

**Conference Call Transcript**  
**Sanepar**  
**2Q24 Results**

**Operator:**

Good morning, everyone, and thank you for waiting. Welcome to the video conference to announce the results of 2Q24 of Companhia de Saneamento do Paraná - Sanepar.

For those who need simultaneous translation, we have this tool available on the platform. To access it, just click on the interpretation button using the globe icon at the bottom of the screen and choose your language of choice: Portuguese or English. For those listening to the video conference in English, there is an 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](http://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 too.

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 questions 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](mailto:ri@sanepar.com.br).

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Investors should be aware that 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 hand over the floor to the Chief Financial and Investor Relations Officer, Abel Demétrio.

**Abel Demétrio:**

Thank you, Rodrigo. Thank you all for your presence in this video conference for the presentation of results of 2Q24 and also results accumulated until June 2024.

We also have here our President and Director, Wilson Bley Lipski; our Environment and Social Action Director, Julio Cesar Gonchorosky; our Accounting Manager, Ozires Kloster; besides

Ricardo Garcia Gonçalves, who is our IR Manager, together with his team, which is also in this room.

Now, let us discuss the highlights on the next page. Compared to the same period of 2023, the net revenue grew 8.4% in 2Q24 and 12.5% in the first half of the year; our EBITDA had a reduction of 2.9% in 2Q24 and an increase of 6.9% in the first six months; and our net margin had a drop of 11% in 2Q24 and an increase of 1.8% in six months.

In the first half, added to our system, we had 15,900 water connections and 22,900 sewage connections. In June, we reached 80.5% of our sewage service, so we need to increase 9.5% to reach the universalization of 90%. It is worth remembering that 100% of our sewage collected is treated. Regarding water, we have been universalized for many years, so we had the index at 100%.

Our EBITDA margin was 38.7% in 2Q24 and 42.2% in the first half of the year. We reached investments of R\$446.7 million in 2Q24 and R\$871.3 million in six months.

In the first half, we received the awards “SDG 6 Champion of the Year” granted by Global Water, which is an international award, and the “Successful cases & ESG” award, granted by Instituto Trata Brasil - FGV. We have this recognition, and we have to remember that Maringá is the municipality in first place in the ranking of sewage by the Instituto Trata Brasil.

Regarding the operational results of the first half, compared to the same period of 2023, we had the billed volume increasing 5.7%. In terms of economic units, we had an addition of 22,068 new economic units, which is a reduction of 22.7% compared to the same period of last year.

Concerning sewage, our billed volume increased 7.3%, and the economic unit increase was 35,002 new economies, which is a reduction of 13.8% compared to the last two years due to the issues of the cuts, which especially started in the second half of last year, when we had a bigger amount of cuts, more cuts than connections, and that impacts the connections and the increase of new economic units.

In the first half of the year, our default closed at 1.1%, which is an increase of 3.5% compared to last year, considering that, due to the recovery credit of the same period of last year, we had a negative default, in other words, we collected more than we billed then in 2023.

Our volume of water losses closed at 220.6 per liter per connection per day in the first half, which is a decrease of 0.6% compared to the same period of last year.

Regarding reservoir volumes in Curitiba, we closed the first half of the year with practically all of our four reservoirs with 99-100%. For comparative purposes, last year, we had 93% of the volume. Obviously, this serves Curitiba and the cities around, and there are some points in the state where there is a water shortage due to the forms of collection, which are sometimes through wells or the rivers themselves from surface collections.

Now, I will go through the performance indicators. In terms of the debentures, all the issues of the Company that continue in force, which are the 9th to the 10th emission, in the indicator of bank debt by EBITDA adjusted, which has to be  $\leq 3$ , we reached 1.69 in the first half of the year. Regarding adjusted EBITDA by financial expense, which has to be  $\geq 1.5$ , we have 8.73, so we integrally fulfilled the covenants in 2Q24.

It is worth remembering that, in July, we had the renegotiation of the 12th issue of debentures, which increased the term by 2.5 years. All the bondholders accepted the conditions, which went from 1.08% to 0.88% for the remaining term.

Concerning the covenants of the BNDES system that have to do with finances related to the private debentures, which are the 2nd, 4th, and 7th, in terms of the net bank debt by EBITDA, which has to be  $\leq 3$ , we are at 1.69. The EBITDA by the debt service, which has to be  $\geq 1.5$ , we are at 2.76, and, in other onerous debts by EBITDA, which involves healthcare, pension plans, occasional energy, and tax installments, we are at 0.39 and have to be  $\leq 1$ , which is in line with the same period of last year, so this result is very comfortable for us.

Regarding the contracts of Caixa, they also preview the covenants and, as described above, we also, let us say, completely fulfilled them.

On the next page, we have the covenants of Banco KfW, which has a different level of debt from the previous covenants. We closed the first half with 48.4% of debt, which is in line with the debts of previous years: the first half of 2022 was 48.1 and the first half of 2023 was 48.6%, so we have been keeping this level of debt. It is worth remembering that, in KfW's contracts, our debt limit is 60%.

As I already showed, the EBITDA margin reached 42.2% in the first half. ROIC reached 12% and ROE reached 15.2%. All of these indicators are in line with the same periods of 2023.

Now, on the next page, we will discuss the financial performance. Our net revenue increased 12.5% in the first six months, reaching R\$3.362 billion. Our EBITDA reached R\$1.418 billion, which is an increase of 6.9%. The net profit reached R\$755 million with an increase of 1.8% and a net margin of 22.5% compared to the net revenue.

In terms of operational costs and expenses with impact on EBITDA, which excludes finances, we increased 16.9%, reaching R\$1.944 billion compared to the same period of 2023.

On the next page, let us talk about cash generation. We had the cash increasing 20.3%, reaching R\$1.233 billion, with a conversion close to 87%, which is a better conversion than verified in the same period last year.

Concerning our net debt and leverage, we have short-term debts of R\$574 million. As you can see on the graph, our debts are more long-term. We have a comfortable timeline of amortization for 2024 and 2025. We have R\$5.811 billion in the long term and a total debt of R\$6.385 billion. Reducing R\$1.439 billion, which is what we have in cash and cash equivalent, we have a net debt of R\$4.946 with a leverage close to the verified in 2023, which was 1.6x, and, in June, we have 1.7 times the net debt by EBITDA.

We had a slight decrease in our weighted average debt. At the end of 2023, we had 11.3%, and now we have 10.8%, reflecting the last drops in Selic in the accumulated 12 months and the inflation rates, which are, in a sense, in line, without big variations, and with a reference rate reduction in the last 12 months.

Our CapEx reached R\$871 million, which is a decrease of 1% compared to last year, being 36% invested in water, 56% in sewage, and 8% in other investments.

Now, let us go through the income statements for 2Q24. As we can see, we had an increase in the net revenue of 8.5%, especially, of course, due to the adjustments and the increase of new connections and volumes. We have to remember that, in May, we had a readjustment of tax, and it will be in force until the next RTP predicted for April 2025.

In personnel, we had an increase of 26.5%. This increase is due to the salary adjustment of 3.86% on the employees' base date and also a reflection of 5.5% of INPC of last year, which is when we had collective labor agreement of the employees, but the important factor is the issues of the legal payments, an amount of R\$142.1 million against R\$35 million of the same period last year, which is a difference of R\$107.1 million. Actually, these were from provisions. We had a reduction of provisions, and this is the actual expense.

The issue of materials was well behaved, with a reduction of 1.9% compared to the same period last year. Therefore, we had a good quarter in terms of materials.

Electricity increased 20%. Although this increase is representative, we can see as a positive factor the issue that Sanepar is migrating a large part of its electrical park to the free market. In the first half of the year, we had a saving of R\$8 million if we had kept everything in the captive market versus moving to the free market. Of the first lot of 49 units, we already migrated 18 units, and our expectation is to reach R\$50 million of economic units this year due to the migration to the free market of energy.

For 2025, the expectation is to reach around R\$150 million, which causes the electricity bill to be, in the future, with some level of management. We have to remember that Copel, which is our main distributor in the case of the Company, announced an average adjustment of 0% in June, so, besides the end of subsidies that finished last year and had an impact of 3% per year, this year we have a readjustment of 0% for the captive market, which, obviously, does not press our future increase in electricity.

Regarding outsource service, we had an increase of 29.6%. Here, we can mention two points. First, we had some accounts in which we have a low history reference because, until the first half of last year, we had small actions of cuts since we had not been practicing cuts.

It is worth remembering that Sanepar spent 42 months without executing any cuts, so we had several actions like, for example, registration and billing, charging, and service to the clients, which we had a low history in the first half and 2Q23, which, consequently, when we compare, we have an increase of around 29.6%.

Besides that, we can mention the issue of data processing. We had an increase considering all the investment and the effort of the Company that has been made in IT. So these are some expenses that have increased. In addition to that, the maintenance of networks, which is the Company's effort in terms of being agile and recovering some services that were below in the first half of 2023 and are at a more accelerated pace now.

In the general and tax accounts, we had an increase of 115.8% due to three judicial settlement actions related to compensation of an accident that happened in 2003, so Sanepar had to recognize this compensation now, and a compensation that questions some taxes in Foz do Iguaçu, where the Company took over. Besides that, we had a legal action related to a financial recovery, and it is in the general and tax accounts. And this also causes some impacts on the municipal funds.

Due to these movements, both in the personal account and general and tax accounts, we had a decrease of 215.5% in the civil, labor, environmental, and tax provisions. Last year, we readjusted an expense of R\$57.403 million in 2Q23, and in 2Q24, we had a reversal of R\$66.321 million.

Regarding provision for health care and retirement, we had an increase of 9.5% Revenues. Financial expenses increased 15.9% due to the greater volume of financing and outstanding balances we have, so, obviously, we have a growing financial expense as a result of this. Other expenses increased 61.9%.

Despite having seen our default at 1.1%, the fact is that there was a reversion considering the same period last year. In the first six months of last year, we had the reversion of the provision of losses of R\$44.8 million, and this year, we have provisions of losses of R\$61.1 million, which is a difference of R\$105 million.

Therefore, this is an account that we are concerned about being able to have the clients go back to paying their bills because we would like our default to be less than what is registered since we are receiving the installments of last year and we anticipated to have a negative default this year, in the sense that we will try to recover more credits than the billing itself.

We had a good net result in 2Q24, with a reduction of 11%, and a EBITDA margin of 38.7%.

Next page, we will go through the first half results. The net revenue increased 12.5%. As we have seen, total costs and expenses grew 16.3%. Net results grew 1.8%. Finally, EBITDA increased 6.9% in the first half.

Next page, we will see some balance sheet numbers. Our net debt increased 7.2% compared to 2023. As to the main accounts, the financial investments increased 12.1%, which, given the volume of cash and the collections we made in the first half of the year, reached R\$1.399 billion.

Loans, financings, and debentures increased 10.5%, reaching R\$6.385 billion. In operating working capital, we had a reduction of R\$1.531 billion at the end of 2023 to R\$1.474 billion at the end of June 2024, which is a reduction of 3.7%.

Other assets and liabilities increased 12.3%. Here, we had a reduction in provisions of R\$858 million to R\$760 million, which is a reduction of 11.4%.

And an important account here is the contract assets, which are those works in progress that are registered here in these assets of R\$2.856 billion by the end of June. Our net equity reached R\$10.179 billion, with the operating working capital turnover changing to 50 days compared to 55 days in 2023.

Now, regarding the impacts in the cash flow, the variation in operational activities in six months brought R\$1.233 billion for the cash flow activities, which is a 20.3% increase.

Financing activities consumed R\$871 million in cash, which is a reduction of 1.1%, and the financing activities consumed R\$207 million given that, also in June, we had the payment of the dividends and PPR to the employees, so this account is negative in R\$-207 million.

However, in the period, we had an increase of R\$153 million, and we closed the first half of 2024 with R\$1.438 billion in cash, which is a good level of liquidity so that the Company can continue investing and paying its duties.

That was the presentation of 2Q24 and the first half of 2024. Now, I will hand over to our President and Director, Wilson Bley Lipski.

**Wilson Bley Lipski:**

Good morning, everyone.

I have been here for 60 days. The governor Ratinho Júnior assigned me for this position, and he asked us to continue with this look of austerity, responsibility, and a lot of transparency in what we do.

We need to efficiently accelerate investments and bring results, but, effectively, we must have this balance that causes our Company to render this excellent service and have its good results.

Since this is my first participation, I would like very briefly to bring a little bit of the history of my professional life. I have been here for 60 days, and, in the past five years, I was together with the Banco Regional de Desenvolvimento do Extremo Sul (BRDE), where I was administrative director, operational director, financial director, vice president, and president, and where the results of the last five years were quite surprising.

The bank moved from 2.3 contracts per year to over 6 billion contracts per year. Therefore, the result is extremely substantial, impressive, and robust, and it brings a lot of pride for my work there.

Before that, I was in Paranacidade, which is a management and planning body connected to the Secretariat of Urban Development of the State of Paraná, which oversees, supervises, and releases resources for all the municipalities of Paraná. We can also include in our curriculum over 12,000 works delivered in the period I worked there.

I was also at the Senate as a technical assistant, and, before that, I was a state secretary of urban development and, before that, general director, where I spent eight years in the urban development secretariat. So I had this relevant contact with the municipalities of Paraná.

I am a lawyer postgraduate in contemporary law, and I am very proud right now to be here heading this Company, which is a Company that brings a lot of pride to Brazil and to the State of Paraná and with the international recognition for its excellent work that it renders day by day because we sell quality of life and we want to continue delivering this excellent service.

Therefore, I want to leave my first manifestation and talk about my commitment and my responsibility, and you can count on us so that the paths of this Company will always be the right ones and ones that will bring results and prosperity for all of us.

**Leandro Aguiar, investor:**

First, congratulations to all the team for the good result of 2Q24.

I identified a reduction in expenses with materials in 2Q24, which confirms that the Company has been seeking alternatives for raw materials to combat increases in prices that were impacting the sector. Could you comment on the ongoing action plan concerning this theme? Is there any possibility of new positive surprises in the future?

**Abel Demétrio:**

Good morning, Leandro. Thank you for your question.

Indeed, the materials account in the first six months was a very good surprise with a reduction of 3.4%, and we had some actions on the part of the Company that contributed to this result, like, for example, the replacement of products that are possible to replace, of course, due to prices. So we changed products for those with lower prices.

Of course, when we speak of the materials account, we have around 66% connected to the consumption of treatment materials, and we know the treatment material is connected to the variations in exchange rates.

Therefore, it is difficult to make a projection of what the levels of prices will be in the future, but we have some management actions that allow us to replace products. Through our innovation area, we are seeking some technological action and more efficient products. In addition to that, compared to what we had as expenses last year, we have a reduction in expenses due to the better prices.

Besides that, chemical products are an issue that Sanepar looks at not only from the perspective of cost but also in the tax composition, which shows that, besides the management the Company has on this item, the fact is that the Company needs to apply chemical products in the water and the sewage, and much of this expense of chemical products cannot be managed by the Company.

Therefore, in the last revision of price, we understood that this was an item that was behind the expectation of the Company to replace this issue of expenses that the Company has concerning this item.

**Wilson Bley Lipski:**

Thank you for your question.

And I would like to add that our innovation area, where we created a board, is working strongly in the sense of finding other alternatives so that we can lower and, within the possibilities, we would like to diminish the impact on our expenses.

We are close to the academy, working with P&D to bring new knowledge and alternatives and deliver good results. The dedication is the core business of the Company: water and sewage. And we have to have this dedication, see the negative impacts, and transform the positive possibilities to find good paths and balance.

**Leandro Aguiar:**

I identified a significant increase in the line of outsourced services in 2Q24. Could you discuss this increase in maintenance of the system, data processing, and registration service charges?

**Abel Demétrio:**

Thank you for your question.

Yes, some items within the outsource services account surprised us, but others are on the comparative basis of 2023, which was behind the actual need for services. For example, the service client. As I said, until the first half of last year, the water cuts were suspended, so we had 1Q23 quite behind what was the actual need of services in some items, like charging services, registry and billing service, and customer service. Therefore, because the comparison was low, and now with the full service in action, we have an increase in costs.

We had the issue of data processing service, which is a more relevant item in expenses in this half, but there is the effort of the Company to seek the modernization of its technological park.

We have to remember that we are implementing RP in the Company, which seeks, in the administrative and financing areas of investment, to implement systems that are more agile and integrated. This action strongly demands investment in IT to find solutions for our clients and to provide quick service using the means of processing data. Today, everyone prefers to use digital means, and the Company understands that we need to update some items.

Therefore, these are some of the main points we had. Indeed, that was an increase above what would be the average increase, besides the stronger service in network maintenance, which is the main element of expenses in the issue of outsourced services.

We have priority in fighting losses, so when we can accelerate the network maintenance service and work quicker, we consequently reduce water losses. In short, there are several actions that we have been taking, and some services might have a higher cost, but they will bring back future benefits for the Company due to these current expenses.

**Leandro Aguiar:**

In the taxes, permits, and licensing line, we recognized a R\$8 million expense. Could you discuss this expense and if it has any connection with the ongoing PPPs?

**Abel Demétrio:**

Taxes, permits, and licensing have nothing to do with PPPs, which are services. These fees are mandatory items for the Company, whether they are fiscal or regulatory taxes, and they have, let us say, an integral recognition in the fee.

Although we have an increase in this account for tax on licensing and fees, this is transferred to the fee, so we do not manage a fee that is applied to it. Therefore, although we might have had an impact from this increase, the important thing is to say that this all has fee coverage. Next year, we will have the third coverage revision in price, and this will be recognized.

We had an increase in environmental licenses and in the payment of urban taxes in some units, and this ends up being a mandatory expense on the part of the Company, which is why we had an increase in this account.

**Marcelo Afonso, Clube Belvedere:**

First, what explains such an increase of third-party services? Can we consider that this level is the new normal or we might see reductions in the next quarters?



Second, within the current regulatory framework, should the current cost of electricity be transferred to the fee in the next tariff review/readjustment?

**Abel Demétrio:**

Marcelo, thank you for your question.

I think the third-party services question was the same as Leandro Aguiar's, so it was answered.

Concerning the electricity cost, today, the agency has two ways of calculating this fee. At every readjustment, the issue of prices is recomposed, and, regarding the amount, at every revision of the fee, the agency will verify whether the Company is using the energy in an efficient way in the sense of being able to recognize it in the fee. If the Company is not doing good management of electricity, the regulator might infer this account.

As I said, the fact is that, regarding the issue of energy, we have a huge program, which is the main program and which is the free market of energy. I have to remember that it will reach 90% of the consumption of electricity in the Company. In terms of the first contract with Copel, which is for 49 units, since June, a great part of that has already been implemented. We have to advance the implementation until the end of the year. In addition to that, we have with TRADENER a second contract, which encompasses a good percentage of this cost of energy.

Therefore, since these are long-term contracts of five years, we expect a reduction of around R\$50 million this year and a reduction of R\$150 million for the next few years, and, in the five-year cycle, it will be a reduction of around R\$620-630 million.

So I would say that we have an expectation that, in the next few years, we will have a more controlled energy cost. Even these migrations of energy are important because they will reflect in the cost of electricity because, with all the savings we have, 75% returns to the tariff amortization. Therefore, the population is benefited and the Company is also benefited, with 25% of this reduction in the captive market.

In addition to that, the cost of energy is, once it is efficient and well managed by the Company and within what is spent, recognized by the regulating agency.

**Arlindo Souza, Levante Corp:**

Concerning CapEx of 1Q24, the R\$871 million spent seems a little bit behind the investment volume expected for the year, and according to your investment plan, it anticipates R\$2.5 billion in total CapEx. Would you explore this issue to help us with the projection of the Company?

**Abel Demétrio:**

Thank you for your question.

In the first half, we had some issues related to, for example, bids. We had some works that could not be initiated when we had programmed, so, obviously, this caused an impact on this volume of realized CapEx. We also had to deal with authorization issues. It is worth remembering that our works involve environmental issues, so we have to have a lot of licensing and authorizations from competent bodies, and we had some delays in some of these authorizations.

The Company has been working strongly in terms of establishing dialogues with the issuers to regulate the pending issues and keep the authorizations to execute the work. We are trying to recover the investments. We have to remember that we have had in the last few years an increase in investment that has been very relevant year-after-year, and it is always a challenge to execute all the work many times within the period predicted given all these issues.

In addition to that, we end up sometimes managing some savings in the works. All our works are done through tenders, so what was in our budget sometimes is even cheaper due to the competitiveness of the bids, which is good for the Company because we execute the work that was predicted for a lower amount. This is an efficiency that we always seek, and I can say that we have had very positive results in this issue of seeking a more competitive and better price to do the works.

Other than that, we have to consider some climate issues, and there is an impact related to that, but I would say that we are working with our anticipated number of R\$2.3 billion for 2024 to do the investments and R\$11.2 billion, which is the cycle of 2024 to 2028.

**Arlindo Souza:**

**José Honorato, investor:**

As to the judicial repayment receiver, at what stage is this process at? In a favorable case, could the Company have securities to anticipate this receivable? Related to this repayment, what articulation is being done to receive it and what is the destination for this, amortization of debts and investments?

**Abel Demétrio:**

Thank you for your questions.

This is a 30-year action, so we are speaking of a long-term action. We are on a good path, and we are doing well in all the processes. The Company has been disseminating this through releases and relevant facts for some time. You can see this asset in the explanatory notes to our financial statements. We have R\$3.9 billion that the Company follows up on. Once this court order debt is issued, we want to include this court order debt in the Union budget.

We also hope that this will occur in either the Budget Directives Law or the Annual Budget Law in 2024, with the expectation of receiving it in 2025. In other words, for this to get into the budget of 2025, in August, we have to go through the Budget Directives Law so that, at the end of the year, the Congress will vote on the Union budget and include that for receiving in 2025.

Obviously, the payment of the court order depends on the finances of the Union. The fact that it is included in the budget does not mean that it will be paid by the Union, because it depends on the fiscal conditions of the Union.

However, I would say that a great part of the path has been covered. We have to remember that this involves the three powers of the Union, so there is always the possibility of revising values. This is part of the legal game. We have already gone through the judiciary, and now we are expecting it to be sent to the legislative branch and then to the executive branch.

Given that that is a very relevant theme and that Sanepar has R\$10 billion in net equity today, which is 40% of the net asset of the Company, all the steps the Company has taken in the sense of not creating expectation and not anticipating movements because we know that it depends on other agents that are not in our control.

In short, the next steps are the inclusion of it in the Union budget and the possible recognition of our income statements, and after all these steps that will be taken in the future, the Company, together with its controllers and administration, will have a destination for these resources.

What we can say is that these resources will always be very welcome. It is a 30-year struggle, and we are working well on that.

**Wilson Bley Lipski:**

Actually, this is a big marathon. Step by step, we have to follow this ritual so that we can reach the final result. The moment now is the moment of articulation, the moment of waiting so that we can be part of the budget of 2025 so that we can make all the articulation to receive the payment or take other measures that might be notified and brought as a relevant fact to all of you.

The path now is that we can have this court order included in the Budget Directives Law of 2024 for 2025. However, there is discussion of this theme now so that, in the future budget, we can have the possibility of receiving this money.

**Luiz Alves, investor:**

Could we have an update concerning the Miringuava reservoir? Is there an expectation that the reservoir will get into operation soon?

**Julio Cesar Gonchorosky:**

Good morning, everyone. Thank you for your question.

We continue working strongly on the final licensing of the Miringuava reservoir. As you know, the last step of this licensing depends on the Ibama approval and the time to issue this approval is due very soon.

So we are working strongly to start suppressing vegetation this year, which is a complex and very difficult step that has to be carefully done in terms of the environment. There are some social components involved, but we expect that we will take advantage of the summer rains to fill up the reservoir.

**Wilson Bley Lipski:**

I have another additional point to comment on. We will have dedication and a special look for us to have the resolution of this issue as soon as possible.

**Luiz Alves:**

**Reinaldo Verissimo, investor:**

Congratulations for the results and the work in Rio Grande do Sul.

Could you give us an update on the situation of PPP with Aegea? About the compensations, can we use them for the sake of the universalization of sewage collection in cities such as Colombo, where Sanepar has 77% only? Regarding the PPPs destined to reach sewage universalization, are they in full operation in the state as a whole?

**Wilson Bley Lipski:**

I will start by answering about PPPs.

We did all the processing and structuring, and we launched the notice. We had a very successful first batch, which is already working, and in the other three batches, we had the manifestation of Aegea in the sense of taking out the clause of barriers because they understood that they would have no competition, which is an understanding contrary to what we understand.

The process went through the Federal Court of Accounts, and then our thesis was accepted, and they took that to a claim to the Supreme Court. We are taking all the measures to have the support of ESB, which comes into this situation as a friend of justice because they defend our thesis. We expect that very soon we can restate this decision so that we can reach the results that we expect, and soon we can open the envelopes and see the winners of the other batches.

Right now, we expect that we have the necessary speed in the Supreme Court. All the actions are being taken. Every week, we are in Brasilia making the necessary articulation, presenting documents and our memorials so that the result can be effectively the one we expect at the beginning of the structuring and that we can maintain the thesis we defend.

**Abel Demétrio:**

I just want to add a comment on the issue related to the use of the resources. As we mentioned earlier, right now, it is premature. We prefer to step by step follow the decision of the receiving of this amount. First, in order to not generate expectations, and second, because it depends on the context and even the governance bodies of the Company.

But we can always say that we have a commitment to universalization. It is worth remembering that we have 80.5% of service in the urban areas that are reached. The Company makes an effort to accelerate this universalization plan according to the law, and we make all the investment efforts regardless of extraordinary resources, which is the case with this compensation.

**Vladimir Nascimento, XP:**

Can you comment on the provision of doubtful debts? How does the Company present such high numbers even after the Reclip recuperation credit plan?

**Abel Demétrio:**

Thank you for your question.

In our planning last year, we had a positive situation in terms of reducing default. Last year, we had a negative default of -2.4%. In other words, we received more than we billed, which was predictable and natural because we were not doing cuts and we were not doing a more effective charging plan for more than 42 months.

2023 went as predicted. However, 2024 has been more challenging, and we start to understand the movements of this provision considering that, when the clients looked at installments, they probably made an estimate of payment capacity involving, besides the monthly consumption of their water and sewage bills, having to pay the previous installments that were not paid.

When you combine these two items, some people have difficulty paying their debt, maybe because they have adopted a small number of installments due to their income and then they cannot afford to pay.

In the first half of last year, as we mentioned, we had a reduction in provisions. It is worth remembering that, when we speak of provision for losses, we are speaking of private clients exclusively. Above 180 days after the due date, you have to make a provision for losses. So we had a reversion of R\$44 million. In the first half of 2024, a new provision of accounts that exceeded six months overdue totaled R\$61 million, which impacted the result of 2Q24.

What we can say is that the board has been very diligently following this account. Our commercial area stratified all clients in debt, and we are making other simulations of stratification due to consumption. In addition to that, we are planning some actions, first in the sense of giving conditions for the clients to resume the payments of their installment, giving them conditions for them to pay.

The Company intends to reduce the provision that is being made in the sense that we follow the results that are expected by the Company. We also contacted some customer protection agencies to create some negotiations for this credit, bringing these resources to our Company.

Therefore, I think no company has spent so much time without cutting water, which, in our case, was 42 months. The volume of accounts was quite high and heavy, and the fact is that many clients went through job losses due to the pandemic. They had financial difficulties, and not all of them were able to pay their debts.

We still have a default rate of 1.1%, which, if we took out the installment issue, would be one of the lowest default rates in Brazil. However, the fact is that, when we look at the history of last year, which brought the default rate down, we expect a period of receiving this amount. We identified together with our governance bodies the need to adopt actions to seek reduction of this problem.

**Wilson Bley Lipski:**

We are focusing on diligence and a special look, and we are taking measures. Today, in the Municipal Chamber of Curitiba, we are participating in a joint effort where we propose to them the possibility of finding solutions so that we can recover these credits.

The first measure is the stratification of the amount that is due and then the analysis of the profile of the client to see whether he is a persistent debtor or if he effectively goes to difficulty so that we can find another solution for this kind of person that is proper for him to be able to pay for his current consumption and the debt. Therefore, we have a special loop to diminish these indicators.

**José Honorato:**

Many investors use dividends as pension income, and if Sanepar adopts a system of more frequent dividend payments, like Banco do Brasil and other companies, there is great potential for an increase in these investors. Is there an intention to pay dividends more often per year?

**Abel Demétrio:**

Thank you for your question.

This issue of installed payments is not outside our radar. The Company pays its dividends according to its statute and up to 60 days after the Ordinary General Meeting of Shareholders. In other words, in its governance body, the Company first expects that the OGM approves the numbers of the balance of the previous year so that up to 60 days it can make the payments of the dividends, which historically has been happening in July. Therefore, the OGM has to happen by April, and in June, we have the payment of dividends.

In the last two years, it has always been on June 27th. This is in our release to make it easier for the investors to have a prevision of their receiving.

We are a mixed-economy Company, so we are subject to regional questioning, sometimes different from the reality of other states, but the fact is that the Company made payments differently from what it practices currently, and we were questioned by the public ministry. Therefore, the Company looks very carefully because when you approve the OGM and pay the dividends according to the rule, it is very well understood.

However, we analyze this condition and, obviously, all the investment volume that the Company needs to make for the universalization. It is worth mentioning that we want to be the first Company to universalize this due to the new framework. So, in the first year when you pay installments with fewer deadlines, you affect the working capital.

This is not a theme that is forgotten. On the contrary, it is something the Company needs to lean over, present, and discuss with its governance bodies about which way to follow.

We can say that, yes, regularly, the Company pays its dividends in June. Every year, the Company has stability in paying its dividends. The policy gives flexibility to situations that are different in the Brazilian context.

Let us just mention two or three: COVID, the water crisis, and the Lojas Americanas crisis, which brought problems to the market. In all these situations, we always had flexibility in our policy to increase or reduce because we have a policy that allows 25–50% adjusted net profit and has the capacity to keep a healthy Company.

We need to make more investments, and we have a limit on the number of dividends that we can distribute. If you have better cash generation, you can advance in the distribution of dividends, so, from this perspective, our policy of dividends is flexible, even with companies, in a certain way mimicking our policy of dividends.

We always want to improve and bring something that the shareholders expect, but right now, we are fighting these regulatory issues and some issues about working capital that are being analyzed.

**Diogo Teixeira, Butiá Investimentos:**

What are your expectations for the price revision for 2025?

**Abel Demétrio:**

Thank you for your question.

As the regulation agency is on the finance board of the Company, which I am part of, I can say that we speak about price revision every day in our regulation area. Obviously, the Company does not disseminate expectations, whether about readjustments or price revisions, but we can say what is official and how we are doing to reach the Company's objectives.

On July 29th, we had a bid done by the Company to hire a company that will analyze the incremental asset report, which is from assets of 2021 to 2023. 2024 will be measured by the agency in another way because, obviously, we would not have enough time to include the investments of 2024, and this is natural. This is an important step in the price revision. We are hiring, and we are in a phase of analyzing the technical issues to see whether the Company fulfills the requirements.

On the other hand, we are having meetings in the sense of having a system of movement of assets that is sealed, that is, everything that was done by 2020. Our technicians, together with the agencies' technicians, are dealing with this movement. This is an important element in determining the future balance price.

Another important point is that, on the second price review, which was concluded recently for 2023, through its technicians and specialized companies, the Company found some differences on how the agency determined its regulatory rule.

So, for these points, as the prevision itself in the Agepar's regulation, which could be discussed in the third RTP, the Company is looking for elements to show the agency that what the Company is requesting makes sense so that the agency can review and, from the third, consider something in favor of what the Company is requesting.

Therefore, we have a timeline by the agency that forces the price revision on the reference date, because it is very important to respect the date. Our adjustment date for the price revision has to be May 17th. We understand this is important for Sanepar, the citizens, and also the investors.

Regarding the second step, we are taking all the measures in the sense of putting the investments the Company made in the base, showing they are careful and necessary, making a lot of effort, and being very diligently in the sense that we have, at the end of the third cycle, a fee that is fair and balanced, which is what all the parties seek, both the regulating agencies, Sanepar, and the users.

That is the truth. We cannot have a high price because the users would not be able to afford to pay, but if we do not have an adequate price, we will not be able to make the investments, so what we need is to look at a price that is in balance with all the needs.

Of course, at the end of the day, who ultimately makes the decision is Agepar, which is the one with the competence to do that. We give them all the elements, like data and documents, to try to prove that everything that has been done. We deliver all the documents and make all the

management in the sense of showing the Company's diligence, the careful investments, and efficient costs so that they can judge us and determine the price.

**Operator:**

We now close the Q&A session, and we hand over to Abel Demétrio for his final considerations.

**Abel Demétrio:**

Thank you all for your participation in this video conference.

I wish you all a very good weekend. By the way, it is very cold here in Curitiba, so if you want to, you can come and enjoy the cold.

I do not know if the president wants to make any additional comment, but I now give the floor to him.

**Wilson Bley Lipski:**

I want to thank you for the opportunity and make myself available to an open and sincere talk and, in a transparent way, with austerity, and working to have the necessary efficiency, meet the demands of the management. This is a commitment that I want to make and to make known to all of you.

Thank you for the opportunity, and have you all a very good day.

**Operator:**

The video conference related to the 2Q24 results of Sanepar is now concluded.

Have an excellent day.