

Annual & Sustainability Report 2017



Sanepar
Piraquara I
Reservoir

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COMMITMENT

Sanepar is committed to using water resources in Paraná responsibly

Foreword

Companhia de Saneamento do Paraná (Sanepar) is pleased to present our Annual Report 2017, including our financial statements and disclosures on sustainability. This report provides the market and society with information on our approach to and goals in delivering value creation and business continuity, including our key business, financial, social, environmental and process strategies and results in the period.

The following pages provide readers with information on our achievements and challenges throughout 2017 across nine themes regarded as highly material to the Company and our stakeholders:

- corporate governance, transparency and anti-corruption
- compliance and relations with regulators
- profitability and financial balance
- quality of service
- operating efficiency and infrastructure improvements
- reducing environmental impacts from operations and improving energy efficiency
- water resource management
- access to water and sanitation
- social and environmental education

This report is an important tool in our management approach. But more importantly, it reaffirms our commitment to providing transparent information to stakeholders.

Information is framed by four different strategic planning dimensions: sustainability, customers, processes and people

2017 Highlights

Our key achievements in the year are related to the themes deemed most material to Sanepar and our stakeholders. G4-19, G4-20, G4-21, G4-26, G4-27

Material Topic	Highlights
Corporate governance, transparency and anti-corruption	<p>Improved corporate governance frameworks.</p> <p>Policies developed on: Corporate Governance; Dividends; Disclosing Material Events; Strategic Risk Management; Trading in Securities; Spokespersons; and Institutional Policies.</p> <p>Reviewed and disseminated our Code of Conduct and Integrity to employees and other stakeholders.</p> <p>Developed and approved a Strategic Risk Matrix.</p>
Compliance and relations with regulators	<p>Entered the regulated environment and conducted first regulatory Periodic Rate Review.</p> <p>Management approach reformulated for compliance with Act 13.303/2016 and Level 2 governance requirements for listed companies.</p>
Profitability and financial balance	<p>Net operating revenue up 11.3%.</p> <p>Net income up 9.5%.</p> <p>Default reduced by 47.5%.</p>
Quality of service	<p>99.8% conformity to water potability standards.</p> <p>100% of collected sewage treated.</p> <p>80.3% of customers satisfied with services.</p> <p>Retained independent certification to ISO 9001 for the Curitiba (water) and Londrina (water and sewer) systems and ISO 14001 certification for water supply and sewage collection systems in Foz do Iguaçu and the Cianorte sanitary landfill.</p>
Operating efficiency and infrastructure improvements	<p>R\$ 880.5 million invested in infrastructure expansion and upgrades and water security. R\$ 1.5 billion in financing from Caixa Econômica Federal.</p> <p>Average water losses stood at 34.5% in 2016 (less than the national average of 38.1% according to 2016 data from the National Sanitation Information System).</p>

Material Topic	Highlights
Reducing environmental impacts from operations and improving energy efficiency	<p>Initiated pre-commercial operation of CS Bioenergia, a power generation facility fueled by biodigested sludge from the Belém sewage treatment plant in Curitiba.</p> <p>R\$ 194 million (€ 50 million) in financing obtained from German bank KfW on the condition that Sanepar invest a further R\$ 48.5 million (€ 12.5 million) in sewage treatment plant energy efficiency projects and reducing environmental impacts.</p>
Water resource management	<p>Dam safety managed within Brazil's National Dam Safety Program.</p> <p>Initiated construction of the Miringuava Dam to expand water reserves in the metropolitan area of Curitiba.</p> <p>Implemented an Urban River Revitalization Program comprising initiatives to depollute urban river waters.</p> <p>Launched the <i>Moringa Cheia</i> program, providing credit facilities for farmers to rehabilitate springs on their properties.</p>
Access to water and sanitation	<p>100% of the urban population within our service area covered by water supply.</p> <p>70.6% of the urban population within our service area covered by sewage collection systems.</p> <p>Sewage lines expanded from 33,000 to 35,000 km.</p>
Environmental education	<p>Our <i>Se Ligue na Rede</i> program raised community awareness about the importance of correctly connecting properties to the sewage system.</p> <p>Our <i>Ecoexpresso</i> program, now with an expanded fleet of five buses, tours cities in our service area to disseminate good sanitation and water conservation practices.</p> <p>Our Oil-Free Systems program encourages employees and communities to properly dispose of cooking oil.</p>

Message from the Government of Paraná

Enhancing business management without neglecting social function

Sanitation is a priority for the State Government and this is reflected in Paraná's 70% sewage collection rate, compared with Brazil's average of 50% according to 2015 data from the National Sanitation Information System (SNIS). We have continued each year to pursue our continuing commitment of serving all households in Paraná.

Sanepar's 54 years of service have delivered enviable results: we treat 100% of collected sewage, have achieved 99.8% conformity to water potability standards, and saw 80% customer satisfaction in our most recent survey. These achievements are a source of pride, but also come with a commitment to increasingly raise our standards.

Challenges have been manifold in recent years. These have included implementing a new management approach to achieve full compliance with the Government-Owned Companies Act (13.303/2016) and the requirements for listing under B3 (formerly BM&F-Bovespa) Level 2 – a listing segment for corporations implementing more stringent governance practices – and migrating to the regulated environment, which requires each rate review to be assessed by an independent regulator (in our case AGEPAR) as a pre-requisite for companies going public.

The goals behind these changes have been to build further on a professional management approach that incorporates the principles of ethics and transparency in decision-making. We have aimed to go a step further and implement best enterprise management practices focused on delivering business results, but without neglecting the social function that is inherent to a government-owned company. The economic, financial,

social and environmental results described in this report demonstrate that our choice of strategy has been sound. Net income in the year was R\$ 686.2 million, up 9.5% year on year.

And our significant efforts have not escaped public notice. In 2017, Sanepar was presented with a Quíron Bronze trophy in the Sanitation Quality Awards (PNQS). Over the space of 20 years, the award program, run by the ABES (Brazilian Association of Sanitary and Environmental Engineering) National Quality Committee, has presented Sanepar with a total of 42 trophies, this year's trophy being the first in the corporate category. We were also the only company in the basic sanitation industry to be presented with a 2017 Valor Innovation Award by Valor Econômico and PwC, ranking third among five candidates in the Utilities sector. Sanepar also ranked among Exame magazine's Biggest & Best: in the infrastructure sector, we ranked 18th among the 100 largest companies in Brazil and second in Brazil's South.

Our positive performance has catalyzed us in pursuing future opportunities, such as advancing universal access to sewage collection, as already achieved for water supply, and supporting the Brazilian government's "Zero Waste Dumps" program to improve solid waste disposal practices and reduce the number of landfills. Through these two near-horizon goals, alongside our recognized business performance, Sanepar is poised to achieve greater competitiveness as a business. Speaking of competition, it is worth noting that Sanepar is not a government monopoly: we compete with private companies for contracts with municipal governments. And we welcome the competition.

Achieving positive business results, however, can never override our commitment to environmental stewardship. We have increasingly strengthened Sanepar's environmental performance by implementing programs involving both urban and rural communities and by providing enhanced training to employees on the importance of operating as a partner to the environment. In 2017, the environmental risks in our operations were included among the six key risks identified by our Strategic Risk Management function with the support of specialist consultants.

Using water resources in Paraná responsibly is among the commitments Sanepar has undertaken. The State Water Resource Plan estimates the State's total water resource to be 1,153,170 liters per second (l/s), far exceeding estimated demand of 51,364 l/s. The Company, however, takes no comfort in these figures, as climate change is likely to affect all aspects of the Earth system and, for this reason, water needs to be treated as our most valuable asset more than ever.

Beto Richa

Governor, State of Paraná



The goals behind recent changes have been to build further on a professional management approach that incorporates the principles of ethics and transparency in decision-making



Message from Management G4-1, G4-2

Important achievements in testing times

Exceptional is how we describe our year in 2017, with the economy recovering slightly from a difficult period of recession. Sanepar delivered strong performance in the year, with net income rising 9.5% over 2016 and investments over the past seven years reaching a substantial R\$ 5 billion, and with the company now well-positioned on the market as a result. Succeeding under such adverse conditions has been the result of our delivering on a number of commitments undertaken in recent years. Key among these was our adoption of a modern enterprise management approach, but without neglecting the social function that is inherent to a government-owned company. In this aspect, two particularly significant initiatives were our Social Rate and Water Tank programs for low-income families, two examples of our efforts to better serve all consumers in Paraná. These are also among the initiatives through which we have further delivered on our Mission.

However, fulfilling our role as an efficient government-owned company requires us to deliver both financial results and business sustainability. We have achieved this by making bold moves with well-calculated risks, such as our re-IPO in 2016, during the worst of the recession. The funds we raised from the IPO have provided greater liquidity and positively affected performance in 2017. But there is more to report in the year.

We strengthened our commitment to transparency by migrating to B3 (formerly BM&FBovespa) Level 2, a listing segment which imposes a range of requirements including a unified two-year term for all members of the Board of Directors, adopting international financial reporting standards, submitting to

the Arbitration Chamber for dispute resolution, and a range of other requirements. This has required us to attain greater maturity in management – a goal we have set out to achieve. Sanepar's investor base has since increased by 1,750% in the space of one year, from 2,000 investors in 2016 to 35,000 in 2017, demonstrating the recognition we have achieved in the market.

Alongside common and preferred shares, Sanepar has issued Units each representing 1 common share and 4 preferred shares. In a Secondary Public Offering in December, Sanepar shareholders earned proceeds of over R\$ 1 billion from the sale of 18.85 million Units, denoting strong investor demand for the Company's stock. The state of Paraná sold its surplus shareholdings during the Secondary Public Offering, retaining 60.1% of the Company's common, or voting stock.

Positive financial performance has been one of the results from a more modern business management approach. Other initiatives have included the changes we made in our people management processes, placing a greater focus on leadership development, and efforts to reaffirm our reputation as an environmental steward by implementing projects such as the urban river revitalization program; the *Moringa Cheia* program, a credit facility for farmers to rehabilitate springs on their properties; and employee training on environmental management. After all, sanitation and the environment must go hand-in-hand.

We are also proud to have received recognition from the UN for processing part of our treated sewage into fertilizer for grain farmers and reforestation. We

hope to see CS Bio – a state-of-the-art biodigester unit at our Belém Sewage Treatment Plant in Curitiba – become a success case against which peers will benchmark their projects. The biodigester will produce electricity from sludge and other organic matter. Due to start operation in 2018, the unit will have the capacity to produce 22.4 GW/h of electricity per year, enough for 2,100 homes. This project, like so many others, has been the result of beneficial partnerships with industry as well as research and innovation undertaken jointly with international universities and institutions.

As a society we must realize once and for all that the notion that “Earth will suffer tomorrow the consequences of how we treat it today” no longer applies. The future is already here. What use is there in investing billions in water supply infrastructure if water, a natural resource, is becoming increasingly scarce as rivers become silted up.

Sanepar is setting the standard for the industry as a government-owned sanitation company with an increasing focus on environmental stewardship, and this is largely thanks to the unrestricted support we have received from the State Government of Paraná in modernizing our management structure to make it more efficient and independent from the government. We have previously navigated difficult times—such as the rate freeze from 2006 to 2010, which affected our quality of service.

Looking into the future, we envisage Sanepar as a modern company with highly skilled professionals and proud to be the first company in our industry in Brazil

to implement a gender equity program, one of the UN Sustainable Development Goals (SDGs). In the following pages of this report, you are invited to learn about our economic, financial, social and environmental performance in 2017, the lessons we have learned for the following years and the story of a 54-year-old company that has dared to reinvent itself.

Mounir Chaowiche

CEO, Sanepar



Succeeding under such adverse conditions has been the result of our delivering on a number of commitments undertaken in recent years





About Sanepar

MATERIAL TOPICS ADDRESSED IN THIS CHAPTER

- Corporate governance, transparency and anti-corruption
- Compliance and relations with regulators

EXPANSION

Sanepar expanded to 3.8 million water supply connections and 2.7 million sewage connections in 2017

Founded in the 1960s and today one of the largest companies in the State, Companhia de Saneamento do Paraná (Sanepar) is a publicly traded company majority-owned by the State of Paraná and based in Curitiba (PR), with a workforce of 7,165 employees. [G4-3](#), [G4-4](#), [G4-5](#) and [G4-7](#)

We provide basic sanitation services in 345 cities in Paraná, one in Santa Catarina and 293 minor locations. Sanepar operates more than 53,000 kilometers of water supply mains and more than 35,000 kilometers of sewage mains. Sanepar's solid waste management division operates sanitary landfills in Apucarana, Cornélio Procopio and Cianorte, serving a total of seven municipalities. In 2017, Sanepar treated 62,100 metric tons of waste, benefiting 289,000 people. [G4-6](#)

Sanepar supplies treated water to the entire urban population in our service areas. We collect more than 70% of sewage produced and treat 100% of collected sewage, compared with a national average of respectively 50% and 74% according to the National Sanitation Information System (SNIS 2015). Sanepar also provides municipal waste management services.

Our extensive footprint has required continuing investment in delivering excellence in services. A total of R\$ 5 billion has been invested in the last seven years. In terms of financial performance, net income in 2017 was R\$ 686.2 million, up 9.5% from 2016.

Sanepar also owns a 40% equity interest in CS Bioenergia SA (a joint venture with Catallini Bioenergia) to produce electricity from sewage sludge at a biogas facility adjacent to the Belém Sewage Treatment Plant

in Curitiba. The facility has an installed capacity of 2.8 MW and annual output capacity of 22.4 GWh. The new operation is in line with the requirements of the Brazilian Solid Waste Management Policy on avoidance, reduction, treatment and disposal of waste.

OPERATIONS

The State Water Resource Plan estimates Paraná's total water resource to be 1,153,170 liters per second (l/s), far exceeding estimated demand of 51,364 l/s. While the State's overall ratio of supply to demand provides a comfortable margin, demand in the metropolitan area of Curitiba, our State capital, already consumes 23% of total supply from the Curitiba Metropolitan Area Integrated Water Supply System (SAIC).

Paraná's favorable hydrological conditions, including abundant rainfall in recent years and diversified water catchment infrastructure, are not taken for granted. Sanepar invests in long-term planning (such as the Miringuava Dam in the metropolitan area of Curitiba), management excellence, loss reduction and water quality to ensure our services are resilient to future risks from dry seasons and growing demand, which are inherent to our industry.

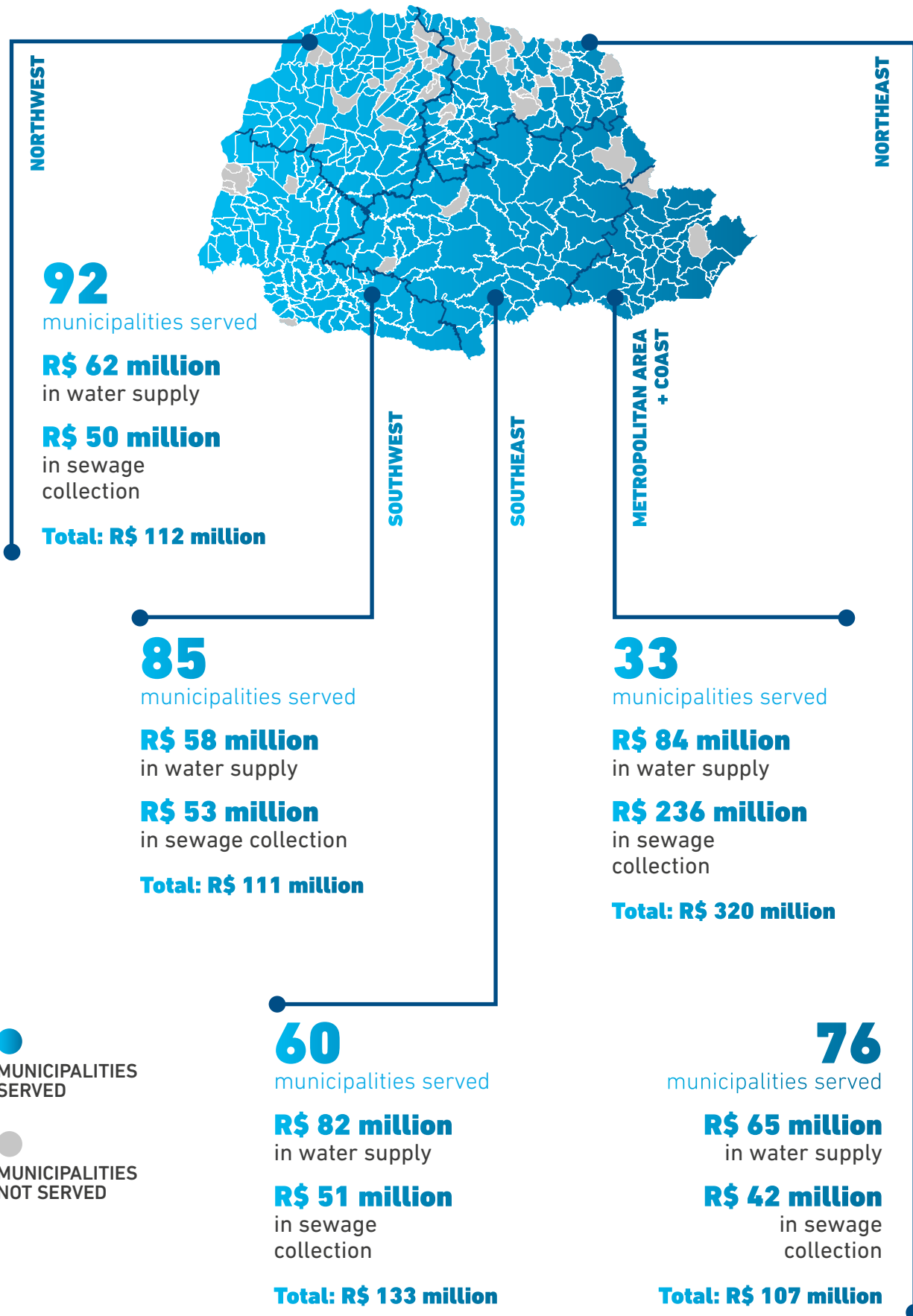
We have also expanded our sewage collection and treatment infrastructure to ensure effluents are treated before being discharged, reducing impacts on water bodies.



MODEL

Sanepar treats 100% of collected sewage

OPERATING AND INVESTMENT FOOTPRINT G4-8, G4-9





INVESTMENT (R\$ MILLION)	2011	2012	2013	2014	2015	2016	2017	2011/ 2017
Water	123.7	208.6	348.4	408.6	300.4	261.9	351.6	2,003.2
Sewage	207.1	240.6	361.5	468.0	446.8	431.3	432.0	2,587.3
Other	23.4	27.1	77.1	77.4	47.8	49.2	96.9	398.9
TOTAL	354.2	476.3	787.0	954.0	795.0	742.4	880.5	4,989.4

AWARDS & RECOGNITION

- Sanepar was presented with a Quíron Bronze trophy in the Sanitation Quality Awards (PNQS). Over the space of 20 years, the award program, run by the ABES (Brazilian Association of Sanitary and Environmental Engineering) National Quality Committee, has presented Sanepar with a total of 42 trophies. This year's trophy was the first in the corporate category.
- We were also the only representatives from the sanitation industry at the 2017 Valor Innovation Awards. Sanepar ranked third among five candidates in the Utilities sector. The ranking is prepared by *Valor Econômico* in partnership with PwC.
- Sanepar also ranked among *Exame* magazine's Biggest & Best: in the infrastructure segment, we ranked highest among the 100 largest companies in the South and second in our industry among the 1000 largest companies in Brazil. In the overall ranking for the South, Sanepar ranked 18th this year after ranking 24th in the previous edition.
- In the 2017 ABES Universal Sanitation Ranking, which assesses the extent to which Brazilian cities with a population greater than 100,000 have achieved universal sanitation, two municipalities served by Sanepar – Curitiba and Maringá – are among the group of municipalities "Pursuing universal sanitation".



We have received recognition from the UN for processing part of our treated sewage into fertilizer for agriculture, an example of sanitation and the environment going hand-in-hand

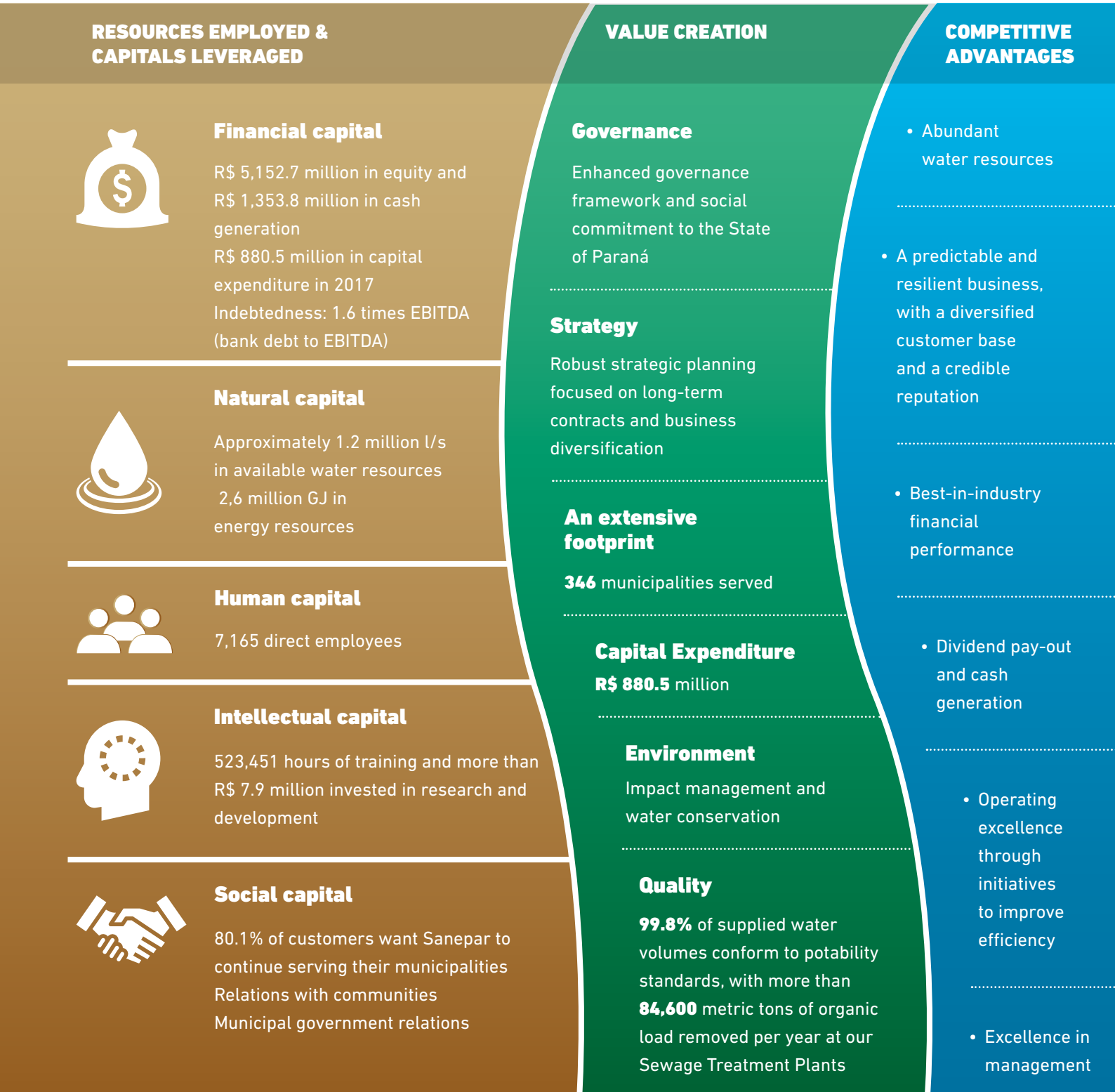
ACHIEVEMENT

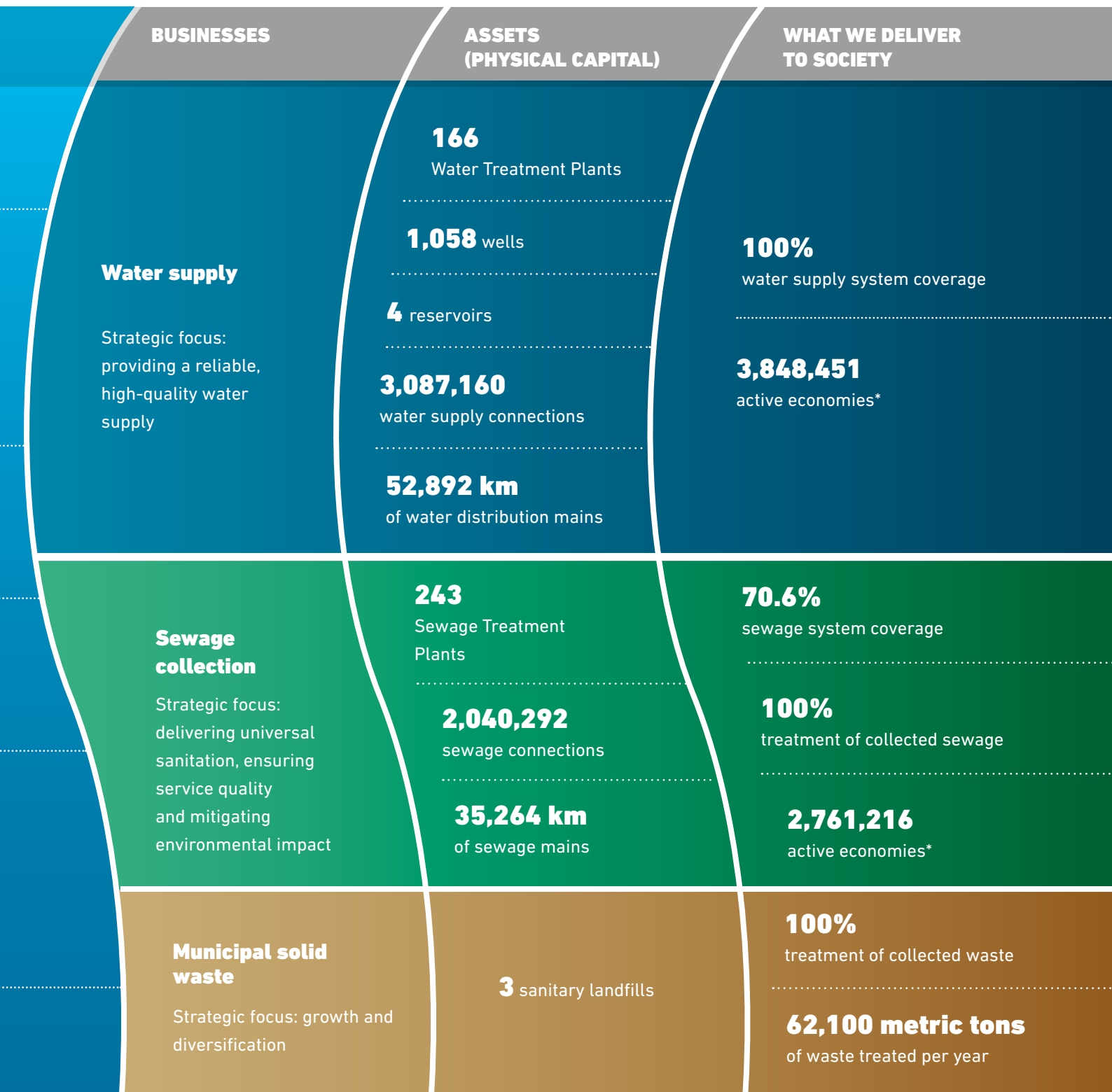
Sanepar received its first PNQS Quíron Bronze trophy in the corporate category



BUSINESS MODEL

The chart below shows how our capitals are employed in our operations and what we deliver to society, based on a mapping exercise conducted in accordance with International Integrated Reporting Council (IIRC) guidelines.





*The term *active economy* is used to designate any property, or any subdivision of a property, that has a registered and billed, individual or shared, connection to Sanepar's water supply and/or sewage collection systems.

TIMELINE

More than half a century serving Paraná's sanitation needs

1960s

1963

- State Act 4.484 promulgated on January 23, authorizing the State Government to create Companhia de Água e Esgotos do Paraná (AGEPAR)

1964

- Under Act 4.878 of June 19, the company is renamed from AGEPAR to Companhia de Saneamento do Paraná (SANEPAR)

1969

- Iguaçu Water Supply System starts operation in Curitiba

1970s

1971

- Water and Sewage Department merged into Sanepar

1972

- The company joins the National Sanitation Program (PLANASA), formally initiating the operation, maintenance and management of water supply and sewage systems in Paraná

1979

- Piraquara Reservoir (also known as the Cayguava Reservoir) – the first large-scale water impoundment reservoir in Paraná – comes online

1980s

1980

- Belém Sewage Treatment Plant starts operation in Curitiba.

1981

- Customer service number (195) implemented

1982

- A newly implemented Managerial Maintenance System (SGM) provides a seamless view of day-to-day fieldwork

1983

- Phase 1 of Passaúna Water Supply System project in Curitiba starts operation

1988

- Sanepar implements simultaneous meter reading and invoice delivery system, the first in the sanitation industry in Brazil

1990s

1991

- Sanepar implements Environment, Total Quality and Sanitation History & Technology Heritage policies

- Social Rate introduced

- Tibagi System comes online to serve Londrina and Cambé as one of the most advanced water supply systems in Brazil's South

1992

- Sanepar delivers second stage of Passaúna project, with production reaching 1,000 liters of water per second

1996

- Sanepar Environment Education program officially launched

1997

- Sanepar becomes the first sanitation company in Latin America to earn ISO 9001:1994 certification for a water supply system: the Itaqui Production Unit in Campo Largo

- National Sanitation Quality Awards (PNQS) program created. Sanepar's Cornélio Procópio business unit receives a Level I Trophy

1998

- Paraná State Government sells 39.7% interest to Grupo Dominó Holdings S/A

1999

- Foz do Iguaçu System certified to ISO 14001:1996, becoming the first operation in the Americas to receive environmental certification for water supply and sewage collection processes (river to river)

2000s

2000

- Sanepar goes public

2002

- The company lists on Bovespa, now B3
- Iraí Water Treatment Plant – the largest in Paraná – starts operation
- 2 million water supply connections reached
- Sanepar takes over operation of the Cianorte Sanitary Landfill and initiates municipal solid waste management operations

2004

- Paraná celebrates 100 years of basic sanitation

2006

- 1 million sewerage connections reached
- The National Sanitation Quality Award (PNQS) program celebrates its 10th anniversary, with Sanepar earning its 15th Quíron trophy

2008

- Pilot methane-to-power generation project commissioned in Foz do Iguaçu
- Alto São Francisco Reservoir and Mananciais da Serra System celebrate centenary
- Miringuava System and Piraquara II Reservoir delivered

2009

- Sanepar becomes the first sanitation company to prepare and publish a greenhouse gas emissions inventory.

2010s

2010

- 2.5 million water supply connections reached
- Sanepar becomes operator of the Apucarana Sanitary Landfill
- Campo Largo ISO 9001:2008 certification extended to include the Londrina Cambé Regional Business Unit (URLC) and the Londrina Industrial Business Unit (USID-LD)

2012

- 1.5 million sewerage connections reached
- Cianorte Sanitary Landfill certified to ISO 14001:2004

2013

- Sanepar celebrates 50th anniversary as one of Brazil's top sanitation companies

2014

- ISO 9001:2008 certification extended to the Integrated Water Supply System (SAIC)
- Northwest Management presented with PNQS Level I award, Sanepar's first
- Toll-free customer service number introduced

2015

- Sanepar launches the Curitiba Central Laboratory, the most modern and complete sanitation laboratory in Latin America

2016

- Sanepar migrates to B3 Governance Level 2
- The company takes initial steps toward compliance with the Government-Owned Companies Act (Act 13.303/2016)
- Sanepar completes initial public offering (re-IPO)
- 3 million water supply connections reached

2017

- Corporate Risk Management process implemented using the COSO ERM Framework
- 2 million sewage connections reached
- Sanepar presented with Quíron Bronze trophy in the National Sanitation Quality Awards (PNQS), its 42nd award in 20 years
- Initiated pre-commercial operation of CS Bioenergia, a power generation facility fueled by biodigested sewage treatment sludge
- Sanepar enters the regulated environment and conducts first regulatory rate-setting review
- Completed conversion of common shares and preferred shares into Units in secondary public offering
- Sanepar subscribes to the UN Sustainable Development Goals (SDGs) and implements a gender equity program

Corporate governance

In 2016, Sanepar set itself the challenge of building further on an already well-established professional management approach that incorporates the principles of ethics and transparency in decision-making. But it was in 2017 that we took initial steps to implement best enterprise management practices focused on delivering business results, while not neglecting the social function that is inherent to a government-owned company.

These steps have included:

- Achieving compliance with Level 2 governance requirements, which include adopting international financial reporting standards, a unified term for all members of the Board of Directors, and conferring voting rights on preferred shares for certain matters.
- Achieving compliance with the Government-Owned Corporations Act (Act 13.303/2016), which regulates the business activities of government-owned and part government-owned corporations such as Sanepar and our subsidiaries. A regulatory milestone in Brazil, the Act establishes more stringent rules for competitive procurement and appointing senior management and board members.
- Operating within a regulated environment: rate-setting reviews are now required to be assessed by a regulatory agency that is independent of the State Government (in our case the Paraná regulatory agency, AGEPAR), as an additional listing requirement. The eight-year rate increase of 25.63% in 2017, for example, was a decision taken by the agency. While the new model provides greater clarity, as the entire review process is based on mathematical models, it also creates challenges that require us to pursue greater efficiency and cost reduction. The rate review also involves calculation of an "X Factor", a snapshot of the company's

productivity performance. The X Factor is designed to transfer to customers the productivity improvements resulting from regulated market growth between rate reviews by applying a deflating factor (%) to annual rate increases. The X Factor for the first cycle (2017-2020) is 0.77%, corresponding to R\$ 143 million. Assessments of our efficiency performance, on which the X Factor is based, are performed on a monthly basis and action plans developed to ensure productivity improvements are at least equal to the percentage defined in the rate review. Although regulation has been a major change for Sanepar, we have been preparing for it since 2013. A specialist consultancy has assisted us in developing a rate adjustment and Periodic Rate Review methodology, updating our General Terms of Service, training employees over time and conducting other activities inherent to the regulatory process. Sanepar believes this improved rate-making model ensures rates are fair and adequate to support quality of service and financial balance.



Mission

To deliver sustainable environmental sanitation services that enhance quality of life.



Vision

To ensure excellence as a company committed to environmental sanitation for all.



Values

Responsibility, Innovation, Competence, Respect, Commitment, Professionalism, Transparency and Ethics. G4-56

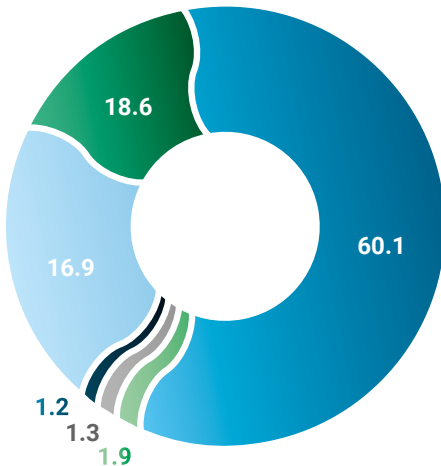
Share Ownership

As a B3 Level 2-listed corporation, Sanepar is encouraged to adopt best governance and financial reporting practices. The State of Paraná owns a controlling interest in Sanepar, holding 20.0% of its total share

capital and 60.1% of its voting stock. The company's remaining shares are held by minority shareholders, with 79.97% being free float, or shares traded freely on the stock market.

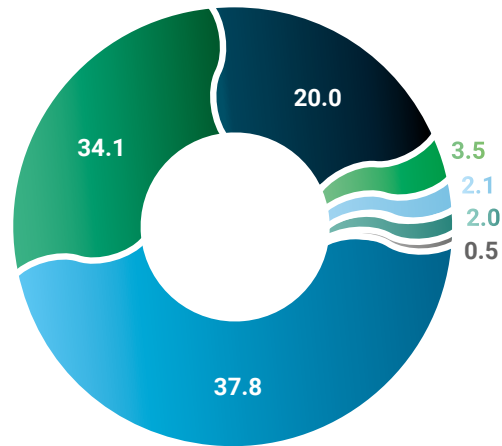
SHARE OWNERSHIP BY TYPE OF INVESTOR:

VOTING RIGHTS



- State of Paraná
- Morgan Stanley Uruguay Ltda
- Government of Singapore
- Merrill Lynch International
- Foreign Shareholders
- Other Shareholders

TOTAL SHARE CAPITAL



- State of Paraná
- Morgan Stanley Uruguay Ltda
- Government of Singapore
- Merrill Lynch International
- Municipal Governments
- Foreign Shareholders
- Other Shareholders

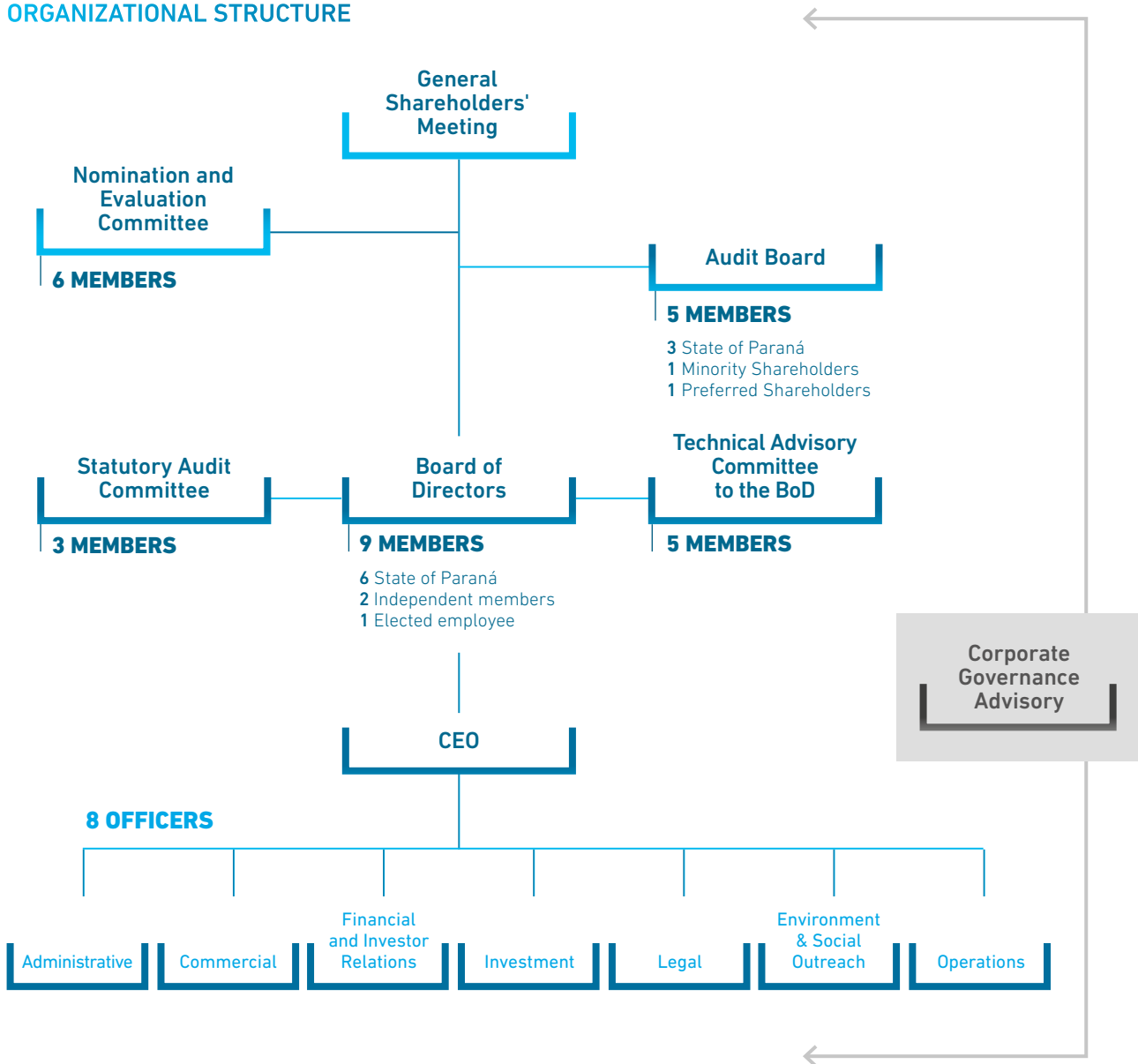
DECISION-MAKING STRUCTURE G4-34

The Board of Directors (BoD), which is responsible for providing strategic direction, comprises nine members – one of which must be appointed from among company employees and 25% of which must be independent members – and nine substitutes having the same composition. All members have voting rights and are appointed by the General Shareholders' Meeting for a term of two years, renewable no more than thrice consecutively. Meetings are held on a monthly basis and special meetings may be

called. Board duties include: providing general direction, carrying out risk management, overseeing the Executive Board, selecting independent auditors and approving bidding processes and government purchases exceeding the threshold established in the Company's Bylaws.

Sanepar also has a Technical Committee providing technical decision-making advice to the Board of Directors, the Statutory Audit Committee and the Nomination and Evaluation Committee.

ORGANIZATIONAL STRUCTURE



The Audit Board scrutinizes Sanepar's tax and accounting practices and annual accounts. It comprises five members, including one appointed by minority shareholders and one by preferred shareholders. Audit Board members are appointed annually by the General Meeting and may be reappointed for a maximum of two consecutive additional terms. The Audit Board is a permanent body and meets on a monthly basis.

Responsible for implementing the business strategy and general guidelines established by the BoD, the Executive Board comprises eight members having the requisite capabilities, training and reputation to perform their duties. The Executive Board meets weekly or whenever called by the Chief Executive Officer or two Executive Officers.

INVESTOR RELATIONS

Sanepar publishes quarterly information as well as annual financial statements, notices to shareholders, notices to the market, material facts and share quotes. Information is also provided on the regulatory environment surrounding the sanitation industry and on the distribution of profits.

Disclosures are mainly addressed to shareholders, market analysts and investors to inform decisions about investing in Company stock, and are available at <http://site.sanepar.com.br/investidores>.

COMPLIANCE, ETHICS & TRANSPARENCY G4-DMA

Sanepar is committed to compliance and ethics and invests continually in improving internal procedures to ensure the highest standards of business conduct. In 2017 we implemented governance improvements, including compliance enhancements, resulting from a revision of the Company's bylaws during the previous year. These include the appointment of three independent members to the Board of Directors by minority shareholders, and the creation of a Statutory Audit Committee and Nomination and Evaluation Committee.

An Integrity Program has also been structured to formalize the anti-corruption measures required by

Act 12.846/2013 (The Anti-corruption Act), as detailed in article 41 and following of Federal Decree 8.420/2015. In addition to applicable regulatory requirements, the program incorporates guidance from handbooks issued by the Office of the Comptroller General and the Brazilian Corporate Governance Institute. Some of the key features of the Integrity Program include:

- A Strategic Risk Matrix framing the Risk Management System.
- Enhanced application and communication of our Code of Conduct and Integrity, which provides guidance to employees and business partners on a range of aspects, including: workplace relations with stakeholders (suppliers, competitors, government, etc.), conflict of interest, receiving gifts and bribery.
- An improved Annual Internal Controls Report, which provides information on any significant controls events and supports the development of Internal Controls Opinions. Oversight bodies use these reports in their annual assessments of Sanepar and in the Company's annual reporting.

These assessments and any required changes are carried out as a routine process, and communicated through periodic training and communication campaigns as well as through process audits. Throughout the year, 7,164 employees received a total of 523,451 hours of training. All Sanepar business units have undergone risk assessments, including assessments for corruption risk. In 2017, 61 audit exercises were performed across the majority of our 84 organizational units. These audits assessed process risks and management issues, including any concerns around violations. Sanepar has consistently assessed all its operations in accordance with the Anti-corruption Act (12,846/2013) and there have been no instances of violations in the last three years. Our goal is for this to continue into 2018. G4-S03

One of the channels addressing anti-corruption is our Ombudsperson's Office, which in 2017 received 13

reports on corruption concerns, none of which were ultimately confirmed. As a precaution, however, concerns were escalated to the appropriate bodies for investigation and action. Our company website (www.sanepar.com.br) includes a Transparency Portal supporting enhanced citizen participation and a Reporting Channel through which concerns can be reported anonymously. G4-S05



All Sanepar business units have undergone risk assessments, including assessments for corruption risk

Risk Management & Internal Controls

In 2017 Sanepar worked with specialist consultants to implement a Corporate Risk Management process that incorporates risk management in decision making at all levels of the organization – from senior to middle-management – and includes employee training to ensure alignment with internal controls and audit routines.

A Strategic Risk Matrix has been established using COSO ERM methodology, identifying 25 Strategic Risks and 115 Risk Factors which have been prioritized and validated by the Executive Board, the Statutory Audit Committee and the Board of Directors. This first phase in the process established six strategic risks needing to be addressed and monitored by the relevant functions, as well as appropriate mitigation action:

1. Revenue Reduction

A financial risk related to operational management and the strategic dimension Sustainability, affecting the economic, financial, social and environmental sustainability of the business.

Mitigation action: address connection fraud, customer delinquency, water supply disruptions, use of alternative sources by customers and water losses exceeding tolerances.

Risk owner: [Operations Officer](#).

2. Non-renewal or loss of program contracts

A contractual risk related to concession management and the strategic dimensions Sustainability and Customers, affecting the retention and expansion of market share.

Mitigation action: improve performance against contractual targets; address aggressive expansion moves by the competition; raise awareness of value for cost; and reduce influence from the macro political and economic environment and legal insecurity.

Risk owner: [Chief Commercial Officer](#)

3. Failure to comply with environmental laws, and environmental liabilities

An environmental risk relating to operational management and environmental compliance and the strategic dimensions Sustainability, Customers and Processes, affecting our ability to maintain and expand market share, build our reputation and maintain environmental stewardship.

Mitigation action: address improper treatment station operation; delays in construction and environmental licensing; legal developments; autonomous municipal environmental regulations and project deficiencies relating to environmental aspects.

Risk owner: Environmental Officer

4. Weaknesses in and failure to implement our Multi-Annual Investment Plan

An operational risk related to project management and the strategic dimension Customers, affecting the company's universal sanitation goals.

Mitigation action: address shortage of qualified suppliers, non-priority projects being included in the investment plan, failure to institutionalize our five-year investment plan, delays in implementing projects and complexity in meeting regulatory requirements.

Risk owner: Investment Officer

5. Failure to effectively communicate Sanepar's position to stakeholders

A reputational risk relating to communications management and the strategic dimensions Customers and People, affecting our ability to increase customer satisfaction and operate in a socially and environmentally responsible manner.

Mitigation action: improve communication channels, raise awareness among customers about the water supply and sewage collection value chain, address deficiencies in the communication process and reputational/brand deterioration.

Risk owner: CEO

6. Economic and financial imbalance in program contracts

A financial risk related to regulatory management and the strategic dimension Sustainability, affecting the company's economic, financial, social and environmental sustainability as a business.

Mitigation action: implement rate adjustments; mitigate operating cost increases, conclude new agreements with municipalities with sanitation deficits or deficient planning; exercise prudence in investment decisions; and avoid issues arising from the new rate-setting framework ("X Factor").

Risk owner: CFO and Investor Relations Officer



Sustainable

MATERIAL TOPIC ADDRESSED IN THIS CHAPTER

- Profitability and financial balance

At Sanepar, sustainability is understood and practiced using an integrated approach that spans economic, financial, social and environmental aspects. It is among the dimensions in our Strategic Roadmap and guides our efforts to create shared value for our stakeholders. More than just a concept, sustainability is practiced ubiquitously across our organization, with all decisions taking both economic and financial as well as environmental and social aspects into account. Sanepar pursues consistent financial results as the only way to maintain and expand our water supply and sewage collection services efficiently and responsibly.

Because we are reliant on water resources, we recognize that environmental stewardship is essential for our business and our continuity. Accordingly, our stated Mission is to deliver sustainable environmental sanitation services that enhance quality of life.

Two years ago, we identified nine material themes to inform our priorities in managing sustainability and our efforts to create shared value for the business and our stakeholders. Material themes are described in terms of how they are managed at Sanepar and how they are linked with our operations and key results in the year.

G4-18, G4-24, G4-25

CARE

We recognize that environmental stewardship is essential for our business and our future

- Corporate governance, transparency and anti-corruption
- Compliance and relations with regulators
- Profitability and financial balance
- Quality of service
- Operating efficiency and infrastructure improvements
- Reducing environmental impacts from operations and improving energy efficiency
- Water resource management
- Access to water and sanitation
- Environmental education



Economic & Financial Performance G4-DMA

Despite continued macroeconomic instability in Brazil, Sanepar achieved important results in a year marked by the completion of our first Periodic Rate-Setting Review. The review was successfully approved by the regulatory agency in Paraná, AGEPAR, as a requirement for operation in the regulated environment. The Company's total proposed rate adjustment of 25.63% was approved to be deferred over a period of eight years, with a rate increase of 8.53% implemented in June 2017 (*read more in the box opposite*).

We also continued to invest in infrastructure and in delivering excellence in service. Capital expenditure rose by 18.6% in 2017 to R\$ 880.5 million, up from R\$ 742.4 million in the previous year. Part of the investment was

allocated to sewer system expansion and ensuring water security in our service area (*learn more in Strategy and Management*).

Productivity and efficiency efforts were enhanced in 2017 by Voluntary Retirement and Voluntary Redundancy programs. With 299 employees subscribing, the two programs have generated annual savings of approximately R\$ 59 million and a 5.4% reduction in payroll – payback from the programs is estimated to occur over a period of nine months (*learn more in the chapter People*).

Sanepar sustains revenue predictability through long-term agreements and a diversified customer base that supports resilience. With current agreements having

an average term of 20 years, our maturity index (remaining maturity weighted by revenue share for our ten largest concession agreements) is 17.1 years. Our customer base is geographically dispersed, comprising 345 municipalities and 291 districts in Paraná (93% of the State population) and one municipality in Santa Catarina. At the time of writing, 4.1% of agreements are undergoing renewal, 17.3% will mature up to 2026, and 78.6% have been renewed for a term extending to 2027.

As another highlight in the period, international credit risk rating agency Moody's upgraded Sanepar's rating to Ba2 (global scale) and Aa2.br (Brazil National Scale). According to the agency, the upgrade has been warranted by the recent conclusion of our first rate setting review under a more predictable rate setting mechanism. Moody's also said Sanepar's credit profile is "supported by a track record of contained state intervention" and its expectation that our "resilient operating performance will continue to translate in robust

credit metrics."

The rating agency believes the four rated sanitation companies will maintain their operating performance "relatively insulated" from Brazil's recession due to the essential and irreplaceable nature of water provision, high concentration in residential customers and a track record of tariff compensation for cost inflation. However, Moody's' outlook for Brazil's government bond rating is negative – and the creditworthiness of companies like Sanepar continues to be highly dependent on the credit quality of the sovereign. Fitch Ratings affirmed Sanepar's 2016 AA(bra) national long-term rating, with a stable outlook.

NEW RATE-SETTING FRAMEWORK

In a process that began in 2014, our first Periodic Rate Review was completed in 2017 under AGEPAR Approval Resolution No. 003 of April 12, 2017, outlining the Rate Repositioning, Deferral and Restructuring to be adopted by Sanepar.

AGEPAR approved a rate increase of 25.63% over a period of eight years. The first increase, of 8.53%, was implemented in 2017, and the remainder will be applied as yearly increases of 2.11%, plus the difference between required and actual revenue as indexed to the SELIC rate. Social Rate requirements and benefits have been maintained. Sanepar believes the new model provides greater security and fair and adequate service rates to

ensure service quality and financial balance.

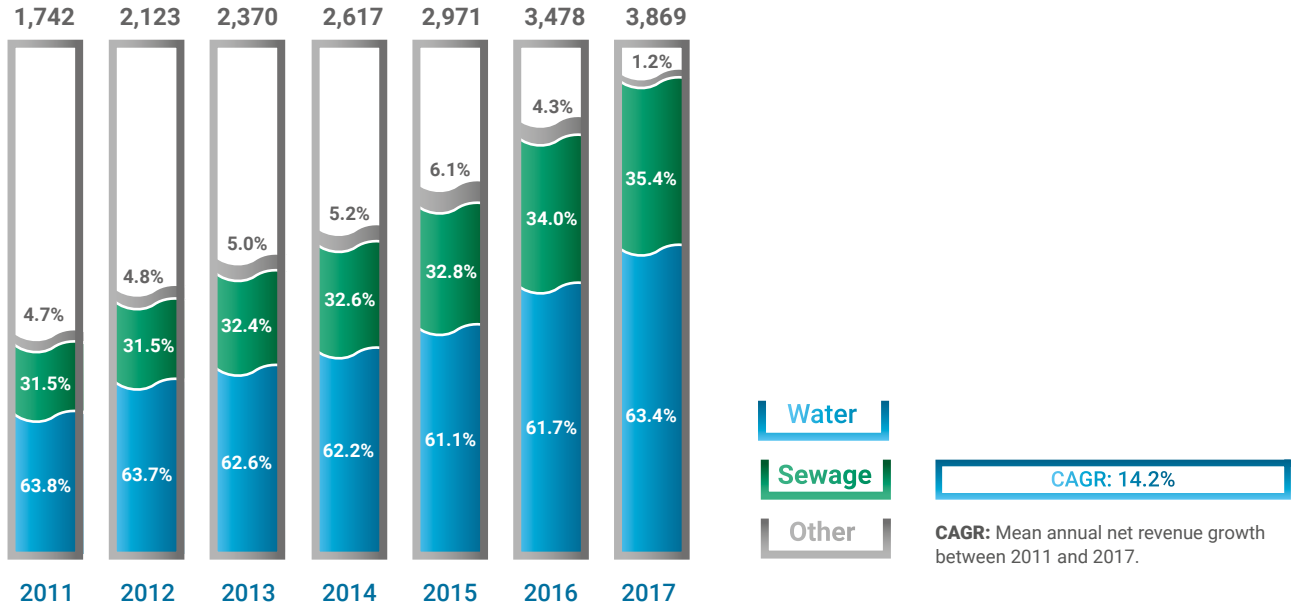
The Periodic Rate Review methodology rebalances service rates to reflect economic aspects – which includes updating the value of all company assets to redefine the Regulatory Asset Base – as well as assessing whether investments are absolutely essential and replacing inflation losses.

REVENUE

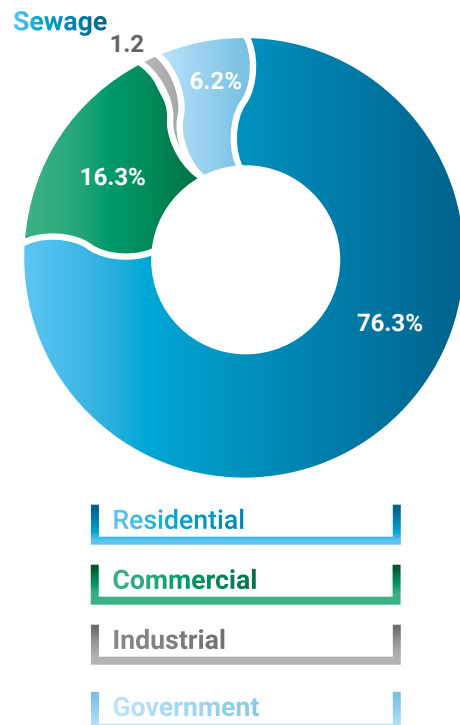
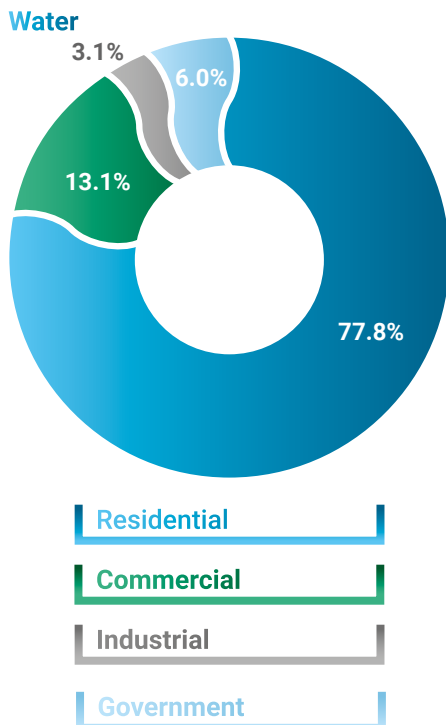
Net operating revenue rose by 11.3% compared to 2016, largely driven by the rate increase of 8.53% applied to bills issued from June as a result of the Periodic Rate

Review. Revenue growth was also fueled by continued service expansion, with 61,000 new water connections and 87,000 sewage connections.

NET REVENUE (R\$ MILLION)



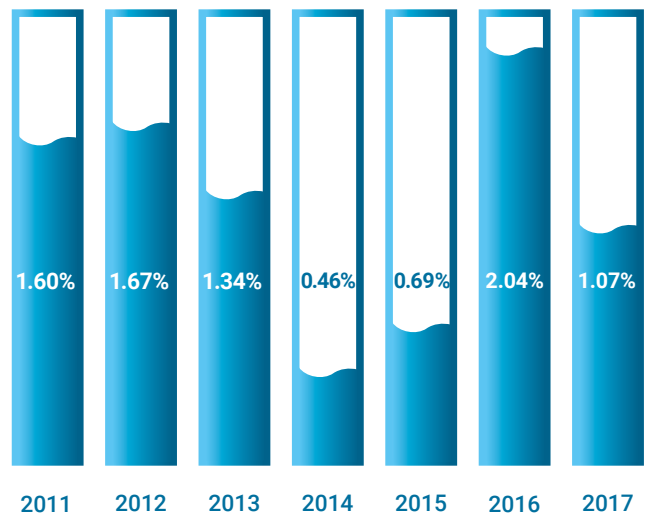
2017 REVENUE BREAKDOWN



DELINQUENCY

Sanepar improved its delinquency performance in 2017 with delinquency rates declining to 1.07% from 2.04% in 2016. Despite adverse macroeconomic conditions, initiatives to continually improve customer relations and negotiate overdue bills delivered positive results as planned.

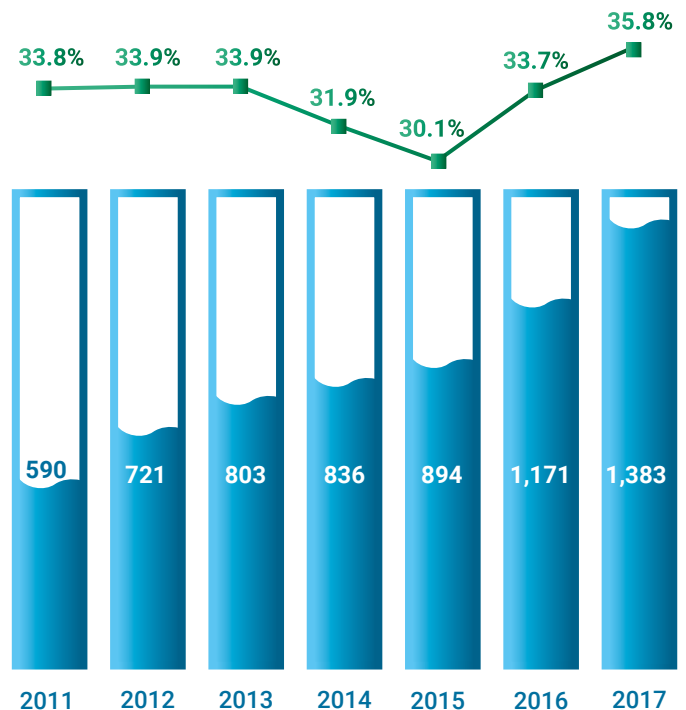
DELINQUENCY RATE



EBITDA

EBITDA, representing the Company's operating cash generation, was R\$ 1,383.5 million in 2017, up from R\$ 1,171.0 million the previous year. This positive performance was the result of 11.3% net operating revenue growth, which was partly offset by a 7.8% increase in costs and expenses affecting EBITDA. The cost of electricity, our primary process input, was 1.6% less than in 2016. Personnel expenses rose by 4.9% in 2017 compared with 10.7% in 2016. The lower growth rate is due to efforts by management to contain personnel costs by implementing programs such as the Voluntary Retirement and Voluntary Redundancy programs. These efforts combined have also contributed to an improved EBITDA margin of 35.8% from 33.7% in 2016.

EBITDA AND EBITDA MARGIN



EBITDA

CAGR: 15.3%

EBITDA Margin (%)

CAGR: Mean annual EBITDA growth between 2011 and 2017.

EBITDA¹ (R\$ THOUSAND)

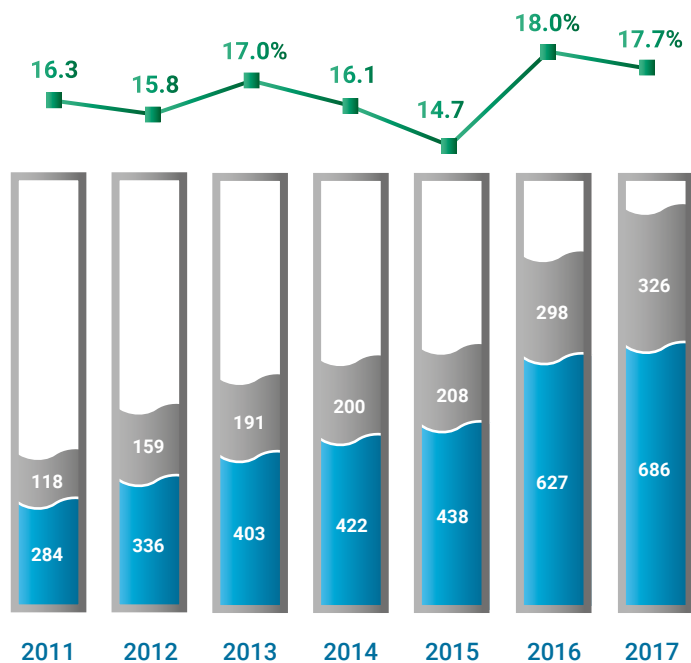
DESCRIPTION	2015	2016	2017	Change % 2016 vs 2017
Net Income	438,444	626,847	686,172	9.5%
(+) Taxes on income	101,870	162,738	227,901	40.0%
(+) Financial revenue/ expense	159,474	164,281	222,167	35.2%
(+) Depreciation and amortization	194,194	217,111	247,282	13.9%
(=) EBITDA	893,982	1,170,977	1,383,522	18.2%
EBITDA Margin	30.1%	33.7%	35.8%	2.1 p.p.

¹ Sanepar calculates EBITDA in accordance with Brazilian Securities Commission (CVM) Directive 527.

NET INCOME AND INTEREST ON EQUITY

Sanepar recorded net income growth of 9.5% to R\$ 686.2 million in 2017 compared with R\$ 626.8 million in the previous year. Net margin was 17.7%. In addition to revenue growth and efficient cost management, the tax savings deriving from paying interest on equity rather than dividends to shareholders has provided a R\$ 108.5 million improvement in income growth.

NET INCOME, NET MARGIN AND DIVIDENDS



Net income (R\$ million)

CAGR: 15.8%

Net margin (%)

CAGR: Mean annual net income growth between 2011 and 2017.

Dividends (R\$ million)

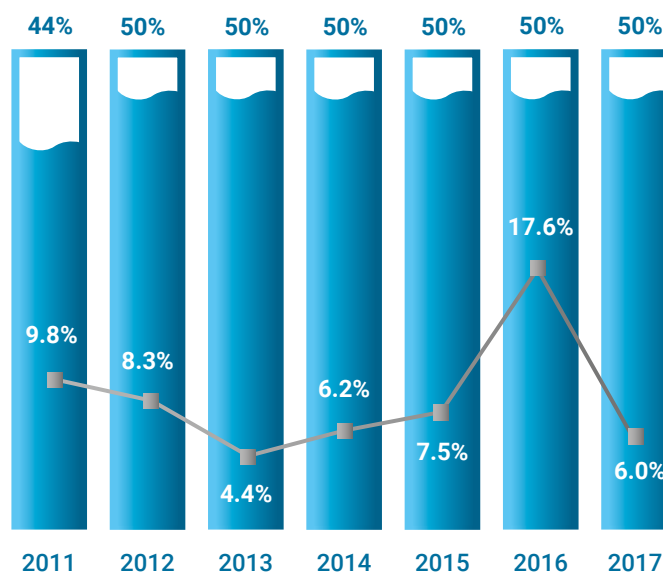
Shareholders are legally entitled to a minimum mandatory dividend of 25% of adjusted net income. However, Sanepar's dividend policy gives management the discretion to approve payment of an additional 25% of net income as additional dividends and/or interest on equity, if permitted by the company's financial health and serving the purpose for which the Company was created. Company management has proposed payment of 50% of adjusted net income for 2017 as interest on equity and dividends, amounting to R\$ 325.6 million. Payment will be made within 60 days of the Annual General Meeting approving the Company's accounts for 2017. Dividend yield was 6.0% in 2017.

Sanepar's operations generated R\$ 1,353.8 million in cash in 2017, an increase of 23.4% from the previous year. R\$ 281.3 million in dividends and interest on equity was paid in the period, 42.4% more than in the previous year.



Despite macroeconomic instability in Brazil, Sanepar delivered important results in 2017

PAYOUT¹ AND DIVIDEND YIELD²



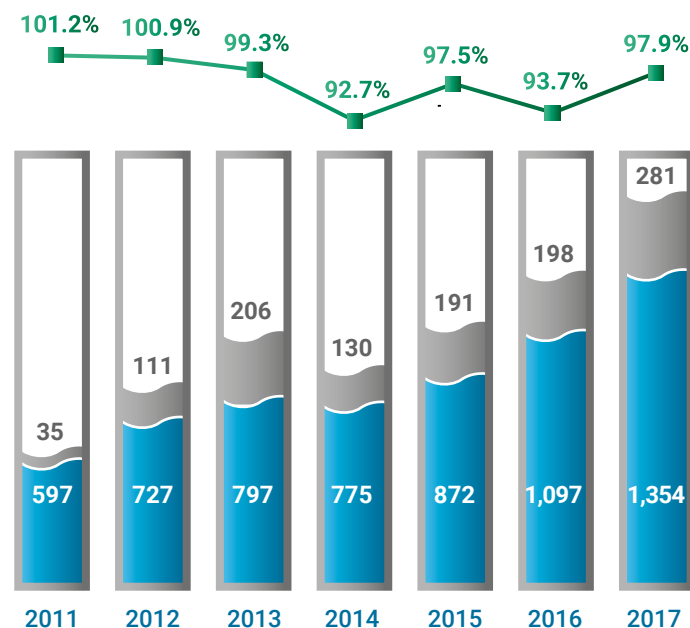
PAYOUT (%)

DIVIDEND YIELD (%)

¹ Payout: ratio of dividends paid out to net income.

² Dividend yield: dividends paid relative to the previous year.

OPERATING CASH GENERATION, DIVIDEND PAYMENTS AND EBITDA CONVERSION



OPERATING CASH GENERATION (R\$ million)

DIVIDEND PAYMENTS (R\$ million)

EBITDA CONVERSION AS %

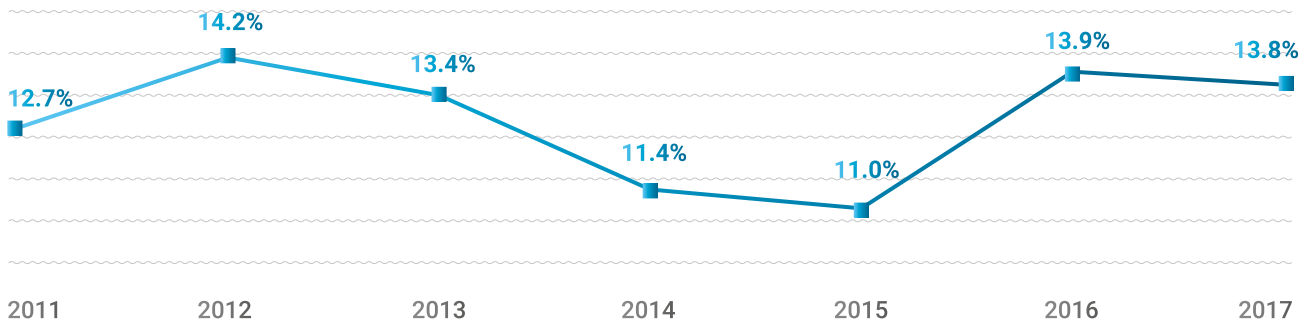
CAGR: 14.6%

CAGR: Mean annual operating cash generation growth between 2011 and 2017.

INDEBTEDNESS AND RETURN ON EQUITY

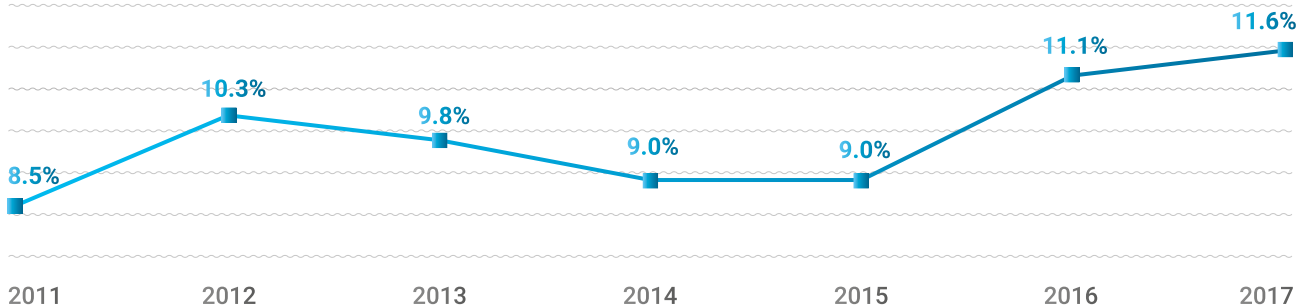
Return on equity remained stable at 13.8% in 2017, compared with 13.9% the previous year. Total assets were R\$ 10.1 billion and total debt was R\$ 5 billion at period end. Sanepar's Debt to Assets Ratio was 49.1%, and shareholders equity was R\$ 5.2 billion at year-end.

RETURN ON EQUITY

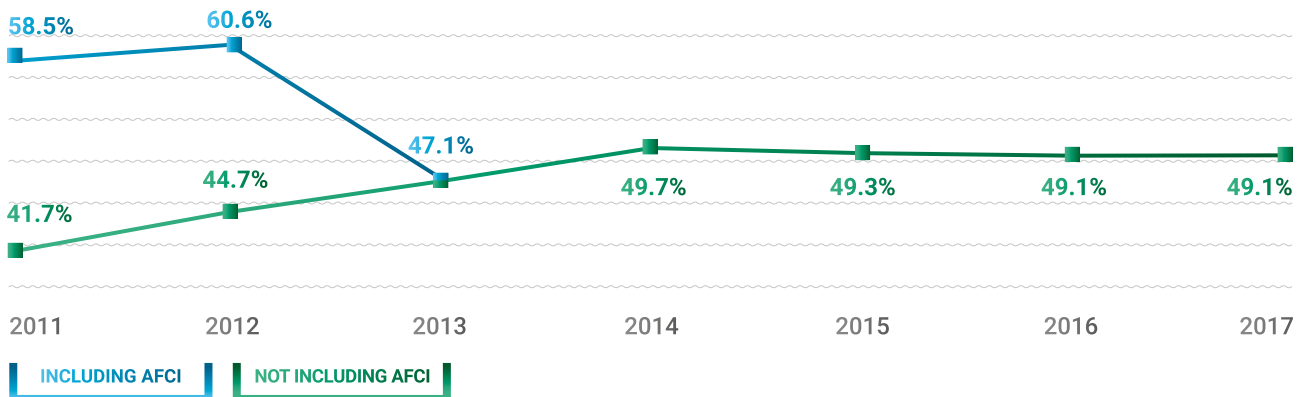


Return on invested capital was 11.6%, up from 11.1% the previous year.

RETURN ON INVESTED CAPITAL



DEBT TO ASSETS¹

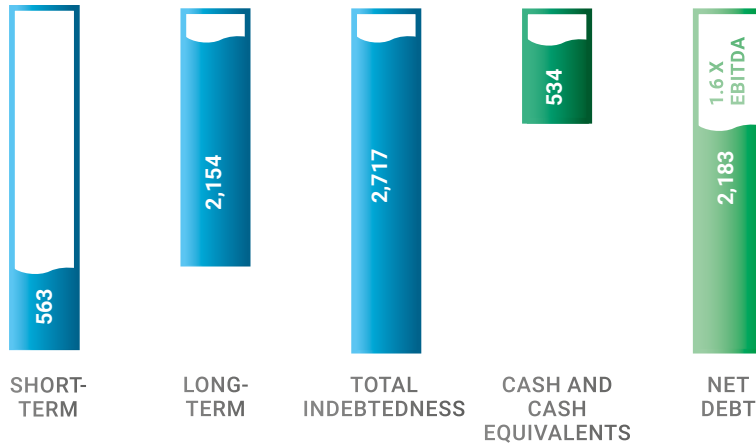


¹ AFCI: advance for future capital increase.

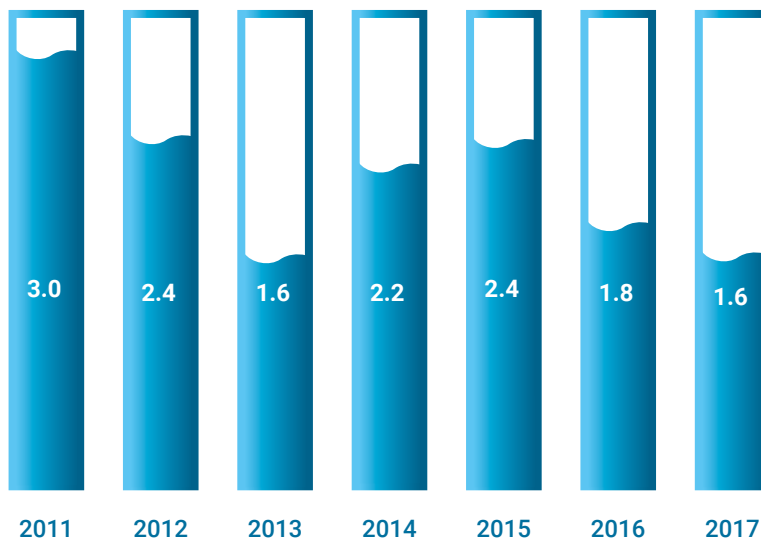
NET DEBT

Net deb was R\$ 2,182.9 million at year-end 2017. Net Bank Debt to EBITDA was 1.6x. This is within the covenant limit of 3x under Sanepar's financing agreements.

NET DEBT AND LEVERAGE (R\$ MILLION)



NET DEBT/EBITDA¹



¹ Ratio of net debt to EBITDA.

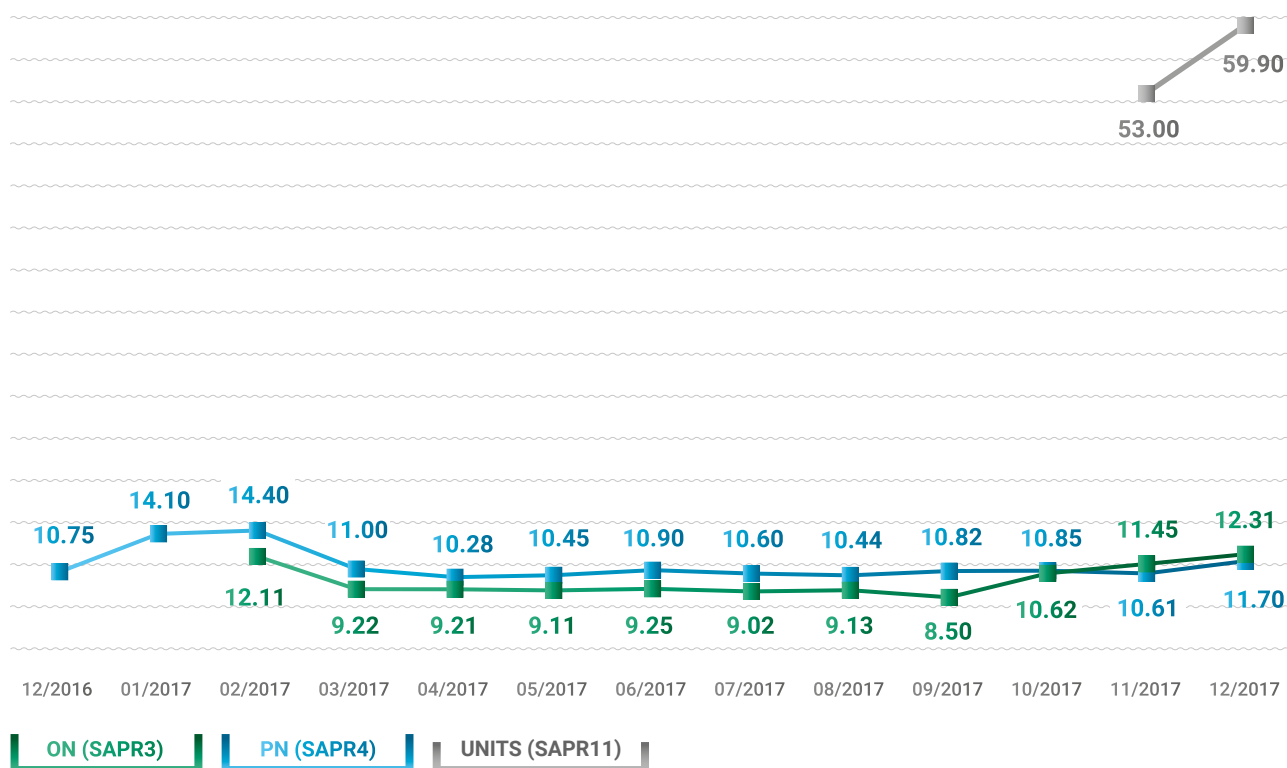
SHARE MARKET

At the request of shareholders, in 2017 Sanepar approved the conversion of common and preferred shares into Units. In November 2017 the Company began trading Units (SAPR11) representing one common share and four preferred shares alongside common shares (SAPR3) and preferred shares (SAPR4).

Sanepar's nominative preferred shares (SAPR4) traded at R\$ 11.70 per share at year-end 2017, up 8.84% from R\$ 10.75 per share at December 31, 2016. Nominative common shares were priced at R\$ 12.31 per share at year-end, up 104.49% from R\$ 6.02 per share in 2016. Units (SAPR11) were priced at R\$ 59.90.

Equity per share at December 31, 2017 was R\$ 10.23 compared with R\$ 9.55 at December 31, 2016. Traded volumes of Sanepar shares and units were R\$ 10,434.7 million in 2017 and R\$ 1,257.9 million in 2016. The introduction of Units and resulting share migration has altered Sanepar's share ownership structure. [G4-13](#).

SANEPAR SHARE PRICES (R\$)



SERVICES PROVIDED BY INDEPENDENT AUDITORS

Sanepar safeguards the independence of our independent auditors, recognizing the importance of auditors' integrity and objectivity in judgment if they are to issue reports or opinions that are impartial. Ernst & Young Auditores Independentes S.S. reviewed Sanepar's quarterly information from the quarter ended September 30, 2012 to the quarter ended June 30, 2017, and issued comfort letters for the Re-IPO in 2016 and for the Unit conversion process in 2017. During that period, Ernst & Young reviewed the quarterly information and audited

the financial statements for the periods 2012 to 2016. BDO RCS Auditores Independentes S.S. has since been engaged to audit the financial statements for the year 2017 and issue special review reports on the quarterly information for the third quarter of 2017 and the first and second quarters of 2018. The audit agreement has a term of 12 months beginning on October 3, 2017. The firm also issued a comfort letter for the Unit conversion process in 2017. Our independent auditors have provided no services other than those reported herein.

DIRECT ECONOMIC VALUE CREATED (R\$ THOUSAND) G4- EC1

	2015	2016	2017
Revenue	3,172,795	3,708,034	4,068,820
Materials acquired from third parties	(1,038,811)	(1,132,166)	(1,191,478)
Depreciation and Amortization	(194,194)	(217,111)	(247,282)
Equity in Income of Subsidiaries	(1,688)	(3,361)	(1,791)
Financial Revenue	51,999	80,526	91,882
TOTAL	1,990,101	2,435,923	2,720,151

ECONOMIC VALUE DISTRIBUTED (R\$ THOUSAND)

	2015	2016	2017
Employees and managers	835,508	932,680	977,092
Government (taxes)	465,837	586,280	694,959
Lenders	250,311	290,116	361,928
Shareholders	207,904	297,585	325,633
Net income retained	230,541	329,262	360,539
TOTAL	1,990,101	2,435,923	2,720,151

ECONOMIC VALUE DISTRIBUTED (%)

	2015	2016	2017
Employees and managers	42%	38%	36%
Government (taxes)	23%	24%	26%
Lenders	13%	12%	13%
Shareholders	11%	12%	12%
Net income retained	12%	14%	13%
TOTAL	100%	100%	100%

Strategy & Management

Strategic planning at Sanepar conforms to Act 13.303/2016, our institutional principles and our Company Values (Responsibility, Innovation, Competence, Respect, Commitment, Professionalism, Transparency and Ethics) and is organized around the strategic dimensions and objectives below. Across the organization, strategic planning informs action plans and initiatives to deliver outcomes that address current and future challenges, improve performance and create value for stakeholders. Our strategic objectives for each dimension are:

- Sustainability: pursue economic, financial, social and environmental sustainability.
- Customers: retain and expand market share, advance universal sanitation, increase customer satisfaction, and build the company's reputation.

- Processes: invest in institutional development, improve process efficiency, deliver excellence in products and services, and advance environmental stewardship.
- People: improve knowledge management, enhance employee satisfaction and operate in a socially and environmentally responsible manner.

INVESTMENT PLAN

Sanepar's Multi-Annual Investment Plan (MYIP) is developed for a five-year horizon based on inputs that include preliminary technical assessments, sanitation master plans, operational and environmental assessments, local water supply demand, commitments undertaken, program and concession targets, and any required changes for compliance with additional environmental requirements.



NORTH

Strategic planning provides guidance at all levels of the organization and in our efforts to deliver results

The short, medium and long-term investments planned in the MYIP include both projects for which funding has been secured by financing or out of the company's budget and projects for which funding needs to be secured. In 2017: all 346 municipalities in our service area were covered by water supply and sewage collection investments; work began on the Miringuava Reservoir project; and sanitary sewer system works on the coast were brought nearly one year ahead of schedule.

RECOGNIZED EXCELLENCE

In 2017, Sanepar's good management practices and positive performance were recognized by our first Quíron Bronze trophy in the corporate category in the National Sanitation Quality Awards (PNQS), an awards program run by the ABES (Brazilian Association of Sanitary and Environmental Engineering) National Quality Committee and the most important accolade in our industry in Brazil. Quíron Gold Trophies were also pre-

sented to our Southeast division and regional business units in Cascavel and Pato Branco.

The award reflects Sanepar's implementation of self-assessment, independent assessment and recognition of best practice using the Modelo de Excelência de Gestão® (MEG) management framework developed by Fundação Nacional de Qualidade (FNQ) and introduced in the industry by PNQS.



Strategic planning provides guidance at all levels of the organization to enhance performance and deliver results

EFFORTS

A PNQS Quíron Bronze trophy provided recognition to Sanepar's good management practices



www.saneppar.com.br



Customers

MATERIAL TOPICS ADDRESSED IN THIS CHAPTER

- Quality of service
- Access to water and sanitation

PRIORITY

One of Sanepar's goals is to strengthen relations with our two customer groups: Government and end consumers

Transparent, consistent and fair dealings. Sanepar promotes these principles in dealings with customers by improving our processes year by year and pursuing service quality, efficient customer service and universal sanitation. We serve two different groups of customers: Government – the municipalities which have awarded us service concession agreements; and end consumers – which utilize our water supply, sewage collection and treatment, and municipal waste management services.

Government

The Regulatory Framework on Sanitation (Federal Act 11.445/2007) and other laws governing our industry have introduced a new form of contractual relationship known as program contracts between municipalities and service providers. Pursuant to applicable regulations, Sanepar has concluded 159 contracts within the new framework, including 15 new contracts in 2017. In addition to program contracts, the Company also has concession agreements which account for 95% of current contracts.

Under concession agreements, Sanepar is awarded water supply and sewage collection and treatment services over a period of 30 years and is required during that period to undertake construction work in compliance with sanitary and environmental legislation and to improve service levels with a focus on improving quality of life for communities. The company's extensive footprint, with operations across all regions of the State of Paraná, provides a competitive advantage from the economies of scale derived from a large volume of contracts. But it also poses a challenge in terms of op-



erations management and government relations due to the wide-ranging particularities inherent to each location and administration.

MUNICIPAL BASIC SANITATION PLAN

Under the Regulatory Framework on Sanitation, all Brazilian municipalities are required to prepare and implement a Municipal Basic Sanitation Plan (PMSB) or they risk losing eligibility to federal funding. The process of developing Municipal Basic Sanitation Plans involves public consultation through public hearings which operate as a mechanism for citizen participation. Sanepar has enhanced collaboration with municipal governments through technical cooperation in developing sanitation plans involving water supply and sewerage.

PMSBs are reviewed every four years and outline the steps needed to provide and expand access to sanitation services, including water supply, municipal sewage collection and treatment, municipal cleaning services, waste collection and treatment, and storm water drainage and disposal.

THE IMPORTANCE OF RELATIONSHIPS

Sanepar follows an annual agenda of meetings and visits to monitor program and concession contracts and service-level targets, identify additional demand under existing contracts, and develop new customers. In 2017 our agenda included more than 560 visits. Sanepar also implemented the Sanepar Community Program, which organizes community meetings to elicit community members' aspirations and needs in the areas of infrastructure and sanitation, and to provide information about products, services and ongoing investments. [G4-26](#) and [PR5](#).

OUR CONTRACTS AT A GLANCE

346

municipal
concessions

159

program
agreements

187

concession
agreements

332

active
agreements

14

expired agreements
(in negotiation)

End consumers G4- DMA

We deliver excellence in water, sewer and municipal waste management services by investing in water and sewer system upgrades and expansion and in modernizing our customer service infrastructure. Keeping current with the times, Sanepar has increasingly offered online service options including new (Android and iOS) mobile app functionality.

Technological enhancements, however, are not a replacement for investment at our customer service offices, where electronic waiting number panels help to organize waiting lines by type of requirement, reducing waiting times. No less important is the continual training we provide to customer-facing employees to ensure they deliver efficient and cordial customer service. [G4-26](#).

WATER TESTING

Sanepar performs continual water quality analyses as part of our commitment to delivering high-quality water supply and environmentally friendly and compliant sewage treatment. Testing is performed at 182 decentralized water laboratories, 20 regional sewage laboratories and four central laboratories in Maringá, Londrina, Cascavel and, notably, Curitiba, the most modern facility in Latin America. In 2017 more than 1.9 million tests were conducted (11.76% more than in 2016) and showed 99.8% conformity to water potability standards. Sanepar also conducted 76,900 sewage tests, a 73% increase from the previous period. [G4-PR1](#).

WATER PROCESS G4-PR1

	2015	2016	2017
WITHDRAWAL			
Tests performed	76,577	67,670	79,190
Non-conformities	11.32%	11.22%	9.76%
TREATMENT			
Tests performed	692,216	634,071	716,300
Non-conformities	0.32%	0.20%	0.23%
DISTRIBUTION			
Tests performed	1,063,801	1,023,331	1,141,461
Non-conformities	0.09%	0.12%	0.04%



EASY ACCESS
Our Android and iOS app is one of the highest rated products offered by Brazilian utilities

SANEPAR MOBILE

Our mobile app is available for Android and iOS devices and provides a wide range of functionality: account detail changes, water shortage information, service office and payment locations, water bill due date and delivery address changes, repairs, payment barcodes and information about previous payments, outstanding bills, meter readings and consumption. On app stores, our app is among the highest rated among utilities apps in Brazil.

ONLINE RATE SIMULATION

A tool on the Sanepar website under “Customers > Our Rates” provides customers with a better understanding of their utility bills and allows them to calculate their rates under the new rate-setting framework. The simulator, which has been designed with the same look and feel as a Sanepar water bill, allows customers to determine their water and sewage rates by entering details such as their consumption, consumer category, savings, location, and the relevant month in the case of municipalities with seasonal rates.

NEW RATE-SETTING FRAMEWORK

Sanepar has recently reduced its base charge from 10m³ to 5m³ in response to a long-standing demand from consumers to pay only for water volumes they actually consume, and in compliance with requirements established by the Paraná regulator (AGEPAR) and rate affordability principles. This has benefited around 44% of our customers (4.6 million people) consuming up to 8m³ of water per month. The new rate model improves rate fairness and discourages waste, while allowing customers to better manage their consumption.

OMBUDSPERSON'S OFFICE

The Ombudsperson's Office provides an independent and impartial channel for receiving, reviewing and responding to complaints or requests from individuals who feel they have not received satisfactory service from conventional customer service channels. Responses are provided within ten business days. Complaints can be submitted and tracked at (<http://ouvidoria.sanepar.com.br>).

TRUST AND CREDIBILITY G4-26, G4-DMA

To monitor consumer perceptions and identify opportunities for improvement, Sanepar engages specialist consultants to conduct an annual customer satisfaction survey using structured questionnaires for both residential and nonresidential customers. In 2017, we conducted a second qualitative survey for special customers. In addition to eliciting customers' opinions, Sanepar measures satisfaction rates among customers contacting the Ombudsperson's Office through telephone interviews and online questionnaires. In 2017

Sanepar also implemented a post-call survey allowing customers to rate the quality of service they receive. The satisfaction rate in November and December was 89%. In aggregate in the year, 80.3% of surveyed customers said they were satisfied with our services, down from 84.8% in 2016. The water rate increase was the primary factor affecting ratings. While the necessary rate increase has affected consumer opinion, Sanepar believes a satisfaction rate of approximately 80% demonstrates it has successfully upheld its reputation for high quality service. G4-PR5

SATISFACTION RATES

80.3%
of customers
satisfied with
services

80,7%
satisfied
with water
quality

80.1%
want Sanepar
to continue
serving their
municipalities

SANITATION FOR ALL

Sanepar's Social Rate Program ensures water supply and sewage collection and treatment services are affordable to individuals meeting eligibility requirements.

In 2017, 186,000 families benefited from a social rate of R\$ 13.20 (R\$ 8.80 for water and R\$ 4.40 for sewage collection) for consumption of up to 5 cubic meters. The social rate is paid by 5.3% of total residential economies, and represents a subsidy of approximately R\$ 97 million.

The benefit helps to improve the health and well-being of eligible households by reducing health risks deriving from poor sanitation. Small businesses and sole proprietorships eligible to state government ICMS tax exemption and registered charitable organizations are also offered special rates.

WATER TANK PROGRAM

Approved in 2017, Sanepar's water tank program is a collaboration with the State Office for Families and Social Development and municipal governments to assist socially vulnerable households by providing materials to install water tanks on their properties. The program is expected to reach 20,000 households over a period of four years.

A DEDICATED CHANNEL FOR REAL ESTATE AGENCIES

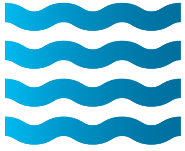
Implemented in Greater Curitiba, this channel provides dedicated customer service to real estate agencies. The purpose of the program is to streamline customer service and reduce waiting times at customer service desks. Sanepar now plans to extend the channel to all service areas.

BILL PAYMENT CORRESPONDENT NETWORK

Sanepar has worked to expand our network of channels available for paying utility bills. In 2017, a new file burst transmission system (files transmitted to Sanepar every 15 minutes) expanded our network of banking correspondents accepting utility bill payments for any due date to 955 units. Barcoded payment forms are now also available as a payment method.

COMMERCIAL DATABASE

A commercial database is vital in building customer relations. In 2017 Sanepar concluded an information exchange agreement with the Paraná State Transportation Department (DETRAN-PR) to enhance our database with mobile numbers, e-mail addresses and other data. We now have the mobile phone numbers of around 55% of our customers registered in our database, making it easier to communicate and offer new services, including through SMS messages with relevant information.

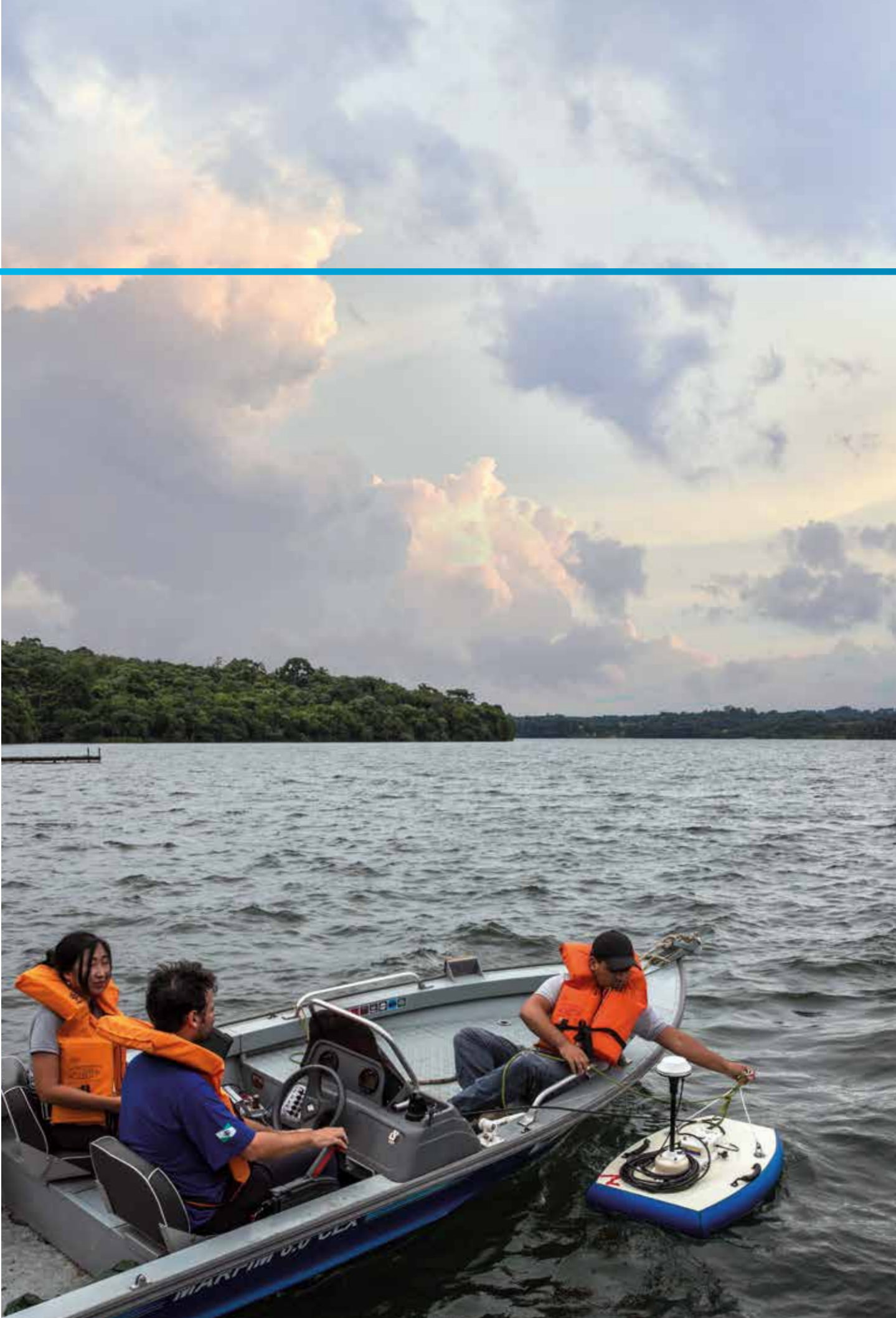


Sanepar has reduced its base charge from 10m³ to 5m³, benefiting 4.6 million people consuming up to 8m³ of water.



ROUTINE

Treated water undergoes quality testing (1.9 tests in 2017) to ensure the water we supply meets our quality standards



Processes

MATERIAL TOPICS ADDRESSED IN THIS CHAPTER

- Reducing environmental impacts from operations and improving energy efficiency
- Water resource management
- Operating efficiency and infrastructure improvements
- Access to water and sanitation

Process efficiency and environmental stewardship, two objectives we pursue on a daily basis, are critical in ensuring quality of service and evolving the business to deliver positive results.

We achieve these objectives through continual professional development, a consistent investment plan addressing system expansion and upgrades (water and wastewater treatment plants, water reservoirs, pumping stations, water and sewage mains, customer service channels, etc.), energy efficiency efforts, mitigating social and environmental impacts, and process innovation with new technologies.

Water process

Although water resources in the state of Paraná are abundant, this in no way lessens our commitment to process improvement and delivering quality of service as part of our focus on maintaining universal access to high-quality water supply for the entire urban population in our service areas.

Efficiency in sanitation is measured in terms of Loss Rates, which denote the total volume of unbilled water due to leaks, undermetering, fraud and water supply to fire departments. Sanepar's loss rate in 2017 was 231.9 liters per connection per day, down from 233.1 liters in 2016. Average water losses in Brazil as measured by the PSD12 indicator (12-month average distribution losses) were as high as 36.7% in 2016, compared with 33.7% at Sanepar, according to data from the National Sanitation Information System (SNIS 2015).

FREQUENCY

Reservoirs are monitored continuously to ensure their capacity is adequate

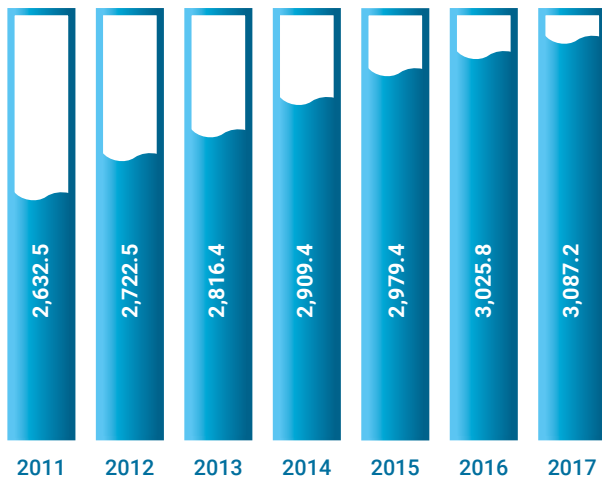
IMPROVEMENT INITIATIVES

To reduce loss rates, in addition to ensuring that all water supply connections are metered, Sanepar continually invests in upgrading our fleet of more than 3 million installed water meters. Around 400,000 meters are replaced every year to ensure no meters exceed their five-year useful life, after which they will often experience under-metering. The financial costs deriving from reduced metering efficiency outweigh the replacement costs.

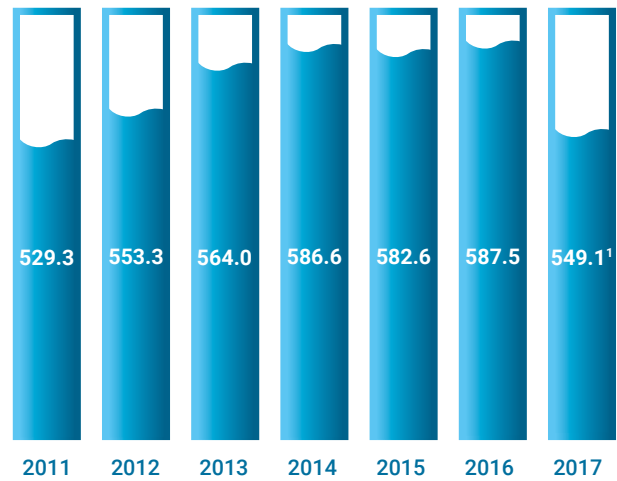
A pilot, high-tech meter installation program was also implemented in 2017. Residents at the Alphaville Graciosa gated community (854 properties in total), in Pinhais, were the first customers to use the new ultrasonic telemetry water meters as part of the project. The new devices are highly accurate and capable of measuring very low flow rates, unlike regular mechanical meters.



NUMBER OF CONNECTIONS/WATER (THOUSANDS)

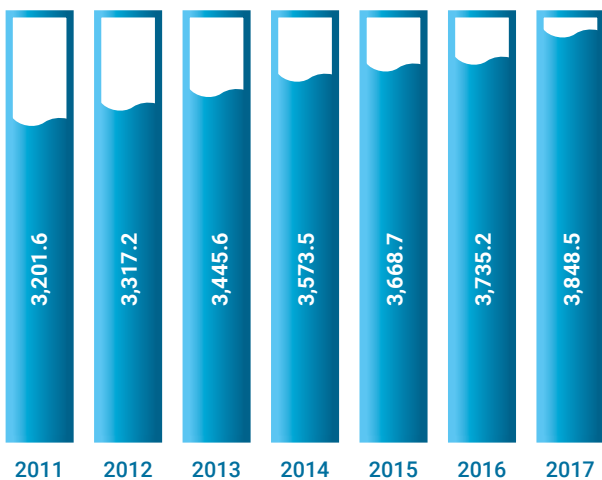


BILLED VOLUME¹/WATER (MILLION M³)

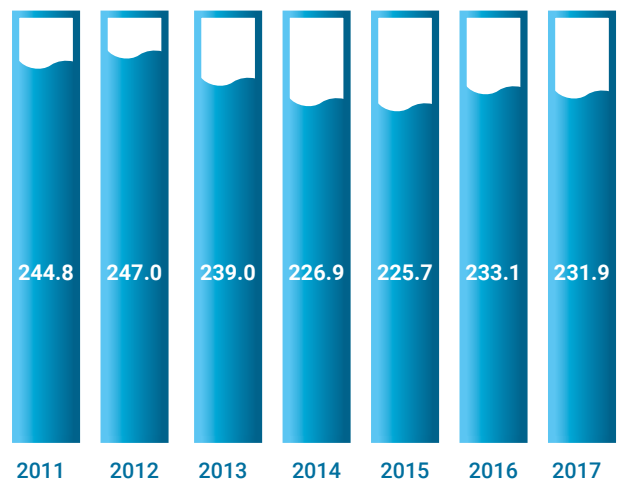


¹ In 2017 Sanepar's base charge was reduced from 10m³ to 5m³.

ACTIVE ECONOMIES¹/WATER (THOUSANDS)



LOSSES PER CONNECTION (IN LITERS/CONNECTION/DAY)



¹ The term *active economy* is used to designate any property, or any subdivision of a property, that has a registered and billed, individual or shared, connection to Sanepar's water supply and/or sewage collection systems.

Sanepar has also expanded the use of high-density polyethylene (HDPE) plastic, which is stronger and more suitable for ensuring a leak-tight system. Our operations control centers, which are responsible for reservoir management and controlling pressure in our water mains, supervise in-field leak detection efforts and ensure maintenance crews respond rapidly and efficiently.



Sanepar heads the Management Group for the Iguazu River, the largest in the State, which coordinates revitalization, depollution and preservation initiatives

SOIL AND WATER CONSERVATION G4-DMA

In 2017 the Company launched *Moringa Cheia*, a program for the remediation of rivers and springs affecting water supplies to municipalities in our service area. Through the program, Sanepar will provide funding for farmers to remediate protected areas through activities that include terracing (a farming method designed to contain runoff erosion on slopes), service road improvements, restoration of riparian vegetation and fencing around areas being remediated. The process begins with an application for Rural Environmental Registration (CAR), which is mandatory for all properties regardless of their size, region or land use. Sanepar plans to offer *Moringa Cheia* program credit facilities of up to R\$ 30,000. If farmers successfully meet CAR requirements on their properties within six years, the company will subsidize 95% of the loan.

The *Moringa Cheia* program will also include conservation efforts around our reservoirs as part of our com-

mitment to effectively improving water quality by ensuring our reservoirs are filled with percolated water rather than run-off water. The Iraí Reservoir is already being managed using this approach.

Initiatives on Company-owned properties in and around cities that are threatened by squatting and illegal waste dumps are also included in the scope of the *Moringa Cheia* project. Structural improvements are being made to enhance security and environmental management so these properties can ultimately be converted into parks that will benefit communities by improving not only water quality, but also environmental stewardship, environmental education and recreational facilities for communities.

Also significant are our initiatives addressing micro-catchment areas, with Sanepar undertaking specific interventions in a total of 255 sub-drainage basins.

Conducted as part of the *Moringa Cheia* program and within the Paraná State Integrated Soil and Water Conservation Program (PROSOLO), interventions target individual protected areas on each rural property within the drainage basin. In Piraquara, the municipality hosting most sources of water supply to the Curitiba Metropolitan Area, a pilot micro-drainage basin management project is being conducted to derive indicators for the State as a whole.

The *Moringa Cheia* program will be used under an agreement with the Brazilian environmental agency, IBAMA, to offset fines imposed upon Sanepar between 2011 and 2016. While opinions may diverge on these penalties, Sanepar believes that – in addition to negotiating penalty amounts and payment terms – amicable settlements rather than litigation are the best way to resolve these disputes. In 2017 five additional fines were imposed by Instituto Ambiental do Paraná (IAP) and the Municipal Office for the Environment of Foz do Iguaçu. These fines are currently being appealed against. It is a practice at Sanepar to report all fines and there is no minimum threshold below which the fine is not considered significant. All fines are evaluated to inform Sanepar’s response. [G4-EN29](#).

REVITALIZATION OF URBAN RIVERS

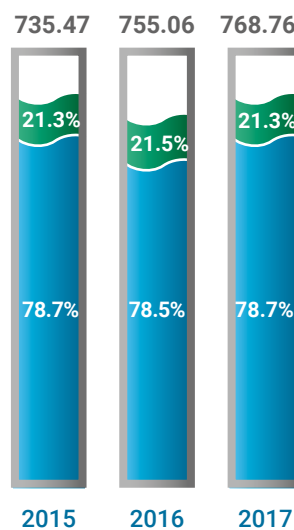
Our Urban River Revitalization Program (PRRU) is another water conservation initiative at Sanepar that identifies critical discharge points and informs sewer system management efforts by providing dissolved oxygen data at different sections of rivers, streams and channels traversing cities in our service areas. The initiative helps to expedite actions required to mitigate environmental impacts.

The PRRU program also involves community monitoring, empowering citizens in nearby communities to identify and report any changes in water quality. To date, the program has covered 95 drainage basins in Greater Curitiba with decontamination initiatives along part of Belém River, the Uvu, Bachareri, Bachareri Mirim, Pequeno and Itaquí rivers, Padilha Creek, and the Vila

Izabel, Campo Comprido, Muller, Agua Verde and Henry Ford streams. The drainage basins of the Irai and Passaúna reservoirs are also being monitored.

Sanepar also heads the Management Group for the Iguazu River, the largest in the State (1,300 km long, with a drainage basin area of 70,000 square kilometers), which coordinates revitalization, depollution and preservation initiatives. The Iguazu River flows from Serra do Mar into the Paraná River (at the border between Brazil, Argentina and Paraguay), traversing 109 municipalities that are home to more than 40% of the population of Paraná, including cities such as Curitiba, Guarapuava, União da Vitória, Cascavel and Foz do Iguaçu.

WATER WITHDRAWAL BY SOURCE (MILLION M³) [G4-EN8, G4-DMA](#)

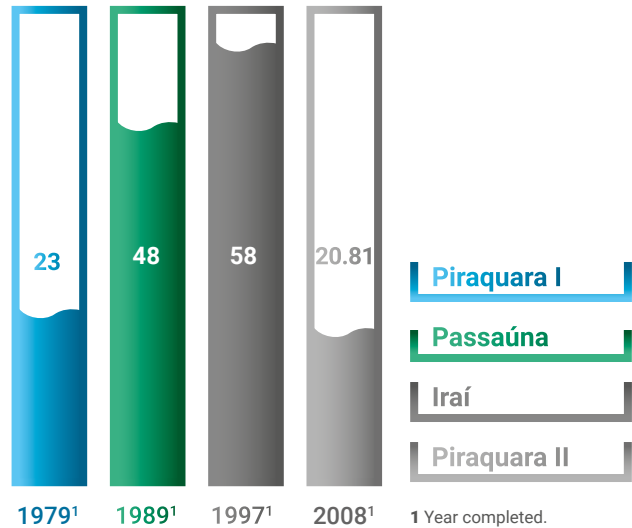


¹ Groundwater: an estimate of total pumped water volumes. The calculation is based on pump system power consumption from January to December each year.

DAM SAFETY MANAGEMENT

Sanepar operates four dammed reservoirs (Piraquara I, Piraquara II, Iraí and Passaúna) for water impoundment in the metropolitan area of Curitiba, all part of the Curitiba Integrated Water Supply System (SAIC). The Water Master Plan for the region, which has been developed to accommodate future water demand over the next 30 years, includes the construction of two additional dams: Miringuava (construction initiated in 2017) and Faxinal. Reservoir levels are monitored on a continuous basis to ensure they are kept at full production capacity, and dam integrity is monitored using appropriate instrumentation in accordance with regulatory dam safety requirements. Complete reports complying with regulatory requirements are submitted annually to Instituto das Águas do Paraná (IAP).

CURITIBA INTEGRATED SYSTEM (SAIC) (CAPACITY IN MILLIONS OF M³)



SEWAGE PROCESS G4-DMA

Sanepar invests continually in sewage collection and treatment system expansion and upgrades with a focus on improving services directly linked to health and quality of life. In 2017 our sewage collection systems expanded by 6.6% to 35,300 miles of sewage mains, and work progressed on phase two of the Belém Sewage Treatment Plant Expansion, in a total investment of R\$ 105 million. With the expansion, the treatment plant, which serves Curitiba and part of São José dos Pinhais, will triple its sewage treatment capacity to 2,520 l/s.

On the coast, work has continued on the Pontal do Paraná and Matinhos sewage systems, with 25 thousand new sewage connections. Involving an investment of R\$ 252 million, the works are scheduled to be completed in 2019 and will help to further improve water quality at beaches in the area. The sewage collection and treatment rate in Matinhos is expected to improve to 85% from 69% currently. In Pontal do Paraná, an improvement from 42% to 75% is expected.



35,264 km
of sewage mains

2,040,292
connections

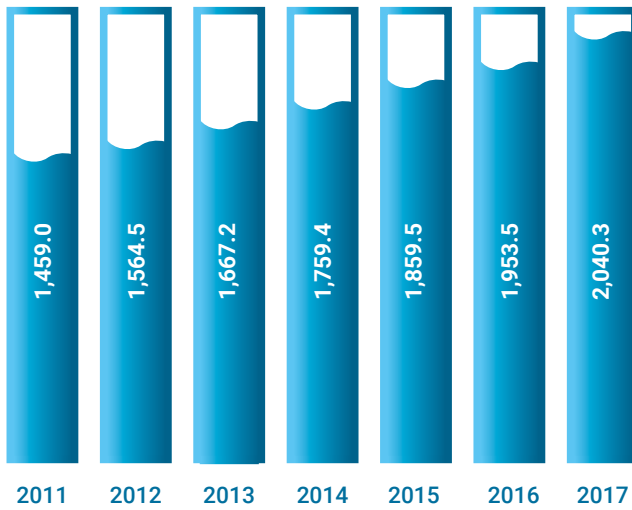
243
wastewater
treatment
plants

70.6%
coverage

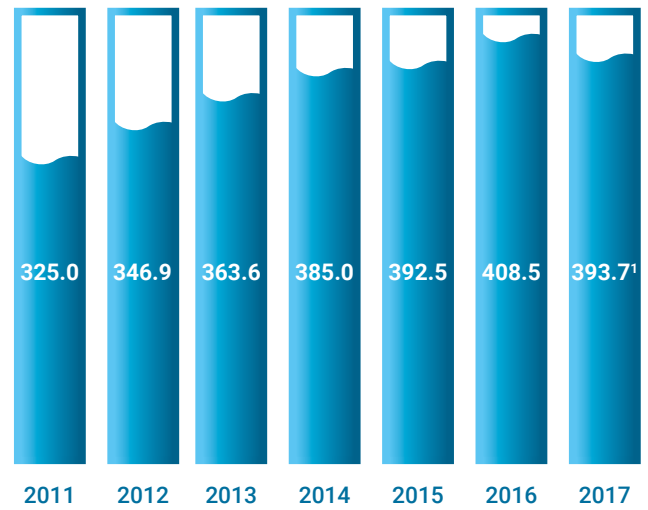
100%
of collected
sewage
treated



NUMBER OF CONNECTIONS/SEW-AGE (THOUSANDS)

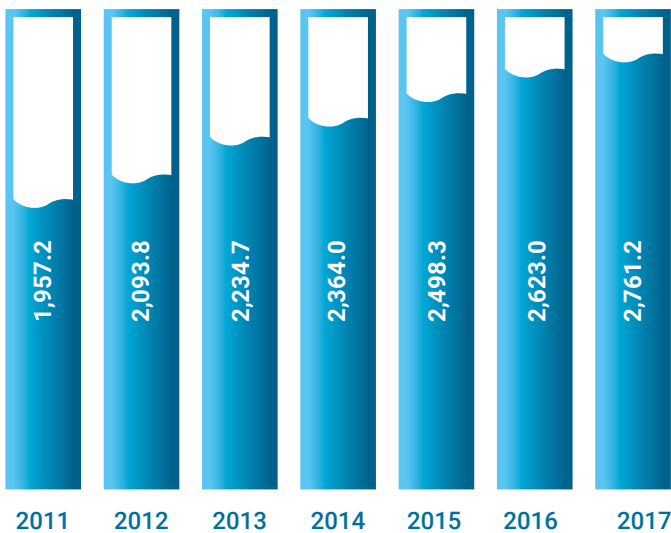


BILLED VOLUME¹/SEWAGE (MILLION M³)



¹ In 2017 Sanepar's base charge was reduced from 10m³ to 5m³.

ACTIVE ECONOMIES¹/SEWAGE (THOUSANDS)

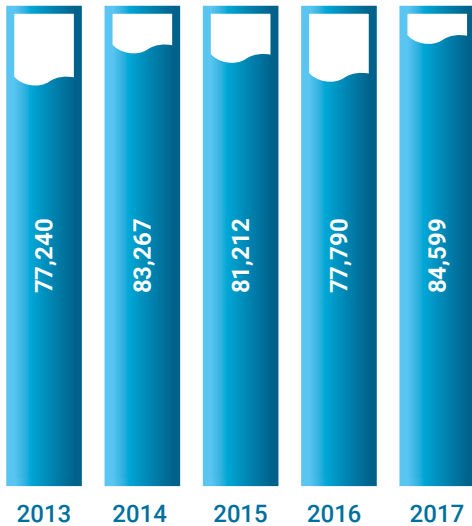


¹ The term *active economy* is used to designate any property, or any subdivision of a property, that has a registered and billed, individual or shared, connection to Sanepar's water supply and/or sewage collection systems.

EFFLUENT DISPOSAL G4-EN22

Before being discharged into water bodies, effluents from the sewage process pass through a series of aerobic, anaerobic and physico-chemical treatment stages. Sewage treatment plants remove pollutant loads to within regulatory limits for different parameters. In addition to monitoring discharged effluents, Sanepar measures load removal levels in the treatment process. The relevant performance indicator measures the level of conformity to standard limits for all measured parameters and organic load measured as Biochemical Oxygen Demand (BOD). Odors from the sewage treatment process are mitigated through measures that include enclosures with exhaust systems for gas treatment, chemical treatment and hedgerows forming a "green curtain" to prevent airborne gas from being carried by winds from around the reactors.

ORGANIC LOAD REMOVED (T/YEAR)¹



¹ Reference data for 2017 was determined based on actual data calculated based on average inflowing and outflowing concentrations at 87% of wastewater treatment plants accounting for more than 98% of treated organic load.

TREATMENT SLUDGE IN AGRICULTURE

In Brazil, sewage treatment sludge is mostly disposed of in landfills. In addition to accounting for about 60% of treatment plant operation costs, this method of disposal creates environmental impacts and burdens municipal solid waste management operations, especially in large cities. One of the steps Sanepar has taken to address this has been to direct part of the sludge produced at treatment plants to agricultural recycling. Development of the initiative was informed by research in collaboration with local and international organizations and the National Solid Waste Policy, and has itself informed new local regulations on the use of sludge in agriculture, resulting in the promulgation of CONAMA Resolution 375/ 2006, which establishes requirements and procedures for the agricultural use of treatment plant sewage sludge and byproducts. In 2017, 25,400 metric tons of sanitized sludge were delivered to 36 farmers to fertilize 1,867 hectares of grain crops. The project was recognized as industry best practice for the sustainable management of natural resources in a United Nations Environment Program (UNEP) journal.



BETTER DISPOSAL METHODS

Part of the sludge from our treatment plants is used as fertilizer in agriculture.

SEWAGE TREATMENT WASTE (IN METRIC TONS) G4-EN23

TYPE	DISPOSAL METHOD	2016	2017
Preliminary treatment waste (bar screening ¹)	Landfilling	9,036	30,330
Preliminary treatment waste (grit removal ²)	Landfilling	22,854	
Sludge	Landfilling	45,471	81,969
	Agricultural disposal	25,422	28,388
TOTAL		102,783	140,687

¹ Coarse waste removed from bar screens on arrival at the sewage treatment plant.

² Settled waste (sand) removed from desanders on arrival at the sewage treatment plant.

³ Sewage sludge with lime (30% to 50%) for sanitization.

⁴ Preliminary treatment waste could not be quantified separately in 2017, as many regional business units use the same dump body for waste disposal. Sanepar is developing an action plan to address this process and ensure waste monitoring can continue as in previous years.

⁵ The increase in sludge disposal is due to the disposal of sludge held in storage for more than one year for landfilling.

SOLID WASTE PROCESS

Sanepar's municipal solid waste management operations, another component of the environmental sanitation cycle, began in 2002. The company operates three landfills in Apucarana, Cianorte and Cornélio Procópio. All collected waste is treated and properly disposed of in accordance with Brazil's National Solid Waste Policy. In 2017, Sanepar treated more than 62,000 metric tons of waste, serving 289,000 people throughout the year. The first landfill under Sanepar management

was the Cianorte site, which also serves the municipalities of São Tomé, Terra Boa, Guaporema and Indaiópolis. This became the first landfill operated by a government-owned sanitation company to obtain NBR ISO 14001 environmental management certification. In Apucarana, Sanepar manages the waste receipt, treatment and final disposal stages. Our Cornélio Procópio operation is more complex and involves the waste receipt, collection, transport and dumping processes.

WASTE DISPOSAL (t) G4-EN23

	2016 ¹	2017
Sanitary landfill	49,321	62,104
Apucarana	22,363	30,907
Cianorte	19,820	20,620
Cornélio Procópio	7,138	10,577
Recycling	1,557	1,536
TOTAL	50,878	63,640

¹ The 25.91% increase compared with the previous year is due to improvements in data collection and process management.



3

sanitary landfills

7

cities served

100%

of collected
waste streams treated

62.1

metric tons of waste
treated in the year



Research, development and innovation

Sanepar's innovation programs, which have in recent years received consistent investment and support, are led by our Research and Development Advisory Office under the Environment and Social Outreach Department. In all, the Office currently has more than 100 initiatives aimed at developing technological solutions that are both innovative and sustainable for water, sewage, solid waste and energy efficiency. Our Center for Sustainable Technologies works with research centers and universities in Brazil, Germany, the Netherlands, Mexico, the United States, Japan, the United Kingdom and South Korea to advance these initiatives.

Supported by tax incentives, such as under *Lei do Bem* (a law providing tax incentives to companies engaged in innovative R&D), these initiatives range from process improvements, such as energy efficiency projects, to research into future trends, such as desalination. We recognize that fresh water is not an infinite resource and anticipating future challenges is accordingly among our ongoing initiatives. This research is

conducted in collaboration with the University of North Texas (USA), University College London (UK) and Ponta Grossa State University.

The year 2017 was especially eventful for the department, which concluded a financing agreement with the German bank KfW for a €50 million sewage to energy project, called Probiogás. Other sewage recycling programs are soon to be commissioned into operation. One is a dried and sanitized product for agricultural use as an important fertilizer for grain crops which poses no risk of soil or plant contamination. In addition, a pilot project involving the deployment of Bio-Dome technology in wastewater lagoons is currently being implemented to enhance aeration and help to reduce the formation of algae and foul odors.

The company also organizes two award programs to encourage innovation in energy efficiency – the Sanepar Innovation awards for employees, and the Sanepar Sustainable Technology Awards for local researchers.

Environmental management G4-DMA

Managing our processes in a resource-efficient and legally compliant manner is among our guiding principles at Sanepar. We have articulated a strategic vision for this dimension and use a balanced and efficient resource usage approach that supports conservation. Resource efficiency is treated transparently and addressed in top management discussions and by continuous efforts to raise employee awareness about the importance of environmental issues for business continuity.

This is reflected in a range of initiatives and programs. Implemented in 2014, our Corporate Environmental Management System works across different fronts: ensuring legal compliance; setting goals, targets and performance indicators; training staff; and improving internal controls linked to environmental management.

Since 2013, Sanepar has conducted annual audits on our water production, sewage treatment, and sanitary landfill processes to assess compliance with applicable environmental regulations and inform needed improvements and investments.

We have also implemented an Environmental Risk Management System based on the requirements in ISO 31000 - Risk management, through which we identify, assess, classify and address environmental risks across our water, sewage and waste management processes.

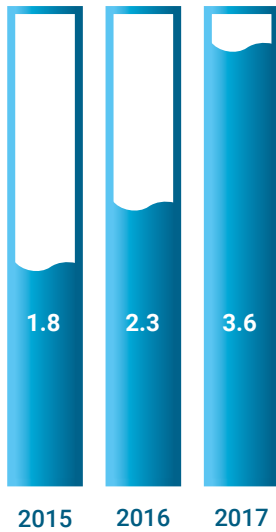
Sanepar's investments in environmental protection in the last three years exceed R\$ 7.7 million. In 2017, investments in this dimension were channeled to greenhouse gas emissions management and environmental education. [G4-EN31](#)

ENVIRONMENTAL PROTECTION INVESTMENT (IN R\$) <small>G4-EN31</small>	2015	2016	2017
External social and environmental education	3,641,293	4,285,815	5,457,409
Internal social and environmental education	2,353,661	2,622,679	3,205,145
Urban River Revitalization Program (PRRU)	314,501	272,060	339,928
Source signage program	493,864	427,935	180,121
Research and development¹	4,311,110	4,628,142	7,971,401
GHG Emissions Management	161,484	189,814	158,168
Dam management²	-	-	1,683,345
ISO 14001 and ISO 31000 Certification	1,152,349	998,515	2,178,588
TOTAL	12,428,262	13,424,960	21,174,555

¹ Research & Development expenditure in 2018 is estimated to be R\$ 9.5 million across personnel, materials, services, travel, cooperation agreements and investment.

² Dam management is a relatively new activity at Sanepar. In 2015 a dam inspection and monitoring team was created in replacement of the Reservoir Management department. In 2018 this indicator will tend to increase as new projects and studies are conducted in this field.

INVESTMENT IN ENVIRONMENTAL PROTECTION (R\$ MILLION)



CERTIFICATIONS

Sanepar was the first sanitation company in Latin America to earn ISO 9001 certification for a water supply system, with the Itaquí Water Treatment Plant in Campo Largo receiving certification in 1997. The plant's certification scope currently covers the water production system and treated water control and distribution center in the metropolitan area of Curitiba and the full "river-to-river" cycle (including water supply, sewage collection, commercial, system operation and maintenance and administrative processes) in Londrina, as well as related engineering and construction processes. Londrina and Curitiba are the two largest cities in Paraná.

This certification has delivered benefits throughout the organization by improving controls and regulatory compliance and standardizing procedures across water supply, sewage treatment, system operation and maintenance, customer service, product and service quality control, engineering and construction, and administrative processes. It has also enhanced employee training and development, process efficiency, and resource management and efficiency.

Based on ISO 9001 requirements and drawing on experience from previous certification, an internal certification process was implemented in 2017 that now extends to commercial processes at the Toledo unit and the water process at the Cornélio Procópio unit.

In 1999, we became the first company in the Americas to achieve ISO 14001 certification for the complete "river-to-river" cycle at our Foz do Iguaçu unit. In 2012, we also successfully secured independent ISO 14001 certification for the Cianorte Sanitary Landfill. To retain certification, Sanepar has implemented operational controls, goals, targets and action plans to reduce environmental impacts from our operations.

In addition to internal certification to ISO 9001, we have also initiated a process to obtain internal ISO 14001 certification spanning all processes within the Coast business unit and all electromechanical maintenance, treatment plant and pumping station processes within the Southeast business unit.

FORUM MEMBERSHIP

Sanepar is a member of a range of municipal, state and federal advisory and decision-making bodies, including advisory boards, technical chambers and drainage basin committees. These memberships provide the opportunity to share our expertise with other stakeholders (Government, government- and privately owned companies, NGOs, the Public Prosecutors' Office, etc.), engage in important discussions and decisions, and keep current on developments and trends to inform improvements that can drive sustainable business management and compliance with applicable legislation.

Sanepar is a member of ten Drainage Basin Committees: Coalíar (Upper Iguaçu and Ribeira River tributaries), Lower Ivai and Paraná I, Tibagi, Jordão, Piraponema (Pirapó, Paranapanema 3 and Paranapanema 4), Norte Pioneiro (Cinzas, Itararé, Paranapanema 1 and Paranapanema 2), Paraná III, Baixo Iguaçu and Litorânea (linked to Instituto das Águas do Paraná) and Paranapanema (linked to the National Water Agency).

These bodies foster public debate about water and the effective management of water resources. As a member of these committees, Sanepar contributes directly to the development of technical studies and implementation of new policies. G4-16

ENERGY EFFICIENCY G4-DMA

Reducing electricity consumption is one of the biggest environmental challenges facing sanitation companies. At Sanepar, about 91% of our energy requirement is consumed in water withdrawal, treatment and distribution. Because electricity is the single biggest cost item for our business, we have taken a number of steps in an effort to reduce consumption. These include load shedding during peak periods when electricity rates are most expensive and periodic facilities maintenance to identify and repair leaks.

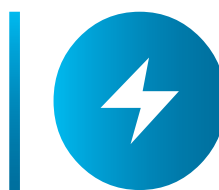
In addition to the now fully operational biogas to energy process at the Ouro Verde Sewage Treatment Plant in Foz do Iguaçu, Sanepar is investing in experimental solar power farms at the Passaúna Intake (Curitiba) and Miringuava (São José dos Pinhais) and Tibagi (Londrina) Water Treatment Plants. The solar energy produced by these farms will be consumed at the units themselves and the surplus, if any, will be injected into the local power utility system, generating credit on our utility invoices.

In a pilot hydroenergy project at the Airport Storage Site, hydraulic pumps operating as hydroturbines have been installed in replacement of pressure reducing valves. In addition to reducing pressure in the system, these pumps harness hydro energy and convert it into electricity for use within the system. Further experimental projects will be initiated in Curitiba and Londrina in 2018.

An online power management and monitoring project has also been implemented at the Iraí Water Treatment Plant (Curitiba). The experience gained from this pilot project has provided the information on requirements needed to specify a complete Web-based energy monitoring system for the biggest loads at three regional business units (Curitiba Metropolitan Area; Londrina

and Cambé; and Cascavel and Foz do Iguaçu), with a total of 93 monitoring points. The tool will aid Sanepar's operation and maintenance crews in improving operations management and reducing energy costs in energy-intensive processes.

Also significant in the year was the technical cooperation program established with the German International Cooperation Agency (GIZ) as part of the Water Supply System Energy Efficiency Program (PROEESA), which will develop tools for assessing the savings potential of energy efficiency initiatives and self-funding mechanisms for those initiatives.



FUTURE

Sanepar has worked to achieve improvement across a range of processes, including energy efficiency programs

ENERGY INTENSITY¹ G4-EN5	2015	2016	2017
Water process (kWh/m ³ produced)	0.849	0.836	0.839
Sewage process (kWh/m ³ treated)	0.171	0.180	0.170

¹ Energy consumption was measured from January to October and estimated for November and December.

ENERGY CONSUMPTION (GJ) G4-EN3	2015	2016¹	2017	Change (%) 2016 vs 2017
Nonrenewable	113,448	112,082	124,432	11.02
Gasoline	76,064	72,705	82,444	13.40
Compressed Natural Gas	-	388	-	-
Diesel fuel	37,384	38,991	41,987	7.68
Renewable (ethanol)	10,962	16,801	16,297	-3.00
Electricity²	2,436,120	2,448,684	2,502,090	2.18
TOTAL	2,560,530	2,577,569	2,642,819	2.53

¹ Data reported in the previous report for 2016 were used as a basis in estimating data for November and December.

² Energy consumption in 2017 was measured from January to October and estimated for November and December.

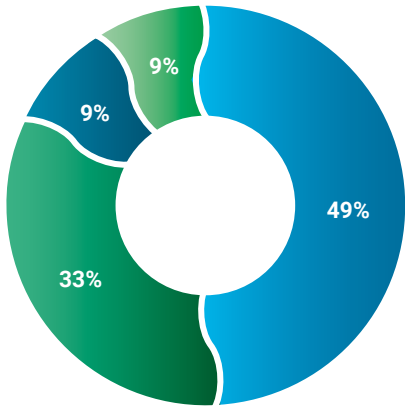
TOTAL ELECTRICITY SOLD (GJ) G4-EN3



DAILY OPERATIONS

At the Ouro Verde sewage treatment station in Foz do Iguaçu, electricity is generated by biogas-fueled facilities

ELECTRICITY CONSUMPTION¹ G4- EN3



Water process (production)

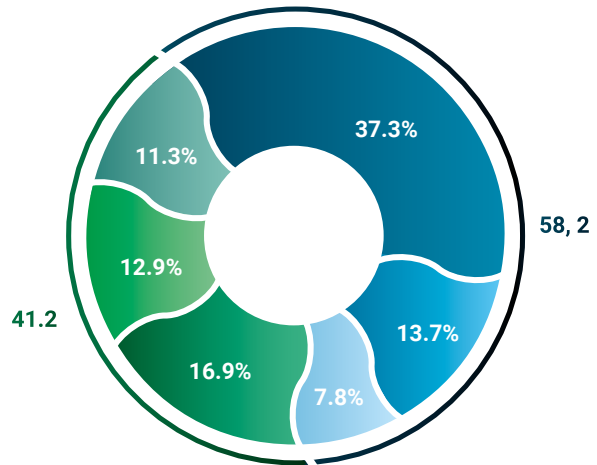
Water process (distribution)

Sewage process

Other activities

¹ Data for 2017.

ELECTRICITY – SOURCES²



Renewable

Sugarcane biomass

Hydro

Other

Non-renewable

Oil and oil products

Natural gas

Other

² Based on the 2016 National Energy Balance published by the Ministry of Mining and Energy.



TECHNOLOGY

CS Bioenergia will produce electricity from sludge and other organic materials in 2018

CS BIOENERGIA

Among the investments being made by CS Bioenergia S.A., a joint venture with Cattalini Bioenergia (in which Sanepar owns a 40% interest), are projects to generate electricity from sludge and other organic matter. A state-of-the-art biodigestion unit at the Belém Sewage Treatment Plant in Curitiba will provide an environmentally friendly solution for sludge disposal while reducing disposal costs. Due to start operation in 2018, CS Bioenergia will have an installed capacity of 2.8 MW and produce 22.4 GW/h of electricity per year, enough for 2,100 homes or 8,400 people. The electricity produced will be used at Sanepar and any surplus will be sold.

EMISSIONS REDUCTION G4- DMA

In 2009 we became the first company in our industry in Brazil to prepare and publish a greenhouse gas (GHG) emissions inventory, and have monitored emissions since. Emissions inventories quantify the GHG emissions produced directly or indirectly by our operations. Where we are able to identify significant emission sources, action is taken to reduce or neutralize those emissions. In addition to mitigating environmental liabilities to a minimum, this also helps to develop sustainable processes.

Sanepar is one among a handful of sanitation companies publishing greenhouse gas emissions inventories on the GHG Protocol platform, setting an example for other organizations to follow. A history of our emissions publications is available at www.registro-publicodeemissoes.com.br. In 2017, Sanepar's GHG inventory underwent third-party assurance by an IN-METRO-accredited organization, earning a GHG Protocol Gold Reliability Mark. This year's GHG emissions inventory will be published in the second half. The data will therefore only be available in the 2018 report.

The 5% increase in emissions in 2016 compared with the previous year was due to population growth in our sewage collection service area and legacy landfills that continue to release methane gas. Indirect emissions, in turn, declined by 33.18% as a result of the National Grid's lower emission factor in the year. G4-EN15, G4-EN16, G4-EN18

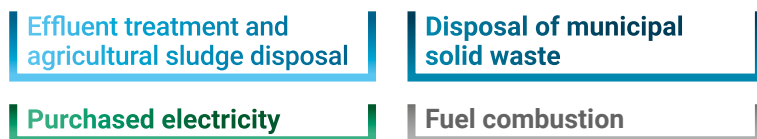
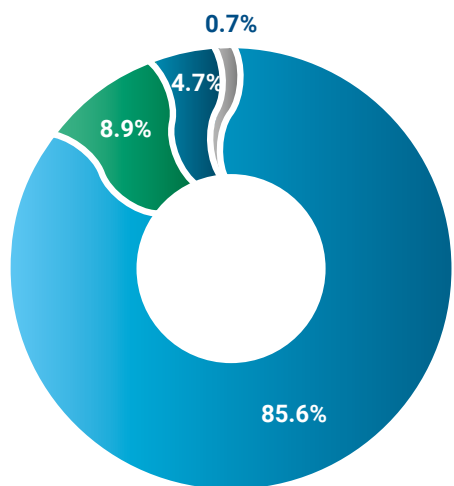
Sanepar is among
the few companies
in our industry
monitoring
emissions through
Greenhouse Gas
Emissions Inventory

EMISSIONS BY PROCESS G4-EN18

WATER	2014	2015 ¹	2016
Indirect emissions (tCO ₂ e)	92,200	84,200	56,300
Indirect intensity (k CO ₂ e/m ³ produced)	0.12	0.11	0.08
SEWAGE COLLECTION			
Direct emissions (tCO ₂ e)	808,200	1,103,900	1,159,700
Direct intensity (k CO ₂ e/m ³ treated)	2.49	2.53	3.29
MUNICIPAL SOLID WASTE			
Direct emissions ³ (tCO ₂ e)	44,900	44,900	47,100
Direct intensity (k CO ₂ e/t disposed of)	697.0	759.3	828.5

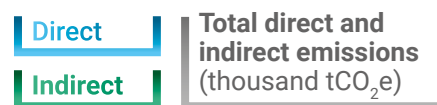
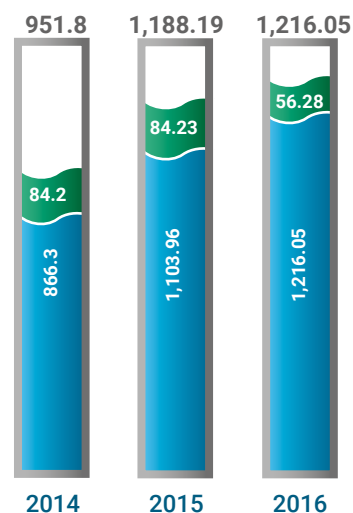
¹ The figures for 2015 were recalculated using a new methodology implemented in 2016 and therefore differ from the figures disclosed in the previous report.
Note: This year's GHG emissions inventory will be published in the second half of 2018.

TOTAL EMISSIONS BY SOURCE¹ (%)



TOTAL EMISSIONS¹ (thousand t CO₂e)

G4-EN15 and G4 EN-16



¹ Data for 2016.

OTHER WASTE

In addition to waste produced by sanitary sewage processes, other facilities and operations also produce waste that needs to be disposed of properly. These include disposable materials at our central and treatment station laboratories. Sanepar has also implemented initiatives to ensure that replaced water meters, lamps

and other materials are properly disposed of. In 2017, waste production figures increased due to the introduction of new parameters and methods at the USAV Curitiba Central Laboratory (for compliance with regulations on sewage sludge) and Directive 2914/2011 for potable water. G4-EN23.

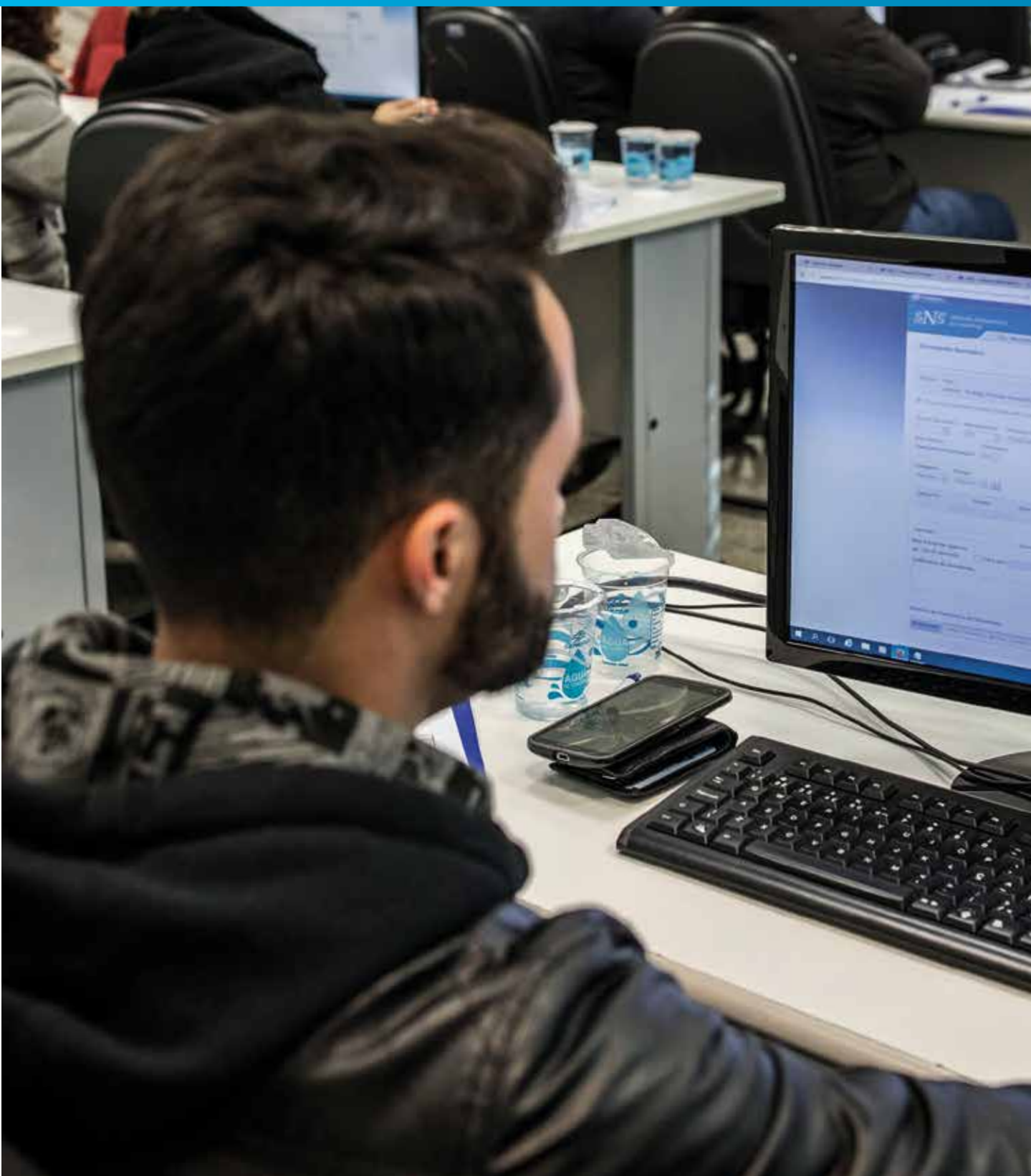
LABORATORIES – WASTE DISPOSAL (t) G4- EN23

Materials	2015	2016	2017
NONHAZARDOUS			
Recycling ¹	10.91	10.91	10.43
Sanitary landfill ²	9.24	9.24	5.89
TOTAL	20.15	20.15	16.32
HAZARDOUS³			
Incineration (mass burn)	5.23	6.29	4.99
Sanitary landfill	0.41	0.09	-
Autoclave and/or microwave disinfection	3.01	2.96	6.28
TOTAL	8.65	9.33	11.26

¹ A4 office paper, newspaper, plastic waste, cardboard and recyclable material.

² Sanitary waste, food waste, grease-impregnated paper towels.

³ Expired. Laboratory reagents and chemicals. Autoclave disinfection also covers infectious medical waste and sharps.



People

MATERIAL TOPIC ADDRESSED IN THIS CHAPTER

- Environmental education

TEAM

Sanepar invests in a range of initiatives designed to foster employee development

SANEPAR EMPLOYEES

In our 54 years as a company, Sanepar has sought to set an example for other sanitation companies in our industry. We recognize that a company thrives not only on competence in business but also on the relationships it builds with employees. Sanepar's 7,165 employees are the foundation on which our operational excellence is built, and are accordingly a continuing priority.

In addition to our Job, Career and Compensation Plan (PCCR), initiatives to provide a safe and healthy environment for employees, and our rewards and development strategy, Sanepar has invested in efforts to increasingly provide equal opportunities. These include a gender equity program aligned with the UN Women's Empowerment Principles (WEPs) under a corporate policy that is reflected in our Code of Ethics and Integrity.

Gender equity is among the Sustainable Development Goals (SDGs), of which we are a signatory. [G4-26](#) In 2017, women accounted for 21.9% of our total workforce, 27.5% of our leadership positions and 11.1% of our highest governance body, the Board of Directors. In 2017 Sanepar inducted 268 young apprentices (174 women and 94 men) into its operations. Interns number equally in men and women. [G4-10](#), [G4-LA12](#), [G4-DMA](#)

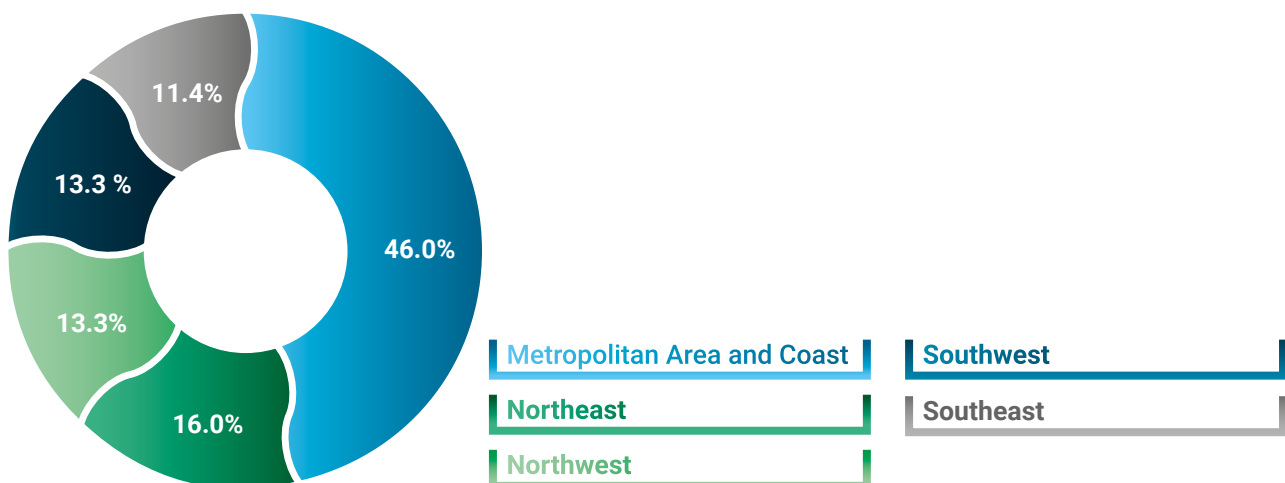
NUMBER OF DIRECT EMPLOYEES BY ORGANIZATIONAL LEVEL G4-10

Total workforce by employee category	2015	2016		2017	
		Men	Women	Men	Women
Board of Directors	33	32	1	38	2
Executive Board	9	9	0	8	0
Managerial	607	419	152	340	132
Professional	800	482	267	488	257
Technician	958	740	198	756	202
Operational/Administrative	5,108	4,129	948	4,046	936
Interns	321	104	118	90	89
Total by gender	7,836	5,915	1,684	5,766	1,618
TOTAL	7,836	7,599		7,384	

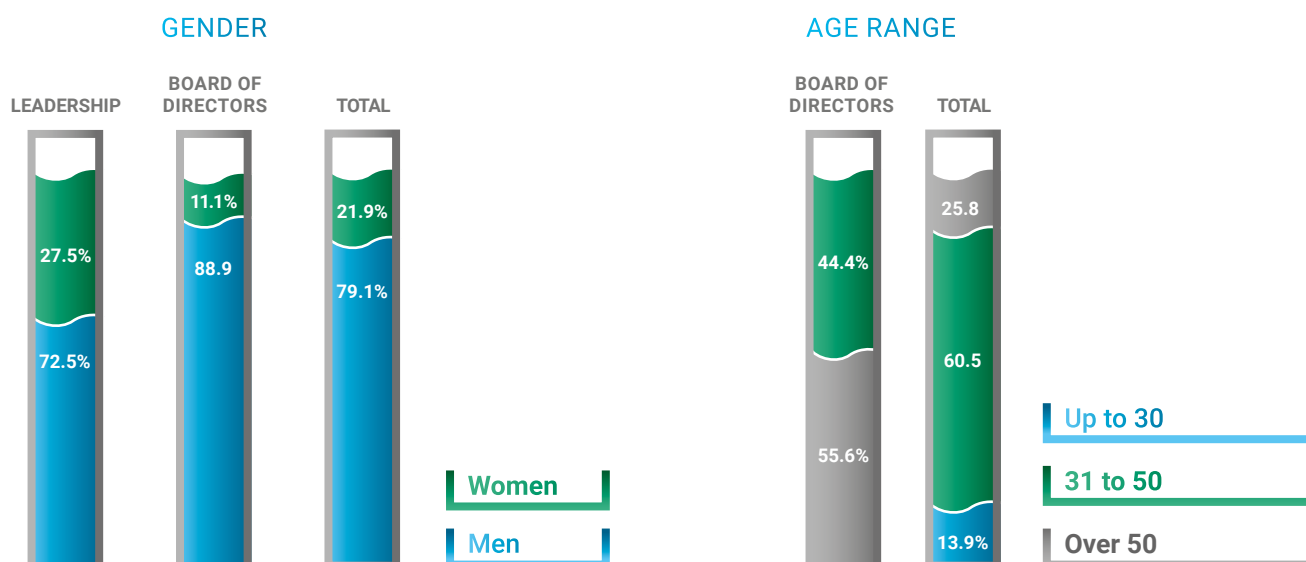
Total workforce ¹ by region	2015	2016		2017	
		Men	Women	Men	Women
Northeast	1,316	1,028	137	1,010	136
Northwest	1,056	786	134	812	141
Metropolitan Area and Coast	3,183	2,543	1,044	2,329	967
Southeast	879	665	101	693	123
Southwest	1,039	757	149	794	160
Total by gender	7,473	5,779	1,565	5,638	1,527
TOTAL	7,473	7,344		7,165	

¹ Not including interns and board members.

WORKFORCE BY REGION (%) G4-10



DIVERSITY (%) G4- LA12



DIVERSITY

Our proportions of employees of color and with disabilities have been monitored effectively since 2016. During that period, 4.42% of employees were people of color and 1.06% were people with disabilities (across managerial, professional, and technical functions). These percentages were 4.72% and 1.31%, respectively, in 2017. G4-LA12.

AVERAGE WAGE APPRAISAL G4- DMA

Average wage appraisals measure the ratio of basic salary of women to men at Sanepar. In the previous three years, women members of the Board have earned more on average than men. At other levels of the organization, men's salaries have increased more than women's. G4-LA13

AVERAGE WAGES (WOMEN/MEN) G4-LA13

	2015	2016	2017
Board of Directors	1.33	1.3	1.09
Executive Board¹	-	-	-
Managerial	0.99	1.06	0.94
Professional	1.13	0.89	0.89
Technician	1.15	0.82	0.84
Operational/Administrative	1.01	0.91	0.91

¹ There are no women in senior management positions.

KNOWLEDGE MANAGEMENT G4-DMA

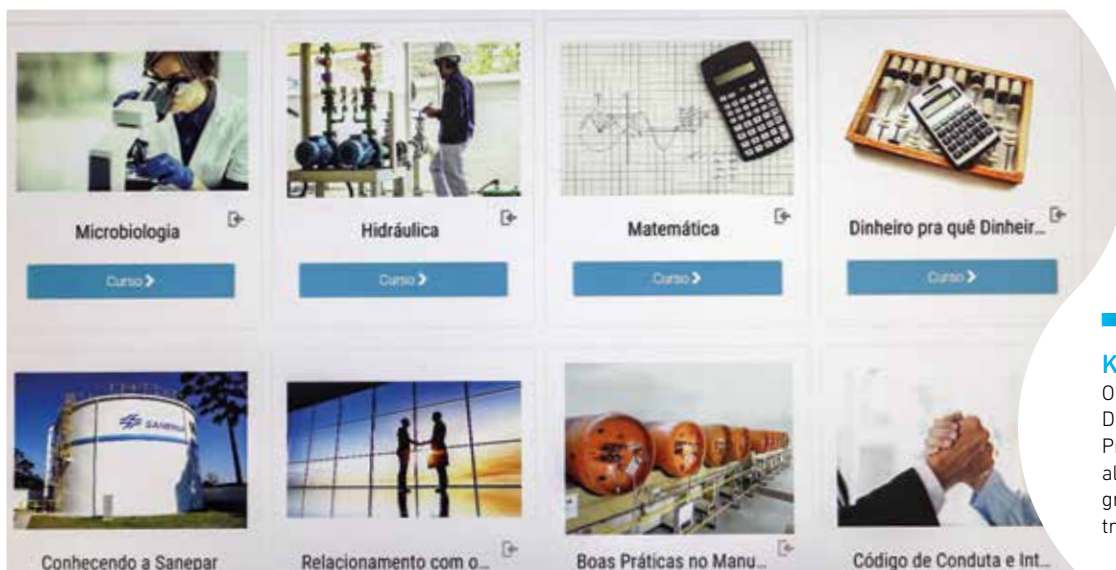
Launched in 2016, our Corporate Distance Learning Program provides employees with greater access to training, with more than 130 training courses addressing subjects that include our most important knowledge areas: water, sanitary sewage, system maintenance, commercial and customer relations. In 2017, the program issued 10,700 certificates out of a total of 15,609 course enrollments.

In addition to distance learning, in-person training for managerial, technical and operational functions is carried out at audience-appropriate venues, such as water and sewage laboratories, mains and branch line maintenance laboratories and the Tarumã Complex in Curitiba. Five Water Treatment Station Schools in Curitiba, Cascavel, Londrina, Maringá and Ponta Grossa provide both theoretical and hands-on training to operations staff in classrooms and laboratories with state-of-the-art equipment. In 2017 we provided a total of 523,451 thousand hours of in-person and online training, an average of 71.29 hours per employee. [G4-LA9](#)

These initiatives will support the future implementation of our Sanitation University, a knowledge management and dissemination platform designed to enhance our intellectual capital and the quality of the environmental sanitation services we deliver to society.

TRAINING AND LEADERSHIP DEVELOPMENT

Developed in collaboration with the Pontifical Catholic University of Paraná (PUC-PR), our Management Training & Development program, initiated in 2015 and in its third phase of implementation in 2017, now extends to professionals with the potential to hold leadership positions, selected through an internal selection process. Phases 1 and 2 were geared to managers and coordinators. At the end of each module, participants develop a project with practical applications within the Company under the supervision of senior leadership personnel, who present case studies illustrating how the content taught throughout the course applies to real-world activities at Sanepar. In 2017, 140 professionals were trained and 225 were enrolled. To date, the program has provided training to 292 employees.



KNOWLEDGE

Our Corporate Distance Learning Program provides all employees with greater access to training

AVERAGE TRAINING PER EMPLOYEE (h) G4-LA9

	2015	2016	2017
BY EMPLOYEE CATEGORY			
Managerial	99.2	64.1	124
Professional	79.2	74.8	91.7
Technician	66.5	62.3	76.8
Operational	46.2	48.7	63.1
BY GENDER			
Men	54.9	51.7	69.6
Women	63.8	57.6	77.2
TOTAL	56.7	54.3	71.3

CAREER PERFORMANCE ASSESSMENT

Our Position, Career and Compensation Plan (PCCR) uses a performance-based management approach to establish procedures, personnel and compensation management policies, technical structures, professional career profiles, and the position-specific skills and roles required to meet organizational needs. Annually, all employees and leadership undergo performance assessments that encourage them to strive for high achievement and performance against goals, and foster and support both personal and professional growth.

Performance assessments measure the extent to which employees demonstrate required competencies – including knowledge, skills, mentalities, behavioral attributes, delivery, productivity and effectiveness – as well as their performance indicators. In 2017 the company engaged more than 90% of employees in the process. [G4-LA11](#)

EMPLOYEE SATISFACTION

Sanepar evaluates employee well-being and satisfaction through an annual organizational climate survey called *Fale Francamente*, which was first conducted in

2001. All employees are given the opportunity to complete the survey on the intranet using a password-protected interface to safeguard the confidentiality and credibility of the process. Survey results are reviewed through a feedback process involving employees and their supervisors to identify opportunities for improvement, recommend action to address issues, and develop action plans, which are then incorporated in department-specific or strategic plans. The response rate in the 2016 survey was 81.81%, with an average overall satisfaction score of 7.27 on a scale of 0 to 10.

HEALTH AND SAFETY

A wide range of initiatives are in place – involving substantial investment – to improve health and safety. Among the most important initiatives are preventive measures such as: occupational safety technicians working directly at operation locations; on-site workplace assessments to identify areas for improvement in occupational hygiene and risk prevention standards; staff ergonomics assessments to inform action plans; annual flu vaccination campaigns; and effective Accident Prevention Committee (CIPA) activities.

All employees are eligible to health insurance (Sane-Saúde) and private pension plans (FusanPrev) managed by Fundação Sanepar de Previdência e Assistência Social, a not-for-profit foundation.

COLLECTIVE BARGAINING

Collective bargaining agreements cover 100% of our employees and are established through negotiation with 22 unions. In recent years, Sanepar has developed closer relations with these organizations and created a permanent Union Relations Committee. [G4-11](#)

Social & Environmental Responsibility

In addition to delivering excellence in environmental sanitation services for better health and quality of life, Sanepar seeks to build positive relations with the communities we serve and engage them around water and biodiversity conservation and using natural resources responsibly. Environmental education initiatives are developed for communities in our service area and for our employees, who then teach the concepts and practices they have learned to others. [G4-26](#)

SE LIGUE NA REDE

This program raises awareness about the importance of proper sewage collection connections to prevent pollution in water bodies. While under the responsibility of each resident, Sanepar closely monitors sewage connections and provides necessary guidance.

Program teams approach communities before the connection works begin to establish communications

and provide technical information, such as information about impacts, the work schedule and the responsibilities of the company and residents. To gain further support, the initiative mobilizes community leaders and local public agencies.

The program also trains plumbers on installing proper sewage service connections, providing both professional training and income opportunities. Both during and following completion of service connection works, Sanepar organizes educational events to teach residents to teach others the concepts of environmental conservation.

Properly installed sewage connections have demonstrated communities' positive response to the program. In 2017, Sanepar ran the program in more than 50 regions across the State, resulting in 21,000 properly connected properties.

Environmental Education for Communities

At the Mananciais da Serra Environmental Education Center in the Carvalho Reservoir area, within the Metropolitan Area of Curitiba, visitors and especially students are offered tours of the premises and facilities at Paraná's first public water supply system. This system is within a protected area in the municipality of Piraquara, hosting the sources of the main rivers from

which the Curitiba Metropolitan Area derives its water supply. In 2017, 10,084 people participated in activities at the Mananciais da Serra Sanitation Museum.

Sanepar's Sanitation Museum is a heritage and culture facility dedicated to the history of sanitation in the state of Paraná, providing visitors with the opportunity to

learn about and connect with the environment. The museum was created in 2014 at the former Tarumã Water Treatment Plant, the first in Curitiba, built in 1945. The historical collection comprises 10,000 articles, including plans, documents, photographs and other objects. In 2017, 1,560 people participated in activities at the Sanitation Museum.

OPERATION SUMMER

During the summer, activities organized on the coast of Paraná raise awareness about responsible water consumption. Sanepar installs shower stalls known as *Ecoduchas* along the shoreline in Pontal do Paraná, Matinhos and Guaratuba. Since 2016, we have also provided "amphibious chairs" so that people with disabilities can safely enter the water. These and other initiatives are part of a strategy to raise awareness among summer vacationers on the responsible use of water in swimming pools and bathtubs, on the importance of proper sewage connections, and on other subjects.

ECOEXPRESSO

Good water conservation practices are taught to community residents aboard five touring *Ecoexpresso* educational buses parked at schools or public squares. Visitors learn about the water supply journey from river to tap, and about how water undergoes treatment and quality control before arriving at its destination. Visitors also learn about how wastewater then flows through the sewage system and undergoes proper treatment so it meets regulatory requirements before returning to the river.

Topics such as municipal waste disposal and treatment, climate change, deforestation, waste management and health are also addressed by the *Ecoexpresso* program, which toured 66 municipalities and hosted 56,387 visitors in 2017.



CIRCULAR ECONOMY

Ecoexpresso brings information about good water conservation practices to all communities

Employee environmental education

HELPFUL HABITS PROGRAM

Through this program, Sanepar encourages all employees to develop habits that help to maintain and improve the work environment and quality of life while also contributing to sustainability by minimizing waste, using resources efficiently and minimizing and managing solid waste. Helpful Habits is among our strategies in the People dimension designed to deliver on our strategic goal of operating in a socially and environmentally responsible manner towards our employees, third parties and society.

ECOPROSA

Sanepar organizes monthly “coffee and prose” meetings to discuss environmental issues. Some of the topics covered in 2017 include: agroecology and health, use of water in agriculture, disposal of cooking oil, kitchen gardens and pesticide-free foods.

OIL-FREE SYSTEMS

In 2014 Sanepar implemented the Oil-Free Systems initiative to raise employee awareness about the risks of improper disposal of cooking oil, which can cause clogging and damage to sewage collection systems.

The program has now been incorporated in the *Caring for the System* initiative and extended to the broader community, generating significant impact. Through environmental education campaigns, the program aims to show that sewage systems are not meant for the disposal of all types of waste.

In 2017, 4,108 liters of oil were collected and delivered to partner non-profit organizations supporting social programs. To date, 128 collection points have been installed for the benefit of 20 cities in Paraná.



ENVIRONMENTAL

Ecoproza organizes monthly employee meetings to discuss environmental topics that are relevant to their day-to-day activities, such as kitchen gardens and pesticide-free foods



An important goal at Sanepar is to implement continuing environmental education initiatives addressed to employees and surrounding communities

TAX-DEDUCTED FUNDING (R\$ THOUSAND)	2017
Cultural and artistic	4,000
Sports	1,000
Children and Elderly Fund	1,000
Elderly Fund	1,000
National Dental Care Program	1,000
National Health Care Program for Persons with Disabilities (PRONAS)	735
Workers' Meal Program (PAT)	5,079
Corporate Citizenship Incentive	898
<i>Lei do Bem</i>	2,344
TOTAL	17,056

Ibase Social Balance Sheet

Annual Social Balance Sheet	2016			2017		
1) Calculation Base	Amount (R\$ thousand)			Amount (R\$ thousand)		
Net Operating Revenue (NOR)	3,477,525			3,869,401		
Operating Income (OI)	789,585			914,073		
Gross Payroll (GP)	899,883			926,708		
2) Internal Social Indicators	Amount (R\$ thousand)	% of GP	% of NOR	Amount (R\$ thousand)	% of GP	% of NOR
Meals	89,583	9.95	2.58	94,491	10.20	2.44
Compulsory social charges	194,333	21.60	5.59	206,464	22.28	5.34
Pension plan	28,340	3.15	0.81	30,566	3.30	0.79
Health insurance	54,877	6.10	1.58	60,241	6.50	1.56
Transportation tickets	1,671	0.19	0.05	1,488	0.16	0.04
Occupational health and safety	10,504	1.17	0.30	11,638	1.26	0.30
Education	19	-	-	12	-	-
Training and professional development	2,837	0.32	0.08	4,191	0.45	0.11
Day care and day care allowance	2,187	0.24	0.06	2,313	0.25	0.06
Profit sharing	53,123	5.90	1.53	69,681	7.52	1.80
Other	138,511	15.39	3.98	119,662	12.91	3.09
Total – Internal Social Indicators	575,985	64.01	16.56	600,747	64.83	15.53
3) External Social Indicators	Amount (R\$ thousand)	% of GP	% of NOR	Amount (R\$ thousand)	% of GP	% of NOR
Cultural, artistic, audiovisual and sports	4,246	0.54	0.12	5,000	0.55	0.13
Children and Elderly Funds	1,700	0.22	0.05	2,000	0.22	0.05
Health and dental care programs	850	0.11	0.02	1,735	0.19	0.04
Recreation and leisure	1,518	0.19	0.04	1,539	0.17	0.04
Other	9,112	1.15	0.26	6,723	0.74	0.17
Total contributions to society	17,426	2.21	0.49	16,997	1.87	0.43
Taxes (not including social charges)	436,880	55.33	12.56	550,414	60.22	14.22
Total – External Social Indicators	454,306	57.54	13.05	567,411	62.09	14.65
4) Environmental Indicators	Amount (R\$ thousand)	% of GP	% of NOR	Amount (R\$ thousand)	% of GP	% of NOR
Related to company operations	851,251	107.81	24.28	961,734	105.21	24.85
In external programs and/or projects	30,575	3.87	0.89	43,070	4.71	1.11
Total environmental investment	881,826	111.68	25.36	1,004,804	109.93	25.96
5) Functional Staff Indicators	2016			2017		
Number of employees at period-end	7,344			7,165		

Annual Social Balance Sheet	2016	2017
Number of new hires in the period	217	212
Number of trainees	222	179
Number of employees over 45	3,094	2,992
Number of women working at the company	1,565	1,527
% management positions held by women	26.00%	24.87%
Number of people of color working at the company ¹	326	338
Number of employees with disabilities or special needs ²	82	98

6) Material information regarding corporate citizenship

Ratio of lowest to highest earners at the company	15.25			23.04		
Total number of occupational injuries	401			364		
The social and environmental programs implemented by the company have been developed by:	<input type="checkbox"/> top management	<input checked="" type="checkbox"/> top and middle management	<input type="checkbox"/> all employees	<input type="checkbox"/> top management	<input checked="" type="checkbox"/> top and middle management	<input type="checkbox"/> all employees
Occupational health and safety standards have been defined by:	<input type="checkbox"/> top management	<input type="checkbox"/> top and middle management	<input checked="" type="checkbox"/> all employees + CIPA	<input type="checkbox"/> top management	<input type="checkbox"/> top and middle management	<input checked="" type="checkbox"/> all employees + CIPA
The private pension plan covers:	<input type="checkbox"/> top management	<input type="checkbox"/> top and middle management	<input checked="" type="checkbox"/> all employees	<input type="checkbox"/> top management	<input type="checkbox"/> top and middle management	<input checked="" type="checkbox"/> all employees
Profit sharing is extended to:	<input type="checkbox"/> top management	<input type="checkbox"/> top and middle management	<input checked="" type="checkbox"/> all employees	<input type="checkbox"/> top management	<input type="checkbox"/> top and middle management	<input checked="" type="checkbox"/> all employees
When selecting suppliers the ethical, social responsibility and environmental standards adopted by the company:	<input type="checkbox"/> are not addressed	<input type="checkbox"/> are suggested	<input checked="" type="checkbox"/> are required	<input type="checkbox"/> are not addressed	<input type="checkbox"/> are suggested	<input checked="" type="checkbox"/> are required
In respect of employee participation in voluntary programs, the company:	<input type="checkbox"/> does not get involved	<input type="checkbox"/> gives support	<input checked="" type="checkbox"/> offers organization and incentives	<input type="checkbox"/> does not get involved	<input type="checkbox"/> gives support	<input checked="" type="checkbox"/> offers organization and incentives
Added value to be distributed (in R\$ thousand)	2,435,923			2,720,151		
Distribution of Added Value (DVA)	24.1% government	38.3% employees	13.5% retained	25.5% government	35.9% employees	13.3% retained
	12.2% shareholders	11.9% third parties		12.0% shareholders	13.3% third parties	

¹ Afro-descendant quotas for new hires from calendar year 2005.

² People-with-disability quotas for new hires from calendar year 2000.



About This Report

Annual Reports are one of the primary tools that Sanepar relies upon to report to shareholders, market analysts, customers, employees, suppliers, and other stakeholders. The contents of this report cover the period January 1 to December 31, 2017 and, now for the third year, have been prepared in accordance with the Core option under the Global Reporting Initiative (GRI) G4 guidelines.

This report also adheres to the Sustainability Accounting Standards Board (SASB) Framework and the standards issued by the Company Reporting Guidance Committee (CODIM). Sanepar also seeks to keep current on best practice in corporate reporting and in achieving transparency. Accordingly, we seek to observe the integrated reporting principles laid down by the International Integrated Reporting Council (IIRC), although not meeting its requirements in full. This will require a constant cycle of continual improvement.

The contents and disclosures in this report are based

on operational indicators deemed material to Sanepar and our industry, such as system coverage rates, loss rates, investment in expansion and modernization, monitored parameters, etc. – as well as the social, environmental, and economic topics deemed by Sanepar and our stakeholders to be most material. In 2016, we conducted a materiality exercise in which our internal and external stakeholders were surveyed to identify the topics most material to our sustainability management and communications. These topics were then validated by top management and aligned with our organizational strategy.

Sanepar believes that reporting on our performance to society is a process that should involve actively listening and acting upon suggestions and feedback.

Material topics G4-20, G4-21

Stakeholders ¹	GRI Aspect	Is the aspect material ²		Disclosure ³	Chapter ⁴
		Within Sanepar?	Outside Sanepar?		
Corporate governance, transparency and anti-corruption					
Employees Customers Government Investors and analysts Suppliers Sanitation utilities Social responsibility partners	Anti-corruption	Yes	No	GRI: SO3 and SO5	Corporate Governance
Compliance and relations with regulators					
Employees Customers Suppliers Sanitation utilities Social responsibility partners	Compliance (Environmental, Society, Products and Services)	Yes	Yes	GRI: EN29, SO8 and PR9 SASB: IF0103-3	Corporate Governance, Processes and Customers
Profitability and financial balance					
Investors and analysts Sanitation utilities Social responsibility partners	Economic performance; Product and service labeling	Yes	Yes	GRI: EC1 and PR5	Sustainability & People
Quality of service					
Government Investors and analysts Suppliers Social responsibility partners	Health and safety; Product and service labeling	No	Yes	GRI: PR1 and PR5 SASB: IF0103 and IF0103-7	Customers
Reducing environmental impacts from operations and improving energy efficiency					
Customers Suppliers Sanitation utilities Social responsibility partners	Energy Emissions Effluents and waste General (Environmental)	Yes	Yes	GRI: EN3, EN5, EN15, EN16, EN18, EN23 and EN31 SASB: IF0103-1, IF0103-3, IF0201-1 and IF0201-11	Processes
Water resource management					
Customers Government Suppliers Sanitation utilities Social responsibility partners	Water Effluents and waste	No	Yes	GRI: EN8 and EN22	Processes
Operating efficiency and infrastructure improvements					
Employees Government Investors and analysts Suppliers Social responsibility partners	Energy, Training and education	Yes	No	GRI: EN5, LA9 and LA11 SASB: IF0103-13	Processes and People
Access to water and sanitation					
Government Social responsibility partners	-	No	Yes	SASB: IF0103-6 and IF0103-10	Processes and People
Environmental education					
Customers Social responsibility partners	General (Environmental)	Yes	Yes	GRI: EN31	People

¹ Stakeholders who identified the topic as being material in surveys conducted during the materiality process.

² Based on an analysis of where the primary impacts from each material topic are felt.

³ Topics not related to aspects covered by GRI guidelines have been covered through a survey to collect relevant information and, where possible, metrics describing Sanepar's performance.

⁴ The chapter in this report in which the topic is discussed.

Note: In addition to the indicators defined based on the materiality process, information has also been included on diversity of opportunity—a commitment at Sanepar—in accordance with the GRI methodology.

GRI Content Summary

The table below indicates the location of standard general and specific disclosures under the GRI framework. For ease of reference, these disclosures are also flagged throughout the text.

GENERAL DISCLOSURES

Aspect	Description	Page/where addressed
Strategy and analysis	G4-1 Statement by the CEO	8, 9
	G4-2 Description of key impacts, risks, and opportunities: focus on the organization's key impacts on sustainability and effects on stakeholders	8, 9
	G4-3 Name of organization	11
	G4-4 Primary brands, products, and services	11
	G4-5 Location of organization's headquarters	11
	G4-6 Countries where the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	11
	G4-7 Nature of ownership and legal form	11
	G4-8 Markets served	13
	G4-9 Scale of organization	13
	G4-10 Employee profile	67, 68
	G4-11 Percentage of employees covered by collective bargaining agreements	72
Organizational profile	G4-12 Description of organization's supply chain	Most contracts are awarded in tender procedures not requiring prior registration but only that bidders meet the legal requirements for qualification set out in the invitation. Our current registered vendor network comprises 567 companies. Most (54%) are suppliers of goods and services, largely chemicals, pipes and fittings, and laboratory materials.
	G4-13 Significant changes regarding size, structure, ownership, or supply chain	35, 36
	G4-14 Whether and how the precautionary approach or principle is addressed by the organization	Sanepar has fully adopted the precautionary approach, and strategic planning and decision-making are guided by risk management principles and the highest standards of responsible conduct to minimize negative impact and create shared value.
	G4-15 Externally developed charters, principles or other initiatives	United Nations (UN) Sustainable Development Goals (SDGs); the Women's Empowerment Principles of the United Nations Entity for Gender Equality and the Empowerment of Women; Paraná Council for Corporate Citizenship of the Paraná State Industry Federation (FIEP); and the Management Excellence Benchmarking Committee.
	G4-16 Memberships of associations and organizations	59, 60

Aspect	Description	Page/where addressed
Identified material aspects and boundaries	G4-17 Entities included in consolidated financial statements and entities not covered by the report	The scope of the GRI content is the same as covered in the financial statements.
	G4-18 Process for defining the report content	27
	G4-19 List of material aspects	4, 5
	G4-20 Aspect boundary within the organization	4, 5, 79
	G4-21 Aspect boundary outside the organization	4, 5, 79
	G4-22 Restatements of information provided in previous reports, and the reasons for such restatements	Information on greenhouse gas emissions (G4-EN15, EN16, EN18) and energy consumption (G4-EN3) has been restated as described in a footnote to the indicator. 61, 62, 63, 64
	G4-23 Significant changes from previous reporting periods in the scope and aspect boundaries	There have been no significant changes in the scope and aspect boundaries.
Stakeholder engagement	G4-24 List of stakeholder groups engaged by the organization	27
	G4-25 Basis for identification and selection of stakeholders with whom to engage	27
	G4-26 Approach to stakeholder engagement	4, 5, 42, 43, 67, 72
	G4-27 Key topics and concerns that have been raised through stakeholder engagement	4, 5
Report profile	G4-28 Reporting period	78
	G4-29 Date of most recent previous report	78
	G4-30 Reporting cycle	78
	G4-31 Contact point for questions regarding the report or its content	Any queries about this report should be directed to the Social Communication Services Unit by calling (41) 3330-3077.
G4-32 "In accordance" option the organization has chosen and location in GRI Content Index	78	
G4-33 Policy and current practice with regard to seeking external assurance for the report	No assurance was sought.	
Governance	G4-34 Governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	22
Ethics and integrity	G4-56 Values, principles, standards and norms of behavior	21

SPECIFIC DISCLOSURES

Aspect	Description	Page/where addressed
Economic		
Economic performance	G4-DMA Management approach	28
	G4-EC1 Direct economic value generated and distributed	37
Environmental		
Energy	G4-DMA Management approach	60
	G4-EN3 Energy consumption within the organization	61, 62
	G4-EN5 Energy intensity	61
Water	G4-DMA Management approach	52
	G4-EN8 Total water withdrawal by source	52
Emissions	G4-DMA Management approach	63
	G4-EN15 Direct greenhouse gas (GHG) emissions	63
	G4-EN16 Other indirect GHG emissions	63
	G4-EN18 Greenhouse gas (GHG) emissions intensity	63, 64
Effluents and waste	G4-DMA Management approach	53
	G4-EN22 Total water discharge by quality and destination	54
	G4-EN23 Total weight of waste by type and disposal method	56, 65
Compliance	G4-DMA Management approach	51
	G4-EN29 Significant ¹ fines and sanctions for noncompliance with environmental laws and regulations	All Sanepar business units monitor water quality parameters as required under the Company's Environmental License and water resource permits. Our Multi-annual Investment Plan includes the investment needed to sustain process excellence. Action plans are developed for any identified nonconformities. In 2017 the Company received 5 penalty notices from IAP and the Municipal Office of the Environment (SMMA) of Foz do Iguaçu, for which the Company has submitted its defense. Environmental compensation and fine settlement agreements of R\$ 31,350,515.68 have been concluded without admission of liability. In addition to environmental compensation, prior-year IAP fines of R\$ 731,099.96 were paid.
General	G4-DMA Management approach	58
	G4-EN31 Total environmental protection expenditures and investments by type	58
1 Fines have been assessed individually for their applicability to the relevant incidents and audit procedures. This has enhanced the Company's ability to control environmental liabilities.		
Social – labor practices and decent work		
Training and education	G4-DMA Management approach	70
	G4-LA9 Average hours of training per year	70, 71
	G4-LA11 Percentage of employees receiving regular performance and career development review	71
Diversity and equal opportunity	G4-DMA Management approach	67, 69
	G4-LA12 Composition of governance bodies and breakdown of employees per employee category	67, 68
Equal remuneration for women and men	G4-DMA Management approach	69
	G4-LA13 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	69
Category: social – society		
Anti-corruption	G4-DMA Management approach	23
	G4-SO3 Operations assessed for risks related to corruption	23
	G4-SO5 Confirmed incidents of corruption and actions taken	24
Compliance	G4-DMA Management approach	20
	G4-SO8 Significant fines for non-compliance with laws and regulations related to society	In the last two years there have been no significant fines or non-monetary sanctions for non-compliance with laws and regulations related to society and services provided.

Social – product responsibility

Customer health and safety	G4-DMA Management approach	43
	G4-PR1 Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	43
Product and service labeling	G4-DMA Management approach	45
	G4-PR5 Results of surveys measuring customer satisfaction	45
Compliance	G4-DMA Management approach	43
	G4-PR9 Significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	In the last two years there have been no significant fines or non-monetary sanctions for non-compliance with laws and regulations related to society and services provided.

SASB DISCLOSURES (FULLY OR PARTIALLY) COVERED:

INFRASTRUCTURE – WATER UTILITIES

- IF0103-1: Total energy consumed, percentage grid electricity, percentage renewable.
- IF0103-3: Strategies to manage effluents of emerging concern.
- IF0103-6: Strategies to manage risks associated with the quality and availability of water resources.
- IF0103-7: Number of acute health-based, non-acute health-based, and non-health-based drinking water violations.

- IF0103-10: Discussion of how considerations of fair pricing and access are integrated into determinations of rate structures.
- IF0103-13: Volume of non-revenue real water losses.

INDUSTRY – WASTE MANAGEMENT

- IF0201-1: Gross global Scope 1 emissions, percentage covered under emissions-limiting regulation, and percentage covered under emissions-reporting regulation.
- IF0201-11: Number of incidents of non-compliance associated with environmental impacts.
- IF0201-19: Amount of material recycled and composted.

Report Production

ANNUAL AND SUSTAINABILITY REPORT 2017 COORDINATION

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PHOTOS

Sanepar Archives



Financial Statements

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STATEMENTS OF FINANCIAL POSITION

Years ended December 31, 2017 and 2016

(In thousands of reais)

ASSETS

	Note	2017	2016
Current			
Cash and Cash Equivalents	5	533,888	638,330
Trade Accounts Receivable	6	606,250	559,797
Inventory		36,892	36,722
Taxes and Contributions Recoverable	7	24,098	39,021
Escrow deposits	8	5,838	9,844
Other Accounts Receivable	9	32,248	23,526
Total Current		1,239,214	1,307,240
Noncurrent			
Trade Accounts Receivable	6	11,087	10,706
Taxes and Contributions Recoverable	7	823	760
Escrow Deposits	8	49,499	45,834
Contractual Financial Assets	10	201,077	172,381
Judicial Deposits	18.c	185,365	156,442
Deferred Income and Social Contribution Taxes	16.b	453,133	373,997
Other Accounts Receivable	9	42,904	43,695
Investments	11	19,466	12,403
Property, plant and equipment	12.a	129,945	131,268
Intangible Assets	12.b	7,790,158	7,199,393
Total Noncurrent		8,883,457	8,146,879
TOTAL ASSETS		10,122,671	9,454,119

See the accompanying notes to the financial statements.

STATEMENTS OF FINANCIAL POSITION

Years ended December 31, 2017 and 2016

(In thousands of reais)

LIABILITIES

	Note	2017	2016
Current			
Loans, Financing, Debentures and Finance Leases	13	562,548	379,163
Contractors and Suppliers		182,655	133,505
Concession Agreements	14	7,716	7,501
Taxes and Contributions	15	66,941	63,260
Payroll and Related Charges		176,720	157,379
Dividends and Interest on Shareholders' Equity	20/22	136,265	134,055
Unappropriated Revenue	17	4,200	542
Contractual Retentions and Pledges		2,674	2,338
Retirement and Medical Assistance Plan	19	62,443	53,062
Other Accounts Payable	21	54,481	36,513
Total current		1,256,643	967,318
Noncurrent			
Loans, Financing, Debentures and Finance Leases	13	2,154,290	2,332,911
Concession Agreements	14	84,273	89,425
Taxes and Contributions	15	1,268	1,411
Unappropriated Revenue	17	13,300	-
Provisions	18.a	505,634	506,576
Retirement and Medical Assistance Plan	19	874,199	742,866
Other Accounts Payable	21	80,410	4,939
Total Noncurrent		3,713,374	3,678,128
Total Liabilities		4,970,017	4,645,446
Shareholders' Equity			
Capital	22	2,851,089	2,847,664
Revaluation Reserve		81,204	87,200
Equity Appraisal Adjustments		8,007	10,410
Profit Reserves		2,162,899	1,779,937
Other Comprehensive Income		49,455	83,462
Total Shareholders' Equity		5,152,654	4,808,673
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		10,122,671	9,454,119

See the accompanying notes to the financial statements.

STATEMENTS OF INCOME

Years ended December 31, 2017 and 2016

(In thousands of reais, except for net income per share)

	Note	2017	2016
Net Operating Revenue	23	3,869,401	3,477,525
Costs of the Services Rendered	24	(1,556,135)	(1,445,108)
Gross Profit		2,313,266	2,032,417
Operating Expenses			
Commercial	25	(315,204)	(253,067)
Administrative	25	(632,769)	(616,161)
Other Operating Income (Expenses)	25	(69,335)	(11,197)
Equity in Net Income of Subsidiaries	11	(1,791)	(3,361)
Provisions for Civil, Labor, Tax and Environmental Claims	18.a	942	(43,153)
Provisions for Retirement and Medical Assistance Plans	19	(89,188)	(98,489)
Profit-Sharing Program	26	(69,681)	(53,123)
		(1,177,026)	(1,078,551)
Financial Income (Expenses)			
Financial Revenue	27	91,882	80,526
Financial Expenses	27	(314,049)	(244,807)
		(222,167)	(164,281)
Profit before Income and Social Contribution Taxes		914,073	789,585
Income Tax and Social Contribution	16.a	(227,901)	(162,738)
NET INCOME FOR THE YEAR		686,172	626,847
Net Income Attributed to Common Shares		214,429	195,890
Net Income Attributed to Preferred Shares		471,743	430,957
Basic and Diluted Earnings per Share			
Common	22.e	1.27703	0.86811
Preferred		1.40474	1.71311
Number of Shares at Year-end			
Common		167,911,753	167,911,724
Preferred		335,823,420	335,823,449

See the accompanying notes to the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2017 and 2016

(In thousands of reais)

	2017	2016
Net Income for the Year	686,172	626,847
Other Net Comprehensive Income to be Reclassified to Net Income for the Year in Subsequent Periods	(34,007)	3,959
Actuarial Gains and Losses	(51,526)	5,998
Effect of Deferred Income and Social Contribution Taxes	17,519	(2,039)
Comprehensive Income for the Year	652,165	630,806

See the accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended December 31, 2017 and 2016

(In thousands of reais)

	Capital	Revaluation Reserve	Equity Appraisal Adjustments
Balances at December 31, 2015	2,597,360	92,825	12,147
Capital Increase	257,592	-	-
Stock Issuance Expense	(7,288)	-	-
Realization of the Revaluation Reserve	-	(8,522)	-
Realization of Taxes on the Revaluation Reserve	-	2,897	-
Realization of Deemed Cost Adjustment	-	-	(2,631)
Realization of Taxes on Deemed Cost Adjustment	-	-	894
Actuarial Gains and Losses	-	-	-
Provision for Taxes on Actuarial Gains and Losses	-	-	-
Additional Dividends for 2015	-	-	-
Net Income for the Year	-	-	-
Allocation proposed to A.G.M.:			
Formation of Legal Reserve	-	-	-
Tax Incentives	-	-	-
Interest on Shareholders' Equity	-	-	-
Additional Dividends Proposed	-	-	-
Profit retention	-	-	-
Balances at December 31, 2016	2,847,664	87,200	10,410
Stock Issuance Expense	3,425	-	-
Realization of the Revaluation Reserve	-	(9,085)	-
Realization of Taxes on the Revaluation Reserve	-	3,089	-
Realization of Deemed Cost Adjustment	-	-	(3,640)
Realization of Taxes on Deemed Cost Adjustment	-	-	1,237
Actuarial Gains and Losses	-	-	-
Provision for Taxes on Actuarial Gains and Losses	-	-	-
Additional dividends for 2016	-	-	-
Net Income for the Year	-	-	-
Allocation proposed to A.G.M.:			
Formation of Legal Reserve	-	-	-
Tax Incentives	-	-	-
Interest on Shareholders' Equity	-	-	-
Additional Dividends Proposed	-	-	-
Profit retention	-	-	-
Balances at December 31, 2017	2,851,089	81,204	8,007

See the accompanying notes to the financial statements.

Profit Reserves							Total
Investment Plan	Legal	Tax Incentives	Additional Dividend Proposed	Retained Earnings	Other Comprehensive Income		
1,112,842	172,681	8,998	103,951	-	79,503	4,180,307	
-	-	-	-	-	-	257,592	
-	-	-	-	-	-	(7,288)	
-	-	-	-	8,522	-	-	
-	-	-	-	(2,897)	-	-	
-	-	-	-	2,631	-	-	
-	-	-	-	(894)	-	-	
-	-	-	-	-	5,998	5,998	
-	-	-	-	-	(2,039)	(2,039)	
-	-	-	(103,951)	-	-	(103,951)	
-	-	-	-	626,847	-	626,847	
-	31,343	-	-	(31,343)	-	-	
-	-	335	-	(335)	-	-	
-	-	-	-	(293,404)	-	(293,404)	
-	-	-	148,792	(4,181)	-	144,611	
304,946	-	-	-	(304,946)	-	-	
1,417,788	204,024	9,333	148,792	-	83,462	4,808,673	
-	-	-	-	-	-	3,425	
-	-	-	-	9,085	-	-	
-	-	-	-	(3,089)	-	-	
-	-	-	-	3,640	-	-	
-	-	-	-	(1,237)	-	-	
-	-	-	-	-	(51,526)	(51,526)	
-	-	-	-	-	17,519	17,519	
-	-	-	(148,792)	-	-	(148,792)	
-	-	-	-	686,172	-	686,172	
-	34,277	-	-	(34,277)	-	-	
-	-	629	-	(629)	-	-	
-	-	-	-	(319,105)	-	(319,105)	
-	-	-	162,816	(6,528)	-	156,288	
334,032	-	-	-	(334,032)	-	-	
1,751,820	238,301	9,962	162,816	-	49,455	5,152,654	

STATEMENTS OF CASH FLOWS

Years ended December 31, 2017 and 2016 (In thousands of Reais)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income for the Year	686,172	626,847
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities		
Depreciation and Amortization	247,282	217,111
Cost of Write-off of PPE and Intangible Assets	10,286	12,651
Asset Impairment	826	1,285
Investment Write-off Cost	214	-
Adjustment to Present Value of Financial Assets	4,007	(22,625)
Provision for Credit Realization Losses	28,800	21,775
Deferred Income and Social Contribution Liabilities, net	(61,617)	(41,261)
Provisions	(942)	43,153
Retirement and Medical Assistance Plan	89,188	98,489
Interest on Financing	234,116	238,666
Monetary Variance of Financing	58,878	50,055
Equity in Net Income of Subsidiaries	1,791	3,361
Appropriation of Costs on Borrowing	825	378
Adjustment to Fair Value - Investments	2,089	-
	615,743	623,038
Change in Assets and Liabilities		
Trade Accounts Receivable	(75,634)	(105,261)
Taxes and Contributions Recoverable	14,860	(10,268)
Judicial Deposits	(28,923)	(23,548)
Inventory	(170)	(1,060)
Other Accounts Receivable	(7,931)	(27,216)
Contractors and Suppliers	49,150	8,101
Concession Agreements	(4,937)	(1,241)
Taxes and Contributions	(24,556)	(3,150)
Salaries and Charges Payable	19,341	17,093
Contractual Retentions and Pledges	336	(346)
Unappropriated Revenue	16,958	(3,250)
Notes Payable	-	(3,087)
Other Accounts Payable	93,439	65
	51,933	(153,168)
Cash Provided by Operations	1,353,848	1,096,717
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Investment in PP&E and Intangible Assets	(777,807)	(701,293)
Investments	(11,157)	(7,540)
Cash used in Investing Activities	(788,964)	(708,833)
CASH FLOWS FROM FINANCING ACTIVITIES		
Funding Obtained	213,321	494,178
Amortization of Financing	(361,409)	(219,152)
Loan Interest Payments	(243,699)	(227,344)
Costs Incurred on Borrowing	-	(1,823)
Escrow Deposits	341	(11,953)
Payment of Dividends and Interest on Shareholders' Equity	(281,305)	(197,561)
Primary Share Issuance	-	257,592
Stock Issuance Expense	3,425	(7,288)
Cash Provided by Financing Activities	(669,326)	86,649
CHANGE IN CASH AND CASH EQUIVALENTS	(104,442)	474,533
Opening Balance of Cash and Cash Equivalents	638,330	163,797
Closing Balance of Cash and Cash Equivalents	533,888	638,330

See the accompanying notes to the financial statements.

STATEMENTS OF ADDED VALUE

Years ended December 31, 2017 and 2016 (In thousands of Reais)

	2017	%	2016	%
Revenue				
Sale of Services Rendered	4,166,955		3,741,006	
Other Income	(69,335)		(11,197)	
Asset Realization and Recovery Losses	(28,800)		(21,775)	
	4,068,820		3,708,034	
Consumables Acquired from Third Parties				
Chemical Products Consumed	(83,190)		(73,173)	
Materials Consumed	(74,777)		(66,626)	
Electricity	(379,440)		(385,599)	
Other Costs of Goods and Services	(377,557)		(347,222)	
Contracted Services	(188,169)		(161,326)	
Other Operating Expenses	(88,345)		(98,219)	
	(1,191,478)		(1,132,165)	
Gross Added Value	2,877,342		2,575,869	
Depreciation and Amortization	(247,282)		(217,111)	
Net Added Value	2,630,060		2,358,758	
Transferred Added Value				
Equity in Net Income of Subsidiaries	(1,791)		(3,361)	
Financial Revenue	91,882		80,526	
Total Added Value to be Distributed	2,720,151		2,435,923	
Distribution of Added Value				
Employees and D&O				
Payroll and Charges	806,668	29.6	787,199	32.3
Fees of Executive Board and Governance Agents	9,936	0.4	9,141	0.4
Profit-Sharing Plan	69,681	2.6	53,123	2.2
Retirement and Medical Assistance Plans	90,807	3.3	83,217	3.4
	977,092	35.9	932,680	38.3
Governments				
Federal Taxes	692,523	25.5	583,898	24.0
State Taxes	373	0.0	458	0.0
Municipal Taxes	2,063	0.1	1,924	0.1
	694,959	25.6	586,280	24.1
Financiers				
Rent	47,879	1.8	45,309	1.9
Interest and Monetary Variance	314,049	11.5	244,807	10.0
	361,928	13.3	290,116	11.9
Shareholders				
Interest on Shareholders' Equity	319,105	11.7	293,404	12.0
Dividends	6,528	0.2	4,181	0.2
Net Income for the Year not Distributed	360,539	13.3	329,262	13.5
Total	2,720,151	100.0	2,435,923	100.0

See the accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016 (In thousands of Reais)

1. REPORTING ENTITY

Companhia de Saneamento do Paraná – SANEPAR (also referred to as “Company” or “Sanepar”), having its registered office at Rua Engenheiros Rebouças in Curitiba – Paraná, is a mixed-capital company. Under the control of the Paraná state government and municipalities, its core activities are rendering basic sanitation services, mainly water distribution, collection and treatment of sewage and solid waste, as well as studies, projects and construction work of new facilities, expansion of water distribution and collection and treatment of sewage networks, and rendering of advisory services and technical assistance in its operating areas. The Company also collaborates with federal, state, municipal agencies and other entities in issues relevant to the achievement of its core activities.

By means of municipal concessions, the Company provides water treatment and distribution and sewage collection and treatment services. Contract renewals have an average term of 30 years. Of the total 346 municipal concessions operated, about 4.1% of the contracts are currently being renewed as they have expired, 17.3% expire from 2018 to 2027, and 78.6% have been renewed and now expire after 2028. In the case of concessions not renewed, the municipalities shall reimburse the Company the residual amounts of the concession assets upon termination.

Only the concession related to the municipality of Curitiba has rules determining a concession cost be paid by the Company, as mentioned in Note 14.

The Company is registered at the CVM (Brazilian Securities Commission) as a category A listed company (issuers authorized to trade all forms of securities) and has its shares traded on the São Paulo's stock exchange (B3 – Brasil, Bolsa, Balcão), listed in Corporate Governance Level 2.

The Company has a 40% interest in the Special Purpose Entity, organized as a privately held company, named “CS Bioenergia S/A. This SPE's core activities are the appropriate final disposal of solid and organic waste and the sludge generated at sewage treatment plants, production of biogas and generation of energy, as mentioned in note 11. At the Annual Meeting held in September 2017, the Board of Directors approved an increase of 11% in the interest held in CS Bioenergia S.A, submitting the decision to the approval of the respective agencies. This is currently under analysis.

By means of Ratifying Resolution 003 issued April 12, 2017, the Company was authorized by the Paraná state public infrastructure services regulatory agency (AGEPAR - *Agência Reguladora de Serviços Públicos Delegados de Infraestrutura do Paraná*) to apply a rate adjustment of 25.63%, as provided for in article 3:

“Article 3 - The application of the rate revision approved by article 2 of this Resolution shall be deferred for eight (8) years, with the first installment corresponding to an average adjustment in 2017 of eight point five-three percent (8.53%), and the remaining seven (7) installments to two point eleven percent (2.11%), plus the corresponding inflation restatement according to the weighted average Selic base interest rate, as provided for in the Technical Note approved in article 1 hereof.”

In accordance with Technical Guidance OCPC 08 – Recognition of Certain Assets and Liabilities in General Financial and Accounting Reports of Electricity Distribution Companies issued in accordance with Brazilian and International Accounting Standards, the Company does not record in its Financial Statements the amounts receivable resulting from deferral, considering that: (i) the realization or enforceability of these amounts depend on a future event not fully under the entity's control – future billing of water and sewage services; (ii) it is not possible to know, when the receivables are generated, who owes these amounts; and (iii) the actual receipt of these amounts shall only occur if the concession is maintained. The estimate of the amount receivable arising from the difference between the Required Revenue and the Verified Revenue shall be measured and disclosed throughout the deferral period, amounting to R\$ 361,086 as of December 31, 2017. This amount represents the best estimate as at December 31, 2017 and may change according to the Selic variation.

Additionally, on July 21, 2017, the Company filed an official letter to AGEPAR requesting the agency define the rules for regulatory accounting, to present financial assets and liabilities. On September 18, 2017 the additional information requested by AGEPAR was provided. On November 6, 2017, Agepar published an Ordinance naming 4 employees to comprise the Work Group to create Regulatory Accounting Standards for sanitation, which shall present the results of its activities in up to 90 days.

2. PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Statement of Compliance

The financial statements are being presented in accordance with Laws 6404/76, 11638/07 and 11941/09. The financial statements have been prepared in accordance with accounting practices adopted in Brazil, deriving from Brazilian corporate legislation and the Pronouncements, Instructions and Interpretations issued by the Accounting Pronouncement Committee - CPC and the accounting standards and regulations established by the Brazilian Securities Commission - CVM.

Management authorized the financial statements for issuance on January 29, 2018.

2.2 Basis of Measurement

The financial statements have been prepared using the historic cost as a reference value, and the financial assets measured at fair value.

2.3 Functional Currency and Reporting Currency

Except where stated otherwise, all the amounts presented in the financial statements, including the amounts in the notes to the financial statements, are stated in thousands of Brazilian reais, which is the Company's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

The main accounting practices, details of which can be seen in the respective Notes, adopted in the preparation of the financial statements were:

- a) **Financial Instrument and Risk Management** – Note 4
- b) **Cash and Cash Equivalents** – Note 5
- c) **Trade Accounts Receivable** – Note 6
- d) **Provision for Credit Realization Losses** – Note 6
- e) **Contractual Financial Assets** – Note 10
- f) **Investments** – Note 11
- g) **Property, Plant and Equipment** – Note 12
- h) **Intangible Assets** – Note 12
- i) **Finance Leases:** Leases are classified as operational or finance based on an analysis of the contractual terms and conditions. Contracts that show the substantial transfer of the risks and rewards related to the ownership of the assets leased are classified as finance leases. Leased assets are stated in Note 12 and the corresponding debt in Note 13.
- j) **Asset Impairment Testing** – Note 12
- k) **Capitalization of Interest and Finance Charges** – Note 12
- l) **Loans, Financing and Debentures** – Note 13
- m) **Income and Social Contribution Taxes** – Note 16
- n) **Provision and Contingent Liabilities** – Note 18
- o) **Post-employment Benefits for Employees** – Note 19
- p) **Related Parties** – Note 20
- q) **Crediting of Interest on Shareholders' Equity** – Note 22.d
- r) **Revenue** – Note 23
- s) **Inventory:** Inventories mainly consist of maintenance and repair materials, recorded at their average acquisition costs, in Current Assets. The amounts recorded do not exceed their replacement or realization costs.
- t) **Current and Noncurrent Liabilities:** All liabilities are recorded at known or estimated amounts and, when applicable, adjusted on a *pro rata die* basis, until the reporting date, based on the agreed-upon indexes and charges, with no need for adjustment to present value.
- u) **Concession:** The Company records the infrastructure used to deliver public basic sanitation services as follows:
 - Concession Agreements: the assets resulting from "Concession Agreements" signed before Law 11445/07 was enacted (and therefore still ruled by the Concessions Law - Law 8987/95), are recorded as intangible assets and amortized over their economic useful lives, based on a technical study conducted by the Company.
 - Program Contracts: assets resulting from "Program Contracts", in compliance with Law 11445/07 – Regulatory Framework, which establishes the national basic sanitation guidelines, in which the concession authority (municipality) must prepare the Municipal Basic Sanitation Plan, are recorded according to the bifurcated model (intangible assets and financial assets) established by ICPC 01 (R1) and OCPC 05. In this model, on the date the Program Contract is signed, the Company records a portion in intangible assets of the right (license) it is awarded to charge the user for the public service, and a portion in financial assets as the economic useful life of the assets recorded as intangible assets exceeds the term of the Program Contract. The financial asset represents the remaining amount of intangible asset to be reimbursed to the Company by the concession authority at the end of the concession. Equity assets are amortized according to the terms of the contracts or their useful life, whichever is shorter.

v) Statements of Cash Flows and Added Value: The statements of cash flows have been prepared by and are being presented in accordance with Technical Pronouncement CPC 03 (R2) - Statement of Cash Flows. The statements of added values have been prepared and are being presented in accordance with Technical Pronouncement CPC 09 - Statement of Cash Flows.

w) Use of Judgments and Estimates: In preparing these financial statements in accordance with the accounting practices adopted in Brazil, Company Management has made estimates and assumptions that affect the amounts reported here and in the notes to the financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The main estimate processes have been summarized below:

Impairment of financial assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or group of financial assets has impairment losses only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (incurred "loss event"), and that the loss event(s) had an impact on the estimated future cash flows of that financial asset or group of financial assets that can be estimated reliably.

Provision for nonfinancial asset impairment

Impairment losses are recorded when the carrying amount of an asset or its cash generating unit exceeds its recoverable value, whichever is the higher between the fair value minus selling costs and its value in use. The calculation of the fair value less selling costs is based on available information about the sales of similar assets or market prices, less additional costs for disposing of the asset. The value in use is calculated based on the discounted cash flow method. The cash flow is derived from the budget for the next five years and does not include reorganisation activities which the Company has not yet committed to or material future investments that will enhance the underlying assets of the cash generating units, subject to the test. The recoverable value is sensitive to the discount rate used in the discounted cash flow method and the future expected cash receipts and the growth rate used for extrapolation purposes.

Provisions for tax, civil, labor and environmental contingencies

The Company recognizes a provision for tax, civil, labor and environmental proceedings. The chance of defeat

is rated according to the evidence available, the hierarchy of law, available case law, recent court decisions and their relevance in the legal framework, in addition to independent legal advisors' opinions.

Company Management believes that the provisions for tax, civil, labor and environmental risks are necessary and appropriate based on the existing legislation.

Provision for credit realization losses

The allowance for doubtful accounts is calculated at an amount considered adequate by Management to cover any probable losses arising on collection of accounts receivable, taking into account historical losses and an individual evaluation of accounts receivable with realization risks.

Taxes

There is uncertainty in the interpretation of complex tax regulations and the value and timing of future taxable earnings. Given the long-term nature and complexity of the existing contractual instruments, differences between the actual results and assumptions adopted, or future changes in such assumptions, may require future adjustments to tax revenue and expenses already recorded. The Company makes provisions based on projected estimates for possible consequences of audits conducted by the tax authorities in the respective jurisdictions it operates in. The value of these provisions is based on various factors, such as the experience of previous tax audits and diverging interpretations of the tax regulations by the taxpayer and the tax authority responsible. These interpretive differences could lead to a wide range of issues, depending on the conditions in force in the Company's respective domicile.

Significant judgment from Management is required to determine the amount of deferred tax assets that can be recognized, according to a term considered reasonable, as well as the level of future taxable earnings expected for the years ahead, along with future tax planning strategies.

Retirement and medical assistance plan

The cost of the defined-benefit pension plan and other post-employment medical assistance benefits, as well as the present value of the retirement obligation are established using actuarial appraisal methods. The actuarial appraisal involves the use of assumptions regarding discount rates, expected rates of return on assets, future increases in salaries, mortality rates and future increases in pension and retirement benefits. The defined-benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

x) Pronouncements not yet in force as of December 31, 2017

The standards and interpretations issues but not yet

adopted by the issuance date of the Company's financial statements, which may have significant effects after the issuance of the respective corresponding CPC pronouncements, are as follows:

CPC 48 – Financial Instruments: CPC 48 (IFRS 9) was approved in November 2016 by the Accounting Pronouncements Committee and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, replacing CPC 38 - Financial instruments: Recognition and Measurement and it contains the three principal classification categories for financial assets: *classification and measurement, impairment losses and hedge accounting*. Except for hedge accounting, retrospective application is required, but the presentation of comparative information is not mandatory. One of the main changes is related to the allowance for doubtful accounts, in which the expected loss model replaces the incurred loss model. The Company has assessed the impacts of the new standard and given the characteristics of its Financial Instruments and the credit recovery policy currently in place, which includes the interruption of services rendered to customers in default, has concluded that it will not have significant effects on its financial statements.

CPC 47 – Revenue from Contracts with Customers: CPC 47 (IFRS 15) was approved in November 2016 by the Accounting Pronouncements Committee and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, replacing CPC 30 - Revenue and CPC 17 - Construction Contracts. In accordance with CPC 47, revenue is recognized at an amount that reflects the payment an entity expects in exchange for transferring goods or services to a client, establishing a five-step model: 1 – Identify the contract with the customer; 2 – Identify performance obligations; 3 – Establish the transaction price; 4 – Allocate the transaction price; and 5 - Recognize revenue when (or as) the entity meets a performance obligation. Given the Company's core activity, it is possible to note that there are no contractual steps in the performance of the services provided to customers related to the performance obligation, and revenue is recognized upon billing of the services provided on a monthly basis at the fair value of the consideration receivable. Revenues not yet billed are recognized based on estimated consumption and it was concluded that this standard will not have significant impacts on the Company's financial statements.

CPC 6 - Leases: CPC 6 R2 (IFRS 16) was approved in October 2017 by the Accounting Pronouncements Committee and is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The standard introduces a single, on-balance sheet lease accounting model for lessees, similarly to the accounting of finance leases (recognition, measurement, presentation and disclosure). However, it requires les-

sees and lessors to make further disclosures in relation to the current procedure. This new version provides two recognition exemptions for short-term leases (i.e. lease term of 12 months or less) and leases of low-value items (for example, PCs). Lessors should also revalue the lease liability in the case of certain events (for example, a change to the lease term, a change to future payments deriving from the lease as a result of changing an index or rate already used to determine such payments). The lessor will generally recognize the value of the revalued lease liability as an adjustment to the right-of-use assets. The Company is analyzing the impacts of the changes of this pronouncement, considering the existing operating lease contracts.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

4.1 Financial Risk Management

Business risk: the Company's business relates primarily to collecting, treating and distributing water, collecting and treating sewage for 345 municipal concessions operated in the Paraná state and 1 in the Santa Catarina state, for which the Company holds the respective municipal concessions. The Company's results depend on it maintaining the concessions in the municipalities where it operates. The concession contracts and program contracts usually have 30-year terms. These contracts set targets for the expansion and maintenance of water and sewage systems, related to the service rates of the water supply and sewage collection networks. In certain situations, the concession municipality may terminate the contract early or refuse to renew it, subject to compensation at the fair value of the investment balances not yet depreciated/amortized. The wealth of water resources and efficient systems reduces the risk of water shortages. The rate review and adjustment process is approved by the Regulatory Agency.

Credit Risk: the Company is exposed to the credit risk of counterparties in its financial transactions (cash and cash equivalents, bank deposits and financial institutions) and accounts receivable (customer credit and related-party balances). The maximum exposure is equivalent to the carrying amount as of December 31, 2017 and is stated in

Notes 6, 9 and 20. The risks posed by trade accounts receivable are mitigated because they are widely dispersed over practically the entire population of Paraná state. Considering our type of business, we do not perform credit history analyses, and adopt the practice of cutting off the supply in the event of default subject to serving prior notice of thirty days before the cut-off date. The level of losses on accounts receivable realization is

considered normal for the sanitation sector.

The practice of cutting off consumers does not apply to the public sector. However, Management has been intensifying efforts to reduce delinquency levels by negotiating with these defaulting municipalities and attempting to offset bills against credits such authorities may hold against the Company. If an agreement cannot be reached, the Company files judicial collection proceedings.

Interest Rate Risk: the interest rate risk is the risk that the fair value of the future cash flows of a financial investment fluctuates due to changes in market interest rates. The Company's exposure to changes in market interest rates primarily relates to long-term loans subject to floating interest rates.

This risk stems from the possibility of the Company suf-

fering losses due to variations in interest rates, which increase financial expenses on loans and financing.

Interest rate sensitivity analysis: the following is the sensitivity calculation for 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

for the Company. If the rates of return on short-term investments and interest on local-currency loans varied by 25% to 50% either way, with all other variables remaining unchanged, the effect on net income before taxes would have been R\$ 21,881 and R\$ 43,762 either way, particularly due to revenues from short-term investments and interest expenses lower or higher in the short-term investments and floating rate loans, as described below:

ANALYSIS

DESCRIPTION	Index	+ 25%	-25%	+50%	-50%
Caixa FI Sanepar I Fixed Income	DI	14,280	(14,280)	28,560	(28,560)
Assets		14,280	(14,280)	28,560	(28,560)
Caixa Econômica Federal	TR	(1,104)	1,104	(2,208)	2,208
BNDES	TJLP	(1,456)	1,456	(2,912)	2,912
BNDES-PAC2	TJLP	(1,472)	1,472	(2,944)	2,944
Debentures - 2 nd Issuance - 1 st and 3 rd Series	TJLP	(2,004)	2,004	(4,008)	4,008
Debentures - 2 nd Issuance - 2 nd Series	IPCA	(926)	926	(1,852)	1,852
Debentures - 3 rd Issuance - 1 st Series	DI	(3,442)	3,442	(6,884)	6,884
Debentures - 3 rd Issuance - 2 nd Series	IPCA	(907)	907	(1,814)	1,814
Debentures - 4 th Issuance - 1 st Series	TJLP	(1,575)	1,575	(3,150)	3,150
Debentures - 4 th Issuance - 2 nd Series	IPCA	(584)	584	(1,168)	1,168
Debentures - 5 th Issuance - 2 nd Series	DI	(5,093)	5,093	(10,186)	10,186
Debentures - 6 th Issuance - 1 st Series	DI	(2,269)	2,269	(4,538)	4,538
Debentures - 6 th Issuance - 2 nd Series	DI	(4,784)	4,784	(9,568)	9,568
Finance Leases	IPC	(10,545)	10,545	(21,090)	21,090
Liabilities		(36,161)	36,161	(72,322)	72,322
Effects on Net Income before Taxation		(21,881)	21,881	(43,762)	43,762

The TR (Reference Rate) considered in the 12-month period was 0.60% and the TJLP (Long-Term Interest Rate) 7.12%, obtained from BACEN (Brazilian Central Bank), the IPCA (National Amplified Consumer Price Index) was 2.95%, obtained from IBGE (Brazilian Institute of Geography and Statistics), the DI (Interbank Deposit) rate was 6.89% obtained from CETIP SA, and the IPC – FIPE (Consumer Price Index) 2.27%, obtained from FIPE (Institute of Economic Research Foundation).

Liquidity Risk: Liquidity risk is the risk that the Company may not have sufficient cash resources available to settle its obligations due to a mismatch between currencies and the realization / settlement of its rights and obligations. The Company structures the maturities of nonderivative financial contracts, as shown in note 13, so as not to affect its liquidity. The liquidity and cash flow are managed on a daily basis by the Company's management departments to ensure operating cash generation and additional funds obtained in advance, where necessary, are sufficient to maintain its schedule of commitments without creating a liquidity risk for the Company. Company Management also approved the dividends and treasury and market risks management policy.

Derivatives: the Company has no swap transactions that can be characterized as derivative financial instruments, and does not have speculative investments or other risky assets, and its market transactions and loans and financing are not exposed to fluctuations in foreign currencies, meaning hedge instruments are not required.

4.2 Capital risk management

The objective of the Company's capital management is to ensure that it maintains its strong credit *rating* with the financial institutions and its excellent capital ratio, in order to support the business and maximize value for its shareholders. The Company manages its capital structure making adjustments and adapting to the existing economic conditions. To this end the Company can make dividend payments, obtain new loans, issue promissory notes and contract derivative operations. For the for the financial year ended December 31, 2017 there were no changes in the objectives, policies or processes of the Company's capital structure.

In order to preserve its liquidity and payment capacity, the Company uses the ratio between net debt and shareholders' equity as leverage metrics. Net debt includes: loans, financing and debentures, less cash and cash equivalents:

	2017	2016
Loans, Financing, Debentures and Finance Leases	2,716,838	2,712,074
Cash and Cash Equivalents	(533,888)	(638,330)
Net Debt	2,182,950	2,073,744
Shareholders' Equity	5,152,654	4,808,673
Ratio of Net Debt to Shareholders' Equity	0.42	0.43

4.3 Financial Instruments

As of December 31, 2017, the Company had no financial assets or liabilities presented at fair value through profit or loss. 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	CARRYING AMOUNT		FAIR VALUE	
	2017	2016	2017	2016
Financial Assets				
Cash and Cash Equivalents	533,888	638,330	533,888	638,330
Trade Accounts Receivable, net	617,337	570,503	617,337	570,503
Escrow Deposits	55,337	55,678	55,337	55,678
Contractual Financial Assets	201,077	172,381	201,077	172,381
Total	1,407,639	1,436,892	1,407,639	1,436,892
Financial Liabilities				
Loans, Financing, Debentures and Finance Leases	2,716,838	2,712,074	2,716,838	2,712,074
Contractors and Suppliers	182,655	133,505	182,655	133,505
Concession Agreements	91,989	96,926	91,989	96,926
Total	2,991,482	2,942,505	2,991,482	2,942,505

In 2017 the Company also implemented the corporate risk management process, supported by a specialized consultancy firm.

5. CASH AND CASH EQUIVALENTS

Accounting Practice:

These include cash, bank deposits and short-term investments that are stated at cost plus the yields obtained at the rates agreed with the financial institutions, calculated on a *pro rata die* basis and appropriated monthly. A short-term investment qualifies as cash equivalent when it can be immediately converted into a known amount of cash with the issuer and it is not subject to a significant risk of impairment.

They break down as follows:

Description	2017	2016
Unrestricted Bank Deposits	3,618	2,988
Escrow Accounts	20,181	24,687
	23,799	27,675
Short-term Investments	510,089	610,655
Total Cash and Cash Equivalents	533,888	638,330

Short-term investments approximate fair value, with high liquidity and a low risk of impairment. They comprise investments in fixed income funds, whose portfolio mostly consists of securities issued by the Federal Government, yielding an average of 99.68% of the CDI rate (100.18% in 2016) and Bank Deposit Certificates secured at a floating rate of 100.50% to 102.00% of the CDI rate, according to the investment term contracted and time elapsed since the investment was made.

6. TRADE ACCOUNTS RECEIVABLE

Accounting Practice:

Trade Accounts Receivable: Include services metered and billed, not yet received, and revenue deriving from water supplies and sewage collection, not yet invoiced, recorded by estimate on the accrual basis, according to the estimated consumption between the date of the final reading and the end of each month, based on the average consumption of each consumer.

Adjustment to Present Value: The balances of trade accounts receivable denoting installment payments were discounted to present value. The financing of private customers' bills incurs the Selic base interest rate, plus risk and management fees. The financing of government agencies' bills incurs interest at the savings rate of 6% per annum. The Company uses the Selic base interest rate to calculate the adjustment to present value for private customers' bills and the savings rate for government agencies.

Allowance for doubtful accounts: In order to estimate the allowance for doubtful accounts to be recognized in the period, Company management analyzes its accounts receivable, particularly overdue amounts, considering the breakdown of the balances of trade accounts receivable according to the aging list and expected recovery in each consumption group.

The allowance is made based on the amounts receivable from residential, commercial and industrial consumers and Federal Government Agencies overdue for more than 180 days, and based on the amounts overdue for more than 2 years for Municipal Government Agencies, except for municipal administrations in default, for which a provision is recognized for the receivables in their entirety. The Company does not recognize an allowance for doubtful accounts for the State sector, because it is the related controlling party and on account of its history of debt settlement.

a) See below the aging list of trade receivables:

Description	2017	2016
Outstanding Accounts Receivable	222,911	199,442
Accounts Receivable from Financed Bills	48,943	37,151
Adjustment to Present Value	(2,453)	(3,408)
Bills to be Invoiced (Uninvoiced Consumption)	174,987	160,852
	444,388	394,037
Overdue Accounts Receivable		
1 to 30 days	109,098	100,748
31 to 60 days	29,817	25,850
61 to 90 days	12,484	11,431
91 to 180 days	20,636	19,505
Over 180 days	172,064	165,268
Provision for Credit Realization Losses	(171,150)	(146,336)
	172,949	176,466
Trade Accounts Receivable, net	617,337	570,503
Current	606,250	559,797
Noncurrent	11,087	10,706

R\$ 2,754 (R\$ 6,244 in 2016) of the total overdue accounts receivable, net of the allowance for doubtful accounts, consists of overdue amounts owed by Municipalities; R\$ 166,992 (R\$ 145,499 in 2016) from Private Customers; R\$ 3 (R\$ 453 in 2016) from the Federal government sector and R\$ 3,200 (R\$ 24,270 in 2016) from the State government sector.

b) The changes in the allowance for doubtful accounts are as follows:

Description	2017	2016
Balances at Beginning of Year	(146,336)	(125,395)
Amounts Expensed	(28,800)	(21,775)
Write-offs, Net of Recoveries	3,986	834
Balances at End of Year	(171,150)	(146,336)

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

Description	2017	2016
Private Customers	103,896	81,558
Federal Government Authorities	1	7
Municipal Governments	67,253	64,771
Totals	171,150	146,336

d) The balances of short- and long-term trade accounts receivable denoting financing payments were discounted to present value. The change in the Adjustment to present value was as follows:

Description	2017	2016
Balances at Beginning of Year	(3,408)	(2,840)
Adjustment to Present Value	955	(568)
Balances at End of Year	(2,453)	(3,408)

7. TAXES AND CONTRIBUTIONS RECOVERABLE

They break down as follows:

Description	2017	2016
Income Tax Recoverable	19,903	29,219
Social Contribution Recoverable	3,783	9,422
Taxes and Contributions withheld - government authorities	1,235	1,140
Totals	24,921	39,781
Current	24,098	39,021
Noncurrent	823	760

8. ESCROW DEPOSITS

Escrow deposits break down as follows:

Description	2017	2016
National Water Agency - ANA	6,777	6,270
National Health Foundation - FUNASA	3,579	7,754
Reserves kept in CAIXA (1)	44,981	41,654
Totals	55,337	55,678
Current	5,838	9,844
Noncurrent	49,499	45,834

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

9. OTHER ACCOUNTS RECEIVABLE

The figures break down as follows:

Description	2017	2016
Advances to Employees	3,898	3,739
Reimbursable Payments	13,930	4,092
Deposits submitted as Collateral	2,224	1,888
Municipal Environmental Fund (1)	43,195	44,462
Prepaid Expenses	4,315	12,105
Assignment for Operation of Financial Services	6,800	-
Bonds and Other Receivables	790	935
Totals	75,152	67,221
Current	32,248	23,526
Noncurrent	42,904	43,695

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

10. CONTRACTUAL FINANCIAL ASSETS

Accounting Practice:

Contractual financial assets denote the portion of the total value of constructed operating assets with useful lives greater than the contractual term and which shall consequently be compensated by the Concession Authority at the end of the contract. These amounts are initially recognized upon the signing of each Program Contract and then by adding the portion referring to the investment in new assets that exceed the contractual term.

Adjustment to Present Value: The financial assets are discounted to present value by using the IPCA projected for the year (index published by the Brazilian Central Bank - BACEN), and the Weighted Average Cost of Capital (WACC) as the discount rate, resulting in the application of an equivalent rate denoting the spread between the IPCA and WACC rates. The adjustments to present value may represent a revenue or an expense to be recorded in profit or loss in the year they occur.

The change in financial assets was as follows:

Description	2016	Additions	AVP revenue	AVP expense	2017
Investment Not Amortized	480,131	89,997	-	-	570,128
Adjustment to Present Value	(307,750)	(57,294)	6,649	(10,656)	(369,051)
Totals	172,381	32,703	6,649	(10,656)	201,077

The equivalent discount rate applied to calculate the Adjustment to present value was 4.0% (spread between the IPCA projected for the year and the WACC rate) and took into account Program Contracts with terms of 23 to 30 years.

11. INVESTMENTS

Accounting Practice:

Joint Venture: The Company's investment in the joint venture is accounted for based on the equity method, and is initially recognized at cost and adjusted for the recognition of changes in the Company's interest in the joint venture's equity as from the acquisition date.

The statement of income reflects the Company's interest in the joint venture's operating results. Any variance in other comprehensive income of this investee is presented as a part of the Company's other comprehensive income.

The joint venture's financial statements are prepared for the same reporting period and with the accounting practices aligned with the Company's.

Other Investments: Recorded at acquisition cost, less a provision for losses, when applicable.

Description	2017	2016
Joint Subsidiary – CS Bioenergia S.A.	18,832	9,466
Investment Recognized at Cost Method	522	522
Investment Recognized at Fair Value	112	2,415
Totals	19,466	12,403

Investments in joint venture

The Company holds 40% interest of CS Bioenergia S.A. referring to capital contribution amounting to R\$ 25,858 in the share capital. The Company's ownership interest is accounted for by the equity method in the investee's financial statements, which are summarized below:

Statement of Financial Position - CS Bioenergia S.A.	2017	2016
Current Assets	897	1,139
Noncurrent Assets	60,291	59,858
Property, plant and equipment	40,770	39,831
Finance Leases	19,519	20,026
Other	2	1
Total Assets	61,188	60,997
Current Liabilities	1,286	37,334
Loans, Financing and Finance Leases	910	37,334
Other	376	-
Noncurrent Liabilities	12,822	-
Loans, Financing and Finance Leases	12,822	-
Shareholders' Equity	47,080	23,663
Total Liabilities	61,188	60,997

Income statement - CS Bioenergia S.A.	2017	2016
Revenue	2,633	-
(-) Operating Expenses	(5,786)	(2,701)
Financial Income/Loss	(1,324)	(5,693)
Earnings before Tax	(4,477)	(8,394)
IRPJ and CSLL	-	-
Net Income for the Year	(4,477)	(8,394)

The changes in investments in the year are as follows:

Description	2017	2016
Balance at beginning of year	9,466	5,287
Capital contributions	11,157	7,540
Equity Income (interest of 40%)	(1,791)	(3,361)
Balance at end of year	18,832	9,466

Other Investments

The Company maintains several investments over which it exerts no significant influence, measured by the cost method in the amount of R\$ 522 (R\$ 522 in 2016).

The Company has investments in FINAM (Amazônia Investment Fund) resulting from application of the Income Tax Incentive in the amount of R\$ 2,201, which has a fair value of R\$ 112 at 12/31/2017.

12. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Accounting Practice:

Property, plant and equipment: These are stated at acquisition or construction cost, plus revaluations made in previous years and equity appraisal adjustments to the new deemed cost, less the depreciation calculated by the straight-line method, according to the rates mentioned in this Note. An impairment test of property, plant and equipment is conducted annually, whenever there is an indication that the asset may not be recoverable.

Intangible assets: Intangible assets linked to concession agreements are recorded at their acquisition, construction or contractual cost and include Right of Use and Concession Agreements. Intangible assets in Program Contracts are initially recognized by the difference of the amounts invested in assets related to the concessions and the present value of the Contractual Financial Asset calculated according to Note 10. It is an intangible asset with finite useful life and its value will be amortized over the term of the contract.

Amortization of intangible assets in the Concession Agreements is calculated based on the economic useful life and the amortization of the assets in Program Contracts is calculated over the effective terms of the contracts or the economic useful life of the assets forming the infrastructure necessary to deliver the public services, whichever is lower. For the assets whose useful life exceeds the contractual term, a financial asset is recognized, as mentioned in Note 3 (u). An impairment test of intangible assets is conducted annually, whenever there is an indication that the intangible asset may not be recoverable.

Finance Leases: The accounting record is made when the asset is effectively available for use, at its fair value or the present value of minimum lease payments, whichever is lower. The debt amount is stated in Note 13. Subsequent to initial recognition, the asset is accounted for in accordance with the applicable accounting policy.

Capitalization of Interest and Finance Charges: The interest and other finance charges related to the financing of ongoing intangible and PP&E items are recognized at cost, until the conclusion of the construction and/or installation of the asset. After this period, these charges are recognized as financial expense.

a) Property, plant and equipment

They break down as follows:

By item			2017	2016
Description	Cost	Accumulated Depreciation		Net Value
Management	239,507	(109,943)	129,564	130,449
Other PP&E in progress	2,378	(1,997)	381	819
Totals	241,885	(111,940)	129,945	131,268

By nature			2017	2016
Description	Annual Depreciation Rate	Cost	Depreciation Accumulated	Net Value
Land	-	2,309	-	2,309
Civil Constructions	*1.84%	68,145	(14,774)	53,371
Improvements	2%	1,933	(657)	1,276
Facilities	*5.83%	3,751	(2,134)	1,617
Equipment	*6.23%	51,346	(20,524)	30,822
Furniture and Fixtures	7.14%	36,390	(17,025)	19,365
IT Equipment	*19.82%	33,446	(23,888)	9,558
Vehicles	*13.05%	27,511	(18,270)	9,241
Machinery, tractors and similar items	*19.35%	16,518	(14,365)	2,153
Tools	6.67%	536	(303)	233
Totals		241,885	(111,940)	129,945
			129,945	131,268

* Weighted average rate

b) Intangible assets

They break down as follows:

By item			2017	2016
Description	Cost	Accumulated Amortization		Net Value
Water Mains	4,201,765	(1,382,159)	2,819,606	2,731,814
Sewage Mains	4,804,732	(962,977)	3,841,755	3,323,219
Solid Waste	2,076	(2,076)	-	-
System Use and Operation Rights	125,093	(67,107)	57,986	62,153
Other Intangible Assets	94,863	(49,522)	45,341	32,924
Projects and Work in Progress	972,060	-	972,060	1,000,861
Inventory for Works	53,410	-	53,410	48,422
Totals	10,253,999	(2,463,841)	7,790,158	7,199,393

By nature			2017	2016
Description	Annual Amortization Rate	Cost	Accumulated Amortization	Net Value
Land	-	137,940	-	113,041
Wells	*3.10%	129,581	(35,033)	89,045
Dams	*2.67%	144,696	(52,040)	93,351
Civil Constructions	*2.59%	2,069,512	(446,103)	1,387,226
Improvements	*2.67%	20,863	(2,458)	16,072
Piping	*2.64%	4,872,975	(1,124,283)	3,480,386
Building Connections	3.33%	659,653	(204,342)	414,824
Facilities	*5.83%	148,238	(46,273)	99,680
Hydrometers	10%	176,322	(67,889)	100,813
Macro-meters	10%	5,549	(3,513)	1,939
Equipment	*6.23%	532,669	(248,221)	254,223
Furniture and Fixtures	7.14%	4,610	(2,868)	1,888
IT Equipment	*19.82%	85,754	(80,457)	8,712
Computer Programs	20%	48,611	(35,419)	10,372
Vehicles	*13.05%	25,388	(14,794)	4,352
Machinery, tractors and similar items	*19.35%	18,346	(16,790)	3,052
Tools	6.67%	279	(178)	103
Transmission Line Usage Rights	6.25%	156	(127)	34
Environmental Protection and Preservation	20%	22,294	(15,946)	8,844
Concession of the municipality of Curitiba (1)	3.33%	125,000	(67,014)	62,153
Concession of the municipality of Cianorte (2)	5%	93	(93)	-
Projects and Work in Progress	-	972,060	-	1,000,861
Inventory for Works	-	53,410	-	48,422
Totals		10,253,999	(2,463,841)	7,790,158
				7,199,393

* Weighted average rate

(1) Denotes the cost of the 30-year onerous concession agreement. Its amortization rate is an integral part of the costs

incurred on the sanitation services delivered to the municipality of Curitiba, as mentioned in note 14.

(2) Denotes the cost of the concession agreement with the Municipal Government of Cianorte to provide public utility services entailing the collection, treatment and final disposal of solid waste for the term of 20 years.

The balance of the item "Projects and Work in progress" as at December 31, 2017 refers to 133 (144 in 2016) works entailing the expansion and implementation of Water Supply Systems in 93 (109 in 2016) localities, for the amount of R\$ 426,079 (R\$ 295,787 in 2016); 130 (161 in 2016) works entailing Sewage Collection and Treatment Systems in 91 (99 in 2016) localities, for the amount of R\$ 372,357 (R\$ 569,947 in 2016), as well as

R\$ 173,624 (R\$ 135,127 in 2016) from investments in different operational projects and works in the systems operated by the Company.

In FY 2017 the company capitalized interest and other financial charges incurred on the funds and loans used to finance the Company's projects and works, amounting to R\$ 47,358 (R\$ 47,385 in 2016). The average rate applied to determine cost on loans subject to capitalization in relation to total cost was 16.4%.

Finance Leases: The Company has Asset Lease contracts valued at R\$ 199.3 million preceded by the concession of effective use rights for the areas and the works required to expand the sewage system in the municipalities of Matinhos and Pontal do Paraná, for a term of two hundred and forty (240) months, with repayment starting

in February 2017. The assets subject to this Finance Lease will be built and delivered by the lessor in four stages, with intervals of one (1) year between them. At the end of December 2017, 72.2% of said contracts had been concluded and delivered, equivalent to the delivery of the first, second and third stages of the contracts (79.5% of physical items). The obligations stemming from this contract are shown in Note 13.

As at December 31, 2017, the carrying amount for each class of asset under the Finance Lease commitment is entered in Intangible Assets and shown below:

By item			2017	2016
Description	Cost	Accumulated Amortization		Net Value
Buildings	37,434	(320)	37,114	11,390
Piping	94,016	(916)	93,100	26,647
Building Connections	6,068	(101)	5,967	1,815
Facilities	309	(11)	298	94
Equipment	6,013	(157)	5,856	1,090
Totals	143,840	(1,505)	142,335	41,036

c) Changes in PP&E and Intangible Assets in FY 2017:

Description	2016	Additions	Deprecia- tion and Amortiza- tion	Write-offs and Losses	Transfers	2017
Property, plant and equipment						
Land	2,309	-	-	-	-	2,309
Civil Constructions	54,241	278	(1,343)	(582)	777	53,371
Improvements	1,166	145	(35)	-	-	1,276
Facilities	1,722	71	(170)	-	(6)	1,617
Equipment	24,626	7,905	(2,598)	(49)	938	30,822
Furniture and Fixtures	19,554	2,003	(2,002)	(198)	8	19,365
IT Equipment	13,101	252	(3,734)	(131)	70	9,558
Vehicles	8,683	2,776	(1,744)	(185)	(289)	9,241
Machinery, tractors and similar items	5,629	11	(3,261)	-	(226)	2,153
Tools	237	18	(20)	(3)	1	233
Total property, plant and equipment	131,268	13,459	(14,907)	(1,148)	1,273	129,945
Intangible assets						
Land	113,041	8,274	-	-	16,625	137,940
Wells	89,045	209	(1,743)	(144)	7,181	94,548
Dams	93,351	109	(2,544)	-	1,740	92,656
Civil Constructions	1,387,226	45,254	(39,342)	(987)	231,258	1,623,409
Improvements	16,072	138	(481)	(12)	2,688	18,405
Piping	3,480,386	84,960	(102,780)	(1,320)	287,446	3,748,692
Building Connections	414,824	4,535	(18,931)	(600)	55,483	455,311
Facilities	99,680	792	(8,888)	(946)	11,327	101,965
Hydrometers	100,813	16	(16,077)	(2,665)	26,346	108,433
Macro-meters	1,939	-	(380)	-	477	2,036
Equipment	254,223	22,266	(23,622)	(2,691)	34,272	284,448
Furniture and Fixtures	1,888	113	(203)	(88)	32	1,742
IT Equipment	8,712	15	(3,338)	(130)	38	5,297
Computer Programs	10,372	7,523	(4,374)	(328)	(1)	13,192
Vehicles	4,352	6,759	(816)	11	288	10,594
Machinery, tractors and similar items	3,052	-	(1,723)	-	227	1,556
Tools	103	11	(12)	(1)	-	101
Transmission Line Usage Rights	34	-	(4)	-	(1)	29
Environmental Protection and Preservation	8,844	415	(2,944)	33	-	6,348
Concession of the municipality of Curitiba	62,153	-	(4,167)	-	-	57,986
Concession of the municipality of Cianorte	-	-	(6)	6	-	-
Subtotal of Intangible Assets	6,150,110	181,389	(232,375)	(9,862)	675,426	6,764,688
Projects and Work in Progress	1,000,861	680,703	-	(102)	(709,402)	972,060
Inventories for Works	48,422	4,988	-	-	-	53,410
Total Intangible Assets	7,199,393	867,080	(232,375)	(9,964)	(33,976)	7,790,158
Grand Total	7,330,661	880,539	(247,282)	(11,112)	(a) (32,703)	7,920,103

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

d) Asset Impairment Analysis

Despite there being no signs of impairment on finite-lived PP&E and intangible assets as of December 31, 2017, the Company opted to conduct a technical study to determine the impairment of its assets, identifying as cash generating units the water and sewage business segments, using the following assumptions in the calculations:

d.1) Cash Generating Unit – Water and Sewage segments

- To calculate the recoverable value of the Company's assets, or cash generating units, the value in use method was adopted, i.e., the cash generated by using these assets;
- The useful life based on the expected use of the assets that form the CGU, considering the Company's maintenance policy;
- The cash flow estimates were projected for five years, as stipulated by item 33b of CPC 01 (R1), in local currency, i.e. considering the effects of inflation and then deflated;
- Before-tax discount rate (13.1%) resulting from the methodology used to calculate the Weighted Average Cost of Capital 0 - WACC, as defined by items 55 and 56 of CPC 01 (R1);
- Assumptions of business growth, rate adjustment and OPEX growth, projected as established in the Company's strategic planning;
- Growth in water segment demand of approximately 1.4% and in the sewage segment by approximately 1.9% per year;
- The residual value of the assets (or cash generating units), on the final date of the cash flows estimates, was deemed the recoverable value. This procedure was adopted because the concession agreements and program contracts establish reimbursement to the company of the residual assets in the case of nonrenewal or breach of the contract;
- The increase in expenses occurred due to higher demand and across-the-board inflation.

The technical study concluded that the PP&E and Intangible Assets that are operating and generating cash flows, are fully recoverable, meaning it not necessary to recognize a provision for impairment loss.

d.2) Cash generating unit – Solid waste

The cash generating unit for the Solid Waste operation has the following characteristics:

- The contracts of the solid waste segment were treated separately, i.e., each as a CGU;
- The economic results of all cash generating units of this operation have a history of losses;
- There is no relevant fact suggesting that these contracts will cease to be loss-making.

Considering that the solid waste CGUs presented negative results and there is no expectation of an improvement for the segment, the technical study concluded that the operating assets are not recoverable, it was therefore deemed necessary to make a complement of R\$ 2,022 to the existing provision at December 31, 2016 of R\$ 8,430, amounting to R\$ 10,452.

13. LOANS, FINANCING, DEBENTURES AND FINANCE LEASES

Accounting Practice:

The loans, financing and debentures are initially recognized at fair value, upon receipt of the funds, net of transaction costs. They are then presented at amortized cost. Loans, financing and debentures are also classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The corresponding obligations under leases, net of financial charges, are classified in current liabilities and non-current liabilities according to the contractual term. Payments of finance leases are allocated to finance charges and charged to the corresponding liabilities to obtain a constant interest rate on the remaining balance of liabilities. The finance charges are recognized in the statement of income in each period during the lease term.

The debentures issued by the Company are not convertible into shares and are accounted for as loans.

a) The loans, financing, debentures and finance lease break down as follows:

Description	Effective Annual Interest Rate	Index	2017			2016		
			Current	Noncurrent	Total	Current	Noncurrent	Total
Debentures 6 th Issuance - 1 st Series	0.87%	DI	82,394	-	82,394	3,566	79,803	83,369
Debentures 6 th Issuance - 2 nd Series	0.90%	DI	5,113	169,726	174,839	7,822	169,315	177,137
Debentures 5 th Issuance - 1 st Series	0.67%	DI	-	-	-	111,886	-	111,886
Debentures 5 th Issuance - 2 nd Series	0.72%	DI	189,372	-	189,372	1,225	188,819	190,044
Debentures 3 rd Issuance - 1 st Series	0.74%	DI	67,319	-	67,319	68,997	66,690	135,687
Debentures 3 rd Issuance - 2 nd Series	6.99%	IPCA	1,092	130,795	131,887	1,130	127,166	128,296
BNDES	1.82% and 2.50%	TJLP	32,069	54,252	86,321	34,393	92,168	126,561
Banco do Brasil – PSI	3.00% to 6.00%	-	3,400	15,760	19,160	3,406	19,129	22,535
Debentures 2 nd Issuance - 1 st Series	1.92%	TJLP	12,374	69,563	81,937	12,284	80,788	93,072
Debentures 2 nd Issuance - 2 nd Series	9.19%	IPCA	20,592	104,870	125,462	20,551	118,953	139,504
Debentures 2 nd Issuance - 3 rd Series	1.92%	TJLP	16,500	92,750	109,250	16,378	107,718	124,096
Banco Itaú – PSI	3.00% to 6.00%	-	3,588	18,669	22,257	3,595	22,211	25,806
Debentures 4 th Issuance - 1 st Series	1.67%	TJLP	21,026	174,937	195,963	10,162	170,597	180,759
Debentures 4 th Issuance - 2 nd Series	7.44%	IPCA	10,797	90,201	100,998	4,680	78,955	83,635
BNDES – PAC2	1.67% and 2.05%	TJLP	26,263	210,332	236,595	17,934	160,215	178,149
Finance Leases	13.17%	IPC - FIPE	3,981	172,692	176,673	562	40,546	41,108
Caixa Econômica Federal	6.62% to 12.68%	TR	66,668	849,743	916,411	60,592	809,838	870,430
Balances at End of Period			562,548	2,154,290	2,716,838	379,163	2,332,911	2,712,074
Loans and Financing			131,988	1,148,756	1,280,744	119,920	1,103,561	1,223,481
Debentures			426,579	832,842	1,259,421	258,681	1,188,804	1,447,485
Finance Leases			3,981	172,692	176,673	562	40,546	41,108

The Company's loans, financing, debentures and finance leases expressed in Brazilian Reais subject to variable and fixed interest rates break down as follows:

Index	2017	2016
TR	916,411	870,430
TJLP	710,066	702,637
IPCA	358,347	351,435
DI	513,924	698,123
IPC-FIPE	176,673	41,108
Interest-free	41,417	48,341
	2,716,838	2,712,074

b) Description of loans, financing, debentures and finance leases:

Description	Issuance Period	Final Maturity	Contracted Price	Number of Debentures	Payments	
					Amortization	Interest
Debentures 6 th Issuance - 1 st Series (1)	2016	2018	80,000	8,000	2018	Semi-annual
Debentures 6 th Issuance - 2 nd Series (1)	2016	2019	170,000	17,000	2019	Semi-annual
Debentures 5 th Issuance - 1 st Series (2)	2015	2017	111,160	11,116	2017	Semi-annual
Debentures 5 th Issuance - 2 nd Series (2)	2015	2018	188,840	18,884	2018	Semi-annual
Debentures 3 rd Issuance - 1 st Series (3)	2013	2018	199,670	19,967	2017/2016/2018	Semi-annual
Debentures 3 rd Issuance - 2 nd Series (3)	2013	2020	100,330	10,033	2019/2020	Semi-annual
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 to 2014	2024	30,793	-	Monthly	Quarterly during grace period and monthly at amortization
Debentures 2 nd Issuance - 1 st and 3 rd series (9)	2011	2024	276,609	7,000	Monthly	Quarterly during grace period and monthly at amortization
Debentures 2 nd Issuance - 2 nd Series (9)	2011	2024	118,547	3,000	Annual	Annual
Banco Itaú – PSI - 13 Contracts (6)	2013 to 2014	2025	33,175	-	Monthly	Quarterly during grace period and monthly at amortization
Debentures 4 th Issuance - 1 st Series (10)	2014	2027	230,012	7,000	Monthly	Quarterly during grace period and monthly at amortization
Debentures 4 th Issuance - 2 nd Series (10)	2014	2027	98,576	3,000	Monthly	Quarterly during grace period and monthly at amortization
BNDES – PAC2 – 5 Contracts (7)	2011 to 2014	2029	682,649	-	Monthly	Quarterly during grace period and monthly at amortization
Finance Leases (11)	2013	2036	460,592	-	Monthly	Monthly
Caixa Econômica Federal – 242 Contracts (8)	1991 to 2017	2041	1,798,476	-	Monthly	Monthly

c) The amortization is scheduled as follows:

Description	2018	2019	2020	2021	2022	2023	2024 to 2038	Total
Debentures 2 nd Issuance	49,466	45,706	45,707	45,707	45,707	45,707	38,649	316,649
Debentures 3 rd Issuance	68,411	65,398	65,397	-	-	-	-	199,206
Debentures 4 th Issuance	31,823	30,891	30,891	30,891	30,891	30,891	110,683	296,961
Debentures 5 th Issuance	189,372	-	-	-	-	-	-	189,372
Debentures 6 th Issuance	87,507	169,726	-	-	-	-	-	257,233
Subtotals Debentures	426,579	311,721	141,995	76,598	76,598	76,598	149,332	1,259,421
BNDES	32,068	30,863	7,585	7,585	7,585	635	-	86,321
BNDES – PAC2	26,263	25,582	25,582	25,582	23,129	22,408	88,049	236,595
Banco do Brasil - PSI	3,401	3,369	3,369	3,369	3,369	2,093	190	19,160
Banco Itaú - PSI	3,588	3,542	3,542	3,542	3,542	3,055	1,446	22,257
Caixa Econômica Federal	66,668	71,201	75,175	65,903	56,099	44,862	536,503	916,411
Subtotals Loans and Financing	131,988	134,557	115,253	105,981	93,724	73,053	626,188	1,280,744
Lease	3,981	2,980	3,367	3,805	4,299	4,858	153,383	176,673
Totals	562,548	449,258	260,615	186,384	174,621	154,509	928,903	2,716,838

As of December 31, 2017, the present value of minimum future financial obligations for Finance Leases is shown below:

Description			2017	2016
	Minimum Future Payments	Financial Charges	Present Value of Minimum Future Payments	Present Value of Minimum Future Payments
Less than one year	23,617	(19,636)	3,981	562
Between one and five years	96,165	(81,880)	14,285	3,020
Over five years	327,125	(168,718)	158,407	37,526
Totals	446,907	(270,234)	176,673	41,108

The discount rate applied was 12.4%

d) Changes in the loans, financing, debentures and finance leases were as follows:

Description	2017		2016	
	Current	Non Current	Current	Non Current
Balances at beginning of year	379,163	2,332,911	230,660	2,105,348
Releases	-	213,321	-	494,178
Interest and Fees	234,116	-	238,666	-
Monetary Variance	-	58,878	-	50,055
Transfers	554,231	(554,231)	356,452	(356,452)
Amortization	(605,108)	-	(446,496)	-
Costs Incurred on Borrowing	146	679	(681)	(764)
Finance Leases	-	102,732	562	40,546
Balanced at end of year	562,548	2,154,290	379,163	2,332,911

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

In 2017, the Company obtained and amortized funds from third parties, as stated below:

Index	Releases	Amortization
Debentures 2 nd Issuance	-	73,949
Debentures 3 rd Issuance	-	91,004
Debentures 4 th Issuance	37,977	33,601
Debentures 5 th Issuance	-	139,348
Debentures 6 th Issuance	-	31,482
BNDES	-	49,527
BNDES – PAC2	75,512	33,454
Banco do Brasil – PSI	-	4,156
Banco Itaú – PSI	-	4,684
Caixa Econômica Federal	99,832	134,373
Lease	102,732	9,530
Totals	316,053	605,108

f) Covenants –

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

(i) Covenants in BNDES contracts and in the 2nd and 4th Debentures Issuances

Index	Limit	Range	Actual
EBITDA / Debt Service	Equal to or greater than 1.5	Less than 1.5 and equal to or greater than 1.2	2.3
Net Bank Debt / EBITDA	Equal to or less than 3.0	Equal to or less than 3.8 and greater than 3.0	1.6
Other Onerous Debt / EBITDA	Equal to or less than 1.0	Equal to or less than 1.3 and greater than 1.0	0.7

(ii) Covenants in BNDES contracts and in the 3rd, 5th and 6th Debentures Issuances

Index	Limit	Actual
Net Bank Debt / Adjusted EBITDA	Equal to or less than 3.0	1.5
Adjusted EBITDA / Net Financial Expense	Equal to or greater than 1.5	6.6

For BNDES contracts and the 2nd and 4th Debentures Issuance, the Company shall maintain throughout the term of the financing contracts the limit ratios, calculated on a quarterly basis and related to amounts accumulated in the past 12 (twelve) months.

In the event one or more of the Company's Covenants should present ratios within the aforesaid range for a minimum of two (02) quarters, consecutive or otherwise, over a period of 12 months, the monthly amount for the portion of the rights assigned in escrow by way of the "Fiduciary Assignment of Rights" clause for each of the contracts will be automatically increased by twenty percent (20%).

For contracts in item (ii), of the 3rd, 5th and 6th issuances of simple, nonconvertible, ordinary debentures, which do not afford any special or general privileges to the holders, the Company must maintain said ratios throughout the period and until the final maturity.

As of December 31, 2017, the Company is fully compliant with the covenants stipulated for the debentures issuances and BNDES financing loans.

14. CONCESSION AGREEMENT

The Company has a 30-year onerous concession agreement entailing public utility services for supplying water and collecting, removing and treating sewage with the Municipality of Curitiba, signed on December 06, 2001. Based on this contract, the amount to be paid for the concession was fixed at a total of R\$ 125,000, owed in separate installments over the contractual term, restated by the IPCA price index disclosed by IBGE. The balance as of December 31, 2017 amounts to R\$ 91,989 (R\$ 96,926 in 2016), with R\$ 7,716 (R\$ 7,501 in 2016) recorded as current liabilities and R\$ 84,273 (R\$ 89,425 in 2016) recorded as noncurrent liabilities.

Maturity of the debts is as follows:

Maturity	Balance Payable
2018	7,716
2019	7,716
2020	7,716
2021	7,716
2022	7,716
2023 to 2031	53,409
Total	91,989

15. TAXES AND CONTRIBUTIONS

The figures break down as follows:

Description	2017	2016
COFINS Payable	21,616	20,237
PASEP Payable	4,683	4,378
COFINS – Financing (1)	4,079	4,079
IPTU – Financing (2)	1,667	1,749
Income Taxes withheld at Source	36,164	34,228
Total Taxes and Contributions	68,209	64,671
Current	66,941	63,260
Noncurrent	1,268	1,411

(1) Financing of COFINS fine for the period September/1994 to September/1996 in accordance with Law 11941/2009. The debt was divided into 60 monthly installments, restated at the SELIC interest rate by the Prosecutions

Department of the Ministry of Finance, being settled on October 31, 2014. The Company filed a writ of mandamus before the 2nd Circuit Court of Curitiba on 06/28/2011, disputing the consolidated amount of debt claimed by the Prosecutions Department of the Ministry of Finance, obtaining an injunction on 06/29/2011 to reduce the debt amount. The case was decided in favor of the Company on 12/6/2011. The Prosecutions Department of the Ministry of Finance filed an appeal on 02/07/2012, which was judged and rejected. On August 27, 2014, the Public Prosecutor's Office stated the Government's special appeal should be denied. On October 13, 2014, the special appeal was referred to the decision of Justice Marga Tesler of the 1st Bench of the Superior Court of Justice (STJ), where the case was returned without an order for a new distribution to the Justice's successor, given the end of the summons. On 06/08/2015 the case was redistributed to the convened Justice Olindo Herculano de Menezes. The latest development in the case saw it be redistributed on 03/02/2016 to the Justice Gurgel de Faria.

- (2) IPTU debit (Urban Property Tax) owed to the Curitiba municipal government regarding the legal expropriation of a property subject to an area occupied by ETE CIC/Shale, for the period 2002-2013, encompassing interest, monetary restatement and legal fees of 10% on the total debt amount. The Company financed the debt amount of R\$ 1,664, over 90 monthly installments restated by the IPCA price index, plus arrears interest of 1% per month. 40 installments amounting to R\$ 1,022 had been paid by 12/31/2017.

16. INCOME TAX AND SOCIAL CONTRIBUTIONS

Accounting Practice:

Income and social contribution taxes are recorded according to taxable income and prevailing rates: 15% for Corporate Income Tax (IRPJ), plus a surtax of 10% on income exceeding the legal limit, and 9% for Social Contributions.

Deferred income and social contribution taxes were calculated based on the effective rates of these taxes and recorded as established by law, according to CPC 26 (R1) and 32, addressing the temporary differences of these taxes. The Company prepares periodical analyses that show that these taxes are recoverable through future operations.

Deferred tax assets and liabilities are presented net given that there is a legal or contractual right to offset the tax assets against the tax liabilities.

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

Description	2017		2016	
	Income Tax	Social Contribution	Income Tax	Social Contribution
Profit before Income and Social Contribution Taxes	914,073	914,073	789,585	789,585
Income and Social Contribution Taxes - Statutory Rates	(228,518)	(82,267)	(197,396)	(71,063)
Interest Deductibility Benefit on Interest on Shareholders' Equity	79,776	28,719	73,351	26,406
Subsidies and Donations Received from Government Agencies	(2,334)	(839)	84	30
Adjustment of Accounts Receivable to Present Value (1)	852	307	(142)	(51)
Workers' Meal Program - PAT (2)	8,466	-	5,969	-
Corporate Citizenship Incentive (3)	673	-	458	-
Equity Income	(448)	(161)	(840)	(303)
Reversal of Stock Issuance Cost	(856)	(308)	-	-
Finance Leases	(8,566)	(3,084)	-	-
IBAMA Tax Financing (4)	(13,978)	(5,032)	-	-
Other	(157)	(146)	603	156
Total Expenses	(165,090)	(62,811)	(117,913)	(44,825)
Total Income and Social Contribution Taxes	(227,901)		(162,738)	
Effective Rate	24.9%		20.6%	

(1) In accordance with Law 11941/12 issued 5/27/2009;

(2) In accordance with Law 6,321/12 issued 4/14/1976;

(3) In accordance with Decree 7052, issued December 23, 2009, which regulated Law 11770 issued 9/9/2008;

(4) Pursuant to Law 13494/2017.

b) Current and deferred income and social contribution taxes

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

Description	2017	2016
Income Tax	(210,740)	(148,607)
Social Contribution	(78,778)	(55,392)
Realization of deferred income tax	45,650	30,694
Realization of deferred social contributions	15,967	10,567
Totals	(227,901)	(162,738)

Any tax impacts on the recognition of actuarial gains and losses in shareholders' equity are disclosed in the statement of comprehensive Income.

c) Estimated future realization of deferred income and social contribution taxes

The breakdown of the basis for deferred income and social contribution taxes on assets and liabilities for future realization is as follows:

Description	Estimated Realization Period	Calculation Base	Income Tax	Social Contribution	2017	2016
					Total	Total
ASSETS						
AVP on Contractual Financial Assets	30 years	369,051	92,263	33,215	125,478	104,635
Pension and Health Plans	15 years	936,642	234,160	84,298	318,458	270,615
Asset Impairment	10 years	13,427	3,357	1,208	4,565	4,258
Provisions for Civil, Labor, Tax and Environmental Claims	5 years	505,634	126,409	45,507	171,916	172,236
Provision for Credit Realization Losses	3 years	49,535	12,384	4,458	16,842	15,912
PAI – Encouraged Retirement Program	2 years	17,408	4,352	1,567	5,919	-
Provision for Profit-Sharing	1 year	40,704	10,176	3,663	13,839	12,647
AVJ – FINAM Investment	1 year	2,089	522	188	710	-
AVP of Accounts Receivable	1 year	2,453	613	221	834	-
Totals			484,236	174,325	658,561	580,303
LIABILITIES						
AVP on Contractual Financial Assets	30 years	362,393	90,599	32,615	123,214	107,900
Deferred IRPJ on Constructions and Improvements	25 years	131,481	32,870	-	32,870	34,169
Donations from Government Agencies	20 years	9,962	2,490	897	3,387	-
Finance Leases	-	-	-	-	-	13,952
Revaluation Reserve	16 years	123,036	30,759	11,073	41,832	44,922
Attribution of New Cost to Fixed Assets	6 years	12,132	3,033	1,092	4,125	5,363
Totals			159,751	45,677	205,428	206,306
Net total			324,485	128,648	453,133	373,997

d) Estimated future realization of deferred income and social contribution taxes

The estimated future realization of deferred tax assets and deferred tax liabilities as at December 31, 2017 is as follows:

Realization Periods	Deferred Tax Asset			Deferred Tax Liabilities		
	Income Tax	Social Contribution	Totals	Income Tax	Social Contribution	Totals
2018	34,281	12,341	46,622	7,508	2,210	9,718
2019	33,442	12,039	45,481	7,508	2,210	9,718
2020 to 2022	184,360	66,370	250,730	22,524	6,629	29,153
2023 to 2025	57,952	20,862	78,814	20,704	5,974	26,678
2026 to 2028	57,084	20,550	77,634	20,704	5,974	26,678
2029 to 2031	57,084	20,550	77,634	20,704	5,974	26,678
2032 to 2034	25,862	9,310	35,172	16,602	4,498	21,100
2035 to 2037	10,251	3,691	13,942	14,531	3,752	18,283
2038 to 2040	10,251	3,691	13,942	14,175	3,624	17,799
2041 to 2043	10,251	3,691	13,942	11,436	3,624	15,060
2044 to 2046	3,418	1,230	4,648	3,355	1,208	4,563
Totals	484,236	174,325	658,561	159,751	45,677	205,428

17. UNEARNED REVENUE

On January 23, 2017, the Company renewed the assignment contract for the operation of financial services with Caixa Econômica Federal for a sixty-month term (60 months), starting in March/2017, for the amount of R\$ 21,000. Revenues corresponding to this contract are recognized on a monthly accrual basis, over the term of the contract. The amount recognized in profit or loss in FY 2017 was R\$ 4,042 (R\$ 3,250 as of 12/31/2016). The balance as at December 31, 2017 is R\$ 17,500 (R\$ 542 as at 12/31/2016), with R\$ 4,200 (R\$ 542 as at 12/31/2016) recorded as current liabilities and R\$ 13,300 as noncurrent liabilities.

18. PROVISIONS, CONTINGENT LIABILITIES AND COURT DEPOSITS

Accounting Practice:

The Company records provisions when Management, supported by the opinion of its legal advisors, has rated certain legal proceedings arising in the normal course of its business as probable defeats. A provision for all labor claims is made, given the history of decisions.

Provisions are reviewed and adjusted to reflect changes in circumstances, such as the applicable statute of limitations, the conclusions from tax audits or additional exposure identified as a result of new issues or court decisions.

a) Provisions

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

Nature	2016	Additions	Reversals	2017
Labor Claims (i)	184,236	103,259	(36,682)	250,813
Civil Claims (ii)	196,994	83,482	(70,495)	209,981
Environmental Claims (iii)	113,228	133	(85,921)	27,440
Tax Claims (iv)	12,118	5,296	(14)	17,400
Total	506,576	192,170	(193,112)	505,634

b) Contingent Liabilities

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

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

Nature	Contingent Liabilities	
	2017	2016
Civil Claims (i)	209,613	143,176
Environmental Claims (ii)	268,120	252,819
Tax Claims (iv)	14,625	8,328
Totals	492,358	404,323

(i) Labor claims

Labor claims are mostly related to claims filed by former employees of the company and service providers (joint liability), who are claiming salary differences and labor charges. The main suits involving the Company are in relation to: i) health hazard allowances when calculating overtime; and ii) dangerous work allowances at the rate of 30%.

(ii) Civil

Civil proceedings are related to claims for compensation by customers and suppliers, and third-party damages. The main cases involving the Company relate to: i) claim for annulment of the concession agreement of Maringá; ii) compensation for works contracts due to economic and financial instabilities and iii) other proceedings arising from compensation owing to contractual suspension, traffic accidents, material damages and lost earnings, among others.

In May 2017 the Civil Court of TJ-PR issued a decision on the Resolution of Repetitive Claims, determining the immediate suspension of all claims being judged in the Special Civil Claims Court of Maringá and Appeal Courts of the Special Civil Claims Court of Paraná state, in connection with compensation claims for moral damages due to water shortages in the municipality of Maringá. In 2017, provisions for R\$ 66,177 were made and R\$ 39,213 reversed, resulting in a net provision of R\$ 26,964.

(iii) Environmental proceedings

Environmental claims are related to assessment notices issued by various environmental agencies, mainly for: i) damages to the environment and leaks and overflows from sewage collection systems, and discharge of effluents from sewage treatment plants breaching legal limits; ii) installation and operation of water and sewage treatment plants without environmental licenses.

As approved at the 11th Extraordinary Board of Directors Meeting held November 14, 2017, the Company entered the Non-Tax Debit Regularization Program - PRD, created by the Brazilian Institute of the Environment - IBAMA, referring to 31 Environmental Assessment Notices - AIA. The consolidated amount of debts, including the discount (R\$ 30,566) established by Law 13494/2017, amounted to R\$ 113,412. For these lawsuits, a provision of R\$ 70,943 was recognized and reversed in December 2017, and a complement of R\$ 42,469 was expensed. Details of the financing can be seen in note 21.

(iv) Tax

Tax claims are mainly demanding ISSQN (Services Tax) due to divergent interpretations of the law. The main claims the Company is party to involve include the municipalities of Piraquara, Paranavai, Campo Mourão, Pinhais and Porecatu.

c) Judicial Deposits

The Company has made court deposits that will only be recovered in the event of a favorable decision.

They break down as follows:

Nature	Judicial Deposits	
	2017	2016
Labor Claims	117,447	91,216
Civil Claims	57,366	57,259
Environmental Proceedings	5,080	2,981
Tax Proceedings	5,472	4,986
Totals	185,365	156,442

19. RETIREMENT AND MEDICAL ASSISTANCE PLAN

Accounting Practice:

The Company has a mixed pension plan (defined contribution during the working phase and defined benefit with lifetime income for retirees, pensioners and risk benefits). In the health area, it sponsors a medical and dental benefits plan for its employees, dependents and retirees, whose effects are recognized on the accrual basis according to the criteria established by CVM Decision No. 695, as stated in this Note.

Sanepar sponsors Fundação Sanepar de Previdência e Assistência Social – FUSAN, a non-profit legal entity, founded to manage the company's retirement plan that provides supplementary pension benefits to Company staff.

The retirement 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 accidents). This year, the Sponsor passed through the amount of R\$ 30,566 (R\$ 28,340 in 2016) in contributions to FUSAN.

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

SaneSaúde is a self-managed, collective medical and dental care insurance plan financed by pre-payments. The contributions made on average were 63.9% by the sponsor and 36.1% by 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 ranges of the beneficiary, and the existence of limiting factors for use of the services offered.

As a contribution to the Foundation, in this year the Company passed through the amount of R\$ 60,241 (R\$ 54,877 in 2016).

The technical reserves for the purpose of compliance with the standards set by Previc – National Pension Plans Oversight Board are determined by the actuary in charge of the pension plan. In January/2017 a plan was introduced to repair the technical deficit according to the legislation and approval of statutory agencies and sponsors. Additionally, for the purpose of compliance with CPC 33 (R1), approved by CVM Resolution 695, the consultancy firm Assistants Assessoria, Consultoria e Participações Ltda was hired and issued detailed reports that support the information in this note.

The actuarial position follows of the liabilities related to the retirement plan and medical assistance plan. The Projected Credit Unit Method (PUC) was used to determine the actuarial obligation.

Breakdown of the actuarial liability:

Description	Retirement Plan	Medical Assistance Plan	2017	2016
Present value of the liability at the beginning of the year	979,125	510,374	1,489,499	1,192,600
Interest cost on the obligation	103,656	55,232	158,888	165,063
Current service cost	11,526	10,303	21,829	18,715
Benefits paid in the year	(97,309)	(23,037)	(120,346)	(100,717)
Actuarial gains and (losses) for the year	196,803	6,134	202,937	213,839
Total obligation in the year	1,193,801	559,006	1,752,807	1,489,500
Fair value of plan assets at the beginning of the year	(690,149)	(3,423)	(693,572)	(479,636)
Interest on the plan's assets	(70,538)	-	(70,538)	(63,900)
Participant contributions	(1,896)	-	(1,896)	(1,897)
Sponsor contributions	-	(19,094)	(19,094)	(19,493)
Benefits paid in the year	97,309	23,037	120,346	100,717
Gain (loss) on the plan's assets in the year	(149,271)	(2,140)	(151,411)	(229,363)
Fair value of assets in the year	(814,545)	(1,620)	(816,165)	(693,572)
Liability recognized at end of year	379,256	557,386	936,642	795,928
Current	25,284	37,159	62,443	53,062
Noncurrent	353,972	520,227	874,199	742,866

A description follows of the assumptions made in the actuarial appraisal:

	2017	2016
Economic Hypotheses		
Discount Rate for Health	10.03% per year	11.53% per year
Discount Rate for Social Security	9.87% per year	11.54% per year
Expected Rate of Return on Assets for Health	10.03% per year	11.53% per year
Expected Rate of Return on Assets for Social Security	9.87% per year	11.54% per year
Future Pay Rises	3.50% per year	3.50% per year
Inflation	4.50% per year	5.15% per year
Real Increase in Medical Costs	3.00% per year	3.00% per year
Demographic Hypotheses		
Mortality Table	AT-2000 Basic	AT-2000 Basic
Mortality table of disabled people	Winklevoss D10	Winklevoss D10
Disability rate table	Álvaro Vindas	Light D40 Average
Retirement age	55 years	55 years

Sensitivity analysis of changes in interest rates:

Description	Retirement Plan	Medical Assistance Plan
Value of the obligation in the period	1,193,801	559,006
Interest Rate		
With increase of 1%	1,081,763	506,543
Change %	(9.0%)	(9.0%)
With decrease of 1%	1,317,443	616,902
Change %	10.0%	10.0%
Increase in costs		
With increase of 1%	-	615,600
Change %	-	10.0%
With decrease of 1%	-	507,615
Change %	-	(9.0%)
Salary Growth		
With increase of 1%	1,201,746	-
Change %	1.0%	-
With decrease of 1%	1,186,601	-
Change %	(1.0%)	-

Plan Assets

The fair value of the plan's assets approximates their carrying amount and breaks down as follows:

Description	2017	%	2016	%
Fixed Income (a)				
Fixed-income Fund Shares	996,016		934,743	
Shares in Private Credit Investment Funds	92,611		93,067	
Multimarket Investment Fund Shares	30,977		28,201	
Total Fixed Income	1,119,604	78.9	1,056,011	79.6
Variable Income (b)				
Open Investment Fund Shares	27,587		32,479	
Investment Fund Shares in FI Shares	57,488		49,257	
Share Portfolio	-		12,929	
Total Variable Income	85,075	6.0	94,665	7.1
Properties (c)	40,564	2.9	41,240	3.1
Transactions with Participants (d)	75,647	5.3	66,198	5.0
Structured (e)				
FIP Shares	28,673		22,637	
Multimarket Investment Fund Shares	68,869		46,365	
Total Structured	97,542	6.9	69,002	5.2
Fair Value of the Plan's Assets	1,418,432	100	1,327,116	100

a) Fixed Income: Federal Government Bonds and private credit securities with yield stipulated upon purchase;

b) Variable Income: Assets traded on stock exchanges and regulated by authorities whose returns and investments cannot be measured at the time of investment;

c) Property: Real estate owned by the Foundation;

d) Transactions with participants: Loan transactions for plan participants;

e) Structured: Assets consisting of interests in projects not traded on the stock exchanges and multimarket funds included in this segment.

Types of investments that are not permitted:

- *Day-Trading*: It is forbidden to conduct day-trading in the exclusive funds invested by the plan;
- *Real estate financing*: it is forbidden to extend the property financing established in the Transactions with Participants Segment while this Investment Policy is in force;

The table below shows the projected expenses for 2018:

Description	Retirement Plan	Medical Assistance Plan	2018
Current Service Cost	9,065	9,301	18,366
Interest Expense	107,913	52,801	160,714
Expected Yield on Plan Assets	(70,678)	-	(70,678)
Sponsor Contributions	(2,050)	(20,532)	(22,582)
Totals	44,250	41,570	85,820

20. RELATED PARTIES

Accounting Practice:

The Company has conducted business transactions with several related parties, especially Paraná state and certain municipalities, as stated in this Note.

The Company allocated interest on shareholders' equity to Paraná state in the amount of R\$ 74,755 in 2017 (R\$ 114,211 in 2016) and additional proposed dividends of R\$ 1,226 (R\$ 1,174 in 2016), totaling R\$ 75,981 (R\$ 115,385 in 2016). This amount depends on the approval of the General Shareholders Meeting. The Company also provided water and sewage services to Paraná state, whose revenue was R\$ 102,624 and R\$ 89,611 for FYs 2017 and 2016 respectively.

The Company provides water and sanitary sewage services to a number of municipal governments, primarily in Paraná state, with which it maintains concession agreements and municipal program contracts, with the revenues from said municipal contracts amounting to R\$ 96,147 in 2017 (R\$ 97,022 in 2016).

The Company also provides urban solid waste management services in a number of municipalities in Paraná state, generating revenue of R\$ 8,564 (R\$ 7,867 in 2016).

Sanepar Management views these transactions as normal market transactions, except for certain municipalities that have discounts in water supply and sewage invoices, depending on the maximum consumption set in each special contract with the government to obtain the benefit. As regards the form of settling these credits, in addition to using the authorized banking network, these credits can be offset against debtor municipalities that owe receivables to the Company.

Management Compensation

The overall annual management compensation for the for the financial year ended December 31, 2017 was approved by the 53rd/2017 Annual General Meeting (AGM) held April 27, 2017, in the amount of R\$ 14,255. For FY 2016, the approval was issued by the 52nd/2016 Annual General Meeting (AGM) held April 28, 2016, in the amount of R\$ 13,055, of which R\$ 9,142 paid as compensation and R\$ 2,454 in connection with charges and benefits, amounting to a total of R\$ 11,596. R\$ 2,272 of the charges and benefits consists of social charges, R\$ 51 of profit sharing, R\$ 47 of the health insurance plan (SANESAÚDE), R\$ 65 of benefits from Fundação Sanepar (FUSAN) and R\$ 19 of Supplementary Programs.

In FY 2017, the amount of R\$ 12,771 was paid out (R\$ 11,596 in 2016), of which R\$ 10,001 (R\$ 9,142 in 2016) was compensation and R\$ 2,770 (R\$ 2,454 in 2016) with was charges and benefits. R\$2,538 (R\$2,272 in 2016) of the charges and benefits consists of social charges, R\$83 (R\$51 in 2016) of profit sharing, R\$55 (R\$47 in 2016) of the health insurance plan (SANESAÚDE), R\$88 (R\$65 in 2016) of benefits from Fundação Sanepar (FUSAN) and R\$6 of Supplementary Programs (R\$19 in 2016).

21. OTHER ACCOUNTS PAYABLE

The figures break down as follows:

Description	2017	2016
Programs Linked to National Water Agency - ANA	8,012	7,409
Contracts and Arrangements with Third Parties	8,753	12,224
Arrangements with Municipal Governments	13,669	11,338
Reimbursable Pledges and Amounts	10,355	6,701
Labor Claim Compensation – PAI/PDVTC	7,020	-
Agreement with Instituto Ambiental do Paraná - IAP (1)	1,620	3,780
IBAMA Financing – PRD Law 13494/2017 (2)	85,462	-
Totals	134,891	41,452
Current	54,481	36,513
Noncurrent	80,410	4,939

- (1) Commitment signed on 6/3/2016 to finance over installments fines issued by Paraná Environmental Institute - IAP, for 41 Environmental Assessment Notices – AIA. The agreement was signed in the amount of R\$ 4,320 payable in 24 installments of R\$ 180. 15 installments had been paid as of 12/31/2017 amounting to R\$ 2,700.
- (2) Financing over installments of debts stemming from 31 environmental assessment notices issued by the Brazilian Institute of the Environment – IBAMA, in accordance with the Non-Tax Debit Regularization Program introduced by Law 13494/2017. As of 12/31/2017, 20% of the consolidated debt R\$ 29,083 (recorded in the financing program) had been settled and the remainder was financed over 60 monthly installments, restated by the SELIC interest rate.

22. SHAREHOLDERS' EQUITY

a) Capital

The fully paid-in share capital consists of 503,735,173 shares, with no par value, including 167,911,753 common shares and 335,823,420 preferred shares. In addition to the common and preferred shares, in November 2017 the Company began trading Share Deposit Certificates ("Units"), with each "Unit" being formed of 1 (one) common share and 4 (four) preferred shares.

The preferred shares hold no voting rights, but the holders are entitled to: (i) participate on the same terms as common shares in the distribution of shares or any other securities or benefits, including the incorporation of share capital reserves; (ii) priority in capital reimbursements in the event of the Company's liquidation; and (iii) the right to receive compensation of at least 10% over and above the amount allocated to each common share.

The equity value of each share as at December 31, 2017 is R\$ 10.23 (R\$ 9.55 as of December 31, 2016), including the provision for additional dividends proposed by Management.

The subscribed and paid-in capital share as at December 31, 2017 is R\$ 2,854,952, which net of the share issuance cost amounts to R\$ 2,851,089, with the following shareholding structure:

Shareholders	Number of Shares					
	Common	%	Preferred	%	Total	%
Paraná state	100,914,575	60.1	1	-	100,914,576	20.0
Municipal Governments	-	-	2,310,702	0.7	2,310,702	0.5
Foreign Investors	35,631,610	21.2	192,918,997	57.4	228,550,607	45.4
Other Investors	31,365,568	18.7	140,593,720	41.9	171,959,288	34.1
Totals	167,911,753	100.0	335,823,420	100.0	503,735,173	100.0

b) Revaluation Reserve

The amount of R\$ 5,996 was realized in the year (R\$ 5,625 in 2016) net of income and social contribution taxes. This reserve is realized to the same extent of the write-offs and depreciation of assets recorded in property, plant and equipment and intangible assets, subject to the revaluation.

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

Description	2017	2016
Balances at beginning of year	87,200	92,825
Realization of the Revaluation Reserve	(9,085)	(8,522)
Realization of Taxes on the Revaluation Reserve	3,089	2,897
Balanced at end of year	81,204	87,200

c) Reserve for Investment Plan

The investment plan reserve denotes the remaining profit, after the legal reserve and tax incentives reserve have been formed and the interest on shareholders' equity and dividends have been paid out. The limit for constituting this reserve is the value of the paid-in shareholders capital. The funds allocated to the investment reserve will be

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

Management is proposing to appropriate the amount of R\$ 334,032 from retained earnings to form an Investment Plan Reserve, subject to subsequent approval of the Shareholders' Meeting. The funds will be invested in projects entailing the construction and expansion of water supply and sewage collection and treatment systems, as established in the Company's investment plans.

d) Shareholder Compensation

Accounting Practice:

Interest on shareholders' equity was calculated in accordance with the existing legislation, subject to the limit on the variance of the Long-Term Interest Rate – TJLP, applied to adjusted shareholders' equity. Interest on shareholders' equity is recorded as financial expenses and reclassified to shareholders' equity for the purpose of presenting and disclosing the financial statements. If the amount credited as interest on shareholders' equity in the year results in a distribution percentage lower than that proposed by Management, a supplementary amount is recorded as additional dividends. The mandatory minimum dividend is recorded in current liabilities and any amounts above the minimum limit are recorded in a reserve in shareholders' equity as additional proposed dividends.

The Company's Bylaws provide for the mandatory distribution of dividends of 25% of the adjusted net income in accordance with Brazilian Corporation Law. Preferred share holders were assigned interest on shareholders' equity (dividend) per share 10% higher than that assigned to common share holders.

Tax legislation allows companies to proceed pay out interest on shareholders' equity to shareholders, subject to certain limits, and to treat said payments as deductible expenses for calculating income and social contribution taxes payable. Included in the mandatory dividends payable by the Company, this distribution is treated for accounting purposes as a deduction from shareholders' equity, similar to dividends. Income tax withheld at source is applied to these amounts at the rate of 15%, paid by the Company when the interest is credited.

Interest on shareholders' equity payable was calculated according to the variance of the long-term interest rate TJLP, pursuant to Law 9249/95, as amended by subsequent legal provisions. The total interest was accounted for in finance expenses, generating a tax benefit of R\$ 108,496, according to tax law. This interest is being presented in shareholders' equity and charged to retained earnings for the purpose of these financial statements.

Pursuant to the Dividends Policy and Business Plan in effect and in light of the Company's sound financial health and the public interest, Company management is proposing to approve the profit distribution at the General

Shareholders Meeting, as follows:

	2017	2016
Net Income for the Year	686,172	626,847
Government Grants and Donations	(629)	(335)
Creation of the Legal Reserve	(34,277)	(31,343)
Basis for Calculation of Mandatory Dividends	651,266	595,169
Mandatory Dividends (25%)	162,816	148,792
Supplementary Dividends	162,817	148,793
Dividends Proposed and Interest on Shareholders' Equity	325,633	297,585

The amount of interest on shareholders' equity calculated in 2017 was R\$ 319,105 (R\$ 293,404 in 2016), with the amount of R\$ 28,025 as withholding income tax withheld, which resulted in an effective rate of 8.8% (5.5% in 2016). Because interest on shareholders' equity did not reach 50% of the net income for the year, pursuant to its dividend policy Company management is proposing to pay out additional dividends of R\$ 6,528 (R\$ 4,181 in 2016), totaling gross compensation of R\$ 325,633 (R\$ 297,585 in 2016).

The portion of the interest on shareholders' equity/dividends in excess of the minimum mandatory dividend of R\$ 162,817 will be maintained in the Company's equity reserve until decided otherwise by the General Shareholders Meeting, when, if approved, it will be transferred to current liabilities.

The compensation to the Company's shareholders is credited based on the share position as of June 30 and December 31 of each year and any trading subsequent to the announcement of the credit are considered ex-dividend (Interest on shareholders' equity and dividends).

e) Earnings per Share

In view of the compensation credited to shareholders on 06/30/2017 and 12/31/2017, the interest on shareholders' equity and additional proposed dividends per share were as follows:

Interest on Shareholders' Equity – 6/30/2017	Quantity	Total Compensation	Compensation per share
Common Shares	167,911,724	49,847	0.29686
Preferred Shares	335,823,449	109,663	0.32655
Totals	503,735,173	159,510	

Interest on Shareholders' Equity – 12/31/2017	Quantity	Total Compensation	Compensation per share
Common Shares	167,911,753	49,873	0.29702
Preferred Shares	335,823,420	109,722	0.32672
Totals	503,735,173	159,595	
Compensation for 1 UNIT			1.60390

Additional Dividends - 12/31/2017	Quantity	Total Compensation	Compensation per share
Common Shares	167,911,753	2,040	0.01215
Preferred Shares	335,823,420	4,488	0.01336
Totals	503,735,173	6,528	
Compensation for 1 UNIT			0.06559

The amount of compensation for shareholders, per share, was as follows:

	2017	2016
Common Shares	0.60603	0.57312
Preferred Shares	0.66663	0.63043
Value for 1 "Unit"	1.66949	-

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

Basic and diluted earnings per share	2017	2016
Numerator		
Profit for the year attributed to the Company's stockholders		
Common shares	214,429	195,890
Preference shares	471,743	430,957
Denominator (in thousands of shares)		
Weighted average number of common shares	167,912	225,650
Weighted average number of preferred shares	335,823	251,564
Basic and diluted earnings		
Per common share	1.27703	0.86811
Per preferred share	1.40474	1.71311

f) Legal Reserve

In compliance with Brazilian corporation law and the bylaws, the legal reserve was formed in the amount of R\$34,277 in 2017 (R\$31,343 in 2016) at the rate of 5% of the net profit determined for each year, up to the limit of 20% of the paid-in capital. The legal reserve can only be used to increase the share capital or absorb losses. Also in accordance with Brazilian Corporation Law, Management respects the share capital limits when forming profit reserves.

g) Tax Incentive Reserve

This reserve amounts to R\$ 629 in 2017 (R\$ 335 in 2016) in compliance with Article 195-A of Brazilian Corporation Law, related to the portion of net income deriving from donations and government grants. This amount was excluded from the Dividends calculation base.

h) Equity Appraisal Adjustments

Established in compliance with article 182 of Brazilian Corporation Law, equity appraisal adjustments shall be considered to be the balancing items of increases or decreases in value attributed to items of the assets and liabilities, as a result of their fair value appraisal, until they have been recorded in profit or loss for the year on the accrual basis of accounting.

The amount of R\$ 2,403 was transferred to retained earnings in the year (R\$ 1,737 in 2016) net of income and social contribution taxes. This reserve is realized to the same extent of the write-offs and depreciation of assets recorded in property, plant and equipment and intangible assets, subject to the revaluation.

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

Description	2017	2016
Balances at beginning of year	10,410	12,147
Realization of Deemed Cost Adjustments	(3,640)	(2,631)
Realization of Taxes on Deemed Cost Adjustments	1,237	894
Balanced at end of year	8,007	10,410

23. OPERATING REVENUE

Accounting Practice:

Service Revenue: Income is recognized on the accrual basis. Revenue from water supply and sewage collection services includes amounts billed to clients on a monthly basis and unbilled revenue recognized at fair value of the consideration received or receivable and is stated net of applicable taxes, rebates or discounts, including additional amounts for late payment by the clients (fine). Revenues not yet billed are recognized based on estimated consumption from the date of the last metering until the end of the accounting period.

Construction Revenue: According to CPC 17 (R1) - Construction Contracts, revenue from construction of assets used in the provision of public services is recognized by the percentage-of-completion method, as long as all applicable conditions have been met. Under this method, contractual revenue should be proportional to contractual costs incurred on the reporting date in relation to total estimated cost. The Company adopted a margin of zero to measure the construction revenues and costs.

Operating revenue breaks down as follows by nature:

Description	2017	2016
Revenue		
Water Revenue	2,539,747	2,309,458
Sewage Revenue	1,444,407	1,270,631
Service Revenue	131,699	125,877
Solid Waste Revenue	8,564	7,867
Services Provided to Municipal Governments	14,133	7,870
Donations made by clients	21,898	14,525
Other Revenue	6,507	4,778
Total Operating Income	4,166,955	3,741,006
Deductions from Operating Revenue		
COFINS	(244,628)	(216,586)
PASEP	(52,926)	(46,895)
Total Deductions	(297,554)	(263,481)
Total Net Operating Income	3,869,401	3,477,525

The Company generated revenue and incurred costs from concession construction contracts of R\$ 181,389 in FY 2017 (R\$ 87,772 in 2016), i.e., with a margin of zero. This revenue is stated net of construction costs.

24. COST OF SERVICES RENDERED

Costs break down as follows by nature:

Description	2017			2016		
	Water	Sewage	Total	Water	Sewage	Total
Personnel	281,909	97,117	379,026	260,680	84,818	345,498
Materials	79,961	34,780	114,741	75,930	25,802	101,732
Electricity	334,698	36,493	371,191	345,389	37,074	382,463
Outsourced Services	194,390	144,191	338,581	181,168	116,544	297,712
Depreciation and Amortization	117,836	106,075	223,911	103,828	92,342	196,170
Other Costs	96,747	31,938	128,685	88,873	32,660	121,533
Totals	1,105,541	450,594	1,556,135	1,055,868	389,240	1,445,108

25. COMMERCIAL, ADMINISTRATIVE AND OTHER EXPENSES

These expenses break down as follows by nature:

Description	2017	2016
Commercial		
Personnel	115,479	104,757
Materials	3,932	3,497
Outsourced Services	79,160	69,785
Depreciation and Amortization	6,277	5,723
Credit Realization Losses	26,401	21,890
Municipal Sanitation and Environmental Management Fund	28,517	19,388
Compensation of Third-party Damages (1)	15,856	1,182
Sanepar Rural program	9,479	213
Other Expenses	30,103	26,632
Total Selling Expenses	315,204	253,067
Administrative		
Personnel	574,940	582,353
Materials	39,294	34,571
Outsourced Services	161,134	144,943
Depreciation and Amortization	17,094	15,218
Regulatory Fee (2)	14,259	45
Travel Expenses	9,224	7,457
Environmental and Social Programs	7,116	2,160
Other Expenses	29,633	39,425
Transfers to Selling Expenses and Costs (3)	(133,761)	(122,900)
Capitalized Expenses (4)	(86,164)	(87,111)
Total Administrative Expenses	632,769	616,161
Other Operating Income (Expenses)		
Expenses		
Environmental Fines (5)	(55,911)	-
Asset Write-off	(11,326)	(13,948)
Adjustment to Fair Value - Investments	(2,098)	2,751
Total Other Operating Revenues (Expenses), net	(69,335)	(11,197)

(1) Payment of civil claim for nullity of the minimum savings charge for certain gated communities on the coast;

- (2) Beginning of payment of the regulatory fee to AGEPAR;
- (3) These amounts are first recorded as administrative expenses and subsequently transferred to selling costs and expenses;
- (4) These amounts refer to capitalized administrative expenses, as they relate to projects and works in progress, allocated directly by the Service Units;
- (5) For further details please see Notes 18 b (iii) and 21 (2).

26. PROFIT-SHARING PROGRAM

The Company set up a provision of R\$ 40,704 (R\$ 37,198 in 2016) as profit sharing for 2017, which is recorded in the account Salaries and Payroll Charges in current liabilities. In July 2017, the Company recorded a supplementary provision for the 2016 profit sharing program in the total amount of R\$ 28,977, compared with R\$ 69,681 in FY 2017.

27. FINANCIAL INCOME/LOSS

Description	2017	2016
Financial Revenue		
Monetary Variance Gains	13,766	15,092
Short-term Investments	65,622	39,510
Other Financial Revenue	12,494	25,924
Total Finance Revenue	91,882	80,526
Financial Expenses		
Financing and Debenture Interest and Charges	(188,085)	(193,566)
Monetary Variance Losses	(53,711)	(44,914)
Other Financial Expenses	(72,253)	(6,327)
Total Financial Expenses	(314,049)	(244,807)
Net Financial Income	(222,167)	(164,281)

28. SEGMENT REPORTING

The Company has two clearly identifiable business segments, namely water distribution and sewage treatment and collection. The process of collecting and treating solid waste was included 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 by segment based on information generated by the accounting records, where miscellaneous expenses are allocated by means of apportionment, as shown in following table:

Description	2017			2016		
	Water	Sewage	Total	Water	Sewage	Total
Direct Operating Revenue	2,640,111	1,484,306	4,124,417	2,402,458	1,311,375	3,713,833
Other Operating Income	24,776	17,762	42,538	16,027	11,146	27,173
Total Gross Operating Revenue	2,664,887	1,502,068	4,166,955	2,418,485	1,322,521	3,741,006
Revenue Deductions (PASEP and COFINS)	(173,216)	(124,338)	(297,554)	(155,364)	(108,117)	(263,481)
Net Operating Revenue	2,491,671	1,377,730	3,869,401	2,263,121	1,214,404	3,477,525
Cost	(1,105,541)	(450,594)	(1,556,135)	(1,055,868)	(389,240)	(1,445,108)
Gross Profit	1,386,130	927,136	2,313,266	1,207,253	825,164	2,032,417
Commercial Expenses	(183,589)	(131,615)	(315,204)	(149,265)	(103,802)	(253,067)
Administrative Expenses	(368,554)	(264,215)	(632,769)	(363,428)	(252,733)	(616,161)
Other Operating Income (Expenses)	(41,427)	(27,908)	(69,335)	(8,587)	(2,610)	(11,197)
Equity in Net Income of Subsidiaries	-	(1,791)	(1,791)	-	(3,361)	(3,361)
Net Financial Income	(82,961)	(139,206)	(222,167)	(71,665)	(92,616)	(164,281)
Profit-Sharing Plan	(40,585)	(29,096)	(69,681)	(31,333)	(21,790)	(53,123)
Provisions	259	683	942	(25,151)	(18,002)	(43,153)
Retirement and Medical Assistance Plans	(51,984)	(37,204)	(89,188)	(58,103)	(40,386)	(98,489)
Net Income Before Tax	617,289	296,784	914,073	499,721	289,864	789,585
Income Tax and Social Contribution	(154,484)	(73,417)	(227,901)	(102,995)	(59,743)	(162,738)
Net Income for the Year	462,805	223,367	686,172	396,726	230,121	626,847
Operating Margin	23.2%	19.8%	21.9%	20.7%	21.9%	21.1%
Net Margin	18.6%	16.2%	17.7%	17.5%	18.9%	18.0%
EBITDA	831,690	551,832	1,383,522	687,567	483,410	1,170,977
EBITDA Margin	33.4%	40.1%	35.8%	30.4%	39.8%	33.7%
Investments in PP&E/Intangible Assets in the Period (a)	395,065	485,474	880,539	280,391	462,010	742,401
Equity Interest – CS Bioenergia	-	18,832	18,832	-	12,403	12,403
Debt - Loans, Financing, Debentures and Finance Leases	1,056,211	1,660,627	2,716,838	1,069,901	1,642,173	2,712,074
Net PP&E and Intangible Assets	3,445,960	4,474,143	7,920,103	3,206,916	4,123,745	7,330,661
Depreciation and Amortization in the Period	(131,440)	(115,842)	(247,282)	(116,181)	(100,930)	(217,111)
Accounts Receivable (Current and Noncurrent) (b)	522,722	268,218	790,940	473,193	247,054	720,247
Total Assets	4,404,276	5,718,395	10,122,671	4,135,857	5,318,262	9,454,119
Total Liabilities (Current and Noncurrent)	2,102,761	2,867,256	4,970,017	1,870,188	2,775,258	4,645,446
Number of Users – Not Audited/Reviewed (c)	3,087,160	2,040,292	-	3,025,780	1,953,484	-
Volume Thousands m ³ Invoiced – Not Audited/ Reviewed (d)	549,127	393,667	-	587,460	408,530	-

(a) The amounts invested in administrative assets were allocated in proportion to the investments of each segment;

(b) Stated at gross value;

(c) Practically all the users in the sewage segment have been included in the water segment;

(d) Billed volumes of the sewage segment are derived from the billed volumes of the water utility segment.

29. INSURANCE

The Company has an insurance contract with SOMPO Seguros S/A covering its main assets located in a number of localities throughout Paraná state, for the amount of R\$ 968,336, with coverage effective from 01/09/2017 to 03/10/2018 for basic coverage for fire, wind and electrical damages to the equipment.

Assets	Insurance Coverage
Buildings	497,299
Machinery, Equipment and Vehicles	411,931
Inventory	59,106
Total	968,336

Additionally, the Company has surety bond policies secure amounts that would be deposited and/or replace the amounts already deposited and/or property pledged in legal proceedings entailing labor, civil, environmental, and tax claims. As of December 31, 2017, the Company offered guarantees by way of surety bonds in 84 legal proceedings in the amount of R\$ 294,516 with Pottencial Seguradora S/A.

The Company also entered into an agreement with Zurich Minas Brasil Seguros S.A. for insurance coverage for Sanepar D&O civil liability with national and international coverage, with a compensation ceiling of R\$ 20,000, effective for 365 days and expiring on 04/14/2018.

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the Shareholders and Board of Directors of Companhia de Saneamento do Paraná – Sanepar Curitiba-PR

Opinion

We have audited the financial statements of Companhia de Saneamento do Paraná - Sanepar ("Company"), which comprise the statement of financial position as at December 31, 2017 and the related statements of income, statement of comprehensive income, the statement of changes in shareholders' equity and statements of cash flows for the year then ended, including significant accounting policies and other explanatory information.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Sanepar as of December 31, 2017, and the performance of its operations and cash flows for the financial year then ended, in accordance with the accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) issued by the *International Accounting Standards Board (IASB)*.

Basis for opinion

We conducted our audit in accordance with Brazilian and international auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Sanepar in accordance with the ethical requirements that are relevant to our audit of the financial statements

in Brazil, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of uninvoiced revenue

As stated in note 23, every month the Company recognizes amounts related to services provided but not invoiced to end consumers as part of operating revenue ("uninvoiced revenue"). As invoicing is cyclical, with there often being a mismatch with the monthly closes, the Company creates estimates that include information about average consumption obtained in the last reading of the hydrometers to be attributed to each consumer for the period between the reading date and the accounting close, attributed to each of the Company's operating segments.

Taking into account the amount involved and the degree of management judgment in preparing the estimates, we believe there are material risks related to recognizing revenue in the incorrect period and/or the risk of material misstatement in the financial statements.

How the matter was addressed in our audit

Our audit procedures in this area included, among others, understanding the internal controls implemented by the Company over the revenue recognition process, focusing on understanding the methodology used to calculate the uninvoiced revenue estimate. We also recalculated the invoicing estimates that resulted in the balances recognized in the financial statements.

Based on our audit procedures, we believe that the Company's uninvoiced revenue recognition policies are suitable for supporting the judgments, estimates and information included in the financial statements as a whole.

Retirement and medical assistance plan

As presented in note 19, the Company sponsors a supplementary defined-benefit retirement plan and sponsors health care plans for active and retired employees. The actuarial liabilities are determined based on opinions issued by the actuary. Information about the plan's assets and liabilities and the obligation measurement criteria can be seen in the aforesaid note.

The matter was deemed material by our audit, given the amount involved, the substantial complexity in determining the assumptions and the judgment made to determine the actuarial liabilities. Changes in the assumptions used, such as long-term interest rates, mortality, turnover, discount rates and inflation could significantly affect the liabilities recognized by the Company.

How the matter was addressed in our audit

Our audit procedures in this area included, among others involving our own actuarial specialists to support us in challenging the valuations of the assumptions made in the calculation of actuarial liabilities and by comparing them with market information. We also evaluated the adequacy of the financial statement disclosures made by the Company in respect of the matter.

Based on our audit procedures, we believe that the Company's actuarial liabilities recognition policies are suitable for supporting the judgments, estimates and information included in the financial statements as a whole.

Administrative and judicial demands

As presented in note 18, the Company is the defendant in several labor, civil, environmental and tax claims rated as probable defeats, jointly amounting to a total of R\$ 505,634 thousand, arising in the normal course of business.

Monitoring this matter was deemed material to our audit given the materiality of the amounts involved in the proceedings and the degree of judgment involved in determining whether a provision should be accrued,

and the complexity of Brazil's tax legislation.

How the matter was addressed in our audit

Our audit procedures in this area included, among others, obtaining and analyzing letters of confirmation from the Company's legal advisers, in order to compare their assessments of the proceedings in progress against the positions maintained by management, in addition to periodical meetings with management and the legal department to discuss the accounting assumptions made and the developments in the judicial proceedings in progress. We also assessed whether the reporting of this matter in Note 18 is adequate.

Based on our audit procedures, we believe that the Company's recognition policies for provision for contingencies are suitable for supporting the balances recorded and information included in the financial statements as a whole.

Concession Agreements

As stated in Note 12 to the financial statements, the Company maintains the amount of R\$ 7,790,158 thousand recorded in Intangible Assets related to investments made under sanitation service concession agreements. These investments are expected to be recovered over the course of the concession agreements based on receiving rates for services provided to users. These analyses of future cash flow estimates discounted to present value reflect the assessment of the use of economic benefits under these concession agreements, which requires substantial judgment by Management in its projections. Management assesses the risk of impairment posed by these assets at least annually by determining the value based on the discounted cash flow model, which requires Management make a number of assumptions based on information generated by its internal reports, which requires substantial judgment about future business results.

How the matter was addressed in our audit

As an audit procedure to guarantee the reliability of balance records of said asset, we adopted the following procedures: (i) assess the projected future cash flows from the cash generating unit (UGC); (ii) We inquired as to the main assumptions made by Management for the long-term growth rates in the projections, by comparing economic and sector forecasts, and the discount rate, by valuing the capital cost for the Company. Upon determining the extent of changes to the assumptions that will be individually or collectively necessary to determine the impairment of the intangible asset, we considered the probability of changes occurring to these key assumptions; and (iii) Analyze the adequate disclosure of these transactions, related risks and loss assessments in the notes to the financial statements in accordance with the accounting practices adopted in Brazil.

Based on our audit procedures, we believe that the policies for recognizing and valuing balances of intangible assets in concession agreements are suitable for supporting the balances recorded and information included in the financial statements.

Other matters

Statements of added value

The statements of added value (DVA) for the financial year ended December 31, 2017, which are the responsibility of Sanepar Management and are presented as supplementary information under IFRS, were subject to audit procedures conducted in conjunction with the audit of Sanepar's financial statements. To form our opinion we evaluated whether the statements have been reconciled against the financial statements and accounting records, as applicable, and whether their form and content comply with the criteria set out in CPC Technical Pronouncement 09 - Statements of Added Value. In our opinion, these statements of added value have been adequately prepared, in all material respects, in accordance with this Technical Pronouncement and are consistent with the financial statements taken as a whole.

Audit of the prior year's figures

The figures for the financial year ended December 31, 2016, presented to facilitate a comparative analysis, were previously audited by other independent auditors who issued an unmodified report dated January 30, 2017.

Other information accompanying the financial statements and auditor's report

Management is responsible for the other information, which comprises the Management Report.

Our opinion on the financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work that we have performed, we conclude that there is a material misstatement of this Management Report, then we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the financial statements

Company Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices adopted in Brazil and the IFRS issued by the International Ac-

counting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Sanepar's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Sanepar or to cease operations, or has no realistic alternative but to do so.

Those charged with Sanepar's governance are responsible for overseeing the financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian auditing standards and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian auditing standards and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and,

based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Sanepar's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Curitiba, January 29, 2018.



BDO RCS Auditores Independentes S.S.
CRC 2 PR-006853/F-9
Paulo Sérgio Tufani
Accountant CRC 1SP 124504/O-9 - S - PR

REPRESENTATION

By means hereof and for the purpose of article 25 (V, VI) of CVM Directive 480/2009, the Executive Board of Companhia de Saneamento do Paraná – Sanepar, a mixed-capital listed corporation, having its registered office at the address at Rua Engenheiros Rebouças no. 1376, Curitiba – PR, Corporate taxpayer number (CNPJ) 76.484.013/0001-45, hereby represents that it:

- (i) has reviewed, discussed and accepts the opinions expressed in the audit report issued by BDO RCS Auditores Independentes relating to Sanepar's financial statements for the financial year ended December 31, 2017, and
- (ii) has reviewed, discussed and agrees with Sanepar's financial statements for the financial year ended December 31, 2017.

Curitiba, January 29, 2018.

SUMMARIZED ANNUAL REPORT OF THE STATUTORY AUDIT COMMITTEE - 2017

To the Board of Directors of members of Companhia de Saneamento do Paraná – SANEPAR:

Introduction

The Statutory Audit Committee (CAE) of Companhia de Saneamento do Paraná – SANEPAR was established at the Extraordinary Meeting held by the Board of Directors on May 30, 2017. The members, regulations and operation of the CAE are set out in the Committee's Internal Regulations, available on the Company's official website. The CAE is comprised of 3 independent members, elected for a 2-year term in office with possible reappointment for up to 3 consecutive terms.

The CAE is a permanent and independent statutory advisory board to the Board of Directors. Its core duties are advising and following up on the processes of preparing disclosing the Company's financial statements, the risk management and internal controls processes, and the effectiveness of the internal audit and the independent auditors. The committee also assesses the reasonableness of the parameters used as basis for calculations and actuarial results of the benefits plans maintained by the Foundations on behalf of SANEPAR and the monitoring in conjunction with Management of related-party transactions.

Executives are responsible for the drafting and the integrity of the financial statements, for risk management, for the preservation and effectiveness of the internal control systems and for compliance with legal and regulatory standards.

The Internal Audit is accountable for periodically reviewing and assessing controls in connection with the main risk areas, acting independently in checking their effectiveness and adequacy in connection with the applicable governance criteria.

BDO RCS Auditores Independentes is responsible for auditing the Company's annual financial statements and reviewing its quarterly information. As part of its duties, it also performs assessments of the quality and adequacy of the internal control systems and of the compliance with the applicable legal and regulatory provisions.

Main activities of CAE in the financial year

Given the specific demands that arise in the first year of activity, CAE conducted an intense process of learning about the Company's business and of becoming familiar with its main risk areas, policies, and governance control and support mechanisms. Over the 8 months of activities, CAE held 36 formal meetings with Company Executives, Executives of the Foundations and of associate CS Bioenergia as well as with the Oversight Board. A number of meetings were also held with the people responsible for the technical aspects of the independent audit and the consultancy firms involved in risk management process and reviewing the organizational structure.

These meetings addressed issues in related to the financial statements, accounting and fiscal-tax processes, risk management and internal controls and related-party transactions.

The CAE Members and the internal and independent audits discussed their work plans and the findings, conclusions and recommendations. The reviews of the accounting statements for the quarters ended June 30 and September 30, as well as of the annual statements for the year ended December 31, 2017, were undertaken jointly with the people responsible for preparing them and the independent auditors.

Conclusions

The CAE's opinions and statements are based on data and information provided by Company Management (in particular by the Accounting, Legal, Risk Management and Internal Audit departments), as well as the management of its associate CS Bioenergia, the Foundations involved in delivering benefits to company staff the Independent Audit.

With respect to the Independent Audit, CAE did not identify any situation that could impair their independence and objectivity with respect to SANEPAR nor was it aware of any significant discrepancies between Management, the Independent Auditors and CAE itself.

In terms of the internal controls and risk management framework, CAE considers the existing coverage satisfactory for the scale and complexity of the Company's business. However, these issues were thoroughly addressed and received investments throughout 2017, including the engagement of consultancy services, whose benefits should result in considerable enhancements as of 2018.

The Internal Audit, did not uncover any deviations or significant flaws in 2017 in procedures related to the effectiveness of the internal controls adopted by the Company, as well as its compliance with the policies and practices defined by Management and the applicable standards and regulations. Nonetheless, studies are being concluded to review the scope of activity and the organizational framework of the Internal Audit, which from 2018 will enable certain enhancements to the existing coverage.

CAE believes that all material issues relating to its activities have been appropriately covered in its diligences and discussions with Company Management. It can therefore conclude that the financial statements for the financial year ended December 31, 2017 have been fairly reported, accompanied by the unqualified independent auditors' opinion. The CAE therefore recommends that Board of Directors approve the aforesaid audited financial statements.

Curitiba, February 6, 2018.

Artemio Bertholini
Caio Marcio Nogueira Soares
Cristiane Debastiani

OVERSIGHT BOARD REPORT

Within the remits of their legal responsibilities and powers, the members of the Oversight Board of Companhia de Saneamento do Paraná - SANEPAR have examined the Management Report, the Financial Statements and the Proposal to allocate profits for the financial year ended December 31, 2017. Based on our examinations, the opinion issued by the independent auditors "BDO RCS Auditores Independentes S/S" dated January 29, 2018 and the information and clarifications received in the course of the year, it is our opinion that these documents are ready for submission to the General Shareholders' Meeting.

Curitiba, February 6, 2018.

Ivens Moretti Pacheco
Chairman

George Hermann Rodolfo Tormin
Director

Cléver Ubiratan Teixeira De Almeida
Director

Reginaldo Ferreira Alexandre
Director

Cesar Augusto Seleme Kehrig
Director

EXECUTIVE BOARD

Mounir Chaowiche
CEO

Paulo Rogério Bragatto Battiston
CFO and Investor Relations Officer

Paulo Alberto Dedavid
Operations Officer

João Martinho Cleto Reis Júnior
Investments Officer

Antonio Carlos Salles Belinati
Commercial Officer

Flávio Luis Coutinho Slivinski
Legal Officer

Luciano Valério Bello Machado
Administrative Officer

Glauco Machado Requião
Environment and Social Action Officer

ACCOUNTANT

Ozires Kloster
Accounts Manager

Accountant
CRC-PR 030386/O-8

BOARD OF DIRECTORS

Mauro Ricardo Machado Costa
Chairman

Luiz Carlos Brum Ferreira
Deputy Chairman

Michele Caputo Neto

Marcia Carla Pereira Ribeiro

Eduardo Francisco Sciarra

Paulino Viapiana

Ezequias Moreira Rodrigues

Adriano Cives Seabra

Elton Evandro Marafigo

OVERSIGHT BOARD

Ivens Moretti Pacheco
Chairman

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