

Conference Call Transcript
Sanepar
1Q24 Results

Operator:

Good morning, everyone. Welcome to the video conference to announce the results of 1Q24 of Companhia de Saneamento do Paraná - Sanepar.

Those who need simultaneous translation may simply click on the interpretation button using the globe icon at the bottom of the screen and choose the language of choice, Portuguese or English. For those listening to the video conference in English, you have the option to mute the original audio in Portuguese by clicking on mute original audio.

This video conference is being recorded and will be made available on the Company's IR website, ri.sanepar.com.br, where the complete material from our earnings release is available. You can also download the presentation from the chat icon in English as well.

During the Company's presentation, all participants will have their microphones disabled. We will then start the Q&A session.

To ask questions, click on the Q&A icon at the bottom of your screen and type in your question to join the queue. When you are announced, a prompt to activate your microphone will appear on the screen, and you must then activate your microphone to ask questions. We recommend that you ask your questions all at once. If, for any reason, your question is not answered during the event, please send it to ri@sanepar.com.br.

We emphasize that the information contained in this presentation and any statements that may be made during the video conference regarding Sanepar's business prospects, projections, and operating and financial targets are the sole opinion and assumption of the Company's management, as well as the information currently available.

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties, and assumptions because they refer to future events and therefore depend on circumstances that may or may not occur.

Investors should understand that the general economic conditions, market conditions, and other operating factors may affect the Company's future performance and lead to results that differ materially from those expressed in such forward-looking statements.

To begin, we give the floor to the Chief Financial and Investor Relations Officer, Abel Demetrio.

Abel Demetrio:

Good morning to everyone participating in this teleconference.

We have here our CEO, Claudio Stabile, our Social Action and Environment Director, Julio

Cesar Gonchorosky, our Accounting Manager, Ozires Kloster, and our management team, who are also in this room.

Now, we will go through the results of 1Q24. As highlights, we had an increase of 16.8% in net revenue in 1Q24, 16.6% in EBITDA, and 18.7% in net profit, all of them compared to 1Q23. We had an increase of 7,000 water connections, and 10,900 sewage connections. We reached 80.4% of sewage, being 100% of that sewage treated, and we kept 100% of treatment of water.

Our EBITDA margin was 45.6% against 45.7% in 1Q23. The investments reached R\$424.6 million, and in January, we had the 14th debenture issuing and a blue bond in the Company totaling R\$600 million.

On the next page, I will go through the operational context of the Company in 1Q24. We had good volumes. The billed volume of water increased 7.9%, while the billed volume of sewage increased 9.3%. We had an increase in economies, which totaled 8,814 new economies of water and 14,765 new economies of sewage. Our default in 1Q24 ended with 2%, and the losses per connection per liter per day ended with 16.9 liters of loss per connection per day.

Moving on to the next page, we will speak about our reservoir levels. We closed 1Q24 with 98.5% of the reservoirs filled with water, which is a significant volume. In 1Q23, we were also in the same comfortable situation of 100%, which is important to guarantee good water supply for the city of Curitiba for the next few months.

On the next page, I will talk about the covenants and the indicators that the Company has to fulfill for its clients and investors. Concerning the debentures, we had the 14th issue, which contemplates the same index as the 9th, 10th, 11th, 12th, and 13th, whose index is net bank debt by adjusted EBITDA ≤ 3.0 . We closed 1Q24 with 1.46, which is better than last year. Adjusted EBITDA by net financial expense, we closed with 9.36.

Concerning the debentures and the BNDES issuing, in net debt by EBITDA ≤ 3.0 , we closed with 1.53. EBITDA by debt service $\geq 1,5$, we closed with 2.96, and other onerous debt by EBITDA, we closed with 0.38, while the limit is 1.0.

About the Caixa contracts, besides the indicators we mentioned, what differs is other onerous debts by adjusted EBITDA, due to the issues of provisions, and we closed with 0.36, while the limit is 1.0.

On the next page, we have the KfW contract, which, beside the indicator seen previously, contemplates the level of debt that must be $\leq 60\%$. We closed with 48.9%, which is 2 percentage points higher than 1Q23, which was 46.9%, especially due to the R\$600 million raised.

Regarding EBITDA margin, as we already mentioned, we reached 45.6%. The annualized ROIC was 12.5%, which is a good increase compared to the 10.7% reached in 1Q23. The annualized ROE was 15.7%, versus 13.2% reached in 1Q23.

Now, discussing the financial performance, we saw that the net revenue increased by 16.8%, reaching R\$1,698 million. The EBITDA reached R\$774 million, which is a 16.6% increase. Net

profit and net margin increased 18.7%, reaching R\$379 million with a 22.3% net margin versus 22% in 1Q23. In operating costs and expenses that impact EBITDA, we had a variation of 17%, reaching R\$924 million.

On the next page, we have our cash generation and EBITDA conversion. Our cash generation increased by 31.7% with a conversion of 82%, reaching R\$635 million. Regarding net debt and leverage, the short-term net debt, that is, the period of 12 months, is R\$743 million, while the long-term net debt is R\$5,652 million, totaling a debt of R\$6,395 million.

We had in cash and in equivalent cash R\$1,913 million at the end of 1Q24 with a net debt of R\$4,482 million, 1.5 times the EBITDA, which is close to the net debt we had in 2023, which was R\$4,493 million.

Our weighted average cost of debt was still in line compared to last year. While, at the end of 2023, it was 11.3%, we had 11% in 1Q24, mostly because of the drop in Selic and inflation accumulated in the 12 months, bringing a marginal reflection to the financial costs of the Company.

As we said, CapEx reached R\$425 million, which is an increase of 5.4% compared to last year. Out of this CapEx, 38% is invested in water, 53% in sewage, and 9% in other investments, like, for example, administration, land, and IT.

Now, let us go through the income statement to understand the variations in each item of the line of costs. The net revenue increased by 16.8%. This increase is a reflection of the increase of 23% in May 2023, and it is still in force, reflecting this year and this increase of 16.8%. The increase of 7.9% in water and 9.3% in sewage also contributed to this.

Concerning PPR, it follows the results, so we did not have much variation. Regarding personnel, we had an increase of 20.6%, impacted by the collective agreement and the increase in health care we had last year, but also the impact of labor compensations due to legal actions of R\$68.8 million, which was R\$51 million higher than the same period registered last year. This came out in the provision accounts. We have a benefit, but it still reflects in the personnel account. In March, we closed 1Q24 with 6,100 employees.

The material account had a reduction of 5%, and this reduction, even with the increase in volumes that we just mentioned, was impacted due to treatment material, which had a reduction of around 10.6%.

Here, we highlight especially the replacement of chemical products, like, for example, aluminum polychloride, aluminum sulfate, and the aluminum sulfate pack in wastewater treatment, just looking at the conditions in the market. We had the issue in Ponta Grossa, where we had a better quality of water. That brought the possibility of using less chemical products in that region.

The vehicle maintenance material increased more than last year due to some hydroblasting trucks that needed maintenance work, and, obviously, we had an increase in this account as a result of that, as well as network maintenance material, to prevent leakages and keep the level of waste within a good level.

On electricity, we had an increase of 22.2% due to the readjustment of 10.5% that happened in June last year by Copel, which is the main energy company of Paraná, the end of subsidy of 2% that happened last year for our sector on the same date, and an increase of 5.8% of the volume of water produced and 10.2% of the sewage treated. These were the main variations for electricity.

Third-party services increased by 30.4%, especially services related to billing and service to the client, considering that in 1Q23 we had a low comparison for the services as we had a period in which the Company did not cut off water to its clients. It is worth remembering that we spent 42 months without cutting off connections to water, and with the resuming of the services, we obviously had more expenses with registry, billing, and client service.

We had other increases, like maintenance of the network and the issue of material, causing an increase in this account.

In general expenses and taxes, we had a 17.4% increase due to the transfer of money to environmental agencies because these transfers grow with the increase in revenue. Our revenue grew by 16.8%, so we had an increase of 17.4% in this account.

In terms of provisions, we had a reversal of provisions of around R\$31,496,000. As I explained in the personnel item, we had several provisions paid due to legal actions, and they were transferred to a concluded account, but it brought positive results in provisions.

Even with all these payments, we had some labor provisions of around R\$36 million regarding the reintegration of retired people, overtime, salary equity, and some legal actions by engineers that brought reflections into our account of provision. Also, we had R\$12.1 million related to Ibama and IAT legal actions regarding environmental provisions.

Healthcare and social security provisions increased 9.5% due to the increase, whether it is for expectations of cost for healthcare and social security. Financial expenses and revenues increased by 5.6%. We had an increase in financial costs, but, on the other hand, we had more revenues coming from a higher cash flow, which brought profits and investments, so we ended with 5.6%.

Finally, other costs and expenses had an increase of 176.1%. We have to remember that, in 1Q23, we had a reversal of losses of R\$45,420,000 million, and this year, with the recovery of credit done as a result of negotiations with the clients, we had a provision of losses of practically R\$30 million, and, obviously, the more significant impact is in this account. We also had an increase in depreciation due to the mobilization of around R\$1.9 billion because of the works that were concluded.

On the next page, we have our balance sheet. We have a reduction of 0.2% in our net debt. The operating working capital had a reduction of 1.3%. The main and more representative accounts, which were the accounts receivable from custom, had a 0.2% variation. In other assets and liabilities, especially in contract assets, we had a variation of 5.2%, which is the biggest account and the one that had the most significant variation. And we ended 1Q24 with R\$11.5 billion in fixed assets.

Our net equity closed at R\$10,123 million. At the end of last year, we had R\$9,744 million. In terms of working capital turnover, due to the revenue increase and a working capital a little better than verified at the end of 2023, we closed with 50 days.

On the next page, we have our cash flow. In the operating activities, we had R\$635,177,000, which is an increase of 31.9%. The investment activities used R\$424,598,000, which is an increase of 5.3%. And financial activities brought more funds because we raised more money from loans and funding, reaching R\$664,504,000 million more than what we paid in finance.

This account gave us a positive result of R\$417,572,000, resulting, in total, an increase of R\$628,151,000 in cash, closing at the end of March with R\$1,913 million, which is important for us to make the payments.

We have some debts. The 9th issue will be paid in June or July of this year. We have dividend payments, PPR payments, and also the investment plan, which is over R\$2.3 billion, to be done in the year 2024, and that makes up the investment plans of R\$11.2 billion, which are in the investment cycle of 2024 to 2028, that is, five years of investment.

This is our results presentation for 1Q24. We may now start our Q&A session.

Nayane Mendes, Investor:

Good morning, and congratulations on your results.

I would like to know about your vision concerning the future of the Company for other types of investment, like the production of energy, for example. What are the trends for the future?

Claudio Stabile:

Good morning.

I would like to thank you for your participation and for believing in our Company.

Regarding your question, we are strongly working on this issue of energy efficiency, seeking not only not to depend on third parties but also a reduction in our costs. This includes both our entrance into the free energy market, where we should save around R\$630 million in five years, and the use of our by-products, the main one being sewage sludge.

These by-products generate biogas, which we convert into electricity in some stations of our Company, transform into biomethane, not only for our own consumption but to sell to third parties, and are part of the production of hydrogen. We are in the third round of learning how to produce hydrogen. This is another market where we can use them for the generation of electricity. Besides these options, our by-products can be used in other ways, like in hydroelectric energy and photovoltaic energy, which must come out by the end of next year.

The execution of this project must be ready by then. It is a combination of energy efficiency that, at some point, the Company might start to commercialize its excesses or whatever is more interesting. It might be more interesting for us to buy cheaper energy from third parties and then

sell energy for a better price, generating a positive result.

Leandro Aguiar, Investor:

Good morning, and congratulations to the team on the 1Q24 results.

I would like some clarification about the account for electricity expenses. We know the Company has entered into free market negotiation contracts, potentially saving over R\$600 million by 2028, and I know there is a significant increase. I would like to know if the effects of this reduction have started or if they will start appearing in the next quarter.

Abel Demetrio:

Good morning, Leandro. Thank you for your question.

Our entrance into the free energy market is at full pace. By May, we had 12 units that had migrated to the free energy market. In 1Q24, compared to the numbers if we remained in the conventional market, the result was approximately R\$1.7 million in reductions. We should conclude many units this year, which will generate a saving of around R\$50 million compared to the numbers if we remained in the conventional market.

Last year, the increase in electricity was around 10% and 3% more due to the end of the subsidies, so these were increases that we had in the electricity account. We also had higher costs due to the volumes produced and sewage treatment, which were quite relevant in 1Q24, and that explains the increase of 22% in the electricity account.

However, we have mapped out all the migrations, both of the first contract, which was the 49 units signed with the Copel Energy Company, and the second contract, which was over 838 units. Therefore, we will be advancing and obtaining positive results concerning this negotiation.

So these are basically the points. I would like to say that we bought and had our energy contracts in very good and favorable conditions. If compared to the price of the current market, we have a huge discount compared to the price we would have paid if we had not taken this action.

Claudio Stabile:

It is important to mention again that the migration takes place as a result of maturity. It happens throughout the time. We have all the process of bidding, the process of hiring, and the process even for the consumer units, which are mainly the ones of high voltage.

However, we have a deadline for this to happen. All the processes of migration and contracts have a cycle, and once the cycle is fulfilled, we will have a positive result. This year, we expect around R\$50 million in savings.

Marcelo Afonso, Investor:

Good morning.

I would like to know how much of the increase in electricity will go to the bill or in the next year's revision.

Abel Demetrio:

Good morning, Marcelo. Thank you for your question.

We have a methodology for readjusting the rate, where the price of the electricity is calculated in the Tariff Adjustment Index. On the occasion of periodic tariff reviews, which will happen in 2025, we have adjustments for more or less in relation to what was calculated in the rate and what is actually spent.

Regarding the free market of energy, we have a sharing of around 25% and 75% returns as tariff moderation. The regulation agency stated that it will evaluate if the amount consumed is efficient consumption. We have a whole study to make our expenditures very effective. If they are efficient spending, it is recognized in terms of rates.

Arlindo Souza, Levante Corp:

Good morning. Congratulations for your numbers.

Could you please comment on the expectation of receiving R\$3.6 billion, as you mentioned on the 14th of March?

Claudio Stabile:

Good morning, Arlindo.

We are now awaiting the sending of it to the Union by the president of TRF1 so that the Union includes it in their budget for the next year. Therefore, all the phases of the *precatório* were done, and now the judiciary branch will send it to the legislative branch so that they can include it in the budget of the future year. We are expecting that to happen.

Júlio César, Investor:

Good morning. I would like to know why the CEO is leaving the Company, which has presented good results in the past few quarters.

Claudio Stabile:

Good morning. I am moving on to a new mission. I will work with the government in the Secretariat for Administration and Social Security, which is a very important secretariat for the State of Parana as a whole.

I believe that, with this great team, I have collaborated with the Company. I always say that the Company has the best professionals in the area of sewage. I can say that it is one of the best in the world because we received an award in London in the search for ODS 6, where we were

awarded as the Best Company in the World in seeking the ODS 6 realization.

I feel relieved because I know we have a very good team, and the person who will replace me is a very serious and well-prepared person. And, of course, even without being here, I will help the Company in whatever I can, and I will certainly be here making my suggestions, following up, and helping in whatever is possible.

Reinaldo e Luiz Alves, Investors:

Congratulations on the initiative to send water trucks to Rio Grande do Sul. Will new water trucks be sent? Will you send products that can clean the water from the flooding? Is Sanepar prepared in case of this level of rain? Is there any perspective that the climate tragedy can extend to Paraná, affecting the operations of Sanepar?

Claudio Stabile:

I will leave the climate issue for our director, Julio, to comment on.

Firstly, I want to tell you what we are doing. In the first moment, we sent around 150,000 cups of water to Porto Alegre, where there are already five water trucks we sent, each one with a capacity of 12,000 liters. We have a team awaiting the request of Porto Alegre for them to integrate their team to be able to help them at this moment.

We are also making available and awaiting an OK from Porto Alegre for the possibility of helping with the issue of generators to generate electricity. We also want to help them, as we did during the COVID period, with our experience in the disinfection of points of concentration of people, which was COVID at the time, hospitals, and health centers. This will be necessary as well, and the Company is getting ready for that.

Therefore, we are here really together and in solidarity with the people of Rio Grande do Sul. That region has a different geography, especially in the region of Porto Alegre, where Guaíba is located, and people believe this is a river, but it is not a river. Guaíba is a lake or a laguna because there is an advance of the sea to that big body of water. It has a very small exit to the sea, which ends up causing this volume to be high for longer periods, and it takes time for the water to go down.

So I believe that, in the case of Paraná as a whole, there are very few places where we can have floods of this magnitude. We might have a big volume of rain, but I think the water would lower more quickly and easily.

Now, I will hand it over to Julio for him to talk about climate perspectives.

Julio Cesar Gonchorosky:

Good morning. It is important to remember that what is happening in Rio Grande do Sul is an extreme event. As the president said, the main basins of Rio Grande do Sul go towards the Guaíba, which is a very low region and easy to get flooded. The population has historically occupied these areas. Therefore, combined with extreme events and rain, it causes a social

impact.

In October and November of last year, we had very strong rain in the region. In the east area of the state, we had over 550 millimeters of water. The highest number in 40 years had been 350 millimeters in the period of 30 days. And due to the geography, there was an impact on the cities of União da Vitória and Porto União. Of the 23 municipalities impacted, the main one was in that area. Of course, that event was of a lesser magnitude, and with our infrastructure, we were able to recover quickly from that situation.

The extreme events will evidently become more frequent. Even though we have good infrastructure and are prepared for the effects of climate change, these will always be hard moments.

Regarding our perspectives, with the return of La Niña to the Central Pacific, the tendency for the next few months in the region of Paraná will be average or below average. Therefore, there is no forecast for this level of rain. Two years ago, we had a region that suffered, but the prospects for this year are rain on average. So we are monitoring, but there is no forecast for big problems in the future.

Claudio Stabile:

Just reinforcing the point, whether these events are of excess or lack of water, and there was a big gap between one and the other, now, in a more visible way, they will be more recurrent. The intervals will be shorter. And these are all effects of climate change. Climate change has already happened. What we are suffering from are its effects.

Therefore, regardless of the sector in which we work and also in our houses, it is important that we change our behavior. We have to understand that this is installed, and now we have to try to mitigate it as much as possible. Speaking of a reversion is very hard, but we can mitigate the effect, and we have to be prepared for that, both for the excess of water and the lack of water.

Not only all the professionals and people working in the different industries that involve the issue of water and sewage services, but the population too has to understand that we are living in a different period on our planet. We anticipated something that was natural, and now we have consequences, so we have to work together.

Eduardo Lazzaretti, GTI:

We have seen a relevant increase in some expenditures, like personnel and third-party services. Could you mention a little bit more about what caused this and if there is a recurrent level of expenditure?

Abel Demetrio:

Good morning. Thank you for your question.

As we spoke about personnel, the increase was obviously influenced by the negotiations of the collective agreement that took place last year. That becomes a factor that has an effect on

1Q24, but we also had R\$50 million in lawsuits that we had to settle.

When we remove this process of settlements, which were some lawsuits that were concluded, whether due to court order or whether due to loss or win of the case, in this case we lost, that has this impact, and, without it, we would be on something around 5% increase compared to last year.

We have to analyze that, when we lose a labor suit, we might have to incorporate the salaries. We have another level of salaries from that point on, and that ends up impacting the cost of personnel for future periods.

Another issue is the outsourced services. As we mentioned, at the beginning of 2023, we had a different situation from the current one. We had a period of 42 months without cutting water supplies. With the end of the pandemic, the end of the water crisis, and with a better economy, we had the possibility of returning the cuttings and the need to fight that default.

We started doing these services that the Company had not done for 42 months more strongly since 2Q23 and 3Q23. Now, looking comparatively at 1Q24 versus 1Q23, we had an increase in, for example, service to the client because we had to remodel all our service centers for the reason that they were not enough to serve the people seeking the Company's renegotiation of debt. We increased that with the intention of reaching client satisfaction and not creating lines.

We had a lot of developments in serving the client more easily, whether via WhatsApp or other channels. Therefore, we had various improvements that were implemented that generated costs, like cutting and reconnection services. We were not doing the cuts in water, so we had renegotiations in a huge amount of installments. That all brought this increase.

Furthermore, especially in the maintenance of networks, we made a big effort. At the beginning of last year, we had some problems concerning some companies, and we even had to remove them from the Company. We had to cancel the contracts and rehire these companies that do the reading of the amount of water spent. So, since last year, we have had a significant increase in the services that are being done in terms of maintenance.

This all brings into other accounts of the results some positive things like reduction of the loss rates when we compare 1Q24 and 1Q23.

Edmundo Pires, Investor:

Could you update the Miringuava reservoir's situation? When do you intend to begin the work there?

Julio Cesar Gonchorosky:

Good morning, Edmundo.

The dam work has been finished. In the next few weeks, we will deliver the last study requested by Ibama. As you know, in the Atlantic Forest, the process of suppression of land above 50 hectares needs Ibama approval. They requested some complementary studies, which are

complex. We concluded these studies coincidentally this week, and we are submitting them to IAT and Ibama in the next few weeks.

We had a conversation with Ibama, showing the relevance and urgency of the conclusion of the dam service, not only as a physical structure for the storage of water but also what it means as water safety for the city of Curitiba and its 4 million inhabitants.

Therefore, we believe that, with this study, we will be able to start the suppression in winter, which is the best moment because it is the driest season of the year. And, by the end of the year, we will start filling up the reservoir.

Daniel Travitzky, Banco Safra:

I have two questions. First, can you comment on how the current investment plan of the Company aligns with the universality targets in the New Sewage Reference?

Second, regarding the receivable of R\$3.6 billion, when do you expect to receive this amount and how will you receive it? Will it be in installments or a down payment? What is the likelihood that you attribute to not receiving this resource?

Claudio Stabile:

First of all, once we have a budget in the Union, we will have credit for the Company. Of course, it comes in as a non-circulatory asset, which is a credit, but it is not financial, but it is a positive point for the Company.

We do have some scenarios for how we can negotiate this credit. If I anticipate anything right now, I think it will not be legitimate because we depend on third parties for these negotiations, and that has not been discussed yet. The main thing now is to have this budget inscribed in the Union. Once this is done, we will put into practice two or three scenarios that we have worked on, especially with the National Economy Ministry.

Abel Demetrio:

Good morning.

As I said, the investment plan of R\$11.2 billion elaborated by the Company for the period by 2028 is in line with the project of universalization. You all know that, by 2023, legally, the companies must reach 33% of the sewage services. For that, besides the effort of the investment of the Company, we have our own investment in the sense that we do all the work necessary for sewage and the PPPs, which help in the search of universalization and a total service.

Therefore, all the planning of the Company is done looking at the advancement and the constant investment, growing more and more and faster and faster in the sense that we are the first Company to reach universalization. Of course, we do that very carefully, having a capital structure that can handle all this investment with the targets that the market demands for us to always be a good reference for credit.

We exceeded 80.4% in 1Q24, but we still need 9.6%. We have a good path ahead of us, historically speaking, and if we move at this pace, we will get there for sure.

Luiz Alves, Investor:

Is the operation of PPPs already in force? Do you expect some acceleration in the New Sewage Reference?

Claudio Stabile:

The first one that was done last year to 16 municipalities is already in force, and the winning company is already working under the supervision of Sanepar. The model is Sanepar to continue the relationship with the power considered and the users, besides that, we have the relationship with our PPPs. This is how it works.

We hope that, on May 21st, we have, in B3, three more batches that total 112 municipalities. At first, with that, we would close the issue of PPPs and serve the municipalities based on the New Legal Landmark, but more importantly, we would bring public health to the population.

Daniel de Carvalho, Investor:

Good morning.

Given that you will probably be able to fulfill the New Sewage Reference, do you see opportunities to work with more municipalities and increase the revenue of the Company, as well as helping the municipalities reach this landmark?

What is the percentage of clients you expect to reach? Are you looking for other municipalities too? Do you think about increasing your work outside Paraná, or will you work only within Paraná? Will the *precatório incontroverso* be used to expand networks and customer numbers, deleverage, or distribute profits?

Claudio Stabile:

Concerning the *precatório*, it is premature to speak about it. We have to await the issue of the inscription in the Union budget, and then we can discuss that more in depth, although we have some scenarios for the execution of the work.

It will not be easy to reach the issue of universalization because you will always have an increase in water consumption anyway, and this is intrinsically related. Therefore, every time you increase the water, you have to work at a higher pace in sewage so that you find equilibrium.

Today, what we expect is, at minimum, to get close to our water clients, which exceed 3.4 million economies today, if I am not mistaken. So we want to reach close to that 3,2–3,3 million until we reach a point where we will be serving everyone, and then we will have a balance between water and sewage.

Concerning the new markets, if I say that we are not looking at this, it does not make sense. We are looking, but to anticipate anything about that is premature. We have a lot of variants. We have to await the market to see how it works and how it is going.

There is no point in adventuring in the search for new clients in terms of looking for profit if you do not have the main thing, which is the payer. We need to have payers who have the capacity to pay for the investments that should be made by the Company, whatever they are. We have a different situation in Parana. One of the best payers in the sector, if not the best, is in Parana. So this is being studied, but carefully.

What we are strongly seeking, looking at this issue of universalization of sewage, is more time to look at by-products, speaking of the eco-circular economy. We have to take advantage, using all our technical team, or at least part of it, to turn to this study. "What can we do with the by-products, whether they come from water or sewage?"

At first, we need to reduce costs, which is immediate, and then discuss the issues of accessory revenue, which is a subject we started discussing with AGEPAR, and I believe that this is ongoing.

Taís Hirata, Valor Econômico journalist:

Good morning.

I would like to have some more information about the suspension of the bidding of PPPs. Does the Company study postpone these biddings? What do you think about the Aegea's questioning about the restriction on a company receiving more than one block?

Claudio Stabile:

Good morning.

The law enables anyone who feels at a loss to look for the judicial branch. This is a normal practice. We do not expect to suspend the bidding. Our team continues in Sao Paulo, awaiting a reversal. We have to remember that there was an attempt in the judiciary branch where the request was not given, but, of course, we can appeal and we can go to the Accounts Tribunal of the State, which, at the beginning, handed over the authority requested by the company.

However, we are working to show that there are no losses to anyone. What we are doing is guaranteeing wide competition so that several players may compete, and they may also work together with Sanepar. Besides this multiple work of several companies working for the Company, they win and we win as well, especially in the exchange of best practices. Because then we will be able to compare company A with company B and company C.

Of course, the clause that was imposed preventing one company from taking all the parts took into consideration some very important constitutional principles, not only of free competition but also, for example, the dignity of human beings because it is an essential service, a public health service that takes this product to people in the most variable levels of financial capacity of

people from all walks of life. So we have to be very careful as well.

Therefore, we will not give up. We have our team in Sao Paulo awaiting the decisions, and as soon as there is a reversal, the bidding procedure will continue.

Bruno Galhardo, Investor:

Good morning, and congratulations for the results.

I would like to know whether the Company has any predictions or is considering changing the shareholder remuneration program, especially the time between X and payment dates.

Abel Demetrio:

Good morning. Thank you for your question.

Every six months, we have the publication of our dividends, which is the way the Company distributes parts of its positive results. It is always realized in the months of June and December of every year.

It is a very consolidated policy of the Company. The Company is not the only example in the market working like that. There are several examples of companies that pay once a year and we continue paying twice a year. We declare the results in June and December, and the payment is made in June of the following year.

But why June? Because, by April 30th, we have to realize the Ordinary Shareholders' Meeting, which approves the payments, and our statute declares that, 60 days after the Ordinary Shareholders' Meeting, we have to make the payment. Coincidentally or not, the same date of last year must be the same date of payment this year. In short, the payment is always made at the end of June.

We understand that it benefits the Company because it provides predictability. We had all the approvals needed related to this issue. We have to remember that some years ago, the Company decided to advance the payment of one part of the interests, and it was questioned in the Public Ministry, so there was an issue in this regard.

Therefore, to be careful and to follow the practice of other companies, we declare twice a year, but we only pay once the shareholders approve the accounts.

Luiz Alves, Investor:

How are the works for the next tariff review? Will the base date be repeated?

Abel Demetrio:

Yes, we are working for the basis date of May 7, 2025, which is respected. AGEPAR talked about the working dates, communicating with the market, and informing them of the steps and timeline. At this moment, there is a public consultation, which closes tomorrow, about the fiscal

organization plan of the assets that AGEPAR intends to analyze concerning the asset basis for the 3rd tariff review.

The Company must deliver its contributions today, and we are working strongly so that we can deliver everything within the deadline because we understand that it is important for society, the Company, AGEPAR itself, and everyone else to be able to follow in the sense that we have clear and well-defined rules.

Luiz Alves:

As a result of last year's water crisis and the renegotiation of clients' debts, is the current default what we should expect as a standard?

Abel Demetrio:

I was discussing with the president that, actually, the issue of default is derived from the pandemic. It was a result of the COVID pandemic, with all the economic impact it caused the families that experienced this unprecedented event.

In the closing of 1Q24, we had a default of 2%. The first quarter of every year is usually a higher default compared to the average because we compete with other payments, like other taxes. There are other taxes that are charged at the beginning of the year, and, of course, people prefer to pay the bills that have a higher cost for non-payment.

Obviously, the future default conditions depend on the scenarios of family income and typical situations, like the COVID crisis, for example. However, historically, the Company has worked at a rate of 1.5–2%. I believe we are at a good limit. In my opinion, 2% is a conservative number historically, and we cannot affirm that it will not increase in the future due to some unforeseen factors.

Operator:

We now conclude the Q&A session, and we hand over to the Chief Financial and Investor Relations Officer, Abel Demetrio, for his final considerations.

Abel Demetrio:

I would like to thank the participation of all of you, and I would also like to hand over to the president for him to make the final considerations.

Claudio Stabile:

I only want to thank all of you, all our team, our shareholders, and our market analysts, who also help us. I would like to say farewell to the Company and to all of you because this is going to be my last intervention in presentations for the market of the Company.

It was a fantastic period. I learned a lot in these almost five years and a half. I believe that I might have contributed to the Company. I am now going on another mission because I was

invited by the governor of the state, so I cannot decline this invitation. I am a soldier, and I have to work on the frontlines when I am summoned.

As I said in the beginning, within the regular and legal possibilities, I will do everything I can to help the Company.

Finally, I would like to thank all of you. I know the Company is in good hands, and I ask you to continue believing in it. You will see that many things are prepared to happen in the next two years that will yield important fruit that will benefit all of you.

Thank you, and have a good day to all of you.

Operator:

The videoconference related to the 1Q24 results of Sanepar is now concluded.

Thank you all of you, and have a wonderful day.