil claims (ii)	209,981	32,600	(45,523)	197,058
Environmental claims (iii)	27,440	9,523	(21,585)	15,378
Tax claims (iv)	17,400	46	(1)	17,445
Total	505,634	108,675	(96,324)	517,985

b) Contingent liabilities

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

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

Nature	Contingent liabilities	
	09/30/2018	12/31/2017
Civil claims (ii)	238,966	209,613
Environmental claims (iii)	339,972	268,120
Tax claims (iv)	16,295	14,625
Total	595,233	492,358

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date September 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) reduction of the Company's percentage share in the Health Plan ii) incidence of additional health insurance in the calculation of overtime.

(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) reimbursement of costs incurred for the replacement of; ii) other proceedings resulting from indemnification related to the suspension of the contract, traffic accidents, property damage, 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 September 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	
	09/30/2018	12/31/2017
Labor claims	129,545	117,447
Civil claims	56,688	57,366
Environmental claims	6,824	5,080
Tax claims	5,649	5,472
Total	198,706	185,365

19. PENSION PLAN AND MEDICAL INSURANCE

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

The retirement/pension plan managed by FUSAN has the following main features: defined contribution during the working phase and defined benefit with lifetime income for retirees, pensioners and risk benefits (disability retirement, death pension, sickness and accident). In third quarter, the Sponsor passed on the amount of R\$21,651 (R\$21,280 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 September 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 third quarter, the Company transferred the amount of R\$48,315 (R\$44,680 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:

Description	Pension Plan	Medical Insurance	09/30/2018	12/31/2017
Current	27,496	39,238	66,734	62,443
Noncurrent	384,947	549,326	934,273	874,199
Total	412,443	588,564	1,001,007	936,642

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

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

The amount of R\$85,820 was the actuarial estimate for expected variation in the plans for year 2018, which is being booked by the Company on a monthly basis with an accrual in the third quarter of 2018 the amount of R\$64,365 (R\$81,164 in the third 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 September 30, 2018
(In thousands of Brazilian Reais)

20. RELATED-PARTY TRANSACTIONS

As at September 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\$87,227 and R\$75,073 up to the third 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 third quarter of 2018, R\$73,972 (R\$71,811 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\$7,317 (R\$6,291 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 transacted with CS Bioenergia S/A, and until the third quarter of 2018, it obtained revenues from rental of property in the amount of R\$194 and for the supply of water and sewage services in the amount of R\$827, the removal of sludge from the Sewage Treatment Plant - ETE Belém in the amount of R\$4,256.

The Company also carries out operations with the Sanepar Foundations (Health Plan and Pension Plan), and until the third quarter of 2018 obtained revenues from water supply and sewage services in the amount of R\$13, amount of R\$380 and of employer's contributions to employee benefit plans in the amount of R\$69,966, as described in note 19.

Management compensation

The overall annual management compensation for the year ending December 31, 2018 was approved by 54^a/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^a/2017 Annual General Meeting (AGO) held on 27 April, 2017, for the amount of R\$14,255.

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2018
(In thousands of Brazilian Reais)

20. RELATED-PARTY TRANSACTIONS - continuation

Up to third period of 2018, an amount of R\$9,923 (R\$9,484 for the same period in 2017), of which R\$7,841 (R\$6,138 for the same period in 2017) for compensation and R\$2,082 (R\$1,961 for the same period in 2017) with reference to charges and benefits. Of the amount for charges and benefits, R\$ R\$1,944 (R\$1,853 for the same period in 2017) rare with respect to social charges, R\$55 (R\$39 for the same period in 2017), for health insurance plan (SANESAÚDE), R\$83 (R\$63 for the same period in 2017) for Fundação Sanepar (FUSAN) benefits.

In addition, the Company's management approved the related party transactions policy.

21. OTHER ACCOUNTS PAYABLE

The composition is as follows:

Description	09/30/2018	12/31/2017
Programs Linked to Agência Nacional de Águas - ANA	2,074	8,012
Contracts and Agreements with third parties	11,478	8,753
Agreements with municipal administrations	14,545	13,669
Collaterals and amounts reimbursable	17,173	7,804
Labor Indemnities – PAI/PDVTC	2,751	7,020
Agreement with Instituto Ambiental do Paraná - IAP (1)	-	1,620
Installment payment IBAMA – PRD Law No, 13,494/2017 (2)	75,836	85,462
Municipal Sanitation and Environmental Management Fund	4,997	2,551
Other bills to pay	250	-
Total	129,104	134,891
Current	68,501	54,481
Noncurrent	60,603	80,410

- (1) Term of commitment signed on June 3, 2016 for establishing and installment plan to pay fines issued by the Instituto Ambiental do Paraná - IAP, for the 41 Environmental Violation Notifications – AIA. The agreement was signed for the amount of R\$4,320 payable in 24 installments of R\$180, being that in September of 2018 was fulfilled integrally.
- (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 09/30/2018, 09 installments in the amount of R\$13,403 were paid.

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2018
(In thousands of Brazilian Reais)

22. EQUITY

a) Capital Stock

Capital stock, fully paid-in, is composed by 503,735,173 shares, with no par value, being 167,911,753 common shares and 335,823,420 preferred shares, In addition to the common and preferred shares, the Company negotiate Share Deposit Certificates ("Units"), being each "Unit" formed by one common share and four preferred shares.

The equity amount of each share as at September 30, 2018 is R\$10,73 (R\$10,23 as at December 31, 2017).

The Capital stock underwritten and fully paid in as at September 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	41,990,551	25.0	214,238,625	63.8	256,229,176	50.9
Other Investors	25,006,627	14.9	119,274,092	35.5	144,280,719	28.6
Total	167,911,753	100.0	335,823,420	100.0	503,735,173	100.0

b) Revaluation reserve

Up to this quarter, the amount of R\$4,625 (R\$4,136 in the same period of 2017), net of Income Tax and Social Contribution, was transferred to Retained Earnings. The realization of this reserve occurs in the same proportion of the write-offs and depreciation of property, plant and equipment and intangible assets, subject to revaluations.

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

Description	09/30/2018	09/30/2017
Balances at beginning of period	81,204	87,200
Realization of revaluation reserve	(7,007)	(6,267)
Realization of Taxes on the Revaluation reserve	2,382	2,131
Balances at end of period	76,579	83,064

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2018
(In thousands of Brazilian Reais)

22. EQUITY -- continuation

c) Reserve for Investment Plan

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

d) Shareholders' compensation

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

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

On April 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 09/30/2018, 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 September 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):

Basic and diluted earnings (loss) per share	09/30/2018	09/30/2017
Numerator		
Net profit for the period attributed to Company shareholders		
Common Shares	178,898	166,244
Preferred shares	393,576	365,736
Denominator (in thousands of shares)		
Weighted average of number of common shares	167,912	167,912
Weighted average of number of preferential shares	335,823	335,823
Basic and diluted earnings (loss)		
Per ordinary share	1.06543	0.99007
Per preferential share	1.17198	1.08907

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\$1,915 (R\$584 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 September 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:

Description	09/30/2018	09/30/2017
Balances at beginning of period	8,007	10,410
Realization of Adjustments to Cost Attributed	(2,901)	(885)
Realization of Taxes on Adjustments to Cost Attributed	986	301
Balances at end of period	6,092	9,826

23. OPERATING REVENUES

Operating Revenues composition, by nature, is the following:

Description	07/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017	01/01/2018 to 09/30/2018	01/01/2017 to 09/30/2017
Revenues				
Revenues from Water	676,767	661,398	2,002,417	1,872,169
Revenues from Sewage	393,186	378,416	1,155,608	1,060,560
Revenues from services	43,069	33,172	107,562	97,282
Revenues from Solid Waste	2,423	2,100	7,317	6,291
Services Provided to Municipalities	4,243	3,835	12,271	10,285
Donations made by clients	2,939	5,459	10,425	12,444
Other revenues	1,126	2,667	3,746	5,178
Total operating revenues	1,123,853	1,087,047	3,299,346	3,064,209
Deductions from Operating Revenues				
COFINS	(64,652)	(64,434)	(193,226)	(181,099)
PASEP	(14,011)	(13,945)	(41,865)	(39,164)
Total Deductions	(78,663)	(78,379)	(235,091)	(220,263)
Total operating revenues, net	1,045,190	1,008,668	3,064,255	2,843,946

The Company had revenues and incurred in costs from construction contracts linked to the program contracts of R\$150,386 (R\$87,552 for the same period in 2017), during this third 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 September 30, 2018
(In thousands of Brazilian Reais)

24. COST OF PRODUCTS AND SERVICES

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

Description	07/01/2018 to 09/30/2018			07/01/2017 to 09/30/2017		
	Water	Sewage	Total	Water	Sewage	Total
Personnel	66,501	24,515	91,016	77,065	26,202	103,267
Materials	16,203	9,905	26,108	17,374	9,526	26,900
Electricity	104,340	10,637	114,977	85,890	9,267	95,157
Third-party services	53,706	39,901	93,607	48,863	38,417	87,280
Depreciation and amortization	31,809	31,599	63,408	28,607	26,540	55,147
Third-party damages	13,338	13,601	26,939	(762)	2,378	1,616
Other costs	29,170	8,153	37,323	24,246	5,327	29,573
Total	315,067	138,311	453,378	281,283	117,657	398,940

Description	01/01/2018 to 09/30/2018			01/01/2017 to 09/30/2017		
	Water	Sewage	Total	Water	Sewage	Total
Personnel	198,896	71,601	270,497	214,776	73,405	288,181
Materials	52,514	26,248	78,762	58,854	25,650	84,504
Electricity	270,196	30,419	300,615	241,649	25,944	267,593
Third-party services	159,140	112,531	271,671	143,401	102,760	246,161
Depreciation and amortization	92,932	90,933	183,865	84,977	77,155	162,132
Third-party damages	16,183	13,601	29,784	2,383	2,378	4,761
Other costs	78,045	24,063	102,108	68,411	20,365	88,776
Total	867,906	369,396	1,237,302	814,451	327,657	1,142,108

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2018
(In thousands of Brazilian Reais)

25. SELLING, ADMINISTRATIVE AND OTHER EXPENSES

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

Description	07/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017	01/01/2018 to 09/30/2018	01/01/2017 to 09/30/2017
Selling				
Personnel	31,109	30,396	84,913	87,612
Materials	1,060	1,150	2,604	3,189
Third-party services	24,161	20,253	68,854	58,308
Depreciation and amortization	967	1,501	3,977	4,489
Losses in Realization of Credits	622	6,246	5,439	19,242
Municipal Sanitation and Environmental Management Fund	14,252	7,262	29,539	20,787
Indemnities of third-party damages	1,350	78	4,568	15,455
Sanepar Rural program	138	233	839	8,119
Other expenses	6,816	7,959	21,164	22,115
Total selling expenses	80,475	75,078	221,897	239,316
Administrative				
Personnel	138,009	153,849	413,606	434,616
Materials	11,039	9,215	30,025	28,200
Third-party services	34,787	38,642	106,998	115,516
Depreciation and amortization	4,463	3,865	13,194	11,590
Regulatory fee	5,208	4,749	15,622	9,506
Travel expenses	2,504	2,696	6,462	6,347
Environmental and social programs	994	1,075	5,127	5,947
Exhibitions, congresses and events	2,133	1,913	8,100	4,895
Other expenses	667	113	18,558	15,812
Transfers to Selling expenses and cost (1)	(38,750)	(33,113)	(108,617)	(97,383)
Expenses Capitalized (2)	(24,180)	(23,920)	(69,792)	(60,795)
Total administrative expenses	143,270	163,654	439,283	474,251
Other operating revenues (expenses)				
Expenses				
Environmental fines	(20,044)	(675)	(19,995)	-
Write-off of assets	(6,307)	25	(7,795)	(2,376)
Adjustment to Fair Value – Investments	7,156	-	1,252	(2,089)
Total other operating revenues (expenses)	(19,195)	(650)	(26,538)	(4,465)

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

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

26. PROFIT SHARING PROGRAM

In July and August 2018, the Company recorded the supplement to the provision for the Profit Sharing Program for the year 2017, in the amount of R\$40,752, and also provisioned until the third quarter the amount of R\$53,575, as Profit Sharing, which is recorded in the Wages and Social Charges account, in current liabilities.

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 2018
(In thousands of Brazilian Reais)

27. FINANCIAL INCOME (LOSS)

Description	07/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017	01/01/2018 to 09/30/2018	01/01/2017 to 09/30/2017
Financial revenues				
Financial investments	6,521	12,224	25,341	54,742
Monetary variation gains	4,065	6,805	9,136	11,541
Other financial revenues	4,376	2,547	11,827	9,758
Total financial revenues	14,962	21,576	46,304	76,041
Financial expenses				
Financing and Debenture Interest and Charges	(49,969)	(44,090)	(141,260)	(143,056)
Monetary variation losses	(31,366)	(4,117)	(57,249)	(30,931)
Other financial expenses	(1,753)	(666)	(5,096)	(1,857)
Total financial expenses	(83,088)	(48,873)	(203,605)	(175,844)
Financial income (loss)	(68,126)	(27,297)	(157,301)	(99,803)

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 September 30, 2018
(In thousands of Brazilian Reais)

28. INFORMATION BY BUSINESS SEGMENT -- continuation

Description	01/01/2018 to 09/30/2018			01/01/2017 to 09/30/2017		
	Water	Sewage	Total	Water	Sewage	Total
Direct operating revenue	2,077,361	1,195,543	3,272,904	1,947,127	1,089,175	3,036,302
Other operating revenues	13,264	13,178	26,442	16,278	11,629	27,907
Total gross operating Revenue	2,090,625	1,208,721	3,299,346	1,963,405	1,100,804	3,064,209
Revenue Deductions (PASEP and COFINS)	(135,479)	(99,612)	(235,091)	(128,408)	(91,855)	(220,263)
Net operating revenue	1,955,146	1,109,109	3,064,255	1,834,997	1,008,949	2,843,946
Cost	(867,906)	(369,396)	(1,237,302)	(814,451)	(327,657)	(1,142,108)
Gross profit	1,087,240	739,713	1,826,953	1,020,546	681,292	1,701,838
Selling expenses	(111,306)	(110,591)	(221,897)	(139,590)	(99,726)	(239,316)
Administrative expenses	(220,350)	(218,933)	(439,283)	(276,625)	(197,626)	(474,251)
Other operating revenues (expenses)	(14,765)	(11,773)	(26,538)	(3,414)	(1,051)	(4,465)
Equity in earnings (losses) of controlled companies	-	(2,897)	(2,897)	-	(1,388)	(1,388)
Financial income (loss), net	(38,725)	(118,576)	(157,301)	(31,695)	(68,108)	(99,803)
Profit sharing program	(47,315)	(47,012)	(94,327)	(16,902)	(12,075)	(28,977)
Provisions	(7,238)	(5,113)	(12,351)	(29,672)	(21,069)	(50,741)
Pension plan and medical insurance	(37,093)	(27,272)	(64,365)	(47,322)	(33,842)	(81,164)
Income before taxes and contributions	610,448	197,546	807,994	475,326	246,407	721,733
Income and social contribution taxes	(177,938)	(57,582)	(235,520)	(124,969)	(64,784)	(189,753)
Net income for the period	432,510	139,964	572,474	350,357	181,623	531,980
Operating margin	29.2%	16.3%	24.5%	24.2%	22.4%	23.6%
Net margin	22.1%	12.6%	18.7%	19.1%	18.0%	18.7%
EBTIDA	752,004	414,327	1,166,331	601,374	398,373	999,747
EBITDA margin	38.5%	37.4%	38.1%	32.8%	39.5%	35.2%
Investments in fixed /Intangible assets in the Period (a)	400,713	347,942	748,655	255,410	305,823	561,233
Shareholding Interest – CS Bioenergia	-	17,711	17,711	-	19,235	19,235
Indebtedness – Loans, Financing, Debentures and Finance Lease	1,048,381	1,725,743	2,774,124	1,006,925	1,628,408	2,635,333
Fixed assets and intangible assets, net	3,678,315	4,623,548	8,301,863	3,351,259	4,339,772	7,691,031
Depreciation and amortization for the period	(102,831)	(98,205)	(201,036)	(94,353)	(83,858)	(178,211)
Accounts receivable (current and non-current) (b)	539,982	280,553	820,535	525,643	269,023	794,666
Total assets	4,672,468	5,873,173	10,545,641	4,303,643	5,573,078	9,876,721
Total current and noncurrent liabilities	2,211,834	2,930,787	5,142,621	1,951,495	2,892,875	4,844,370
Number of Connections – Unaudited/Reviewed (c)	3,125,179	2,108,551	-	3,068,242	2,012,976	-
Volume Thousand m ³ Invoiced – Unaudited/Reviewed (d)	384,561	282,732	-	420,576	300,466	-

- (a) The amounts invested in administrative assets were allocated in proportion to the investments of each segment;
(b) Presented by the gross value;
(c) The users included in the sewage sector are practically all included in the water sector;
(d) Billed volumes of the sewage sector are derived from the billed volumes of the water utility sector,

Companhia de Saneamento do Paraná - SANEPAR

NOTES TO THE FINANCIAL STATEMENTS

Base date September 30, 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 to 03/10/2019, basic cover for fire, wind and electrical damages to the equipment.

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

Additionally, the Company has legal guarantee insurance policies to guarantee values that would be deposited and/or replace the values already deposited and/or seized property in legal proceedings of labor, civil, environmental, and tax proceedings. Until September 30, 2018 the Company posted guarantees using the Guarantee Insurance in 99 lawsuits for the amount of R\$215,218 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 INTERIM FINANCIAL STATEMENTS

To
Shareholders, Advisers and Board of Directors of
Companhia de Saneamento do Paraná - Sanepar
Curitiba - SP

Introduction

We have reviewed the interim financial information of **Companhia de Saneamento do Paraná - Sanepar** ("Company") contained within the Quarterly Financial Information - ITR, for the quarter ended on September 30, 2018, which comprise the balance sheet on September 30, 2018 and the related statements of income and comprehensive income for three and nine-month period then ended, and the statement of changes in equity and cash flows for the nine-month period then ended, as well as a summary of the significant accounting practices and other notes.

Management is responsible for the preparation of the interim financial information in accordance with Technical Pronouncement CPC 21 (R1) - Interim Financial Reporting and with the International Accounting Standard (IAS) 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and for the presentation of these interim financial information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the Quarterly Financial Information - ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review

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

Conclusion on the interim financial information

Based on our review, we are not aware of any fact that causes us to believe that the interim financial information included in the Quarterly Financial information - ITR referred to above were not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to Quarterly Financial Information - ITR and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM).



Other issues

Statement of added value

We have also reviewed the interim statement of added value for the nine-month period ended September 30, 2018, prepared under the responsibility of the Company's management, whose disclosure in the interim financial information is required in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Financial Information - ITR and considered as supplemental information by the International Financial Accounting Standards (IFRS), which do not require the disclosure of the Statement of Added Value. This statement was submitted to the same review procedures previously described and based on our review, we are not aware of any fact that would lead us to believe that they have not been fairly stated, in all material respects, in relation to the interim financial information taken as a whole.

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

Curitiba, October 29, 2018.



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

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

STATEMENT

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

(I) they have reviewed, discussed and are in agreement with the opinions stated in the audit report issued by BDO RCS Auditores Independentes with respect to the Sanepar interim financial statements for the period ended on September 30, 2018; and

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

Curitiba, October 29, 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