



**Conference Call Transcript**  
**Sanepar**  
**1Q23 Results**

**Operator:**

Good morning, everyone. Welcome to the First Results Meeting of the Paraná Company, Sanepar. We inform you that this video conference is being recorded and will be available on the Company's website.

We like to highlight that if you need a simultaneous translation, you need to click on the globe that is written interpretation, which is on the corner of the screen. Please select your preferred language, Portuguese or English, and, if you are listening in English, you can silence the original Portuguese audio by clicking on mute original audio.

For the Q&A, we ask you to send your questions through the Q&A button on your screen. After the presentation, your name will be called so you make your question, then a solicitation for you to activate your microphone will appear on your screen. If you cannot do that, please write that you do not have a microphone so our operator can read your question.

If your question is not responded to throughout the meeting, please send it through our email [sanepar@sanepar.com.br](mailto:sanepar@sanepar.com.br).

The declarations that will be made in regards to business and the strategies of Sanepar are the beliefs and expectations of Sanepar in regards to its future and they depend substantially on changes in the market conditions, governmental operations and other factors, besides the risks that will be presented in the documents.

So, we can start. Let us pass the word and the stage to Abel Demetrio.

**Abel Demetrio:**

Good morning, everyone, thank you for your participation in this video conference.

Alongside me is our Investment Director, Leura Lúcia Conte de Oliveira, our Director of Environment and Social Action, Júlio César Gonshorosky, our Regulation Management, João Carlos Túlio, our Accountancy Manager, Ozires Kloster, and also our Investors Relations Manager, Ricardo Garcia Gonçalves, alongside his team. Let's start the presentation.

Going through the results of the 1Q23. As highlights of the 1Q23, we can see that the revenue grew by 3.4% in relation to the 1Q22. Our EBITDA went up 11.4% and our revenue increased 9.5%.

Regarding operation issues, we had an increase of 14.6 thousand new water connections and



15.1 thousand new sewage connections. Our water service rate was maintained at 100%, which has been universal for many years. Sanitary sewage reached 79.1% of collection and 100% of treatment.

The EBITDA margin for the period was 45.7%, against 42.3% in 1Q22. Our investment volume reached R\$402.7 million in 1Q23, against R\$352.5 million in 1Q22.

On the next page, regarding operational issues, we had a billed volume of water 0.3% higher than 1Q22, in addition to an increase in savings of 12.3%, with an addition of 19,875 new water savings.

Regarding sewage, billed volume grew by 2.9% in the quarter compared to 1Q22. The increase in savings was 14.6%, reaching 22,339 new savings.

Our delinquency rate was 4.7% recovered. It was in the negative field, and we then had credit recovery against 5.7% in 1Q22. This default is already the result of the credit recovery program implemented by the Company. The rate of losses per connection per liter per day was 225.6 liters against 212.1 in 1Q22.

Regarding the volume of our dams, we note that we are constantly maintaining the 100% level in the four dams that make up the SAIC, the integrated water system of Curitiba and the metropolitan region. On March 31, the four dams had 100% reserve.

Now, I will talk about some performance indicators. In 1Q23, in relation to the debentures of the 8th, 9th, 11th and 12th issues in the market, we have a net bank debt by Adjusted EBITDA, which needs to be less than or equal to three, at the rate of 1.6%. And EBITDA by net financial expense, which must be greater than or equal to one and a half, is 9.6%.

Regarding BNDES covenants and financing, also regarding the 2nd, 4th and 7th issues and financing, we have the net bank debt by EBITDA less than or equal to three, with 1.73. EBITDA for debt service, greater than or equal to 1 and a half with 3.03 and other onerous debts for EBITDA of 0.45, and it can be a maximum of 1.

Caixa's contracts, also reaching the covenants, are reported in the items above. What is different are other onerous debts that are based on adjusted EBITDA and not on EBITDA, and the ratio was 0.41, also with a limit of less than or equal to 1.

On the next screen, we see the contract with the German Bank KfW. Presented here as an index different from the others, as it is the level of indebtedness, which needs to be a maximum of 60% and we reached 46.9% in 1Q23. We have already gone through the EBITDA margin, 45.7%. Annualized ROIC was 10.7% and annualized ROE was 13.2%.

We now move on to financial performance. As we have seen, our revenue grew 3.4%, reaching a total of R\$ 1.454 billion in the quarter. Our EBITDA grew 11.4% and reached R\$664 million,



with a 45.7% margin.

Our net profit reached R\$322 million, with a net margin of 22%. Operating costs and expenses with an impact on EBITDA decreased by 2.6% and reached R\$ 790 million in the period.

Regarding cash generation and conversion of EBITDA into cash, we have a cash generation of R\$ 482 million, 0.9% lower than 1Q22, with a conversion of 72.5%.

Here, with RECLIP having an immediate impact in the results of the Company, but in function of these installment plant, that is why we do not have an index that is a bit higher than 72.5%.

On net debt and leverage. Short-term net debt, R\$577 million, long-term debt, R\$4.602 billion, with a total debt of R\$5.179 billion. At the end of March 31, we had R\$1.213 billion in cash and cash equivalents, with a total net debt of R\$3.966 billion.

The weighted average cost of debt at 11.4%, being similar or very close to the end of 2002, is affected by the taxes in July, especially in those that are indexed to UDI. Some indexes with inflation are going up and getting better.

In terms of CAPEX, we have R\$ 403 million realized in 1Q23, an increase of 14,2% in relation to the same period of last year, with 38% in regards to water, 5% in other investments and 57% in regards to sewage.

Going through the main items that compose the results. Our net revenue, as we saw, went up 3.4%. Here is a product of the tax's adjustments of 2022. After May 2023 we will have an index of 8.23% which should be applied on the next date, that is the 17th of May.

As we said, we also had an increase in billed levels of water and sewage, and also, we had more connections of these services. In relation to the personnel, we had an increase of 12.8% with a reflex of the wage adjustments of 5.5% of 2023, also suffering in function of the increase of taxes from 2022 and 2021.

Also suffering a reflection of the 10.8% recorded last year, which reflected higher inflation in 2021. impacts here in the personnel account, an increase of 12.8%.

In relation to materials, there was an increase of 25%. Here are the main items that hit this account, which were the laboratory equipment that had an increase of 25%, with 47.5%. The treatment materials were the main item during this phase, with a growth of 38%, as well as the maintenance material.

Regarding electricity, it had a decrease in relation to last year. This is a positive factor, given the reduction in the ICMS rate from 29% to 18%. All these benefits did not come to our accounts in relation to the adjustments that we had last year, and we also had a decrease of 3% of the subsidy for the sewage sector.

We had pretty good growth on third-party services. We had other items that represented a growth that are linked to the manpower to the vigilance, monitoring system and maintenance. Those are the items that had growth that are bigger than 3.1%.

General and tax grew 40.7%, mainly as a result of the application of municipal funds in municipalities with percentages of 0.5, 1 and 2%. Provisions, which was the item that had a very relevant growth in the period, reached R\$ 63,440 million, here mainly impacted by labor provisions in the amount of R\$ 73.6 million.

Here given to a lawsuit for the reintegration of retirees, a lawsuit of retirees prior to the period of 2010, where we had this need to make provisions. In addition to additional overtime, salary equalization and updating actions related to SENGE, which is the Union of Engineers, which had a relevant impact on the issue of provisions.

On the other hand, in this field, we also had environmental provisions in the amount of R\$ 14 million and, on the other hand, now yes, a reduction of approximately R\$ 25.7 million in relation to civil and labor lawsuits written off in the period.

Provisions for the health plan and social security, there was a decrease of 43.3%. Financial expenses and income increased by 27.5%. As we said, in the 12-month period, financial issues are still weighing on the results, due to the current interest rate.

Other costs and expenses with a reduction of 61.9%, impacted by the reversion of the losses for credits because of the recovering credit plan that is being deployed by the Company and is still ongoing. And that contributed to the reduction of the costs and expenses.

In this item, we had a reversal of R\$45,420 million in the period, which contributed to the final reduction in costs and expenses. As we have already seen, the net result was 9.5% higher than the same period last year, Ebitda 11.4% and EBIT 11.7% higher than the same period last year.

After that, we have the issue of Ebitda adjustments to non-manageable and regulatory items. Here we will make an observation, because we are talking about the first quarter, but with the approval of the second phase of the second periodic tariff review, we will have a substantial change in control between manageable and non-manageable accounts.

However, looking here on March 31st, we have non-manageable items with a deflator of R\$2 million, as it is practically equal to what we have in terms of energy debt given the reduction in electricity of R\$33.3 million, which we have tariff coverage.

In treatment material, on the other hand, we have a credit of R\$ 19 million. Fees and charges are at 12.3%, bringing our Ebitda margin of 45.7%, adjusted for these items, to 45.5%.

Therefore, with no pros or cons on this measure, which was used a lot due to the first tariff review,

where we had defined these items as manageable and non-manageable portions.

Entering the balance sheet, we had a net debt increase of 2.2% in 1Q23. The main items are loans, financing and debentures, with a higher volume of inventories, reaching R\$5.170 billion, with an increase of 1.9%. We also had financial investments, growing 3.1% and reaching R\$1.205 billion.

Regarding operating working capital, the main highlight is accounts receivable from customers, which grew 9.7% in the period. What I said about Reclip, already bringing results on the balance sheet, but in terms of cash effect, it should be in line with user payments in relation to this credit recovery.

Other assets and liabilities grew by 5.4%. The main account, which is contract assets, grew 5.4% and reached R\$2.893 billion. The Company's shareholders' equity is R\$9.106 billion, with a working capital of 55 days.

Cash flow in the period was fairly constant. Operating activities brought cash that generated R\$481,571 million. Investment activities consumed R\$403,259 million, representing an increase of 14.4%.

Thus, we had a cash increase of 4.729 million, from R\$ 1.207 billion to R\$ 1.212 billion. This was the 1Q22 presentation. We are waiting for the questions to continue the videoconference.

**Leandro Aguiar, Investor:**

Good morning everybody. Congratulations on the 1Q23 results, in line with growth and a significant increase in net margin for the period. I would like to ask if we have any developments on the PPP, also on a possible agreement with Maringá.

And, finally, I would like to know if we have any updates on the process with the R\$4.5 billion credit union. Thank you.

**Abel Demetrio:**

Good morning, Leandro Aguiar, and thank you for your questions. Regarding the Maringá agreement, the Company is not making this pronouncement.

Regarding the R\$4.5 billion action by the Union, the amount of which already has an uncontroversial part, the Company recorded this as a contingent asset. However, we have not yet had an evolution, we have not had the inscription of this debt as a precatory of the Union.

For this reason, the Company continues to lead, together with its contracted lawyers, to succeed in this action, and we will continue to monitor it. However, for the time being, we have made no progress on this issue.

In relation to the PPP, I will give the floor to Leura Lúcia so she can answer it.

**Leura Lúcia Conte de Oliveira:**

Good morning. The PPP is in the bidding process. In early May, we held two roadshows, one regionally here in Curitiba and the other on the B3 on May 4th. We try to make a wide disclosure of the whole process so that we have people interested. We are waiting for the 10th of July, which is when the submission of proposals ends.

**Paulo Finamore, Investor:**

Good morning. With regard to the Company's contracting levels, could you provide a little more detail on the contracts that are expiring in the short and medium term, especially the contracts maturing in up to five years?

**Abel Demetrio:**

Paulo, thanks for your question. At the end of March 31, 2022, we had 22 expired contracts, which represent 5% of the Company's total revenue. In 2023, we still have 15 contracts with maturity until 2023, which represent another 0.6% of our total net revenue and 0.4% of our EBITDA.

These are the main maturities in relation to those that have already expired and those that expire in 2023. The most relevant contracts that expire in the next three years are, mainly, the municipalities of Cascavel, Ponta Grossa and Toledo.

Ponta Grossa represents 3.8%, and has the remaining term until 2026. Cascavel represents 3.6%, around two years of contract. And Toledo represents 1.6% of revenue, over 2.4 years.

These are the main contractual salaries. The Company is aware of these expired contracts, the decrees and the new legal framework for sanitation in order to continue providing services in these municipalities.

**Carlos Soares Rodriguez, Sell-side Analyst:**

Could you comment on which factors explain the drop in revenues for sewage and services observed in the period?

**Abel Demetrio:**

Carlos, thank you for the question. In the revenue growth period, we had billed volumes in water above 0.3% and billed volume of sewage by 2.9% compared to the same period last year.

Bearing in mind that last year, in terms of billed water volumes, we had, after the end of the water

crisis, a growth of 5.1% and this year, basically it remained the same, in terms of water, with a growth of 0.3%. In relation to the billed volume of sewage, there was a 5.8% growth in 1Q22 and grew by another 2.9% in this 1Q23.

**Isaac de Souza, Investor:**

Good morning everyone. With regard to the tariff review, we saw a readjustment that was a little lower than expected. However, charging the sewage rate to be one for one in relation to water could compensate for a possible loss. Is this adjustment valid for all contracts or only for new ones?

**Abel Demetrio:**

Thank you for the question, Isaac. We had the end of the second phase of the Company's second periodic tariff review. As I said, the tariff replacement index for 2023 was 8.23%. We had some positive facts and others not so positive from the Company's perspective.

We can say the question of the base, which was very much in line with what we had demanded, done in the evaluations and in our evaluation reports. Of course, this report is still being inspected by the regulatory agency.

But we also had OPEX, mainly because GEPAR is very strict in relation to some items. I can cite as an example the issue of private pension, where she understood that this should not be considered as something reimbursable in the rate.

In addition, we already had the use of realized values for 2021 and 2022, which is after the second cycle. The Agency understood that these were points that it should observe.

The fact is that this reaped some results that the Company had achieved in 2021 and 2022 in favor of a tariff reduction. On the other hand, the issue of the tariff structure, the component of taking one for water and one for sewage, 100% for water and 100% for sewage.

When it is implemented, this is something that will require studies by the agency, with the collaboration of Sanepar. This is the purpose of the agency, to create working groups for discussion. As in the issue of tariff structure, where there is no intention to increase or decrease the tariff.

So, it will maintain the volume with the levels of resources that the Company needs, with no impact either to increase or to decrease the issue of readjustment index in general for the Company, not bringing any positive or negative result. It must be a neutral result.

**Marco Pessoa, Investor:**

I congratulate the team for conducting the Company's business. There is not much space in the

release for ESG information. Could you talk a little about policies in these areas? For example, if there are policies in the Company for valuing women in relevant positions.

**Abel Demetrio:**

Thank you for your question, Marco. I will make some comments and ask Julio, our Director of Environment at Ação Social, to add some points.

The Company has this ESG issue very strongly. I can mention here, for example, the issue of a debenture issue that the Company has just settled. At the end of April, we raised R\$400 million in the blue bond.

For it to be characterized as a blue bond, it is necessary to have several aspects that improve the quality of effluent discharges and how it brings improvement to rivers and oceans.

The Company was probably one of the first - if not the first - in the public sector of mixed economies to carry out certification in a debenture issue. Remembering that, in the past, in an issue of R\$ 600 million, the Company had also made a green bond, which shows that we are very aligned with this ESG issue.

Also on the financial issue, looking at what the market has in terms of better governance in relation to this issue. The Company is concerned with several ESG issues, given the very nature of the operation.

We work with quality treated water for the population. We have river captures, we have the issue of effluent release and water bodies, regarding our sewage treatment. Therefore, the Company's operational nature is closely linked to ESG issues.

I would like Julio to complement the answer, because he certainly knows much more about the subject than I do.

**Júlio César Gonshorosky:**

Thank you and good morning, everyone. As you are aware, Sanepar has been doing a very strong job in relation to the whole ESG issue. Last year, we were even listed on the ISE of the stock exchange, which was a very strong job and recognition, and which makes us very proud.

We work not only on the gender issue, but also on all ESG-related issues, whether they be governance, gender issues, issues that make the Company truly a reference in the ESG sector.

Recently, the Company approved its internal Plan for Mitigation and Adaptation to climate change, which is being incorporated into works and operations. So, we hope to be, in a short time, a reference in the sanitation market in all ESG topics, including gender issues.



**Marcos:**

Good morning and congratulations on the Company's results and management. I would like to know management's opinion on what are the main threats and benefits that the new sanitation framework in Brazil can bring to the Company. Thank you.

**Abel Demetrio:**

Marcos, thanks for your question. I will ask again so that Leura and Julio can also contribute.

We received the decrees from the Company's side and they bring the possibility of renegotiating the contracts. For the Company, this is an important point, in the sense that without having contracts we have a series of difficulties, mainly in a financial point such as raising funds.

When we go to any agency or bank to seek the resource for a certain investment in a certain municipality, we need to present the contracts duly in force.

So, those contracts that are expired or that expire in the short term generate a restriction on raising funds, which results in a restriction on the investments that the Company can make in these municipalities.

And we understand that this goes against the sanitation framework itself, which says that we need to make it universal throughout Brazil by 2033, reaching 90% of sewage and 99% of drinking water delivered to the population.

Therefore, we have been following the decrees. We have hired legal counsel. We follow the issue of voting in the Chamber of Deputies. Now, we have the Senate still evaluating this issue of decrees.

But, the fact is that we need to have a clear definition so that this can allow investments in those municipalities that are in these situations throughout Brazil, the overdue ones and those that mature in the short term.

Give the investment horizon so that companies can make investments and have the guarantee that they will be able to recover those investments in these systems. I think that's the main view regarding the milestone at this point. It is still in a phase of much discussion, but, in general terms, that is it.

**Leandro Aguiar:**

Now, on the debt/leverage line, I know that we are within the limit line for the sector and defined by the Company. I would like to know if the Company already has an estimate of how this index will be in the coming years, since we have the forecast to invest amounts much higher than the Company's history, to meet the target of 90% of the sanitation milestone.

**Abel Demetrio:**

Leandro, your question is very good. This is a very relevant point.

We historically increased our volume of investment. We are doing more robust investments in the Company. Of course, the leverage index is something that the Company needs to obey because of our restrictions in the financing institutions.

All of our financing contracts have restrictions in regards to leveraging. Usually, this restriction has a maximum level of three and the Company is at 1.7 times the leveraging level. Of course, the Company is always aware when we do our business plans and our investment plans so that we take care of this index and we are always thinking about the contracts that we need to go through.

As you said, we still have a position, we are within the limits. We have a relevant CapEx to be made, but our planning always takes these numbers into account. We hope to always be conservative with that number.

We always have a joint analysis by the Board of Directors and the Board regarding the need to observe this index and we hope to maintain it. Perhaps a slightly higher leverage ratio, given that the commitments of the Company and the sanitation sector for universalization are quite relevant.

Of course, we have other Companies that have their leveraging in superior levels and they have their challenges to keep themselves inside some determined criteria. However, that is the main point.

**Leura Lúcia Conte de Oliveira:**

As Abel commented, our investment plan is quite daring. We are in search of universalization. Even before the new milestone, the Company was already working tirelessly for us to achieve one to two and a half percent growth per year.

Without a doubt, it is a great challenge. We are looking for alternatives, such as the PPP, so that we can reach the end of 2033 proud of having achieved universal access in the state of Paraná.

**Eduardo Lazzaretti, Buy-side analyst:**

Good morning. Could you please comment a little more on the issue of immigration to the free energy market that you released a few days ago? Is there any expected timeframe for this migration? Have you done any studies with the expectation of image improvement due to this adjustment?

**Abel Demetrio:**

Eduardo. Thank you for your question. In relation to the migration of the free energy market is something that is being studied by the Company for a long time. Now, in the last council, we were able to approve a bidding process in regards to this subject and the Company already did a bidding to contract this new market. It is already in the market.

We expect that, around 180 days after the bidding, we will be able to migrate these 49 operating units, aiming to bring a benefit to the Company's energy bill.

Remembering that we have lots of regulations in this issue, in the Company, in regards to electrical energy. We will need to comply with the regulations. In terms of energy, it will be a bit different because of the agency's decisions, but, obviously, the Company can always have the efficiency gains in relation to these eventual decrease in the prices in the captive market.

**Yuri Goulart, Analyst:**

Good morning, everyone, and thank you for the opportunity. I have three questions.

The first: In this quarter, we saw an important performance movement. What is the Company's expectation in this regard for the coming quarters?

The second: Can you give a more quantitative color of what is the impact of the Reclip program on the Company's working capital?

Lastly, what exactly caused year-over-year sewage revenue to drop?

**Abel Demetrio:**

Regarding the payment issue, we have a credit recovery program that is in progress. We are heavily investing in this issue. We also hope that in the coming months or quarters, we will be able to recover any issues regarding compliance.

Remembering that we had to suspend the cost-cuttings in order to make some adjustments in our relationship centers so that we can better assist our clients that are in this situation. Not forgetting that the Company was three years without any cost-cuttings here in Paraná.

Basically, I would say that we do not have other examples of companies that were servicing their products for three years, even without any cost-cutting. Of course, the Company needs those resources to make investments, so the credit recovery is very important in that sense.

Regarding the amount of this, we have an increase due to our accounts receivable due to the negotiation. This negotiation has generally taken place over the course of 47 months. In other words, the recovery period for these credits, the average customer installment payment, has been around 47 months, which amounts to almost four years.

So, the cash reflex comes over a long period. But the fact is that recovery is important, not only for overdue credits but also those that have already been written off for loss provisions. Regarding the last issue, our accounting manager is analyzing it and we will come back later with an answer.

**Nilo Nasser:**

What are the levels from the reservoirs in the 1Q23? And, if we had another hydro crisis, what would be the measures that the Company would take to mitigate those damages?

**Abel Demetrio:**

Nilo, thank you for your question.

The levels of the reservoirs here in the metropolitan areas, where we have the main dams of the Company, are 100% as of 21st of March. We had a history that is very positive in relation to the actions that were taken during the hydro crisis.

And, in that sense, Julio was very involved in that issue. I would like for him to remind us of the main points that were adopted by the Company and that enabled the Company to go through a hydro crisis that was never seen before in the Company's 60-year lifespan.

And that took place because of a phenomenon that happens every 91 years. So, Julio, what could be done if we face that issue again?

**Júlio César Gonshorosky:**

Initially, I will bring a bit of a meteorological analysis. As it was presented, we are more than six months with the reservoirs fully supplied to 100%. And the trend is that, starting in the next few months, the inversion of "La Niña" will bring to our region a more significant dry period for the onset of the "El Niño" phenomenon, where rainfall tends to be above average. So, in a short period, let's talk about the next 12 to 18 months, there is no tendency to reverse this phenomenon.

Therefore, the tendency for the next few years is that we will have average rainfall and, consequently, we will not have the risk of a new crisis. However, even if they happen, Sanepar has learned a lot with this process.

We created structures for the transposition of basins that were made on an emergency basis for that moment of crisis, but they are being maintained. So, today we have a series of backups that we can activate, in at least three or four rivers, which can be activated immediately, guaranteeing water security.

We have a strong partnership with Petrobras for the transfer of water from their reservoir, also with the structure built and maintained for backup issues and a strong work of conservation and

recovery of springs.

We have a very large project in the basin of the Iguaçu River, in the Metropolitan Region of Curitiba, using areas around the Iguaçu River, where there was sand exploration, transforming these areas into wetlands, which will help to improve the river's water and other springs, which may serve both for supply actions, in emergency matters, or in other cases, improving the water of the Iguaçu River and improving the dilution of the river, including for the dilution of sanitary sewage or other industries working in the area.

So, all the learning that we had in the hydro crisis was brought and incorporated to the Company and I would say that we are much more resilient through any process, it rain or dry times.

**Paulo Bisan, Investor:**

Hello, good morning. In your understanding, was there any retreat in your segment after the interference from the government?

**Abel Demetrio:**

Paulo, thank you for your question.

Actually, this new sewage law is still being discussed. We understand that it is a new regulation that is not done yet. It is still being discussed, so we can have better regulation. That is our vision.

**Marcos Biscaia, Investor:**

Good morning. I would like to know what Sanepar's vision is regarding technological innovation and digital transformation and modernization. Is there anything planned in CapEx in this area?

And what is Sanepar's view regarding its shares being far below their book value? Does this have to do with governance and how the Company communicates with the market?

**Abel Demetrio:**

Thanks for your question, Mark. I think so. The Company invests in innovation and this is something very strong here. For two years in a row, we were considered the most innovative company in the infrastructure sector in Brazil, by Valor Econômico newspaper.

We are at level two of governance at B3. We went to the ISE as the first water and sewage company in Brazil, in terms of service, in terms of the ISE. We have a very strong issue of governance.

In terms of the price of the stocks, of course, we would like it to be on another level, but the truth is that the Company is taking all the efforts in order to bring the investments. We also had that

hydro crisis that was very heavy on the Company, not mentioning that we had the COVID issue.

However, we are in a financial and servicing position with operational indexes very robust and, in a position that we would say is much better than other companies from the sector. We are a reference when we look at the operational e financial issues. We are very well positioned and we believe that, briefly, this vision for the Company to the value of its patrimony will go up to a more adequate level.

**Adriano Zanon:**

Does the Company have any judicial program to mitigate the labor lawsuits issues and eventually indemnities?

**Abel Demetrio:**

Yes, Adriano. We have seen some labor lawsuits and some lawsuits that we have been suffering with provisions and payments. I can say about two cases, like SENGE, that is the engineer syndicate, because we did not comply with the minimum wage in the period and the justice declared that we needed to pay because we passively ended up making a mistake.

We also had the reintegration of retired members, so there are several legal measures so that the Company has less labor lawsuits, less provision for the future through the adoption of some more effective control mechanisms that are more effective.

For example, regarding the issue of a time card that has already been registered, the issue of analysis of actions so that we can correct any future problems, in a timely manner, so that this is not under judicial discussion.

It is a very complex question. We also have issues in regards to third parties, which is a point of interest here in the Company. So, we do have several actions and plans so that we can be more predictable in the future and so that we do not have too many surprises.

And, usually, these surprises come from very remote periods. We sometimes note actions that were taken about 10, 20 years ago, and they are impacting our cash flow just now. So, we are cautious and we are trying to mitigate that by doing a better job in governance and having more assertive politics so we do not leave these things lingering for the future.

**Luiz Flávio:**

Good morning and congratulations for the results. Would it be possible to go into more details in relation to the realization of the PPPs? And how was the receptivity of the Paraná's town halls in relation to that?

**Leura Lúcia Conte de Oliveira:**

Our expectations are very good. We have been receiving, just mentioning the public consultation, more than 500 questions, suggestions and appointments. Some of them were moved forward, all of them were evaluated but some were included in the final version of our proposal.

We did a meeting with all the respective mayors from the 26 towns here in Curitiba's metropolitan region, and all of them manifested a lot of interest because that brings a velocity that, maybe without a private partner, we would not have or we would do it inside that politics that we have been working on.

So, we understand that the PPP will be a success. We have been working hard a lot, more than a year of work of discussing alongside with our consultants so that we get to a common denominator, obviously, still for us a very new thing, but we have been working with the operational technical area that will be on the forefront of the PPP from the moment that the winners start operating the system.

We have nine metrics that we will keep an eye out during this time so that we keep the performance and keep the quality and can fit the investment plan for the 16 towns respecting what is foreseen in the new law.

**Luis Felipe Pereira:**

Good morning. Seeing the high level of investments that will be necessary for the new law, does the management see any changes in the dividend policy?

**Abel Demetrio:**

Luis, thank you for your question.

Those are two very important and relevant points, the investment and the dividend policy. Obviously, the Company has its politics of dividends and also its politics of investments and the Company also knows about its responsibilities in regards to the new decree.

The Company is very conservative and is very cautious in guaranteeing the investment for the fulfillment of the contracts. Remembering that the regulatory agency monitors the contracts and, on the other side, we have the issue of dividends that need to be adequately paid with the capital that is invested in the Company.

That is an analysis that the Company does every year alongside the governance institutions inside the Company and we have politics of investing and the investment as well. Regarding COVID, the hydro crisis and then the new law, we made an adjustment in the dividend distribution in the sense of preserving the health of the Company.

Last year, we had an improvement in the level of distribution that was approved by the

Shareholders General Meeting, and the Company keeps looking very closely to this equation where we can balance these two subjects.

At this moment, we evaluated our politics and we believe that we are at a moment that we are very flexible and we can keep going with all different businesses, looking at all these facts that the Company has to fulfill, being the operational level or the investment level, but also looking at the dividends for the shareholders.

**Bruno Ricardo de Oliveira:**

Is it inside your range any alteration on the distribution of dividends with regard to the interval between the announcement and also the frequency?

**Abel Demetrio:**

Bruno, thank you for your question.

In terms of dividend payments, just remember that our policy provides the Statement of Interest on Equity in two terms, one in July and the other in December, and the payment is carried out by 60 days from the AGM release. The market was used to several companies making smaller payments, some 6 months, some 3 months and some even monthly.

The Company is evaluating its dividends policies. We will do an analysis in that sense to see if the alteration of the model that is currently adopted by the Company is not the only one that adopts an annual payment, but we are still discussing it internally because it does reflect on the budget of the Company and on its cash flow.

So, yes, we are looking at this subject.

**Operator:**

We end the Q&A session and we pass the floor to the Director of Finance and Investor Relations, Abel Demetrio, for the final considerations of the Company.

**Abel Demetrio:**

Firstly, I would like to state that we will respond to Mr. Yuri's pendent question in our relationship channel in order to not leave you without an answer.

On behalf of Sanepar Paraná Company I would like to thank everyone for the presence and for sending their questions. This is very relevant so that the Company has feedback from the investors and from the participants in the sewer sector, and then we could look at the points that are more sensible and so that we can see what the market believes is more relevant for the business of the Company.





I would like to thank you for your trust in the Company. The company is 60 years old. We are looking for more efficiency and we are forced to look for more efficiency by the regulatory agents.

We have been trying to look for more business so we can have a very robust Company with results that are very significant with very positive results, because, through a robust Company, we can do our investments, we can aggregate to the value of our investors and, finally, have a sustainability equation.

Also mentioning the other aspects as the environmental and social issues that is a duty of the Company as a sewage and water company.

So, thank you very much everyone.

**Operator:**

The video conference referring to Sanepar's 1Q23 results is coming to an end.

Thank you very much.