

Conference Call Transcript SANEPAR 3Q24 Results

Operator:

Good morning everyone. Thank you for joining us today. Welcome to the video conference announcing the results of 3Q24 for Companhia de Saneamento do Paraná, Sanepar.

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Please, note that this video conference is being recorded and will be made available on this Company's Investor Relations website at ri.sanepar.com.br where the full material is available.

During the presentation, all participants will have their microphones muted. The Q&A session will follow the presentation.

To ask questions, click on the Q&A icon at the bottom of your screen and type your question into the queue. Once your name is called, a prompt will appear to achieve your microphone, allowing you to ask questions. We recommend submitting all the questions at once for efficiency. If your question is not addressed during the event, please feel free to email it to IR at [sanepar.com.br](mailto:ir@sanepar.com.br).

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Now, I will hand it over to our Chief Financial and Investor Relations Officer, Abel Demétrio.

Abel Demétrio:

Thank you, Rodrigo. Good morning, everyone. Thank you for joining us today. We are here with our CEO, Wilson Bley, our Chief of Investment Officer, Leura Lucia Conte de Oliveira, and Júlio César Gonchorosky, our Chief of Environmental and Social Action Officer, and also our IR team and our accounting manager.

The highlights of the 3Q24: we have the net revenue with an increase of 6.5%, the EBITDA reduced by 2.5% and net profit had a reduction of 4.9%, all this compared to the same period of last year. Related to the nine months, the net revenue increased 10.4%, EBITDA increased 3.4%

and net profit dropped 0.5%.

We had an increase of 25.1 thousand water connections and 36.5 thousand sewage connections. We reached 80.8% in our service index and 100% of service in water for the population. Our EBITDA margin reached, in 3Q24, 44.4% and, and, in nine months, 42.9%. The investments in the court reached R\$503 million and, in nine months, R\$1,374.3 million.

We had, as highlights, the ANEFAC Transparency Award 2024 and this Company's highlight in its category in revenue between R\$5 billion and R\$20 billion. We had the Southern Regions Innovation Champions Award awarded by Amanhã Magazine.

In terms of Operating Results, our highlight was the billed volume of water, which grew 4.9%. In relation to the increase in savings, we had 28.2 thousand new water savings. In relation to sewage, we had an increase in the billed volume of 6.5% and an increase in savings of 49,974 new sewage savings.

Our default rate was 0.8% accumulated over nine months and the loss rate was 222.6 losses per connection/liter/day.

The reservoir levels which supply the region, we closed the third quarter in practically 96% of our capacity. And currently, we are keeping this level due to the good levels of rain and against 99% of 2023. So the situation of the reservoir is quite comfortable.

Let's talk about our performance indicators, our covenants. We have, concerning the ventures in the market, which are from the 9th to the 14th issues. All the covenants fulfilled the debt bank adjusted less or equal to 3, we are with 1.74, adjusted EBITDA by net financial expense, we have 8.66.

Concerning the BNDES system, the second issue, in September, we have the netbank debt by EBITDA 1.65 at the end of nine months of 2024. The EBITDA by the service coverage duration is 2.63. This level has to be equal or more than 1.5.

On the owner's debt, which has to do healthcare and social security and taxes or electricity, can be a maximum one time our EBITDA and we have 0.39. In other words, we have quite a big margin in this regard. Concerning the other items I did not mention the Caixa contracts are the honor stats, we have 0.41.

On the next page, speaking of the KfW contracts besides the index mentioned, we have the debt service which is limited to 60%. We have 47.6% below the same periods verified in 2022 and 2023.

Our EBITDA margin is 42.9% in nine months. ROIC annualized, 11.5% and ROE annualized 14.8%.

Let's go to the financial performance of the court. As we see our net revenue increased by 6.5% reaching R\$1,710 million in this quarter, EBITDA was R\$759 million, a reduction of 2.5%, and still with a margin of 44.4%. The net profit and net margin reached R\$377 million with a 22% margin and a reduction in the same period of last year of 4.9%.

The expenses with an impact in EBITDA reached R\$951 million with an increase of 14.9%. Looking at the accumulated nine months period, we grew to R\$5.072 million. Our EBITDA grew

3.4% reaching R\$2.177 million with a margin of 42.9%, below last year in the same period, but higher than 2022.

The net profit of R\$1.132 million with a margin of 22.3% and the operating costs and expenses increased 16.2% compared to the same period of 2023.

Concerning the cash generation and EBITDA conversion, we had a nice growth of 19.1%. A very good conversion of 94.7%. Generation of cash flow reached R\$2,061 million.

In our net debt and leverage, we have a short term debt of R\$543 million and, in the long term, R\$5,916 billion reais and R\$6,459 billion of total debt. With cash and equivalent, R\$1,675 million at the end of September. We have a net debt of R\$4,784 million and a margin of leverage of 1.7 times in line with what was verified at the end of 2023.

Our weight average cost of debt was decreasing. In 2022, we closed with 11.5%; in 2023, 11.3%; and, now, 10.5%. But, of course, this is due to the increase of Selic rate and inflation due to IPCA with some impact. This curve depends on these indicators in the future.

The CAPEX grew 0.2% compared to the same period, reaching R\$1,374 million of investment being 35% of these investments in systems of water, water work, implementation of action, and 57% destined to the system of sewage and 8% in other investments.

In the income statements of the quarter, we have seen that we grow 30.9%. The personnel in this volume of growth is due to several judicial lawsuits and labor suits that were done in the period.

All in this period, the volume of lawsuits reached over R\$85.3 million compared to... We had an increase of 76.1 million this year and on the other hand, we are reducing provision. So these were actions that were provision, they left provision and now the expense has become effective.

The material we continue ok in the year, with a reduction of 3.2%. In electricity, we notice a reduction in the quarter of 7.5%. The accumulated, in nine months, is positive.

In the quarter, we see a reduction of electricity important to the migration of the free market of energy provisions,

A reduction quite important of R\$128 million. The part of provisions were due to the work layoffs, entry in legal actions. It was due to civil nature which was concluded in the court in the quarter.

Provision civil, I want to highlight the gain of a lawsuit that allowed the reduction of R\$63.5 million which is a probable to possible cause due to lack of water in Maringá and due to. So we had very good legal results and due to the good work of the Company and the legal justice favored our Company.

All the Costs and Expenses has been growing 143.8%, reaching R\$138 million. We remember that last year, we had a strong impact due to the Reclip where we had a lot of negotiations and credit recovery. When we compare with other Costs and Expenses of last year, it was R\$56,793 million, which is impacted due to this issue of Reclip.

If we excluded this effect of these losses in the credit fulfillment, we would have an increase of 12.5% and we can see that this is close to a normal standard which was in 2022, which was

R\$134 million, and, this year, R\$138 million, The net result was 4.9% in the quarter of net result closer to less than last year.

On the next page, speaking of the nine months, we grew 26.1% which is an account of the impact of the closing of the legal issues. Electricity, in nine months, grew 10.8%. The provisions, we have an effect of these solutions in the quarter. So, from 226,097 these provisions came out from that and other expenses affected in the period of nine months to close to R\$92 million with losses in the credit realizations, when, last year, we had a reversion of approximately R\$88 million.

Let's talk about the balance sheet, our net debt grew 3.8%. In the financial investments, given the bigger volume of water, we grew 30.9%. On the other hand, we had an increase of our loans and financing to be able to face the investment plans in the Company, we grew 11.8%, reaching the debt of R\$6,458 million.

About operating working capital, we highlight the to accounts receivable from customers that reduced by 5%, going from R\$1,531 billion at the end of 2023 to R\$1,455 billion at the end of nine months of 2024. In other assets, we had a reduction to R\$632 million.

Given the volume of investment, we can see a growth of other assets and contract assets with a growth of 6.9%, reaching R\$2,951 million. Our fixed assets at the end of September closed at R\$10,557 million and with an improvement and with the operating working capital turnover within 45 days at the end of 2024.

In the next page, cash flow. We have operating activities growing 19.1% in terms of cash generation. We grew 0.1% in investment activities and, in financing activities, we grew 2.6% compared to the same period of last year.

We had an increase of R\$389 million, moving from over R\$1 billion to R\$1,675 million, which is important given the big volume of investments that we need to make and several works that are higher than in execution. This is my presentation. I hand over the word to Rodrigo.

Operator:

Thank you. So we will start the Q&A session.

Marcelo Afonso, Clube Belvedere:

Good morning. The labor compensation have been growing in the last quarters. What is the cause of that? Is it expected that these expenses continue at these levels in the future quarters?

Abel Demétrio:

Good morning. Thank you for your question. I want to give you some context. We had, in the past few years, a strong increase of provisions due to some legal actions which were promoted, for example, the engineer union lawsuits that got the Company to make strong provisions.

These illegal actions are in the execution phase and they go to the moment when they move from provision to expenses and this affects the personnel account, but this is reverted from the provision account.

In this issue of the engineer unions, we have 70% of the legal actions which were over 240 actions. We now have 70% that are incorporated in the salaries, and the Company having paid indemnification is paying the new salary which was due.

We also had, in the last three years, a big action related to reintegration of retired people with a lower volume, less than 100 people. Still, it has financial impacts that were provisioned and they start or already have started seeing those effects due to the end of the legal actions of these cases.

I would say, Marcelo, that finalizing these processes, we tend to go back to a normal curve of growth, stability in the personal account and this is what we look ahead of us.

Maria Carolina Carneiro, Safra Bank:

First question, I would like to have some more information about provisions this quarter and about the line of personnel that also had no recurrence. Second, we would like updates on the receivable against the federal government about conditions for payment date to enter PLOA.

Abel Demétrio:

Thank you Maria for your question. We had as I reported the personnel problem of the increases. Concerning provision, we had a reduction of provisions exactly given these solutions that effectively became expenses.

I can mention two or three cases where we had a closing or partial closing of the processes, an accident we had in 2003 in Ponta Grossa where there were victims. So the Company, at that point, reverted the provision and made the payment and recognized this expense.

We also had some action with a condominium on the coast of Foz do Iguaçu where they were questioning the amount of the sewage bill and so they were reversed at the time. This provisioning was concluded.

The positive effect of the period was that we highlighted the Maringá issue that the Company won this due to the shortage of water that happened eight years ago. So this is an action which is quite relevant for us.

Concerning provisions, that is what I have to say. Concerning the legal action of the rates of payment in this quarter, we did not have many changes besides the one we mentioned in that annual conference at the end of last year.

So, we are waiting for this to see what will happen in the next meeting to see if the rate of payment the Company seeks is recognized in the budget of the gen of the federal government.

Reinaldo Veríssimo, Investor:

Congratulations for your results. We talk a lot about rates of payment and recently it was rumored that part of the amount was used to reduce tariffs. I would like to know the position of Sanepar in this regard.

About sewage collection, they are below 77% in Colombo. What action has been made to reach universal organization in this city in specific? Could you update if there is PPP with AEGEA?

These are the questions.

Abel Demétrio:

Thank you for your question. I would like to hand it over to Leura for her to explain some things related to the city of Colombo and the PPPs and then we go back to the last question.

Leura Lucia Conte:

Good morning, everyone. Concerning the works to meet this rate we have in Colombo today, we have a big action of an interceptor and he comes to the ETE Atuba Sul which is located in Curitiba, but it receives the sewage of the part of Colombo and part of Colombo is part of the PPP and the coast.

We have actions for the next few years, we can reach the 90% goal. So, this is quite significant work. This interceptor has many kilometers that goes through regions where we have illegal invasions.

We are working on legalizing so that we can with all these elements, create a bidding and do all these works.

Wilson Bley Lipski:

I think the issue of the rates of payment I have to say that our explanation is that it should get into the budget law so that we have this right recognized like the provisioning of the payment so that we can.

After that, we can study the feasibility within the legal conformity to see what is the best action of all these resources. Right now, we do not have this answer in a definitive way. We have several studies ongoing but we are going to have the due work on that.

We have started the activities and, for this new process, we managed to release recently in the Supreme Court, we have new players and we have three new players in the PPPs.

With this governance tested and tried with AEGEA, we will have the same parameters so that we can continue in these municipalities that we chose the option of PPPs.

Marconi Filho, Investor:

Good morning. Do you have any more details why the costs increase so much, especially default ? Is it the new reality or was this a one off event? What measures are being taken? These are the questions.

Abel Demétrio:

Marconi. Thank you for your question. Actually, the default in the Company when we look in the accumulated nine months is 0.8%. I would say that this is a default looking at the number, it is a very good one in terms of Brazil, I think it is one of the lowest.

The fact is that we expected it to be even lower considering that, giving the Reclip, which is the

program of recovery of credit implemented last year. We expect the positive effects of this Reclip will be more favorable for the year of 2024.

So we can see last year, we saw a strong recovery, reversion of provisions for full, for losses in credit. And this year, this is back to a level of provision, not reversion anymore.

Obviously, when you compare the history of last year against the history of this year, we have the double effect. Last year, we had a reversion of provisions and this year we are provisioning.

But we have, within our board, several ongoing actions in the sense of seeking to improve our capacity of receiving the bills and mapping out the most representative ones, always looking at the payment condition of the users.

Wilson Bley Lipski:

It is important to highlight that the commercial board established some strategies, a new level to have the actions at every moment that are mitigating in the process of the fall.

We started a project called Sanepar Near You where we bring all our services aiming to recover these credits. We started in the municipality near Curitiba and we are going to go across the state and we are doing some joint efforts to get and also working with the notaries.

One action that will be very good is the possibility now at the moment of the cut. So that our client can pay in installments in his credit card to avoid the cut. So this might make things easier. We started with this process and we will be implementing it across the state.

Luís Alves, Investor:

Sanepar made a communication informing measures in Parana to face the drought. How is the situation? Are we rotating? Is that a rotation system? Should we expect something that happened in 2020?

Wilson Bley Lipski:

We are making all the actions. The rainy season is abnormal. We have been seeing different situations, a rain of big volume now that, in one hour, we had over 170 millimeters.

So we can understand that this is not a normal regime. The rains that get into Parana through Cascavel, they cross the state of Parana in 89 hours. So the accumulated water is very little. But many actions have been made and established together with our body of governments like the drilling of new wells and some other actions and increase of reserves.

So there is a process that is extremely suitable and adequate, but it goes through a planning of contingency, a plan of action of a short term and a plan of action of a longer term, which we are calling more structural plans. So we are very alert about this moment. We are going through.

Julio Cesar Gonchorosky:

Good morning, everyone. Besides these comments that the president made, we are monitoring the forecast and the perspective for the next six months very closely. And as indicated, we intend to have quite rainy November all over the state and this should help increase the reservoirs. But

it is not only.

I think the thing is not only to have a trend of rain but to have it well distributed for a longer period of time. When you have rains of eight hours crossing the state, they are like a wave which does not cause us to recover the reservoirs and accumulate water. But the trend of November and December is to have good rain throughout all the summer.

We have no perspectives for the metropolitan region. On the contrary, we have a reduction of our storage. For the summer, the trend is for the drought to be more on the coast. So we will probably have a positive summer for the recovery of our water springs.

Leandro Aguiar, Investor:

The first has been answered. The second is that we identified an increase in the line of compensation for third parties' damage due to these judicial lawsuits due to undue charges. So what is the outlook in the future and for others that are ongoing processes?

Abel Demétrio:

Thank you, Leandro, for your question. Of course, the judicial lawsuits have a period of maturation and in some. So we always try to win all the lawsuits, but when you have the conclusion of the lawsuit, some of them, we cannot succeed in all of that.

The issue of the accident was 2003 and we are talking about something that lasts many years. And though we have the issue of some legal actions that were solved due to the actions of the period of the coast of Foz do Iguaçu area.

These are some civil lawsuits and they were recognized, and we had a loss of a rebalance against the supplier. So we had to also pay that lawsuit and we cannot estimate whether in the future these lawsuits we will win or lose.

Of course, our legal department is very capable of analyzing the lawsuits, indicating the likelihood, what is the likelihood of winning this according to the accounting. But the new lawsuits that we are subject to losses, it depends on the conclusion of the lawsuits.

Most of the cases, we have good returns for the Company but in many cases, we are punished and we have to pay. This is common in every lawsuit.

José Honorato, Investor:

First question, why does the service count to third parties increase by 80% from 2022 to 2024? Is there any plan for reduction of losses in the distribution of water as a consequence of the profit?

Abel Demétrio:

The service to third parties increased this year, in nine months, by around 28.9%. The growth of these costs of third parties are related to activities that, especially in 2023, we did not practice the cut for 42 months.

We had a series of actions related to the cuts that were resumed as of the end of the pandemic. Our Company was the only one in Brazil, probably, that spent 42 months or 3.5 years without

cutting water to the population, even the default population. That was important to go through the COVID crisis.

We kept low levels of default compared to other companies and, when we resume the cuts, we had some cuts like cuts and connections and registry services notifications to the clients, a series of actions.

This service to the client, we had to improve a lot the service to be able to do all the Reclip to recover the credit and that brought a higher volume for third parties compared to what we saw last year.

This year, we also had the issue of PPPs which started to be put into operation. It is a course we did not see last year and, until the program of voluntary resignation that we want to implement in 2025, we might have some issue of personnel that might be used, especially due to the the starting of PPPs.

These are the main points besides the point of maintenance of networks, which is something quite emblematic for the Company and we had some problems with some contractors that ended up not managing to execute their contracts, fulfilling their contracts, and they left some undone work, some sidewalks which were not covered.

Then, we hired new companies and we managed to have a contract that is being adequately fulfilled now.

Besides the normal routine of leakage, which is one of the main problems we have in sewage, the water leakage and the necessity of maintenance. Beside that, we had to redo what was left over from the past, that needed redoing.

Wilson Bley Lipski:

I want to add something about the losses. If we make a benchmark with all the companies in Brazil, our indicators are the best but effectively far from what we want. We try to effectively, day by day, achieve excellence.

We have several actions, several OPEX being done for the improvement of this network, several CAPEX being done for us to have the investments done correctly and adequately. But an area of innovation of new businesses, which is our new board, which is trying other alternatives. We even identify possible leakage through satellites to mapping done by satellites.

Besides other actions that we do on our day by day, there is a natural trend to see this going down throughout time, but we have to face these problems and it sometimes does not depend on us and many of them have to do with stealth with the things being stolen.

These things do not go through our management directly. We are forced to take actions, but after the problem appeared.

Eduardo Lazzaretti and Luís Alves, Investors:

It is clear the issue of legal actions in the personnel account. I would like to know when we should expect this result. Is it concluded or should we expect recurrences in the next quarters?

Abel Demétrio:

Thank you, Luis. Thank you, Eduardo. We had, as I said, several actions that are being concluded in the year of 2024 and therefore they leave the provision line where we see clearly a reduction in nine months of R\$226 million in the line of provisions and an increase in the personnel online when we talk of legal actions.

The legalities that have to do with the union, engineer unions, a big percentage of them, part incorporated in the salaries, they have been concluded, all the compensations.

We also have the issues of the employees that have been reintegrated and there are cases of overtime, salary equity with which are the labor claims. We expect in 2024 and throughout 2025 that we have all these lawsuits concluded and this is being done as we have the final decisions by the justice. But we have to remember that we have a reversion in the provision account.

This is not an additional cost but a transfer from something that was probable as a loss in most of the cases. Of course, we may gain some cases or there is a case where we did not have the result that was not expected, but, for most of the cases, we were provisioned for that.

Another issue related to provision is the general and the taxes below the civil provisions we mentioned, the accident that contributed with R\$13 million of payments, the issue of Foz do Iguaçu and the coast that I mentioned was R\$46.5 million that we had to pay.

These are examples of lawsuits that were concluded and we had to pay. I would say that they are definite because they are one off but the personnel lawsuits, we expect them to continue until the end of 2024 and 2025.

João Augusto, Investor:

Good morning. With the progress of infrastructure of the Parana coast and all the cost of machines and the expansion of Guaratuba cost and the construction of the bridge between Matinhos and Guaratuba, are there measures to fulfill this possible consumption of water in the next few years?

Leura Lucia Conte:

Yes, we have a project that is being developed and, as soon as it is concluded, we will start the bidding for the work and all the work to fulfill the need because it will be a region that will demand more systems, more reserves, all the infrastructure and structure necessary to serve this population.

Also, with this population that comes at the end of the year that increases the number of people demanding the service, but we are working to avoid any problems.

In the past few years, in this period between Christmas and New Year, we managed to meet the needs of all the populations. We have very good strategies so that we can face all these problems.

Wilson Bley Lipski:

Sanepar starts making up the formation of public policies together with the government. We know what the impacts of these new investments are and within our attribution and competence, we can follow these movements.

Not only the cost, we also have a good boom in the region of Ponta Grossa, especially due to the industrialization of that city and region, Londrina, Maringá, Cascavel.

We are very alert to that so that we can meet the needs, whether they are industrial, whether they are residential. So within the competency, we are participating in these studies with the government.

Maria Carolina Carneiro:

First point, could you comment on discussions and calendars of things relevant for the next tariff in the opening of the assets active? About payments of rates, is there an interpretation that part of receivable could be reverted to the consumer? Can this theme be taken to the regulator?

Abel Demétrio:

Thank you for your question. Concerning the third revision of the tariffs, we have a timeline by Agepar. We are, at the moment, evaluating the asset base to have a fiscal report and the timeline process is within what is predicted. It is quite challenging, but we are following them. We have the technical nodes of the third RTP which should be released by the end of the year by the regulator. We have the fiscal organization of what the Company is going to deliver to the regulators.

Finally, after the final technical reports to establish the P0, which is the price of balance of the tariff that should happen until April 17th for the implementation of the new tariff, the database is May 17th.

In this process, we are constantly with an interface with the agency, we depend on their information, clarifying doubts and conducting the process so that we can fulfill the calendar and saying that we are at a level of actions compatible to the delivery.

We expect to do excellent work to prove, to deliver all the elements related to acts of the Company, both the CAPEX projected. We are acting on different fronts and delivering several information requested by the regulator.

For example, the issue of consumption, the levels of consumption, the commercial thing, OPEX, segregated according to the opening demanded by the agency, all the technical nodes, they have these several interfaces with the Company and we are providing all the necessary information.

Obviously, some information still needs to be concluded considering that the calendar is December 21st 2024 and we send information until June 30th and we are going to update with information of September 30th and we are sending all the information demanded by the agency. This process is ongoing.

Concerning the rates of payment, that the president mentioned, we are waiting for the inclusion in the budget of the general of the federal government so that we can have this issue of being able to recognize a credit in favor of the Company.

This has to be in the law so that we can discuss in the future with the competent bodies what is the destination of the resources, because we know the volume is quite significant and demands complex analysis on the theme.

José Honorato, Investor:

In case the credit of the rates of payment is included in the budget of the federal government, when do you expect to receive it and if it will be part of the balance of Sanepar?

Wilson Bley Lipski:

We cannot anticipate the date for receiving that. What we have been observing is the rates of payment that were inscribed or were taken to the budget law, they are being paid throughout the year.

The expectation that we have is that, once it is part of the law, the federal government that we know from January to December, from January to January 2026. This is the time frame to receive this payment.

It is not speculation but expectations because we have to understand that by the movements that took until then without creating an expectation of definition, effective definition of a date because it does not go, it is, it is not up to us. We do not have this control.

The point was to have this right recognized, judged and, now, go through this phase of the effectiveness of the payment of this credit in the favor of our Company.

Abel Demétrio:

Just adding, in this issue related to accounting, I see that at that moment what the president said, we have an issue of inclusion in the federal government budget and a credit in the favor of the Company.

Obviously, when it becomes a law and it is truly approved in the favor of the Company, this opens space for discussion with our auditors. We have to remember that, effectively, the fact you register in the Company, the numbers in the Company does not mean that it is part of the balance because the volumes, the R\$4 billion that are spread in favor of the Company have to be used.

From the moment they come into the Company, otherwise, the Company would not have any way to make the destination of this amount.

Luis Antônio Schneider, Investor:

What are the reasons for such expressive amounts in labor expenses? What do you do to prevent this in terms of legal lawsuits?

Wilson Bley Lipski:

Mitigation actions on a daily basis, we are doing that by our legal department.

We are trying to identify the stratification of the main demands and the recurrence so that together with the administration, we can mitigate the governance process in the past few years that have been improving and our relations with our workers and our unions are extremely real and very closely knit. We have seen a lower tendency of demand.

But we have to take some precautions and this is being studied. This is within our strategic plan

and it is being done on a daily basis the mitigation prevention. We are working on that in a very planned way.

Abel Demétrio:

The issue of why these actions have such a big volume and what effectively happened. If we look at the history, we can see some legal actions of lack of water in the favor of the Company of 2016.

The issue of accidents in traffic in 2003, the retired teachers that were reintegrated. It was a 2009, 2010 action. The engineers, it was an action that took place many years ago.

Perhaps, the consolidation of the understanding has taken these actions to take a long time. But all these interests are quite relevant. When we look at something that happened 10 or 15 years ago, we have all the events that are updated and sometimes it exceeds the inflation rate.

In this sense, the Company in this management has been trying to be always alert to prevent big problems from happening in a very stormy way, to prevent the occurrence of new events of this magnitude.

But still, given the amount of employees and legislation, the changes in the legislation, the companies are subject to possible problems in their journey.

Wilson Bley Lipski:

The generator factor. We have to look in the past to learn from it, to learn resilience and the look we have to have is precaution. The full precaution so that in the future, we do not have the same problems we faced in the past.

Luis Felipe Oliveira, Investor:

Two questions, the third question has been answered. Congratulations for reducing the cost with material. Can we expect this to maintain and to continue reducing what it is a one off event? How have you been working to improve the losses in connections?

Abel Demétrio:

Thank you, Luis. For your question, the issue of materials, we can see that there is a reduction in nine months of 3.3%. I think it is not only a reduction of 3.3% but especially the issue that we are producing more water and we are also treating sewage.

The growth is bigger than that. When we look at the growth of expenses with chemical products that represent around 62% of the cost of the Company.

To speak of reducing the cost of chemical products in the future, we have to look at the scenario of the dollar because many of these products have to do with international markets and we have seen a pressure with the increase of the dollar rate.

This can affect the Company with increase of prices in the microeconomics scenarios and this will affect the number in the future. We have several attempts to change this innovation studies to try to find new products that might be similar, compatible with the need of delivery in the patterns demanded according to the contract.

The innovation area has been contributing a lot with the studies and research and service together with the operational area, aiming at a reduction of a cost that is quite relevant for the Company, R\$235 million in nine months, not only in chemical products but other materials as well.

Always trying to find new suppliers, our administration has been doing studies trying to increase the competition of our bidding, bring new players to participate in the bidding and, somehow, we see positive results this year in 2024.

Wilson Bley Lipski:

About the losses, I think that has been answered 2 or 3 times, but I want to say that it is a daily effort. Although, we have indicators that are quite reasonable if we compare to the other companies. This does not comfort us.

There are several actions, innovation, actions, daily actions, and I believe that with this modernization of our park that we are doing through several actions with these new investments made with the sewage and for improvement of the water system. If the system is more adequate, we have less losses at the end.

Isaac Honorato and Marcos Marques, Investors:

Does the Company intend to review the periodicity of the payments and also to pay them more quickly?

Abel Demétrio:

Thank you for your questions. We are in a moment of strategic planning of the Company and this takes into the perspective of the future, the perspective of revenues and this obviously will be analyzed by the competent people here in this planning from 2025 to 2029.

Today, the Company practices this policy. We pay in June, two months after the AGO and it is a consolidated policy in the Company. It is not that it cannot be changed, but it is a policy that is quite consolidated.

The period of these payments are analyzed vis a vis the reduction of the turnover and capital and they need to fulfill the universalization project, we reach 90%, and also to fulfill the contract.

It is an analysis on the table that we are always discussing. I understand that, at the right moment, when our finances allow, this might obviously, if approved, might be done.

Luís Alves:

Has there been any evolution with the work of the new reservoir in comparison to last year?

Wilson Bley Lipski:

I would say yes. We managed to unblock the license with a positive answer from Ibama, we have the necessary licenses and we started some of the actions for us to have very soon within an expectation which for us is short, the reinforcement of our system with the feeling of the reservoir of Miringuava.

Julio Cesar Gonchorosky:

As the president mentioned, the federal body that had to authorize all the state licenses. This is all now ready.

What we are doing right now is the preliminary actions and they are known which is the working of the fauna, the flora to recover that so that we can work with such a sensitive area to protect all this area, but thinking not only in our environmental obligations but also the image of the Company, the image of sustainability, environmental responsibility.

We understand that, from next month, we will start the suppression. It is a long process, but, next year, we should be accumulating water and probably, by the end of next year, we will start the operation of this reservoir, of this dam.

Wilson Bley Lipski:

Besides actions of suppression, environmental actions that bring this balance of sustainability, both for the Company and and the society, the relations to the society, there are some actions of the people that are being impacted by this new reserve. There are roads, there are some actions that the investment board is doing.

Leura Lucia Conte:

Yes, we have some work that is hired. We are in the process of improving the infrastructure of the Company. That it can start from the cutting of the trees in the areas that we have to complement with public roads, illumination and the actual pavement of the road not to prevent any resident from having access to his residency.

We made small adjustments recently with the proper public body that were not predicted in the project but small actions. They are solved and then we now intend as of the beginning of December to be fully working with this part of these public roads.

Wilson Bley Lipski:

We have to highlight that it is an important movement for us to be able to serve all the metropolitan areas in a perennial way. It will increase our capacity to balance the capitation of water.

This brings a huge benefit, but we have to be vigilant with all the impacts, not only environmental but social as well. Always with a very transparent dialogue, always talking with the society and to those who represent them, like the São José dos Pinhais City Hall together with the Public Ministry, so that we have the best actions within the objective that is being managed for a long time in the Company.

In the past few months, we managed to unblock and give continuity to this project. That is so important to all of us.

Operator

Thank you all. We are concluding the session of questions and answers and we hand over to Abel Demétrio, our CFO.

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Abel Demétrio:

On behalf of the Company, I would like to thank the presence of everyone and I wish you a very good weekend and a very good end of the year.

Operator:

Thank you. The video conference of results of the 3Q24 of Sanepar is concluded. Thank you for your participation. Have a wonderful day.