

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

ITR - QUARTERLY INFORMATION SECOND QUARTER OF 2017

**Independent auditor's review report
on interim financial information**

**Companhia de Saneamento do
Paraná - SANEPAR**

June 30, 2017



Condomínio Centro Século XXI
R. Visconde de Nacar, 1440
14º Andar - Centro
80410-201 - Curitiba, PR, Brasil

Tel: (5541) 3593-0700
Fax: (5541) 3593-0719
ey.com.br

A free translation from Portuguese into English of Independent Auditor's Review Report on Interim Financial Information prepared in Brazilian currency in accordance with CPC 21 (R1) and specific rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR)

Independent auditor's review report on interim financial Information

The
Shareholders, Board of Directors and Officers
Companhia de Saneamento do Paraná - SANEPAR
Curitiba - PR

Introduction

We have reviewed the accompanying interim financial information of Companhia de Saneamento do Paraná – SANEPAR (“Company”), contained in the Quarterly Information Form (ITR) for the quarter ended June 30, 2017, which comprise the statement of financial position as at June 30, 2017 and the related statements of profit and loss, of comprehensive income for the three-month and six-month periods then ended, and statement of changes in equity and cash flow statement for the six-month period then ended, including other explanatory information.

The Company's Management is responsible for the preparation of the interim financial information in accordance with Accounting Pronouncement CPC 21 (R1) – Interim Financial Reporting, as well as for the fair presentation of this information in conformity with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, respectively). A review of interim financial 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 we 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, nothing has come to our attention that causes us to believe that the accompanying interim financial information included in the quarterly information referred to above is not prepared, in all material respects, in accordance with CPC 21(R1), applicable to the preparation of Quarterly Financial Information (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission.


Other matters

Interim statement of value added

We have also reviewed the Interim Statement of Value Added (SVA) for the six-month period ended June 30, 2017, prepared under the responsibility of Company management, the presentation of which in the interim financial information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to preparation of Quarterly Financial Information (ITR). This statement has been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that it is not prepared, in all material respects, consistently with the overall accompanying interim financial statements information.

Curitiba, July 31, 2017.

ERNST & YOUNG
Auditores Independentes S.S.
CRC 2SP 015.199/F-6



Alexandre Rubio
Accountant CRC 1SP223361/O-2

Company Data / Share Capital Structure

Total Shares (Units)	Current Quarter 06/30/2017
Of Paid-in Capital	
Ordinary	167,911,724
Preferential	335,823,449
Total	503,735,173
In Treasury	
Ordinary	0
Preferential	0
Total	0

Company Data / Cash Proceeds

Event	Approval	Proceeds	Onset Payment	Share Type	Share Class	Dividend per share(Reais / Share)
Ordinary General Assembly	04/27/2017	Interest on shareholders' equity	06/26/2017	Ordinary		0.56534
Ordinary General Assembly	04/27/2017	Interest on shareholders' equity	06/26/2017	Preferential		0.62187
Ordinary General Assembly	04/27/2017	Dividend	06/26/2017	Ordinary		0.00778
Ordinary General Assembly	04/27/2017	Dividend	06/26/2017	Preferential		0.00856
Meeting of the Management Council	06/13/2017	Interest on shareholders' equity		Ordinary	0.29686	
Meeting of the Management Council	06/13/2017	Interest on shareholders' equity		Preferential	0.32655	

Individual FS / Balance Sheet - Assets

(Reais Thousand)

Line Code	Description	Current Quarter 06/30/2017	Previous Tax Year 12/31/2016
1	Total assets	9,559,799	9,454,119
1.01	Current assets	1,147,296	1,307,240
1.01.01	Cash and cash equivalents	450,859	638,330
1.01.01.01	Cash and banks	10,814	27,675
1.01.01.02	Short term investments	440,045	610,655
1.01.03	Accounts receivable	564,199	559,797
1.01.03.01	Customers	564,199	559,797
1.01.04	Inventories	36,151	36,722
1.01.06	Recoverable Taxes	22,878	39,021
1.01.06.01	Current taxes recoverable	22,878	39,021
1.01.08	Other current assets	73,209	33,370
1.01.08.03	Others	73,209	33,370
1.01.08.03.01	Restricted deposits	9,451	9,844
1.01.08.03.02	Other accounts receivable	63,758	23,526
1.02	Non-current assets	8,412,503	8,146,879
1.02.01	Long term assets	875,885	803,815
1.02.01.03	Accounts receivable	11,153	10,706
1.02.01.03.01	Customers	11,153	10,706
1.02.01.06	Deferred taxes	409,499	373,997
1.02.01.06.01	Deferred income tax and social contribution	409,499	373,997
1.02.01.09	Other non-current assets	455,233	419,112
1.02.01.09.03	Restricted deposits	47,881	45,834
1.02.01.09.04	Taxes and contributions recoverable	796	760
1.02.01.09.05	Judicial deposits	175,009	156,442
1.02.01.09.06	Contractual financial assets	187,859	172,381
1.02.01.09.07	Other accounts receivable	43,688	43,695
1.02.02	Investments	21,334	12,403
1.02.03	Property, plant and equipment	131,447	131,268
1.02.04	Intangible assets	7,383,837	7,199,393

Individual FS / Balance Sheet - Liabilities

(Reais Thousand)

Line Code	Description	Current Quarter 06/30/2017	Previous Tax Year 12/31/2016
2	Total liabilities	9,559,799	9,454,119
2.01	Current liabilities	1,129,626	967,318
2.01.01	Payroll and related charges	84,949	83,930
2.01.01.02	Labor obligations	84,949	83,930
2.01.02	Contractors and suppliers	120,388	133,505
2.01.03	Taxes and contributions	53,740	63,260
2.01.04	Loans and financing	478,318	379,163
2.01.04.01	Loans and financing	123,395	119,920
2.01.04.02	Debentures	353,628	258,681
2.01.04.03	Financing by Merchant Financial Lease	1,295	562
2.01.05	Other Obligations	208,519	180,949
2.01.05.02	Others	208,519	180,949
2.01.05.02.01	Dividends and JCP Payable	155,869	134,055
2.01.05.02.04	Concession Contracts	7,620	7,501
2.01.05.02.05	Collateral and contractual retentions	2,318	2,338
2.01.05.02.07	Revenues to accrue	4,200	542
2.01.05.02.08	Other Accounts Payable	38,512	36,513
2.01.06	Provisions	183,712	126,511
2.01.06.02	Other Provisions	183,712	126,511
2.01.06.02.04	Provisions for Pension and Medical Insurance Plans	56,676	53,062
2.01.06.02.05	Provisions for Labor Claims	127,036	73,449
2.02	Non-current liabilities	3,572,888	3,678,128
2.02.01	Loans and Financing	2,137,633	2,332,911
2.02.01.01	Loans and Financing	1,103,456	1,103,561
2.02.01.02	Debentures	981,043	1,188,804
2.02.01.03	Financing by Merchant Financial Lease	53,134	40,546
2.02.02	Other Payables	108,496	95,775
2.02.02.02	Others	108,496	95,775
2.02.02.02.03	Concession Contracts	86,542	89,425
2.02.02.02.04	Tax and Contributions	1,385	1,411
2.02.02.02.06	Unearned Revenue	15,400	0
2.02.02.02.07	Other Accounts Payable	5,169	4,939
2.02.04	Provisions	1,326,759	1,249,442
2.02.04.02	Other Allowances	1,326,759	1,249,442
2.02.04.02.04	Provisions for Pension Plans and Health Insurance	793,465	742,866
2.02.04.02.05	Provisions	533,294	506,576
2.03	Net Shareholders' equity	4,857,285	4,808,673
2.03.01	Paid in Shareholders' equity	2,847,664	2,847,664
2.03.01.01	Paid in Shareholders' equity	2,847,664	2,847,664
2.03.03	Reassessment Reserves	84,424	87,200
2.03.03.01	Corporate Assets	84,424	87,200
2.03.04	Profit Reserves	1,631,145	1,779,937
2.03.04.01	Legal Reserve	204,024	204,024
2.03.04.07	Tax Incentive Reserves	9,333	9,333

Individual FS / Balance Sheet - Liabilities

(Reais Thousand)

Line Code	Description	Current Quarter 06/30/2017	Previous Tax Year 12/31/2016
2.03.04.08	Additional proposed dividends	0	148,792
2.03.04.10	Investment Plan	1,417,788	1,417,788
2.03.05	Accumulated Profits/Losses	200,582	0
2.03.06	Adjustments to Equity Assessment	10,008	10,410
2.03.08	Other Comprehensive Results	83,462	83,462

Individual FS / P&L Statement (Reais Thousand)

Line code	Description	Current quarter 04/01/2017 to 06/30/2017	YTD 01/01/2017 to 06/30/2017	Same quarter previous tax year 04/01/2016 to 06/30/2016	Cumulative for previous tax year 01/01/2016 to 06/30/2016
3.01	Net operating revenue	908,847	1,835,278	876,072	1,682,696
3.02	Cost of services	-383,390	-743,168	-350,532	-709,050
3.03	Gross profit	525,457	1,092,110	525,540	973,646
3.04	Operating expenses/revenues	-264,356	-560,239	-238,831	-441,638
3.04.01	Selling expenses	-91,730	-164,238	-58,527	-111,393
3.04.02	General and administrative expenses	-170,085	-310,597	-148,620	-312,310
3.04.05	Other operating expenses	-2,018	-84,746	-30,464	-16,509
3.04.05.01	Provision for Contingencies	25,710	-26,718	-4,100	36,101
3.04.05.02	Pension and health care plans	-26,952	-54,213	-25,499	-50,998
3.04.05.03	Other Operating Expenses (Revenues)	-776	-3,815	-865	-1,612
3.04.06	Result of Equity Equivalence	-523	-658	-1,220	-1,426
3.05	Profit before finance results and income taxes	261,101	531,871	286,709	532,008
3.06	Finance results	-39,489	-72,506	-44,553	-73,850
3.06.01	Finance income	26,921	54,465	13,928	45,489
3.06.02	Finance expenses	-66,410	-126,971	-58,481	-119,339
3.07	Result before income taxes and social contribution	221,612	459,365	242,156	458,158
3.08	Income taxes and social contribution on profit	-24,752	-102,451	-33,080	-104,800
3.09	Net Earnings from Continual Operations	196,860	356,914	209,076	353,358
3.11	Profit/Loss for the Period	196,860	356,914	209,076	353,358
3.99	Profit per Share - (Reais / Share)				
3.99.01	Basic Earnings per Share				
3.99.01.01	PN	0.42802	0.73068	0.45897	0.77570
3.99.01.02	ON	0.38911	0.66425	0.41725	0.70519
3.99.02	Diluted Earnings per Share				
3.99.02.01	PN	0.42802	0.73068	0.45897	0.77570
3.99.02.02	ON	0.38911	0.66425	0.41725	0.70519

Individual FS / Comprehensive P&L Statement (Reais Thousand)

Line Code	Description	Current Quarter	YTD	Same quarter previous tax year	Cumulative for previous tax year
		04/01/2017 to 06/30/2017	01/01/2017 to 06/30/2017	04/01/2016 to 06/30/2016	01/01/2016 to 06/30/2016
4.01	Net Profit for the Period	196,860	356,914	209,076	353,358
4.02	Other comprehensive results	0	0	-1	-6,288
4.02.01	Actuarial gains and losses	0	0	0	-9,526
4.02.02	Provision for Income Tax and Social Contribution actuarial gains or losses	0	0	-1	3,238
4.03	Comprehensive income for the period	196,860	356,914	209,075	347,070

Individual FS / Cash Flow Statement – Indirect Method (Reais Thousand)

Line Code	Description	Cumulative for Current Tax year 01/01/2017 to 06/30/2017	Cumulative for Previous Tax year 01/01/2016 to 06/30/2016
6.01	Net cash flows from operating activities	662,107	514,951
6.01.01	Cash generated by operations	685,197	601,390
6.01.01.01	Net income for the period	356,914	353,358
6.01.01.02	Depreciation and amortization	117,698	104,918
6.01.01.03	Write-off of PP&E and intangible assets	1,701	1,836
6.01.01.04	Adjustment to recoverable value of assets	-222	-227
6.01.01.05	Write-off of investments	214	0
6.01.01.06	Present value adjustment of financial assets	-3,534	-19,543
6.01.01.07	Provision for Loss in the realization of credits	12,996	7,154
6.01.01.08	Deferred Income Tax and Social Contribution, net	-35,502	-2,697
6.01.01.09	Provision for contingencies	26,718	-36,101
6.01.01.10	Pension and health care plans	54,213	50,998
6.01.01.11	Interest on financing	123,378	111,923
6.01.01.12	Monetary indexation on financing	27,430	28,274
6.01.01.13	Equity Equivalence results	658	1,426
6.01.01.14	Cost Accruals in Attracting Third-party Results	421	71
6.01.01.15	Adjustment at Fair Value - Investments	2,114	0
6.01.02	Changes in assets and liabilities	-23,090	-86,439
6.01.02.01	Accounts receivable	-17,845	-84,105
6.01.02.02	Taxes and contributions recoverable	16,107	4,037
6.01.02.03	Inventories	571	147
6.01.02.04	Judicial deposits	-18,567	-5,413
6.01.02.05	Other credits and receivable	-40,225	-37,759
6.01.02.06	Contractors and suppliers	-13,117	6,719
6.01.02.07	Service concession arrangements	-2,764	502
6.01.02.08	Taxes and contributions	-23,123	-17,681
6.01.02.09	Payroll and related charges	54,606	26,058
6.01.02.10	Collateral and contractual retentions	-20	407
6.01.02.11	Deferred revenue	19,058	-1,625
6.01.02.12	Accounts payable	0	-3,087
6.01.02.13	Other liabilities	2,229	25,361
6.02	Net cash flows investing activities	-327,661	-346,913
6.02.01	Investments in immobilized and intangible assets	-315,744	-341,532
6.02.02	Investments	-11,917	-5,381
6.03	Net cash flows from (used in) financing activities	-521,917	-256,219
6.03.01	Financing Raised	64,233	107,231
6.03.02	Amortization of Financing Operations	-192,066	-66,615
6.03.03	Payment of Interest on Financing	-119,519	-104,789
6.03.04	Linked Deposits	-1,654	-237
6.03.05	Payment of Interest on Shareholder's Equity	-272,911	-191,809
6.05	Increase (Reduction) of Cash and Equivalents	-187,471	-88,181
6.05.01	Cash and cash equivalents at beginning of the period	638,330	163,797
6.05.02	Cash and cash equivalents at end of the period	450,859	75,616

Individual FS / Statement of Changes to Shareholders Equity / DMPL - 01/01/2017 to 06/30/2017 (Reais Thousand)

Line Code	Description	Paid In Shareholder Capital	Capital Options Granted and Treasury Shares	Reserves, Granted and Treasury Shares	Profit Reserves	Cumulative Profit or Losses	Other Comprehensive Results	Shareholder Equity
5.01	Initial balances	2,847,664		0	1,779,937	0	181,072	4,808,673
5.03	Initial balances adjusted	2,847,664		0	1,779,937	0	181,072	4,808,673
5.04	Transactions of Capital with Shareholders	0		0	-148,792	-159,510	0	-308,302
5.04.06	Dividends	0		0	-148,792	0	0	-148,792
5.04.07	Interests on Shareholder's Equity	0		0	0	-159,510	0	-159,510
5.05	Total Comprehensive Results	0		0	0	360,092	-3,178	356,914
5.05.01	Net Profit for the Period	0		0	0	356,914	0	356,914
5.05.02	Other Comprehensive Results	0		0	0	3,178	-3,178	0
5.05.02.06	Realization of Reassessment Reserves	0		0	0	4,206	-4,206	0
5.05.02.07	Taxes on Realization of Reassessment Reserves	0		0	0	-1,430	1,430	0
5.05.02.08	Realization of Adjustment to Cost Attributed	0		0	0	609	-609	0
5.05.02.09	Taxes on Realization of Adjustment to Cost Attributed	0		0	0	-207	207	0
5.07	Final Balances	2,847,664		0	1,631,145	200,582	177,894	4,857,285

Individual FS / Statement of Changes to Shareholders Equity / DMPL - 01/01/2016 to 06/30/2016 (Reais Thousand)

Line Code	Description	Paid In Shareholder Capital	Capital Options Granted and Treasury Shares	Reserves, Granted and	Profit Reserves	Cumulative Profit or Losses	Other Comprehensive Results	Shareholder Equity
5.01	Initial balances	2,597,360		0	1,398,472	0	184,475	4,180,307
5.03	Initial balances adjusted	2,597,360		0	1,398,472	0	184,475	4,180,307
5.04	Transactions of Capital with Shareholders	0		0	-103,951	-143,307	0	-247,258
5.04.06	Dividends	0		0	-103,951	-0	0	-103,951
5.04.07	Interests on Shareholder's Equity	0		0	0	-143,307	0	-143,307
5.05	Total Comprehensive Result	0		0	0	356,484	-9,414	347,070
5.05.01	Net Profit for the Period	0		0	0	353,358	0	353,358
5.05.02	Other Comprehensive Results	0		0	0	3,126	-9,414	-6,288
5.05.02.06	Realization of Reassessment Reserves	0		0	0	4,288	-4,288	0
5.05.02.07	Taxes on Realization of Reassessment Reserves	0		0	0	-1,458	1,458	0
5.05.02.08	Realization of Adjustment at Cost Attributed	0		0	0	449	-449	0
5.05.02.09	Taxes on Realization of Adjustment at Cost Attributed	0		0	0	-153	153	0
5.05.02.10	Actuarial Gains and Losses	0		0	0	0	-9,526	-9,526
5.05.02.11	Taxes on Actuarial Gains and Losses	0		0	0	0	3,238	3,238
5.07	Final Balances	2,597,360		0	1,294,521	213,177	175,061	4,280,119

Individual FS / Statements of Value

Added (Reais Thousand)

Line Code	Description	Cumulative for Current Tax year 01/01/2017 to 06/30/2017	Cumulative for Previous Tax year 01/01/2016 to 06/30/2016
7.01	Revenues	1,962,255	1,798,884
7.01.01	Sales of Goods, Products and Services	1,977,162	1,807,650
7.01.02	Others Revenues	-1,911	-1,612
7.01.04	Provision/Reversals of Bad Credits	-12,996	-7,154
7.02	Inputs Acquired from Third-parties	-619,563	-511,285
7.02.01	Cost of Prods., Goods. and Services Sold	-221,105	-198,694
7.02.02	Materials, Energy, Third-party Services and Others	-301,623	-319,101
7.02.03	Asset Values Losses/Recovery	-1,904	0
7.02.04	Others	-94,931	6,510
7.03	Gross Value Added	1,342,692	1,287,599
7.04	Retentions	-117,698	-104,918
7.04.01	Depreciation, Amortization and Depletion	-117,698	-104,918
7.05	Net Value Added Produced	1,224,994	1,182,681
7.06	Value Added Received through Transfers	53,807	44,063
7.06.01	Equity Equivalence Result	-658	-1,426
7.06.02	Financial Revenues	54,465	45,489
7.07	Total Value Added to Distribute	1,278,801	1,226,744
7.08	Distribution of Value Added	1,278,801	1,226,744
7.08.01	Personnel	441,740	428,566
7.08.01.01	Direct Compensation	270,656	236,735
7.08.01.02	Benefits	149,941	173,683
7.08.01.03	F.G.T.S.	21,143	18,148
7.08.02	Taxes and Contributions	329,913	303,973
7.08.02.01	Federal	327,547	301,740
7.08.02.02	State	354	458
7.08.02.03	Municipal	2,012	1,775
7.08.03	Compensation for Third-party Capital	150,234	140,847
7.08.03.01	Interest	126,971	119,339
7.08.03.02	Leases	23,263	21,508
7.08.04	Compensation for shareholder equity	356,914	353,358
7.08.04.01	Interests on Shareholder Equity	159,510	143,307
7.08.04.03	Profits Retained / Losses for the Period	197,404	210,051

Companhia de Saneamento do Paraná – SANEPAR

COMMENTS ON THE COMPANY PERFORMANCE IN 2nd QUARTER 2017

01. INTRODUCTION

Companhia de Saneamento do Paraná – SANEPAR (herein also “Company” and/or “Sanepar”), established in 1963, company of the basic sanitation sector, holder of the concession to operate the services of distribution of water and collection and treatment of sewage in 346 municipalities, of which 345 out of a total of 399 existing in the state of Paraná and 01 municipality in the State of Santa Catarina. In activity in the sector for 54 years, it is one of the agencies responsible for Paraná being ranked among the states with the best social indicators in the country, as well as displaying one of the best indicators in service coverage among similar entities. The company vision is one of excellence, committed to universal delivery of environmental sanitation.

02. MANAGEMENT

SANEPAR has continually reinforced a strategy of running its business with organizational flexibility in order to respond with agility and efficiently to the new market requirements and contextual changes, with the strategic objective of achieving corporate economic-financial and social-environmental sustainability.

Fully in line with the market requirements, company management has been driven by the qualification of its functional staff, the quest for efficiency in the use of inputs, better management of revenues, costs and expenses, thus guaranteeing continuity for investments and good service delivery to its customers.

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

03. MARKET

The current rate of delivery with treated water is of 100.0% and the coverage of sewage collection is of 69.8% % of the urban population within the concession area, with a treatment rate of 100.0% as per the Corporate Information System.

Revenues stem mainly from residential water connections, representing 91.2% of the total water connections existing on June 30, 2017.

Companhia de Saneamento do Paraná – SANEPAR

COMMENTS ON THE COMPANY PERFORMANCE IN 2nd QUARTER 2017

03. -MARKET- continuation

The number of existing water connections of 3,056,784 in June 2017 is 2.0% higher than the number of connections (2,998,149) existing in June 2016, representing an increment of 58,635 new water connections, as shown below:

Number of Water Connections *

Classes	June/2016	June/2017	Var. %
Residential	2,736,994	2,786,613	1.8
Commercial	200,870	209,260	4.2
Industrial	12,396	12,348	(0.4)
Public Utility	22,188	22,703	2.3
Public Administration	25,701	25,860	0.6
Total	2,998,149	3,056,784	2.0

* Information not reviewed by independent auditors.

The number of sewage connections of 1,994,218 in June 2017 is of 5.4% higher than the number of connections (1,891,798) existing in June 2016, representing a growth of 102,420 new sewage connections, as shown below:

Number of Sewage Connections *

Classes	June/2016	June/2017	Var. %
Residential	1,712,329	1,803,913	5.3
Commercial	149,401	158,631	6.2
Industrial	4,707	4,885	3.8
Public Utility	12,833	13,669	6.5
Public Administration	12,528	13,120	4.7
Total	1,891,798	1,994,218	5.4

* Information not reviewed by independent auditors.

04. TECHNOLOGY

Operational efficiency is one of the focus points of the SANEPAR management model. Over the years, the Company has achieved significant results due to investments in more effective systems and processes.

SANEPAR has been keeping up with the sectors technological advances around the world, in addition to developing its own solutions in achieving maximal rationality in the use of water and avoid compromising the environment.

The development of innovative solutions and obtaining new knowledge are facilitated through the exchange with research institutes, studies and publication of technical papers.

Companhia de Saneamento do Paraná – SANEPAR

COMMENTS ON THE COMPANY PERFORMANCE IN 2nd QUARTER 2017

05. ENVIRONMENT AND COMMUNITY

More than simply complying with environmental legislation, SANEPAR continually acts in its segment of activities in line with the concept of sustainable development, i.e., maximum rationalization of the use of natural inputs and reduction to the minimum in environmental impacts. In applying this philosophy, the Company has an Environmental Strategic Plan, with the objective of identifying the main impacts stemming from this activity and, in this way, enabling drafting programs and establishing targets and actions to mitigate risks.

Social responsibility, in particular in connection with public health, is delivered through countless programs and actions targeted at well-being for communities in which SANEPAR is present. The Company also maintains a complex bacteriological, chemical-physical, spectrophotometric, chromatography and hydro-biology laboratory system that guarantees ideal conditions for the water consumed by its customers.

The Company endeavors to increase its activity in solid waste collection and destination, not only through the management of sanitary landfills but also by looking for new technologies that enable generation of energy. In 2014, SANEPAR, in partnership with another company, established CS Bioenergia S.A., which will produce energy from the waste generated by the Sewage Treatment Station of Belém, in Curitiba. This partnership will transform the sludge, main raw material of sewage treatment stations, into a new high economic value-added product. The sludge processed will generate energy, bringing major savings in its transportation and final disposal costs, in addition to preserving the environment.

The importance of the relationship between the Company and society can also be observed in the amounts that are added and distributed to the different segments of the national economy such as, for instance, remuneration to Governments, that reverts into benefits for society.

Distribution of the Economic Wealth Generated (BRL million)

	6M16	6M17	Var. %	2T16	2T17	Var. %
Personnel Compensation	428.6	441.7	3.1	195.5	234.1	19.7
Government Compensation (Taxes)	304.0	329.9	8.5	137.2	139.8	1.9
Third-party Compensation (property)	21.5	23.3	8.4	11.1	11.6	4.5
Third-party Capital Remuneration (Interest and Monetary Variations)	119.3	127.0	6.5	58.4	66.4	13.7
Interest on Shareholder Capital	143.3	159.5	11.3	143.3	159.5	11.3
Net Profit for the Period not distributed	210.1	197.4	(6.0)	65.8	37.3	(43.3)
Total Economic Wealth Generated	1,226.8	1,278.8	4.2	611.3	648.7	6.1

Companhia de Saneamento do Paraná – SANEPAR

COMMENTS ON THE COMPANY PERFORMANCE IN 2nd QUARTER 2017

06. PRODUCTIVITY

For YTD up to June 30, 2017, the volume of treated water billed was of 292.8 million m³, as compared to 294.2 million m³ for the same period in 2016, representing a reduction of 0.5%. In comparing the second quarter 2016 with the second quarter 2017, the reduction was of 4.3%, reflecting the change made in the company tariff structure, with changes to the consumption bands and, in particular, the change in the minimum fee, which went from 10m³ to 5m³, as shown below:

COMPARATIVE TABLE OF INVOICED WATER VOLUME - million m³ *

Classes	6M16	6M17	Var. %	2T16	2T17	Var. %
Residential	251.9	250.8	(0.4)	124.2	118.6	(4.5)
Commercial	24.1	23.9	(0.8)	11.9	11.5	(3.4)
Industrial	5.9	5.8	(1.7)	2.8	2.7	(3.6)
Public Utility	2.7	2.6	(3.7)	1.4	1.3	(7.1)
Public Administration	9.6	9.7	1.0	5.0	5.0	0.0
TOTAL INVOICED	294.2	292.8	(0.5)	145.3	139.1	(4.3)

* Information not reviewed by independent auditors.

For YTD up to June 30, 2017, the volume of sewage treated billed showed a growth of 2.8% as compared to the same period for the previous year. In comparing the second quarters 2016 and 2017, a reduction of 1.0% was perceived, as shown below:

COMPARATIVE TABLE FOR SEWAGE VOLUME BILLED – million m³ *

Classes	6M16	6M17	Var. %	2T16	2T17	Var. %
Residential	171.5	176.7	3.0	85.1	84.4	(0.8)
Commercial	20.7	20.9	1.0	10.3	10.1	(1.9)
Industrial	1.5	1.5	0.0	0.7	0.7	0.0
Public Utility	1.9	1.9	0.0	1.0	0.9	(10.0)
Public Administration	6.8	7.0	2.9	3.6	3.6	0.0
TOTAL INVOICED	202.4	208.0	2.8	100.7	99.7	(1.0)

* Information not reviewed by independent auditors.

In the ongoing search for rationalizing its resources and operational control of the water supply systems, the company adopts actions such as:

- renewal of its hydrometer park, currently around 16.5% a year;
- research in the detection of hidden leaks, clandestine connections and damaged or defrauded hydrometers;
- operational development through the implementation of a technical registry, geographic, supervision and control system, automation, optimization of macro-measurements and systematizing of operational diagnosis; and
- Improvements in the operational network and units.

Companhia de Saneamento do Paraná – SANEPAR

COMMENTS ON THE COMPANY PERFORMANCE IN 2nd QUARTER 2017

06. PRODUCTIVITY-- continuation

Adopting these measures enabled a reduction in this period of 1.82 of losses per connection/day, corresponding to 0.8% as compared to December 2016 as shown in the table below:

DEMONSTRATION OF THE LOSSES PER CONNECTION INDEX *		
Year	Liters/Connection/Day	Variation Liters/Connection/Day
2010	235.14	(1.87)
2011	244.80	9.66
2012	247.00	2.20
2013	239.03	(7.97)
2014	226.91	(12.12)
2015	225.77	(1.14)
2016	233.12	7.35
2017 (1)	231.30	(1.82)

* Information not reviewed by independent auditors.

(1) Cumulative amounts from January to June 2017.

07. ECONOMIC INDICATORS

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

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

Description	R\$ million					
	6M16	6M17	Var. %	2T16	2T17	Var. %
Net Operating Revenue (1)	1,682.7	1,835.3	9.1	876.1	908.8	3.7
Operating Profit	532.0	531.9	0.0	286.7	261.1	(8.9)
Net Profit	353.4	356.9	1.0	209.1	196.9	(5.8)
% Operating Margin	25.3	23.2	(8.3)	25.7	22.7	(11.7)
% Net Margin	21.0	19.4	(7.6)	23.9	21.7	(9.2)
% Mean PL profitability	8.4	7.4	(11.9)	4.9	4.0	(18.4)
Net debt/EBITDA (12 month rolling)	2.1	1.8	(14.3)	-	-	-

(1) The cumulative growth of operating revenue between the months of June 2016 and June 2017, stems from the tariff adjustment of 10.48% starting on 04/01/2016, with full impact in 2017, as well from the 1st Tariff Review authorized by AGEPAR of 8.53% in 2017, starting on 06/01/2017, *pro-rata* since 05/16/2017, in addition to increase in water and sewage services, increasing the sewage billed volume in 2.7% and in the number of water connections (2.0%) and sewage (5.4%) connections.

Companhia de Saneamento do Paraná – SANEPAR

COMMENTS ON THE COMPANY PERFORMANCE IN 2nd QUARTER 2017

07. ECONOMIC INDICATORS -- continuation

At the end of the second quarter 2017, total Company assets reached BRL 9,559.8 million (BRL 9,454.1 million on 12/31/2016), with total liabilities at the end of the same quarter being BRL 4,702.5 million (BRL 4,645.4 million on 12/31/2016).

Of the total liability amount, BRL 2,616.0 million (BRL 2,712.1 million on 12/31/2016) are in reference to loans, financing and debentures, showing a reduction of 3.5% as compared to the end of the 2016 tax year.

Description	Reference	R\$ million		
		12/31/2016	06/30/2017	Var. %
Net Equity	BRL million	4,808.7	4,857.3	1.0
Share Value	BRL	9.55	9.64	0.9
Indebtedness Level	%	49.1	49.2	0.2
Net Liquidity	BRL	1.35	1.02	(24.4)
Dry Liquidity	BRL	1.30	0.98	(24.6)

Generation of Operating Cash

EBITDA for the first semester 2017, representing the Company's operating results was of BRL 649.6 million, as compared to BRL 637.0 million for the same period in the previous year. The increase in this indicator for the period stems mainly from the growth of the revenues and management of costs and expenses.

Operating cash generation was of BRL 662.1 million, growth of 28.6% as compared to the same period in 2016. Conversion of EBITDA into Operating Cash was of 101.9%.

In comparing EBITDA between the second quarters of 2016 and 2017, a reduction of 5.7% is perceived, stemming mainly from the downturn in profit and increase in expenses with depreciations and amortizations.

Description	R\$ million					
	6M16	6M17	Var. %	2T16	2T17	Var. %
Net profit for the period	353.4	356.9	1.0	209.1	196.9	(5.8)
(+) Taxes on Profit	104.8	102.5	(2.2)	33.1	24.8	(25,1)
(+) Financial Result	73.9	72.5	(1.9)	44.6	39.5	(11,4)
(+) Depreciation and Amortization	104.9	117.7	12.2	52.9	59.3	12,1
(-) EBITDA	637.0	649.6	2.0	339.7	320.5	(5,7)
% Margin EBITDA	37.9	35.4	(6.6)	38.8	35.3	(9.0)
% Conversion EBITDA in Operating Cash	80.8	101.9	26.1	85.4	101.2	18.4

Companhia de Saneamento do Paraná – SANEPAR

COMMENTS ON THE COMPANY PERFORMANCE IN 2nd QUARTER 2017

08. ECONOMIC PERFORMANCE

Operating Revenue

Gross operating revenue grew 9.4%, from BRL 1,807.7 million accumulated for the second quarter 2016, to BRL 1,977.2 million for the equal period of 2017. This growth is the outcome of the tariff readjustment, the increased delivery of water and sewage services and an increase in the number of connections and invoiced volumes.

Operating Costs and Expenses

Operating costs and expenses for the first semester of 2017 grew in 13.3% in comparison to the same period in 2016. The main variations occurred were as a result of a growth of 5.0% in expenses with personnel, in particular, due to the 4.69% readjustment to the labor and meal resulting from signing 2017/2018 Collective Labor Agreement, a growth of 17.7% in expenses with materials, in particular due to the increased level in deployment of treatment materials and electro-mechanical maintenance and 44.8% with other operating expenses, mainly from the increase with third party indemnity payments, amortizations and provision for losses in realization of credits, offset in part by the reduction of 1.0% in expenses with third-party services, in particular the reduction of expenses with electric energy.

Net Profit

The Company had a net profit of BRL 356.9 million in the first semester 2017, 1.0% higher than the net result of BRL 353.4 million posted for the same period in 2016. The result was impacted mainly by the growth of the operating revenue and stability of operating costs and expenses.

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

1. OPERATIONAL CONTEXT

Companhia de Saneamento do Paraná - SANEPAR (also identified as “Company” or “Sanepar”), is headquartered at Rua Engenheiros Rebouças in Curitiba - Paraná, is a Mixed Capital Company, whose corporate objective, by the State of Paraná delegation and its municipalities, is the operation of sanitation services, mainly the distribution of water, collection and treatment of sewage, as well as collection and treatment of solid waste, studies, projects and execution of works relating to new facilities, extensions networks water distribution networks and the collection and treatment of sewage and providing advisory services and technical assistance in these areas. The Company also collaborates with agencies and federal, state and municipal entities in matters pertaining to the development of its basic objectives.

The Company, by concessions from the municipalities, provides water treatment and distribution and sewage collection and treatment services. Renewals of contracts have, on average, duration of 30 years. Of a total of 346 concessions, approximately 5.5% of the contracts are in the process of renewal for being overdue, 17.6% maturing from 2017 to 2026 and 76.9% were renewed with their maturities after 2027. In the case of concessions that were not renewed at the expiration date, the municipality must reimburse the Company for the residual accounting amounts of the concession assets.

Only the concession of the municipality of Curitiba has rules that determine a cost for the concession to be paid by the Company as described in Note 12.

The Company is registered at the CVM as a publicly-held company under category A (issuers authorized to negotiate any securities) and the company shares are negotiated in the São Paulo Stock Exchange (B3 - Brazil, SE, OTC), listed in Level 2 of Corporate Governance.

The Company detains 40% of the capital in the Specific Purpose Company (Sociedade de Propósito Específico), as a private capital Corporation, called “CS Bioenergia S/A”, whose business purpose is exploring and providing adequate final destination to solid and organic waste, as well as the sludge produced in sewage treatment stations, production of biogas and generation of energy, as advised in Note 8.

The Company has been authorized by the Delegated Public Utility Infrastructure Services Regulatory Agency of Paraná (Agência Reguladora de Serviços Públicos Delegados de Infraestrutura do Paraná – AGEPAR), through Ratifying Decision (Resolução Homologatória) no. 003, of April 12, 2017, to apply the tariff repositioning index of 25.63%, as set out in article 3:

“Art. 3º - Define that the deployment of the approved tariff review as per article 2 of this Decision will be deferred in 8 (eight) years, with the first installment, in the year of 2017, corresponding to an average repositioning of 8.53% (eight point five three per cent), and the remaining 7 (seven) installments of 2.11% (two point one per cent), plus the corresponding financial and economic correction, applies using the mean weighted rate for daily financing calculated for the Special Liquidation and Custody System (SELIC), in compliance with the terms defined in the Technical Note approved in article 1 of this Decision”.

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

1. OPERATIONAL CONTEXT -- continuation

In analogy Technical Instruction OCPC 08 – Recognition of Specific Assets and Liabilities in General Purpose Financial-Accounting Statements of Power Distribution Companies published in accordance with Brazilian and International Accounting Standards, the Company does not record in its Financial Statements amounts receivable stemming from the deferment, considering that: (i) realizing or demanding these amounts depend on a future event over which the Company is not in full control – future billing of sewage and water services; (ii) on establishing the right to receive, it is not practical to define the debtors of said amounts; and (iii) the actual collection of these amounts to occur only if concessions are maintained. The amount receivable is an estimate stemming from the difference between the Revenue Required and Actual Revenue to be measured and published throughout the entire deferment period, and, for the 2nd quarter 2017 represents BRL 54,132 (*pro rata* starting in June). This amount represents the best estimate on June 30, 2017 and may undergo changes as a function of the variation of the SELIC rate.

Additionally, the Company has submitted official notice to AGEPAR requesting that the regulator define the rules for regulatory accounting records, evidencing financial assets and liabilities.

2. PRESENTATION OF INTERIM FINANCIAL INFORMATION

2.1 Statement of Compliance

This interim financial information was prepared in compliance with Laws 6,404/76, 11,638/07 and 11,941/09. They were drafted in accordance with the Brazilian Accounting Practices, covering the Brazilian shareholding legislation, the Statements, the Guidance and Interpretations issued by the Accounting Guidance Committee (Comitê de Pronunciamentos Contábeis - CPC) as well as based on the accounting standards and procedures defined by the Brazilian Securities Commission (Comissão de Valores Mobiliários – CVM).

The financial statement information was authorized for publication by the Company Management on July 31, 2017.

2.2 Measurement Base

The financial statements have been prepared under the historical cost basis and financial assets measured at fair value.

2.3 Operating Currency and Publication Currency

All amounts presented in the accounting statements, including the values shown in the explanatory notes, are expressed in thousands of Brazilian reais (BRL), the Company's operating currency, except where indicated otherwise.

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

3. MAIN ACCOUNTING PRACTICES

The main accounting practices deployed in drafting the interim financial information for the quarter ended on June 30, 2017, are consistent with the practices set out in Note 3 of the Company's Financial Statements for tax year ended on December 31, 2016.

4. CASH AND CASH EQUIVALENTS

Composed as follows :

Description	06/30/2017	12/31/2016
Cash	1	-
Unrestricted bank deposits	377	2,988
Linked bank deposits	10,436	24,687
	<u>10,814</u>	<u>27,675</u>
Short-term investments		
Caixa FI Sanepar I Renda Fixa (1)	338,406	511,541
CDB Flex Empresarial (2)	101,639	99,114
	<u>440,045</u>	<u>610,655</u>
Total cash and cash equivalents	<u>450,859</u>	<u>638,330</u>

The financial investments are short-term, highly liquid and low risk of change in value. They comprise fixed income funds applied in Investment Funds, with an average remuneration of 99.79% of the CDI (100.18% in 2016) and a CAIXA Bank Deposit Certificate.

(1) The CAIXA FI SANEPAR I RENDA FIXA Fund is exclusive for the Company's investments and on 06/30/2017, 61.98% of the funds were allocated to NTN-B Financial Commitment Transactions, which have immediate sale back option to the bank; 0.12% in Federal Public Securities (LFT and LTN) and 37.90% in first-class Financial Institution CDB (61.46%, 0.07% and 38.47% respectively in 2016);

(2) Caixa Econômica Federal Bank Deposit Certificate (CDB) are issued by the institution, contracted at a floating rate of between 100.50% to 102,00% of CDI with high liquidity, driven by the contracted term and the actual term of the investment.

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

5. ACCOUNTS RECEIVABLE, NET

a) Accounts Receivable from customers have the following composition by maturation date :

Description	06/30/2017	12/31/2016
Accounts Receivable not due	220,062	199,442
Accounts Receivable from Installments	36,634	37,151
Adjustment to Present Value	(2,773)	(3,408)
Account to Bill (Consumption not yet invoiced)	139,354	160,852
	<u>393,277</u>	<u>394,037</u>
Accounts Receivable Past due		
Between 1 and 30 days	101,079	100,748
Between 31 and 60 days	28,523	25,850
Between 61 and 90 days	11,919	11,431
Between 91 and 180 days	21,498	19,505
Over 180 days	177,556	165,268
Provision for Losses in Realizing Credits	(158,500)	(146,336)
	<u>182,075</u>	<u>176,466</u>
Total Accounts Receivable, net	<u>575,352</u>	<u>570,503</u>
Current assets	564,199	559,797
Non-current assets	11,153	10,706

Of the total Accounts Receivable past due, net of losses in realizing credits, the amount of BRL 4,281 (BRL 6,244 on 12/31/2016) is in reference to Municipalities; BRL 157,694 (BRL 145.499 on 12/31/2016) from Private Customers; BRL 128 (BRL 453 on 12/31/2016) from the Federal sector and BRL 19,972 (BRL 24,270 on 12/31/2016) from the State sector.

b) Changes in provisions for losses in realizing credits were as follows :

Description	06/30/2017	12/31/2016
Balances at the beginning of the period	(146,336)	(125,395)
Amounts posted as Expenses	(12,996)	(21,775)
Write offs, net of recoveries	832	834
Balances at the end of the period	<u>(158,500)</u>	<u>(146,336)</u>

c) Composition of balance for provisions in losses in realizing credits receivable is as follows:

Description	06/30/2017	12/31/2016
Private Customers	92,669	81,558
Federal Government Agencies	1	7
Municipal Administration Agencies	65,830	64,771
Total	<u>158,500</u>	<u>146,336</u>

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

6. TAXES AND CONTRIBUTIONS RECOVERABLE

Composed as follows:

Description	06/30/2017	12/31/2016
Recoverable Income tax	17,017	29,219
Recoverable Social Security Contribution	5,463	9,422
Withheld Tax and Contributions – public administration agencies	1,194	1,140
Total	23,674	39,781
Current assets	22,878	39,021
Non-current assets	796	760

7. OTHER ACCOUNTS RECEIVABLE

Composition as follows:

Description	06/30/2017	12/31/2016
Advances to Employees	37,467	3,739
Reimbursable Payments	3,202	4,092
Deposits Given on Guarantee	1,867	1,888
Municipal Fund for the Environment	43,978	44,462
Expenses Anticipated	5,043	12,105
Bonds and Other Credits	15,889	935
Total	107,446	67,221
Current assets	63,758	23,526
Non-current assets	43,688	43,695

8. INVESTMENTS

Description	06/30/2017	12/31/2016
Joint Controlled Investment – CS Bioenergia S.A.	20,724	9,466
Other Investments recognized by the Cost Method	522	522
Investment Recognized at Fair Value	88	2,415
Total	21,334	12,403

Investment in a *joint venture*

The Company holds 40% of CS Bioenergia S.A. with reference to a financial input for the amount of BRL 25.858 in Share Capital and BRL 760 as Advances for Future Capital Calls (Adiantamento para Futuro Aumento de Capital – AFAC). The Company's shareholding interest is booked using the equity equivalence method in the investment company's Financial Statements, summarized as follows:

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

8. INVESTMENTS -- continuation

Balance Sheet - CS Bioenergia S.A.	06/30/2017	12/31/2016
Current assets	173	1,139
Non-current assets	60,692	59,858
• Immobilized	40,750	39,831
• Merchant Financial Lease	19,940	20,026
• Others	2	1
Total Assets	60,865	60,997
Current liabilities	9,054	37,334
• Loans, Financing and Merchant Leases	8,919	37,334
• Others	135	-
Non-current Liabilities	-	-
Net Equity	51,811	23,663
Total liability	60,865	60,997

Results Statement - CS Bioenergia S.A.	06/30/2017	12/31/2016
Revenue	-	-
(-) Operating Expenses	(1,097)	(2,701)
Financial Result	(549)	(5,693)
Result before taxes	(1,646)	(8,394)
IRPJ and CSLL	-	-
Losses in the Period	(1,646)	(8,394)

The changes in the investment in this period are:

Description	06/30/2017	12/31/2016
Balance at beginning of period	9,466	5,287
Financial inputs	11,916	7,540
Result of Equity Equivalence (percentage interest - 40%)	(658)	(3,361)
Balance at end of period	20,724	9,466

Other Investments

The Company maintains several investments over which it exercises no significant influence, assessed and recorded by the cost method and for a total of BRL 522 (BRL 522 on 12/31/2016).

The Company has investments in FINAM (Fund of Investment in the Amazon) resulting from the investment of the Tax Incentive from the Income Tax for the amount of BRL 2,201, which brought the fair value considering the price for 06/30/2017 equivalent to BRL 88.

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

9. FIXED AND INTANGIBLE

a) Fixed

Composed as follows:

By Lines				06/30/2017	12/31/2016
Description	Cost	Cumulative Depreciation			Net Amount
Administrative	235,672	(105,633)		130,039	130,449
Others	7,496	(6,088)		1,408	819
Total	243,168	(111,721)		131,447	131,268

By Nature				06/30/2017	12/31/2016
Description	Annual Depreciation Rate	Cost	Cumulative Depreciation		Net Amount
Land	-	2,309	-	2,309	2,309
Buildings	*1.84%	68,284	(14,386)	53,898	54,241
Improvements	2%	1,788	(639)	1,149	1,166
Facilities	*5.83%	3,684	(2,042)	1,642	1,722
Equipment	*6.23%	48,014	(19,763)	28,251	24,626
Furniture and utensils	7.14%	37,642	(17,553)	20,089	19,554
Computer equipment	*19.82%	34,692	(22,912)	11,780	13,101
Vehicles	*13.05%	28,008	(19,929)	8,079	8,683
Machinery, Tractors and similar	*19.35%	18,180	(14,176)	4,004	5,629
Tools	6.67%	567	(321)	246	237
Total		243,168	(111,721)	131,447	131,268

* Mean Weighted Rate

b) Intangible

Composed as follows:

By Lines				06/30/2017	12/31/2016
Description	Cost	Cumulative amortization			Net Amount
Water mains	4,119,256	(1,336,631)		2,782,625	2,731,814
Sewage mains	4,324,020	(907,705)		3,416,315	3,323,219
Solid waste	2,121	(1,830)		291	-
System Use and Operation Rights	125,089	(65,020)		60,069	62,153
Other Intangible Assets	88,280	(52,544)		35,736	32,924
Project and Works in Progress	1,044,792	-		1,044,792	1,000,861
Inventory for Construction Work	44,009	-		44,009	48,422
Total	9,747,567	(2,363,730)		7,383,837	7,199,393

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

9. FIXED AND INTANGIBLE -- continuation

b) Intangible -- continuation

<u>By Nature</u>				<u>06/30/2017</u>	<u>12/31/2016</u>
<u>Description</u>	<u>Annual Amortization Rate</u>	<u>Cost</u>	<u>Cumulative amortization</u>	<u>Net Amount</u>	
Land	-	131,801	-	131,801	113,041
Wells	*3.10%	125,515	(34,060)	91,455	89,045
Dams	*2.67%	144,559	(50,760)	93,799	93,351
Civil constructions	*2.59%	1,855,301	(426,085)	1,429,216	1,387,226
Improvements	*2.67%	19,561	(2,210)	17,351	16,072
Piping	*2.64%	4,617,226	(1,073,503)	3,543,723	3,480,386
Building connections	3.33%	622,096	(199,262)	422,834	414,824
Facilities	*5.83%	144,989	(41,715)	103,274	99,680
Hydrometers	10%	172,000	(68,996)	103,004	100,813
Macro-meters	10%	5,270	(3,305)	1,965	1,939
Equipment	*6.23%	498,822	(238,073)	260,749	254,223
Furniture and utensils	7.14%	5,041	(3,156)	1,885	1,888
Computer equipment	*19.82%	88,375	(80,182)	8,193	8,712
Computer programs	20%	46,079	(34,949)	11,130	10,372
Vehicles	*13.05%	17,647	(13,567)	4,080	4,352
Machinery, tractors and similar items	*19.35%	16,683	(14,317)	2,366	3,052
Tools	6.67%	286	(178)	108	103
Rights of Use of Transmission Lines	6.25%	156	(125)	31	34
Environmental Protection and	20%	22,269	(14,267)	8,002	8,844
Concession of the Mun. of Curitiba (1)	3.33%	125,000	(64,930)	60,070	62,153
Concession of the Mun. of Cianorte (2)	5%	90	(90)	-	-
Projects and Works in Progress	-	1,044,792	-	1,044,792	1,000,861
Inventory for construction	-	44,009	-	44,009	48,422
Total		9,747,567	(2,363,730)	7,383,837	7,199,393

* Mean Weighted Rate

(1) Cost of costly concession contract, with a term of 30 years, whose repayment rate is an integral part of the costs related to the provision of sanitation services for the Municipality of Curitiba, as mentioned in Note 12.

(2) Cost of Concession Contract with Municipality of Cianorte to provide public utility services of collection, treatment and final disposition of solid waste for a period of 20 years.

The balance of line “Projects and Works in progress” on June 30, 2017, is in reference to 127 (144 on 12/31/2016) works in expansion and implementation of Water Supply Systems in 92 (109 on 12/31/2016) localities, for the amount of BRL 320,337 (BRL 295,787 on 12/31/2016); 125 (161 on 12/31/2016) works in connection with Sewage Collection and Treatment Systems in 83 (99 on 12/31/2016) localities, for the amount of BRL 585,686 (BRL 569,947 on 12/31/2016), as well as BRL 138,769 (BRL 135,127 on 12/31/2016) in investments in different operational projects and works in the systems operated by the Company.

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

9. FIXED AND INTANGIBLE -- continuation

b) Intangible -- continuation

Up to the quarter ended on June 30, 2017 interest and other financial charges incurred on resources and loans funding Company projects and works were capitalized, for the amount of BRL 25,448 (BRL 47,385 on 12/31/2016). The mean rate applied in determining cost amounts for loans subject to capitalization was of 16.8%.

Merchant Financial Lease: the Company has Asset Lease contracts evaluated at BRL 199.3 million preceded by the concession of effective use rights for the areas and the execution of the works required for capacity enhancements in the sanitary drainage in the municipalities of Matinhos and Pontal do Paraná, for a term of 240 (two hundred and forty) months, with payback starting in February 2017. The asset subject of this Merchant Financial Lease are built and will be delivered by the lease holder in four stages, with intervals of 1 (one) year between them. At the end of December 2016, 20.6% of the object of said contracts were concluded and delivered, equivalent to the delivery of the first stage of the contract. The obligations stemming from this contract will be shown in Explanatory Note 11.

On June 30, 2017, the book value for each class of asset under the Financial Merchant Lease commitment is entered in the Intangible Asset lines and shown below:

By Lines			06/30/2017	12/31/2016
Description	Cost	Cumulative Amortization		Net Amount
Buildings	11,406	(111)	11,295	11,390
Piping	26,691	(312)	26,379	26,647
Building connections	1,820	(35)	1,785	1,815
Facilities	95	(4)	91	94
Equipment	1,096	(42)	1,054	1,090
Total	41,108	(504)	40,604	41,036

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

9. FIXED AND INTANGIBLE -- continuation

c) Changes to Property, Plant and Equipment and Intangible in the 2nd Quarter 2017:

Description	12/31/2016	Additions	Depreciation and Amortization	Write-offs and Losses	Transfers	06/30/2017
Fixed						
Land	2,309	-	-	-	-	2,309
Civil constructions	54,241	30	(668)	-	295	53,898
Improvements	1,166	-	(17)	-	-	1,149
Facilities	1,722	3	(78)	-	(5)	1,642
Equipment	24,626	4,690	(1,174)	22	87	28,251
Furniture and utensils	19,554	1,471	(949)	3	10	20,089
Computer equipment	13,101	203	(1,557)	4	29	11,780
Vehicles	8,683	30	(595)	2	(41)	8,079
Machinery, tractors and similar items	5,629	11	(1,636)	-	-	4,004
Tools	237	18	(9)	-	-	246
Total Fixed Assets	131,268	6,456	(6,683)	31	375	131,447
Intangible						
Land	113,041	3,044	-	-	15,716	131,801
Wells	89,045	69	(861)	11	3,191	91,455
Dams	93,351	15	(1,264)	-	1,697	93,799
Civil constructions	1,387,226	1,300	(18,897)	96	59,491	1,429,216
Improvements	16,072	2	(231)	6	1,502	17,351
Piping	3,480,386	6,111	(50,277)	1	107,502	3,543,723
Building connections	414,824	97	(9,161)	(124)	17,198	422,834
Facilities	99,680	285	(4,311)	57	7,563	103,274
Hydrometers	100,813	-	(7,783)	(710)	10,684	103,004
Macro-meters	1,939	-	(173)	-	199	1,965
Equipment	254,223	7,638	(11,084)	(871)	10,843	260,749
Furniture and utensils	1,888	83	(93)	3	4	1,885
Computer equipment	8,712	5	(545)	1	20	8,193
Computer programs	10,372	2,736	(1,977)	-	(1)	11,130
Vehicles	4,352	-	(313)	-	41	4,080
Machinery, tractors and similar items	3,052	-	(686)	-	-	2,366
Tools	103	11	(6)	-	-	108
Rights of use of transmission lines	34	-	(2)	-	(1)	31
Environmental protection and preservation	8,844	406	(1,265)	17	-	8,002
Concession Municipality of Curitiba	62,153	-	(2,083)	-	-	60,070
Concession Municipality of Cianorte	-	-	(3)	3	-	-
SubTotal Intangible	6,150,110	21,802	(111,015)	(1,510)	235,649	6,295,036
Projects and Works in Progress	1,000,861	291,899	-	-	(247,968)	1,044,792
Construction Works Inventory	48,422	(4,413)	-	-	-	44,009
Total Intangible	7,199,393	309,288	(111,015)	(1,510)	(12,319)	7,383,837
Total	7,330,661	315,744	(117,698)	(1,479)	(a) (11,944)	7,515,284

(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 INTERIM FINANCIAL INFORMATION JUNE 30, 2017

10. CONTRACTUAL FINANCIAL ASSETS

Changes in financial assets are as follows:

Description	12/31/2016	Additions	Revenue NPV	NVP Expense	06/30/2017
Investment Not Amortized	480,131	31,745	-	-	511,876
Adjustment at Present Value	(307,750)	(19,801)	3,534	-	(324,017)
Total	172,381	11,944	3,534	-	187,859

The equivalent discount rate applied to calculate the present value adjustment was 3.8% (spread between the IPCA projected for the year and the Company's WACC rate) and took into account Program Contracts with terms of 24 to 30 years.

11. LOANS, FINANCING, DEBENTURES AND MERCHANT FINANCIAL LEASE

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

Description	Actual Annual Interest Rate	Indexer	06/30/2017			12/31/2016		
			Current assets	Non-current assets	Total	Current assets	Non-current assets	Total
Debentures 6th Issuance - 1st series	1.28%	DI	3,291	79,951	83,242	3,566	79,803	83,369
Debentures 6th Issuance - 2nd series	1.32%	DI	7,237	169,520	176,757	7,822	169,315	177,137
Debentures 5th Issuance - 1st series	0.98%	DI	-	-	-	111,886	-	111,886
Debentures 5th Issuance - 2nd series	1.06%	DI	189,596	-	189,596	1,225	188,819	190,044
Debentures 3rd Issuance - 1st Series	1.10%	DI	68,438	66,690	135,128	68,997	66,690	135,687
Debentures 3rd Issuance - 2nd Series	6.99%	IPCA	1,151	129,419	130,570	1,130	127,166	128,296
BNDES	1.82% and 2.50%	TJLP	31,926	69,799	101,725	34,393	92,168	126,561
Banco do Brasil – PSI	3.00% to 6.00%	-	3,399	17,444	20,843	3,406	19,129	22,535
Debentures 2nd Issuance - 1st series	1.92%	TJLP	12,299	75,249	87,548	12,284	80,788	93,072
Debentures 2nd Issuance - 2nd series	9.20%	IPCA	27,144	121,061	148,205	20,551	118,953	139,504
Debentures 2nd Issuance - 3rd series	1.92%	TJLP	16,398	100,332	116,730	16,378	107,718	124,096
Banco Itaú – PSI	3.00% to 6.00%	-	3,585	20,440	24,025	3,595	22,211	25,806
Debentures 4th Issuance - 1st series	1.67%	TJLP	19,160	162,658	181,818	10,162	170,597	180,759
Debentures 4th Issuance - 2nd series	7.44%	IPCA	8,914	76,163	85,077	4,680	78,955	83,635
BNDES – PAC2	1.76% and 2.05%	TJLP	20,240	168,752	188,992	17,934	160,215	178,149
Merchant Financial Lease	12.12%	IPC - FIPE	1,295	53,134	54,429	562	40,546	41,108
Caixa Econômica Federal	6.62% to 12.68%	TR	64,245	827,021	891,266	60,592	809,838	870,430
Saldos no Final do Período			478,318	2,137,633	2,615,951	379,163	2,332,911	2,712,074
Loans and Financing			123,395	1,103,456	1,226,851	119,920	1,103,561	1,223,481
Debentures			353,628	981,043	1,334,671	258,681	1,188,804	1,447,485
Merchant Financial Lease			1,295	53,134	54,429	562	40,546	41,108

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

11. LOANS, FINANCING, DEBENTURES AND MERCHANT FINANCIAL LEASE -- continuation

b) Description of loans, financing, debentures and merchant financial lease :

Description	Period of Issuance	Maturation	Amount Contracted	Number of Debentures	Payments	
					Amortizations	Interest
Debentures 6th Issuance - 1st series (1)	2016	2018	80,000	8,000	2018	Six-monthly
Debentures 6th Issuance - 2nd series (1)	2016	2019	170,000	17,000	2019	Six-monthly
Debentures 5th Issuance - 1st series (2)	2015	2017	111,160	11,116	2017	Six-monthly
Debentures 5th Issuance - 2nd series (2)	2015	2018	188,840	18,884	2018	Six-monthly
Debentures 3rd Issuance - 1st Series (3)	2013	2018	199,670	19,967	2016/2017/2018	Six-monthly
Debentures 3rd Issuance - 2nd Series (3)	2013	2020	100,330	10,033	2019/2020	Six-monthly
BNDES – 3 Contracts (4)	2007	2023	295,967	-	Monthly	Quarterly during grace period and monthly at amortization
Banco do Brasil – PSI - 11 Contracts (5)	2013 a 2014	2024	30,793	-	Monthly	Quarterly during grace period and monthly at amortization
Debentures 2nd Issuance - 1st and 3rd series (9)	2011	2024	276,609	7,000	Monthly	Quarterly during grace period and monthly at amortization
Debentures 2nd Issuance - 2nd series (9)	2011	2024	118,547	3,000	Annual	Annual
Banco Itaú – PSI – 13 Contracts (6)	2013 a 2014	2025	33,175	-	Monthly	Quarterly during grace period and monthly at amortization
Debentures 4th Issuance - 1st series (10)	2014	2027	230,012	7,000	Monthly	Quarterly during grace period and monthly at amortization
Debentures 4th Issuance - 2nd series (10)	2014	2027	98,576	3,000	Monthly	Quarterly during grace period and monthly at amortization
BNDES – PAC2 – 4 Contracts (7)	2011 a 2013	2028	395,902	-	Monthly	Quarterly during grace period and monthly at amortization
Merchant Financial Lease (11)	2013	2036	460,592	-	Monthly	Monthly
Caixa Econômica Federal – 224 Contracts (8)	1991 a 2014	2038	1,528,916	-	Monthly	Monthly

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

11. LOANS, FINANCING, DEBENTURES AND MERCHANT FINANCIAL LEASE -- continuation

b) Description of loans, financing, debentures and merchant financial lease -- continuation

- (1) Debentures 6^a Issuance – issued on 08/15/2016 and with placement on 09/05/2016 of 25,000 debentures in the amount of BRL 250,000. These debentures are simple type, not convertible into shares, unsecured, in two series, for public distribution, intended to complement the investment plan and working capital.
- (2) Debentures 5th Issuance – issued on 06/15/2015 and with placement on 06/25/2015 of 30,000 debentures in the amount of BRL 300,000. These debentures are simple type, not convertible into shares, unsecured, in two series, for public distribution, to complement the investment plan and working capital.
- (3) Debentures 3rd Issuance – issued on 11/15/2013 and with placement on 11/27/2013 of 30,000 debentures in the amount of R\$ 300,000. These debentures are of the simple type, not convertible into shares, unsecured, in two series, for public distribution, intended for repayment of debt and working capital.
- (4) BNDES loans, used to drill wells in the Guarani aquifer and the operation, expansion, and optimization of water supply and sanitation systems in several municipalities in the State of Paraná. These loans are guaranteed by the Company's own revenue and the escrow accounts, maintained at Caixa Econômica Federal, with balance not less than 3 maturing instalments, recorded in restricted deposits in non-current assets.
- (5) Banco do Brasil loans - PSI, with resources of BNDES - FINAME for the acquisition of machinery and equipment for various municipalities in the State of Parana. These loans are secured by a pledge of receivables, falling due within 180 days and since it does not exceed the final maturity of the contract, covering 100% of the outstanding balance of the debt.
- (6) Banco Itaú loans - PSI, with resources of BNDES - FINAME, intended for the acquisition of machinery and equipment for various municipalities in the State of Parana. This financing is guaranteed by the Company's own revenues.

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

11. LOANS, FINANCING, DEBENTURES AND MERCHANT FINANCIAL LEASE -- continuation

b) Description of loans, financing, debentures and merchant financial lease -- continuation

- (7) BNDES loans - PAC 2, with resources of the Fundo de Amparo ao Trabalhador to expand the water supply system, and the implementation and expansion of the sanitary sewage system in several municipalities in the State of Parana. These loans are guaranteed by the Company's own revenue and escrow accounts, maintained at Caixa Econômica Federal, with balance not less than 03 maturing instalments. By the end the 2nd quarter, the amount of BRL 18,718 was released.
- (8) Caixa Econômica Federal loans, with resources from the FGTS, intended to increase and improve the coverage of water supply and sanitation systems for several municipalities in the State of Parana, as well as institutional development with operational improvement programs and reduction of losses. These loans, have an interest rate of 1.00% to 2.00% a year and spreads of 0.30% to 1.70% a year, and they are partly guaranteed by the water supply system of Curitiba, in the form of industrial pledge and the Company's revenues. An escrow account is maintained at Caixa throughout the term of the financing contracts, equivalent to a monthly charge. By the end of the 2nd quarter there was a release in the amount of BRL 45,515.
- (9) Debentures 2nd Issue - Based on the exclusive underwriting between Sanepar, BNDES and BNDESPAR, they were issued on 08/15/2011 in 3 series with a nominal unit value of BRL 39,515.53, with 3,000 debentures in the first two series, and 4,000 debentures in the 3rd series, totaling 10,000 debentures for the total amount of BRL 395,155. These debentures are simple type, not convertible into shares, with collateral for private distribution.
- (10) Debentures 4th Issuance – Through exclusive underwriting between Sanepar, BNDES and BNDESPAR, were issued on 07/15/2014 for placement in two series, with a nominal value of BRL 32,858.80, with the first series of 7,000 debentures and the second series of 3,000 debentures, totaling 10,000 debentures amounting to BRL 328,588. These debentures are simple type and registered, not convertible into shares, with collateral for private distribution.
- (11) Merchant Financial Lease – contracted for the amount of BRL 460,592 with Monthly Lease Amount (VML) of BRL 2,075, to be amortized in four steps: 1st Step: twelve installments of 21.1% of VML, started in February 2017; 2nd Step: twelve installments of 49.3% of VML; 3rd Step: twelve installments of 79.5% of VML and 4th Step: two-hundred and four installments of 100% of VML. By the second quarter 2017, BRL 2,890 had been amortized.

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

11. LOANS, FINANCING, DEBENTURES AND MERCHANT FINANCIAL LEASE -- continuation

c) Changes in loans, financing, debentures and Merchant Financial Lease were :

Description	06/30/2017		12/31/2016	
	Current	Non Current	Current	Non Current
Balances at beginning of the period	379,163	2,332,911	230,660	2,105,348
Releases	-	64,233	-	494,178
Interests and Charges	123,378	-	238,666	-
Monetary Variations	-	27,430	-	50,055
Transfers	287,340	(287,340)	356,452	(356,452)
Amortizations	(311,585)	-	(446,496)	-
Cost in Attracting Third-Party Funds	22	399	(681)	(764)
Delivery of Merchant Lease	-	-	562	40,546
Balances at end of the period	478,318	2,137,633	379,163	2,332,911

d) The amortization timeline is as follows :

Description	2017	2018	2019	2020	2021	2022	2023 to 2038	Total
Debentures 2nd Issuance	41,795	45,387	45,387	45,387	45,387	45,387	83,753	352,483
Debentures 3rd Issuance	69,589	66,690	64,710	64,709	-	-	-	265,698
Debentures 4th Issuance	14,927	26,294	26,294	26,294	26,294	26,294	120,498	266,895
Debentures 5th Issuance	777	188,819	-	-	-	-	-	189,596
Debentures 6th Issuance	10,881	79,392	169,726	-	-	-	-	259,999
SubTotal Debentures	137,969	406,582	306,117	136,390	71,681	71,681	204,251	1,334,671
BNDES	16,119	31,615	30,715	7,549	7,549	7,549	629	101,725
BNDES – PAC2	10,400	19,680	19,680	19,680	19,680	17,238	82,634	188,992
Banco do Brasil - PSI	1,715	3,369	3,369	3,369	3,369	3,369	2,283	20,843
Banco Itaú - PSI	1,814	3,542	3,542	3,542	3,542	3,542	4,501	24,025
Caixa Econômica Federal	32,148	65,944	71,662	73,422	63,820	53,903	530,367	891,266
Subtotal Loans and Financing	62,196	124,150	128,968	107,562	97,960	85,601	620,414	1,226,851
Merchant Lease	959	831	932	1,045	1,172	1,314	48,176	54,429
Total	201,124	531,563	436,017	244,997	170,813	158,596	872,841	2,615,951

On June 30, 2017, present value of minimum future financial obligations in reference to Merchant Financial Lease is shown below:

Description	06/30/2017		
	Minimum Future Payments	Financial Charges	Present Value of Future Minimum Payments
Less than one year	7,154	(6,195)	959
More than one and less than five years	27,748	(23,767)	3,981
More than five years	104,056	(54,567)	49,489
Total	138,958	(84,529)	54,429

Discount rate applied was of 11.5%.

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

11. LOANS, FINANCING, DEBENTURES AND MERCHANT FINANCIAL LEASE -- continuation

e) Restrictive Contractual Clauses – *Covenants*

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

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

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

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

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

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

In case one or more of the Company covenants should exhibit for a minimum of two quarters, consecutive or not, within 12 months, ratios within the range mentioned above, the monthly amount for the instalment 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 20% (twenty percent).

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

On June 30, 2017, the Company is fully compliant with the restrictive clauses stipulated for the issuance of debentures and BNDES financing operations.

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

12. CONCESSION CONTRACT

The Company has an onerous concession contract for the operation of the public utility services of water supply and collection, removal and treatment of sewage with the Municipality of Curitiba, with a 30-year term, signed on December 6, 2001. Based on this contract, the amount to be paid for the concession was fixed, for a total of BRL 125,000, owed in separate installments during the contract period, adjusted based on the IPCA by IBGE. Balance on June 30, 2017 is of BRL 94,162 (BRL 96,926 on 12/31/2016), of which BRL 7,620 (BRL 7,501 on 12/31/2016) entered in current liabilities and BRL 86,542 (BRL 89,425 on 12/31/2016) in non-current liabilities.

Maturation of the debts is as follows:

<u>Maturity</u>	<u>Balances Payable</u>
2017	3,748
2018	7,584
2019	7,584
2020	7,584
2021	7,584
2022 a 2031	60,078
Total	<u><u>94,162</u></u>

13. TAXES AND CONTRIBUTIONS

These are constituted as follows:

<u>Description</u>	<u>06/30/2017</u>	<u>12/31/2016</u>
COFINS Payable	19,532	20,237
PASEP Payable	4,225	4,378
COFINS – Installments (1)	4,079	4,079
IPTU – Installments (2)	1,761	1,749
Taxes and Contributions Retained at Source	25,528	34,228
Total Taxes and Contributions	<u><u>55,125</u></u>	<u><u>64,671</u></u>
Current Liabilities	53,740	63,260
Non-current liabilities	1,385	1,411

- (1) Refers to installments of COFINS fine for the period September/1994 to September/1996 in accordance with Law 11,941/2009. The debt was divided into 60 monthly installments, restated by 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 07/02/2012, which was judged and had the provision denied. On August 27, 2014, the Federal Prosecutor's Office expressed

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

13. TAXES AND CONTRIBUTIONS-- continuation

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 08/06/2015 the case was reallocated to the Minister Olindo Herculano de Menezes. On 02/03/2016 the case was reallocated to the Minister Gurgel de Faria.

- (2) This amount is in reference to IPTU (Urban Property Tax) by the City of Curitiba, relevant to the legal expropriation of property subject to an area occupied by ETE CIC/Shale, for the period 2002-2013, encompassing interest, and monetary indexed and legal fees of 10% on the total amount of debt. The amount of debt of BRL1,664, was divided by the Company in 90 monthly installments restated by the IPCA, plus moratorium interest of 1% per month, and until 06/30/2017, 34 installments had been paid for the amount of BRL 827.

14. REVENUES TO ACCRUE

On January 23 2017, the Company renewed the session contract for operation of financial services with Caixa Econômica Federal for a sixty-month term (sixty), starting in March/2017, for the amount of BRL 21,000. Revenues corresponding to this contract are recognized on a monthly basis, for the term of the contract, in accordance with the competency regime. The amount recognized in the results for the second quarter 2017 was of BRL 1,942 (BRL 1,625 for the same period in 2016). The balance on June 30, 2017 was of BRL 19,600 (BRL 542 on 12/31/2016), with BRL 4,200 (BRL 542 on 12/31/2016) entered in current liability and BRL 15,400 in non-current liabilities.

15. OTHER LIABILITIES

These are composed of the following amounts:

Description	06/30/2017	12/31/2016
Programs Linked to Agência Nacional de Águas - ANA	7,754	7,409
Contracts and Agreements with third parties	11,462	12,224
Agreements with municipal administrations	12,061	11,338
Bails and amounts reimbursable	9,704	6,701
Agreement with Instituto Ambiental do Paraná - IAP (1)	2,700	3,780
Total	43,681	41,452
Current liabilities	38,512	36,513
Non-current liabilities	5,169	4,939

- (1) In reference with the term of commitment signed on June 3, 2016 for establishing and installment plan to pay fines issued by the Instituto Ambiental do Paraná - IAP, for the 41 Environmental Violation Notifications – AIA. The agreement was signed for the amount of BRL 4,320 payable in 24 installments of BRL 180, and by 06/30/2017 had been paid for the amount of BRL 1,620.

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

16. PROVISIONS, CONTINGENT LIABILITIES AND JUDICIAL DEPOSITS

a) Provisions

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

Nature	12/31/2016	Additions	Reversals	06/30/2017
Labor Claims	184,236	50,865	(27,096)	208,005
Civil Claims	196,994	56,926	(36,610)	217,310
Environmental Claims	113,228	1,331	(18,721)	95,838
Tax Claims	12,118	37	(14)	12,141
Total	506,576	109,159	(82,441)	533,294

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 benefits. The main suits involving the Company are in relation to: i) premium for unhealthy work when calculating overtime; ii) premium for dangerous work at the level of 30%; iii) divisor of overtime by 200.

Civil claims

Civil proceedings are related to requests for compensation of customers and suppliers, and third-party damages. The main proceedings involving the Company are in relation to: i) compensation related to work contracts due to economic and financial imbalance; ii) moral damages for lack of water and sewage reflow; iii) application for the minimum charge per unit not being valid and recovery of 80% of the sewage tariff and tariff refund; iv) other proceedings related to claims of contract suspension, traffic accidents, material damages, stop-profit losses, and others.

In May 2017 the Civil Court of TJ-PR issued a decision on the Incident of Resolution of Repetitive Claims, determining the immediate suspension of all claims being judged in the Special Civil Claims Court of the County of Maringá and Appeal Courts of the Special Civil Claims Court of the State of Paraná, in connection with indemnity requests for moral damages due to shortage of water in the municipality of Maringá. In the 1st semester of 2017, provisions for BRL 66,177 were entered with consequent reversal of BRL 39,213, resulting in a net provision of BRL 26,964.

Environmental

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

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

16. PROVISIONS, CONTINGENT LIABILITIES AND JUDICIAL DEPOSITS -- continuation

a) Provisions -- continuation

Tax claims

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

b) Contingent Liabilities

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

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

Nature	Contingent Liabilities	
	06/30/2017	12/31/2016
Civil Claims	178,018	143,176
Environmental Claims	310,899	252,819
Tax Claims	13,840	8,328
Total	502,757	404,323

Civil Claims

Civil proceedings are related to requests for compensation of customers and suppliers, and third-party damages. The main proceedings that the Company is involved refer to: i) request filed for annulment of the concession contract for the municipality of Maringá; ii) compensation related to the work contract due to economic and financial imbalance; and iii) other proceedings related to claims related to traffic accidents, non-material damage, stop losses, among others .

Environmental

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

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

16. PROVISIONS, CONTINGENT LIABILITIES AND JUDICIAL DEPOSITS -- continuation

b) Contingent Liabilities -- continuation

Tax claims

Tax proceedings are mostly related to queries connected to tax collection due to divergent interpretations of the law. The main proceedings which the Company is involved include: i) fiscal execution for ISSQN collection (Tax on Services of Any Nature) and; ii) fiscal execution for IPTU collection (Urban Property Tax).

c) Judicial Deposits

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

The composition is the following:

Nature	Judicial Deposits	
	06/30/2017	12/31/2016
Labor Claims	104,264	91,216
Civil Claims	50,879	57,259
Environmental Claims	5,483	2,981
Tax Claims	14,383	4,986
Total	175,009	156,442

17. INCOME TAX AND SOCIAL CONTRIBUTION

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

Description	06/30/2017		06/30/2016	
	Income tax	Social Contribution	Income Tax	Social Contribution
Profit before Income Tax and Social Contribution	459,365	459,365	458,158	458,158
Income Tax and Social Contribution – current rates	(114,841)	(41,343)	(114,540)	(41,234)
Interest Deductibility Benefit on Interest on Company Capital	39,877	14,356	35,827	12,898
Subventions and Donations Received from Public Agencies (1)	69	25	31	11
Adjustment to Present Value for Accounts Receivable (1)	159	57	(85)	(31)
Worker Nutrition Program – PAT (2)	4,035	-	3,136	-
Corporate Citizen Incentive (3)	351	-	166	-
Equity Equivalence	(164)	(59)	(357)	(128)
Merchant Financial Lease	(3,330)	(1,199)	-	-
Others	(292)	(152)	(394)	(100)
Total Expenses	(74,136)	(28,315)	(76,216)	(28,584)
Total for Income Tax and Social Contribution		(102,451)		(104,800)
Actual Rates		22.3%		22.9%

(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 7052, of December 23, 2009, regulating Law no. 11,770, of 09/09/2008.

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

17. INCOME TAX AND SOCIAL CONTRIBUTION -- continuation

b) Income Tax and Social Contribution Current and Deferred

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

Description	06/30/2017	06/30/2016
Income Tax	(100,410)	(78,370)
Social Contribution	(37,543)	(29,127)
Realization of Deferred Income Tax	26,274	2,154
Realization of Deferred Social Contribution	9,228	543
Total	(102,451)	(104,800)

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

c) Deferred Income Tax and Social Contribution

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			06/30/17	12/31/16
			Income Tax	Social Contribution	Total	Total
ASSETS						
PVA on Contractual Financial Assets	30 years	324,017	81,004	29,162	110,166	104,635
Pension and Health Plans	15 years	850,141	212,535	76,513	289,048	270,615
Reduction of Recovery Value for Assets	10 years	12,300	3,075	1,107	4,182	4,258
Civil, Labor, Tax and Environmental Provisions	5 years	533,294	133,324	47,996	181,320	172,236
Provision for Losses in Realizing Credits	3 years	46,280	11,570	4,165	15,735	15,912
Provision for PPR	1 year	37,198	9,300	3,347	12,647	12,647
PAI – Encouraged Retirement Program	1 year	12,629	3,157	1,137	4,294	-
AVJ – Investment FINAM	1 year	2,114	528	190	718	-
Total			454,493	163,617	618,110	580,303
LIABILITIES						
AVP on Contractual Financial Assets	30 years	331,266	82,816	29,814	112,630	107,900
IRPJ Deferred on Construction and Improvements	25 years	134,116	33,529	-	33,529	34,169
Merchant Financial Lease	20 years	40,604	10,151	3,654	13,805	13,952
Reevaluation Reserve	16 years	127,915	31,979	11,512	43,491	44,922
Attribution of New Cost to Fixed Assets	6 years	15,164	3,791	1,365	5,156	5,363
Total			162,266	46,345	208,611	206,306
Net Total			292,227	117,272	409,499	373,997

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

17. INCOME TAX AND SOCIAL CONTRIBUTION -- continuation

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

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

Periods of Realization	Deferred Tax Assets			Deferred Tax Liabilities		
	Income Tax	Social Contribution	Total	Income Tax	Social Contribution	Total
2017	21,662	7,798	29,460	3,827	1,132	4,959
2018	18,395	6,622	25,017	7,655	2,263	9,918
2019	28,924	10,413	39,337	7,655	2,263	9,918
2020 to 2022	185,385	66,739	252,124	22,966	6,790	29,756
2023 to 2025	52,062	18,742	70,804	20,898	6,045	26,943
2026 to 2028	51,344	18,484	69,828	20,898	6,045	26,943
2029 to 2031	51,344	18,484	69,828	20,898	6,045	26,943
2032 to 2034	15,921	5,732	21,653	16,772	4,560	21,332
2035 to 2037	8,837	3,181	12,018	14,142	3,613	17,755
2038 to 2040	8,837	3,181	12,018	13,140	3,253	16,393
2041 to 2043	8,837	3,181	12,018	10,403	3,252	13,655
2044 to 2046	2,945	1,060	4,005	3,012	1,084	4,096
Total	454,493	163,617	618,110	162,266	46,345	208,611

18. RELATED PARTIES

On June 30, 2017, the State of Paraná holds credits for interest on Self Owned Capital for the amount of BRL 44,781 (BRL 72,073 for the same period in 2016). The Company also supplied water and sewage services to the state of Paraná for a revenue of BRL 60,364 and BRL 68.155 up to the second quarters of 2017 and 2016, respectively.

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

Additionally, COPEL provided electric energy and telecommunications services to the Company for the amounts of BRL 169,208 and BRL 1,810, respectively up to the second quarter of 2017 (BRL 208,895 and BRL 1,984, respectively for the same period in 2016). The Company provided water and sewage services to COPEL for a revenue of BRL 885 and BRL 752 for the second quarter of 2017 and 2016, respectively.

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

18. RELATED PARTIES -- continuation

The Company provides water and sanitary sewage services to a number of city administrations, in particular in the state of Paraná, with which it maintains Concession Contracts and Municipal Program Contracts, with the revenues from said contracts with municipal administrations being, until the second quarter of 2017, BRL 45,360 (BRL 45,981 for the same period in 2016). The Company also provides services in urban solid waste management in some municipalities of the State of Paraná, with the revenue for this service for the second quarter of 2017 being BRL 4,191 (BRL 3,663 for the same period in 2016).

These transactions are considered by the Management of Sanepar, as normal market, except for some municipalities that have discounts on invoices of water supply and sewage, depending on the set maximum consumption in each special contract with the government to obtain the benefit. As to the form of payment for these services, in addition to paying in the authorized banking network, settlement of accounts with the debtor municipalities that have receivables from the Company is also possible.

Management compensation

The overall annual management compensation for the year ending December 31, 2017 was approved by 53rd/2016 Annual General Meeting (AGO) of April 27, 2017, for the amount of BRL 14,255. For 2016, the approval was issued by the 53rd/2016 Annual General Meeting (AGO) held on April 28, 2016, for the amount of BRL 13,055, of which BRL 9,142 paid as compensation and BRL 2,454 in connection with charges and benefits, for a total amount of BRL 11,596. Of the amount in relation to charges and benefits, BRL 2,272 are in connection with social charges, BRL 51 are in reference to participation in company results, BRL 51 are in reference to the health insurance plan (SANESAÚDE), BRL 65 are in benefits from Fundação Sanepar (FUSAN) and BRL 19 are in reference to Supplementary Programs.

Up to second quarter of 2017, an amount of BRL 6,129 (BRL 5.133 for the same period in 2016), was disbursed, of which BRL 4,865 (BRL 4,146 for the same period in 2016) for compensation and BRL 1,264 (BRL 987 for the same period in 2016) with reference to charges and benefits. Of the amount for charges and benefits, BRL 1,192 (BRL 926 for the same period in 2016) are with respect to social charges, BRL 25 (BRL 22 for the same period in 2016), for health insurance plan (SANESAÚDE), BRL 41 (BRL 30 for the same period in 2016) for Fundação Sanepar (FUSAN) benefits and BRL 6 for Supplementary Programs (BRL 9 for the same period in 2016).

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

19. SHAREHOLDERS EQUITY

a) Share Capital

The Company's Share Capital is comprised of 503,735,173 shares, of which 167,911,724 are ordinary shares and 335,823,449 or preferential shares without nominal value, fully paid in by individuals and legal entities residing and domiciled in the country and abroad. Preferential shares are not entitled to vote, but they have assured: (i) equally participate with ordinary shares in the distribution of shares or any other bonds or benefits, including incorporation of reserves to capital stock; (ii) priority treatment in the reimbursement of capital in case of the Company's liquidation; and (iii) the right to receive compensation, of at least 10% higher than the amount attributed to each ordinary share.

On June 30, 2017, share value is BRL 9.64 (BRL 9.55 on December 31, 2016).

The Share Capital underwritten and fully paid in on June 30, 2017 is of BRL 2,854,952, that net of the share issuance costs is of BRL 2,847,664, and the shareholding structure is the following:

Shareholder	Number of Shares					
	Ordinary	%	Preferential	%	Total	%
State of Paraná	150,845,890	89.8	1	-	150,845,891	29.9
Cia. Paranaense de Energia - Copel	7,956,306	4.8	36,343,267	10.8	44,299,573	8.8
Andrade Gutierrez Concessões S/A	8,281,053	4.9	-	-	8,281,053	1.6
Municipal Administrations	-	-	2,339,005	0.7	2,339,005	0.5
Foreign Investors	100	-	180,627,209	53.8	180,627,309	35.9
Other Investors	828,375	0.5	116,513,967	34.7	117,342,342	23.3
Total	167,911,724	100.0	335,823,449	100.0	503,735,173	100.0

b) Reevaluation Reserve

The reevaluation reserve was realized in the quarter, transferring to Accumulated Profits the amount of BRL 2,776 (BRL 2,830 for the same period in 2016), net of Income Tax and Social Contribution. The realization of this reserve occurs in the same ratio as of right down and depreciation of assets registered in the immobilized and intangible assets line, object of said reevaluation.

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

Description	06/30/2017	06/30/2016
Balances at the beginning of the period	87,200	92,825
Realization of the Reevaluation Reserve	(4,206)	(4,288)
Realization of Taxes on the Reevaluation Reserve	1,430	1,458
Balances at the end of the period	84,424	89,995

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

19. SHAREHOLDERS 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) Shareholder Remuneration

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

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

On April 27, 2017, the Shareholders Assembly approved the payment of Interest on Shareholders Capital and Additional Dividends, credited to shareholders in the tax year of 2016, for the gross amount of BRL 297,585, that Net of Income Tax Withheld at the Source represented BRL 281,471. By June 30, 2017, the amount of BRL 272,909 was paid out.

This Semester, Company Management and Management Council approved, according to the 6th/2017 Ordinary Management Council Meeting of June 13, 2017, the credit for Interest on Shareholder 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 semester 2017. The gross amount of Interest on Shareholder Capital, calculated for the first semester of 2017, was of BRL 159,510, with BRL 13,654 being withheld as Income Tax Withheld at the Source. This credit generated a tax saving of BRL 54,233.

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

19. SHAREHOLDERS EQUITY -- continuation

e) Result per Share

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

Basic result and diluted earnings per share shares	06/30/2017	-6/30/2016
Numerator		
Net profit for the period attributed to Company shareholders		
Ordinary shares	111,536	163,580
Preferential shares	245,378	189,778
Denominator (in thousands of shares)		
Weighted average of number of common shares	167,912	231,968
Weighted average of number of preferential shares	335,823	244,652
Basic and diluted earnings per share		
Per ordinary share	0.66425	0.70519
Per preferential share	0.73068	0.77570

f) Legal Reserve

Legal reserve is recorded in compliance with the Brazilian Corporate Law and Company By-Laws, based on 5% of net income for each year, up to the limit of 20% of the capital stock. The legal reserve may only be used to increase capital or absorb accumulated losses. Also in accordance with the Brazilian Corporate Law, Management respects the limits of the capital stock for the constitution of profit reserves.

g) Fiscal Incentives Reserve

Fiscal incentives reserve is recorded in compliance with Article 195-A of the Brazilian Corporate Law, related to the portion of net income from donations and government grants.

h) Adjustments to Equity Assessment

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

During this quarter, the amount of BRL 402 (BRL 296 for the same period in 2016), was transferred to Accumulated Profits, net of Income Tax and Social Contribution. The realization of this account occurs in the same proportion as the write-offs and depreciation of assets recorded in the property, plant and equipment and intangible assets, based on the new value attributed.

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

19. SHAREHOLDERS EQUITY -- continuation

h) Adjustments to Equity Assessment -- continuation

Changes in realization of the Equity Assessment Adjustments were as follows:

Description	06/30/2017	06/30/2016
Balances at the beginning of the period	10,410	12,147
Realization of Adjustments to Cost Attributed	(609)	(449)
Realization of Taxes on Adjustments to Cost Attributed	207	153
Balances at the end of the period	10,008	11,851

20. OPERATING REVENUES

Operating Revenues composition, by nature, is the following:

Description	06/30/2017	06/30/2016
Revenues		
Revenues from Water	1,210,771	1,124,872
Revenues from Sewage	682,144	609,319
Revenues from Services	64,110	58,846
Revenues from Solid Waste	4,191	3,663
Services Provided to Municipalities	6,450	3,736
Other Revenues	9,496	7,214
Total Operating Revenues	1,977,162	1,807,650
Deductions from Operating Revenues		
COFINS	(116,665)	(102,712)
PASEP	(25,219)	(22,242)
Total Deductions	(141,884)	(124,954)
Total Operating Revenues, net	1,835,278	1,682,696

The Company had revenues and incurred in costs from construction contracts linked to the program contracts of BRL 21,802 up to the 2nd quarter 2017 (BRL 19,071 for the same period in 2016), i.e., with a null margin. These revenues are shown net of construction costs.

21. COST OF PRODUCTS AND SERVICES

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

Description	06/30/2017			06/30/2016		
	Water	Sewage	Total	Water	Sewage	Total
Personnel	137,711	47,203	184,914	119,343	37,074	156,417
Materials	41,480	16,124	57,604	38,387	10,051	48,438
Electric Energy	155,759	16,677	172,436	191,732	20,548	212,280
Third-party Services	94,538	64,343	158,881	88,040	53,970	142,010
Depreciations and Amortizations	56,370	50,615	106,985	50,385	44,146	94,531
Other Costs	47,310	15,038	62,348	43,113	12,261	55,374
Total	533,168	210,000	743,168	531,000	178,050	709,050

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

22. COMMERCIAL, ADMINISTRATIVE AND OTHER EXPENSES

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

Description	06/30/2017	06/30/2016
Commercial		
Personnel	57,216	46,517
Materials	2,039	1,697
Third-party Services	38,055	32,647
Depreciations and Amortizations	2,988	2,781
Losses in Realization of Credits	12,996	7,268
Municipal Sanitation and Environmental Management Fund	13,525	8,618
Other Expenses	37,419	11,865
Total Commercial Expenses	164,238	111,393
Administrative		
Personnel	280,767	295,171
Materials	18,985	16,648
Third-party Services	76,874	63,798
Depreciations and Amortizations	7,725	7,606
Losses in Realization of Credits	-	(114)
Other Expenses	27,391	30,244
Transfers to Commercial Costs and Expenses (a)	(64,270)	(60,224)
Expenses Capitalized (b)	(36,875)	(40,819)
Total Administrative Expenses	310,597	312,310
Other Operating (Expenses) Revenues		
Expenses		
Asset Write-offs	(1,701)	(1,612)
Adjustment to Fair Value – Investments	(2,114)	-
Total Other Operating (Expenses) Revenues, net	(3,815)	(1,612)

(a) These amounts are first recorded as administrative expenses and later transferred to costs of services and commercial expenses.

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

23. FINANCIAL RESULT

Description	06/30/2017	06/30/2016
Financial Revenues		
Active Monetary Variations	4,736	8,799
Financial Investments	42,518	15,612
Other Financial Revenues	7,211	21,078
Total Financial Revenues	54,465	45,489
Financial Expenses		
Financing and Debenture Interest and Charges	(98,966)	(87,805)
Passive Monetary Variations	(26,814)	(27,171)
Other Financial Expenses	(1,191)	(4,363)
Total Financial Expenses	(126,971)	(119,339)
Financial Results, net	(72,506)	(73,850)

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

24. FINANCIAL AND RISK INSTRUMENTS

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	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Financial Assets				
Cash and cash equivalents	450,859	638,330	450,859	638,330
Accounts receivables from customers	575,352	570,503	575,352	570,503
Restricted deposits	57,332	55,678	57,332	55,678
Contractual financial assets	187,859	172,381	187,859	172,381
Total	1,271,402	1,436,892	1,271,402	1,436,892
Financial Liabilities				
Loans, Financing, Debentures and Merchant				
Financial Lease	2,615,951	2,712,074	2,615,951	2,712,074
Contractors and Suppliers	120,388	133,505	120,388	133,505
Concession Contracts	94,162	96,926	94,162	96,926
Total	2,830,501	2,942,505	2,830,501	2,942,505

The Company used the following methods and assumptions to calculate the fair value of its financial investments:

Cash and Cash Equivalents: the amounts presented in the balance sheet are close to fair value. The balance refers basically to high liquidity short-term investments maintained at Caixa Economica Federal in fixed income funds, with portfolio consisting mostly of securities issued by the Federal Government.

Linked Deposits: Long-term restricted deposits refer to the National Water Agency programs - ANA for the amount of BRL 4,374 (BRL 4,180 in 2016); as well as reserves maintained at Caixa Econômica Federal, for BRL 16,032 (BRL 15,351 in 2016), BRL 11,587 (BRL 11,094 in 2016) and BRL 15,888 (BRL 15,209 in 2016).

Accounts Receivable: balance sheet amounts for accounts receivable are close to fair value, considering the provisions recorded and absence of monetary indexation on past-due accounts receivable.

The balance of accounts receivable in the short and long-term due to installment payments was adjusted to present value.

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

24. FINANCIAL AND RISK INSTRUMENTS -- continuation

Changes made in adjustments to present value were as follows:

Description	January to June 2017	January to June 2016
Balances at the beginning of the period	(3,408)	(2,840)
Adjustment to Present Value	635	(340)
Balances at the end of the period	(2,773)	(3,180)

Contractual Financial Assets: represent the expectation of receivable residual value at the end of the program contracts, based on the terms of the concessions.

Accounts Payable: accounts payable to contractors and suppliers have a maximum due date maturity of 30 (thirty) days, and, as a result, recognized as fair value. The average payment period is 28 (twenty-eight) days.

Loans, Financing and Debentures: are recorded at fair value at initial recognition, net of incurred transaction costs and subsequently measured by the amortized cost. Any difference between the proceeds (net of transaction costs) and the settlement value is recognized in profit or loss during the period in which the loans and financing are outstanding, using the method of effective interest rate, and do not include future charges in their balances. The details and interest rates are described in Note 11, and do not represent additional risks to the Company at this time. All loans and financing, on June 30, 2016, are related to investments in property, plant and equipment and intangible assets.

Merchant Financial Lease: are booked when the object lease is effectively available, considering initially the fair value for the assets leased or, when lower, the present value of the minimum payments for the Merchant Financial Lease contract. The amount payable for the Merchant Financial Lease is separated between financial charges and current liabilities. The financial charges are accrued during the entire contract term. Eventual contingent payments are entered as expenses for the period in which they incur. Monetary updates characteristics and rates are described in Note 11 and do not represent additional risks for the company at this point in time.

Concession Contracts: represent the balance payable for onerous concession contracts in providing public utility services to the City Hall of Curitiba, for a thirty-year term signed on December 06, 2001 (see Note 12).

Business risk: The Company's business relates primarily to capture, treat and distribute water, collect and treat sewage for 345 municipal centers operated in the State of Paraná and 1 municipality in the State of Santa Catarina, for which the Company holds its municipal concession.

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

24. FINANCIAL AND RISK INSTRUMENTS -- continuation

There are a number of associated risks, normal to Sanepar's business activity, but these are all managed or mitigated in order not to impact, significantly, on the Company's operating results. These risks are basically associated to the following factors:

Interest Rate Risk: this is the risk that the fair value of future cash flows for financial instruments fluctuate due to variations in the interest rates on the market. The Company's exposure to the risk of changes in market interest rates is, mainly, in reference to long-term obligations subject to variable interest rates.

This risk stems from the possibility that the company will incur in losses due to fluctuations in interest rates that increase the relative financial expenses for loans and financing operations.

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

Indexer	06/30/2017	12/31/2016
TR	891,266	870,430
TJLP	676,813	702,637
IPCA	363,852	351,435
DI	584,723	698,123
IPC-FIPE	54,429	41,108
No Monetary Correction	44,868	48,341
	2,615,951	2,712,074

Interest Rate Sensibility Analysis: 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 BRL 10,203 and BRL 20,406 plus or minus in particular due to the revenues stemming from financial investments and interest rates expenses lower or higher than in the financial loans as variable interest rates described below:

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

24. FINANCIAL AND RISK INSTRUMENTS -- continuation

Analysis					
Description	Indexer	+ 25%	-25%	+50%	-50%
Caixa FI Sanepar I Renda Fixa	DI	9,243	(9,243)	18,486	(18,486)
Assets		9,243	(9,243)	18,486	(18,486)
Caixa Econômica Federal	TR	(894)	894	(1,788)	1,788
BNDES	TJLP	(792)	792	(1,584)	1,584
BNDES-PAC2	TJLP	(519)	519	(1,038)	1,038
Debentures – 2nd Issuance – 1st e 3rd Series	TJLP	(967)	967	(1,934)	1,934
Debentures – 2nd Issuance – 2nd Series	IPCA	(602)	602	(1,204)	1,204
Debentures – 3rd Issuance – 1st Series	DI	(2,081)	2,081	(4,162)	4,162
Debentures – 3rd Issuance – 2nd Series	IPCA	(563)	563	(1,126)	1,126
Debentures – 4th Issuance – 1st Series	TJLP	(775)	775	(1,550)	1,550
Debentures – 4th Issuance – 2nd Series	IPCA	(365)	365	(730)	730
Debentures – 5th Issuance – 1st Series	DI	(1,605)	1,605	(3,210)	3,210
Debentures – 5th Issuance – 2nd Series	DI	(2,946)	2,946	(5,892)	5,892
Debentures – 6th Issuance – 1st Series	DI	(1,305)	1,305	(2,610)	2,610
Debentures – 6th Issuance – 2nd Series	DI	(2,756)	2,756	(5,512)	5,512
Merchant Financial Lease	IPC	(3,276)	3,276	(6,552)	6,552
Liabilities		(19,446)	19,446	(38,892)	38,892
Effects on Profit before Taxation		(10,203)	10,203	(20,406)	20,406

The TR considered was of 1.55% and the TJLP, 7.37%, obtained from BACEN - Banco Central do Brasil, IPCA rate of 3.00%, obtained from IBGE – Instituto Brasileiro de Geografia e Estatística, and DI rate of 10.14% obtained from CETIP SA and IPC – FIPE of 2.47%, obtained from the Fundação Instituto de Pesquisas Econômicas – FIPE.

Credit Risk: practically the entire population of Paraná is a customer of the Company. Considering our type of business, we do not perform a credit history analyses, and adopt the practice of cutting the supply in case of default, with a minimum prior notice of thirty days. The level of losses on accounts receivable is considered normal for the sanitation sector.

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

Concession Risk: the Company's results depend on the maintenance of concessions in the municipalities where it operates, usually the concession contracts and program contracts have a term of 30 years. These contracts foresee goals to expand and maintain water and sewage systems, related to the rate of service with water supply and the rate of service with sewage collection. In some situations, the grantor may terminate the contract before its termination or not authorize its renewal upon compensation for the fair value of investment balances not yet depreciated/amortized.

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

24. FINANCIAL AND RISK INSTRUMENTS -- continuation

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

Liquidity Risk: Liquidity risk is the possibility that the Company might not have sufficient funds to meet its commitments due to the different currencies and realization / settlement terms for their rights and obligations. The Company structures the maturities of non-derivative financial agreements, as shown in Note 11, so as not to affect its liquidity. The management of liquidity and cash flow is performed daily by the Company's management, to ensure that the operating cash generation and the upfront funding raise, when necessary, are sufficient to maintain its schedule of commitments, not generating liquidity risks. Additionally, Company Management approved the dividends and treasury and Market risks policy.

Capital Management: The Company's capital management objective is to ensure that it maintains a strong credit *rating* with the institutions and a great capital ratio in order to support the business and maximize shareholder value. The Company manages its capital structure and performs the necessary adjustments and adaptations according to the current economic conditions. With this objective, the company can make payments of dividends, enter into new loans, issue promissory notes and contract operations with derivatives. For the period ended on June 30, 2017, there was no change in the objectives, policies or capital structure processes. The Company includes in net debt structure balances of loans, financing and debentures (Note 11), less cash and cash equivalents (Note 4).

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

	<u>06/30/2017</u>	<u>12/31/2016</u>
Loans, Financing, Debentures and Merchant Financial Lease	2,615,951	2,712,074
Cash and Cash Equivalents	(450,859)	(638,330)
Net Debt	2,165,092	2,073,744
Net Equity	4,857,285	4,808,673
Ratio Net Debt/Net Equity	0.45	0.43

25. 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.

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

25. PENSION PLAN AND MEDICAL INSURANCE -- continuation

The retirement/pension plan managed by FUSAN has the following main features: defined contribution during the working phase and defined benefit with lifetime income for retirees, pensioners and risk benefits (disability retirement, death pension, sickness and accident). Up to the 2nd quarter, the Sponsor passed on the amount of BRL 14,188 (BRL 12,385 for the same period in 2016) as contribution to FUSAN.

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

SaneSaúde is a collective of medical and dental care insurance plan, self-managed, financed by pre-payment, and the contributions made on average 63.9% 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, up to the 2nd Quarter, the Company transferred the amount of BRL 29,170 (BRL 26,132 for the same period in 2016).

The technical reserves for the purpose of meeting the standards set by Previc – National Complementary Welfare Superintendence shall be determined by the actuary responsible for the pension plan, establishing starting January/2017 a plan to solve the technical deficit, according to the legislation, considering that the entity presented result in deficit for the third consecutive year. Additionally, for the purposes of compliance with the determinations contained in CPC 33 (R1), approved by CVM Deliberation 695, Assistants Assessoria, Consultoria e Participações Ltda, was hired and issued detailed reports that support the information included in this Note.

The information below shows the actuarial position of liabilities related to pension and health care plans. The Projected Unit Credit method (PUC) was used to calculate the actuarial liability.

Demonstration of actuarial liability:

Description	Pension Plan	Medical Insurance	06/30/17	12/31/16
Current Liabilities	20,684	35,992	56,676	53,062
Non-current liabilities	289,583	503,882	793,465	742,866
Total	310,267	539,874	850,141	795,928

Companhia de Saneamento do Paraná – SANEPAR

NOTES TO THE INTERIM FINANCIAL INFORMATION JUNE 30, 2017

25. PENSION PLAN AND MEDICAL INSURANCE -- continuation

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

Description	Pension Plan	Medical Insurance	2017
Current Cost of Service	11,526	10,303	21,829
Cost of Interest	103,656	55,232	158,888
Expect return from Plan Assets	(70,538)	-	(70,538)
Contributions from Sponsor	(2,064)	-	(2,064)
Total	42,580	65,535	108,115

The amount of BRL 108.115 was the actuarial estimate for expected variation in the plans for tax year 2017, which is being booked by the Company on a monthly basis with an accrual up to the 2nd quarter 2017 of BRL 54,213 (BRL 50,998 up to 2nd quarter 2016). At the end of 2017, a new actuarial review will be performed to determine the accounting adjustments in the plans. If abnormal variations in the rules of the pension and health care plan occur during the year, or even in the base of participants, which have not occurred to date, an interim actuarial review can be performed.

26. 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 INTERIM FINANCIAL INFORMATION JUNE 30, 2017

26. INFORMATION BY BUSINESS SEGMENT -- continuation

Description	01/01/2017 to 06/30/2017			01/01/2016 to 06/30/2016		
	Water	Sewage	Total	Water	Sewage	Total
Direct Operating Revenue	1,260,533	700,683	1,961,216	1,169,803	626,897	1,796,700
Other Operating Revenue	9,323	6,623	15,946	6,487	4,463	10,950
Total Operating Revenue	1,269,856	707,306	1,977,162	1,176,290	631,360	1,807,650
Revenue Deductions (PASEP and COFINS)	(82,932)	(58,952)	(141,884)	(74,016)	(50,938)	(124,954)
Net Operating Revenue	1,186,924	648,354	1,835,278	1,102,274	580,422	1,682,696
Cost	(533,168)	(210,000)	(743,168)	(531,000)	(178,050)	(709,050)
Net Profit	653,756	438,354	1,092,110	571,274	402,372	973,646
Commercial Expenses	(96,020)	(68,218)	(164,238)	(65,992)	(45,401)	(111,393)
Administrative Expenses	(181,588)	(129,009)	(310,597)	(185,018)	(127,292)	(312,310)
Other Operating Revenues (Expenses)	(2,616)	(1,199)	(3,815)	(1,800)	188	(1,612)
Equity Equivalence Result	-	(658)	(658)	-	(1,426)	(1,426)
Financial Result, net	(22,357)	(50,149)	(72,506)	(31,015)	(42,835)	(73,850)
Provisions	(15,732)	(10,986)	(26,718)	21,376	14,725	36,101
Pension and Medical Insurance Plans	(31,685)	(22,528)	(54,213)	(30,210)	(20,788)	(50,998)
Profit before Taxes and Contributions	303,758	155,607	459,365	278,615	179,543	458,158
Income Tax and Social Contribution	(67,747)	(34,704)	(102,451)	(63,730)	(41,070)	(104,800)
Net profit for the Period	236,011	120,903	356,914	214,885	138,473	353,358
Operating Margin	23.9%	22.0%	23.2%	23.7%	28.4%	25.3%
Net Margin	19.9%	18.6%	19.4%	19.5%	23.9%	21.0%
EBTIDA	388,748	260,821	649,569	165,592	131,705	297,297
EBITDA Margin	32.8%	40.2%	35.4%	33.2%	46.6%	38.7%
Investments in Immobilized/Intangible in the Period (a)	150,600	165,144	315,744	140,365	201,167	341,532
Shareholding Interest – CS Bioenergia	-	20,724	20,724	-	9,242	9,242
Indebtedness – Loans, Financing, Debentures and Merchant Financial Lease	1,023,593	1,592,358	2,615,951	989,047	1,423,056	2,412,103
Fixed and Intangible, net	3,281,360	4,233,924	7,515,284	3,138,868	3,932,230	7,071,098
Depreciation and Amortization in the Period	(62,633)	(55,065)	(117,698)	(56,539)	(48,379)	(104,918)
Accounts Receivable (Current and Non-current) (b)	482,401	254,224	736,625	464,122	235,010	699,132
Total Assets	4,206,585	5,353,214	9,559,799	3,789,632	4,747,476	8,537,108
Total Liabilities (Current and Non-current)	1,889,857	2,812,657	4,702,514	1,745,515	2,511,474	4,256,989
Number of Users – Not Audited/Reviewed (c)	3,056,784	1,994,218	-	2,998,149	1,891,798	-
Volume Thousand m ³ Invoiced – Not Audited/Reviewed (d)	292,841	208,050	-	294,223	202,425	-

- (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 INTERIM FINANCIAL INFORMATION JUNE 30, 2017

27. INSURANCE

The Company has insurance contract with SOMPO Seguros S/A covering its main assets located in a number of localities throughout the State of Paraná, for the amount of BRL 968,336, with coverage term from 01/09/2017 to 01/09/2018, basic cover for fire, wind and electrical damages to the equipment.

<u>Asset</u>	<u>Amount Insured</u>
Buildings	497,299
Machinery and equipment and vehicles	411,931
Inventories	59,106
Total	968,336

Additionally, the Company has legal guarantee insurance policies to guarantee values that would be deposited and/or replace the values already deposited and/or seized property in legal proceedings of labor, civil, environmental, and tax proceedings. Until June 30, 2017, the Company posted guarantees using the Guarantee Insurance in 56 lawsuits for the amount of BRL 203,417 of which 06 policies with insurer Fairfax Brasil Seguros Corporativos S/A and 50 policies with Pottencial Seguradora S/A.

The Company also entered into an agreement with Zurich Minas Brasil Seguros S.A. for insurance coverage for directors and officers of Sanepar (D&O - Directors and Officers) with national and international coverage, with an indemnity cap of BRL 20,000, effective contract for 365 days and expiring on 04/14/2018.