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Conference Call Transcript

Sanepar

2Q25 Results

Operator:

Good morning everyone. Thank you for joining us today. Welcome to the video conference announcing the results of the second quarter of 2025 for Companhia de Saneamento do Parana, Sanepar.

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Please note that this video conference is being recorded and will be made available on the company's Investor Relations website at www.ri.sanepar.com.br, where the full earnings release and presentation materials are also accessible. You can download the presentation directly from the chat, available in English as well.

During the presentation, all participants will have their microphones muted. The Q&A sessions will follow the presentation. To ask questions, click the Q&A icon at the bottom of your screen and type your question into the Q. Once your name is called, a prompt will appear to activate your mic allowing you to ask questions. We recommend submitting all your questions at once for efficiency. If your question is not addressed during the event, please feel free to e-mail it to ri@sanepar.com.br.

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So, now I'll hand it over to our Chief Financial and Investor Relations Officer, Abel Demetrio.

Abel Demetrio:

Thank you, Rodrigo. Good morning. We have our President, Director, Wilson Bley, our innovation and new business Director, Anatalicio Riden and our Investor Director, Leura Lucia Conte de Oliveira and I will hand it over to our President.

Wilson Bley:

Good morning, everyone. I welcome my team, my board and I welcome all of you, our investors. I would like to say that this second half was according to plan. We had nothing unexpected. We are articulated the universalization. So, it's an accelerated process for us to be able to reach the results that were anticipated in 33 that can be achieved the previously as highlights I would like to discuss the rates of payment.

The rates of payment were deposited after it was included in the budget law, this payment was done in Banco do Brasil. When our legal department is working for the money to be available in our account. We know the rules, all the regulations and within them we will comply to them.

And something that brought a positive reflection and will show even better reflection is adherence to PDV. It was 527 employees who adhered to PDV, and they are in the process. Some already left the company, others are in the process of leaving and we also called some employees from the new public recruiting systems for us to prevent any problems in the company.

Another very positive reflection is the free market. We have been evolving in this process for quite some time, and the financial results can be seen very clearly. We will continue 90% of our consumption is in the free market and you know that we have to adapt our parks for us to be able to reach the results of the free market, which is something we are doing very fast to reach the results quickly.

Well, another highlight and I would like to congratulate my director is the investments done this year over 1 billion reais and in the second quarter 612 million reais in investments. This shows our capacity to plan and execute, reaching the results we expected, which is the biggest mission of our company, which is to deliver water, collect sewage, treat sewage and return this water in a very adequate way to the population, bringing positive results to all of us.

And finally, I would like to say that all of that is done within the margins established to all of us. Our leverage has not exceeded 1.7. We are within a very comfortable margin of 3, which is the possible and the maximum parameter. So, if compared to other companies, we are very calm in this aspect. This shows solidity, planning and especially

responsibility we have to reach the results to achieve the results. This responsibility is done in this good relationship we have with all of your investors, with our consumers. And this is a special look. May we be able to continue delivering what is already a part of the company, which is quality water, treated water in 99.9% where we cover and in sewage. We are also moving very fast to reach universalization, which brings very good results financially speaking for us since this is new revenue. You know, today we have about 82 percent. 82% is a national reference and it shows our commitment, especially our capacity to plan in real action. So, I thank you for the opportunity to be here talking to you. We are always open to have this kind of conversation. And I want you to know our commitment to do the best for Sanepar.

Abel Demetrio:

Thank you, president. I would like to start with our presentation. So, we are going to see the results of the second quarter. So, now let's discuss the highlights. We had investments as our President said above 1 billion reais, 1.1 billion reais, an increase of 26%. And in this second quarter we had 37% default.

Before we continue controlled default 0.8%, the net debt 1.7 times EBITDA and cash generation in the of 1.4 billion reais. And now we are going to discuss the operating results of the company. So, concerning the measured volume of water, we had in the first an increase of 0.9%, although the second semester it was reduced to 1.7% accumulated it was an increase of 0.9%, invoice volume an increase of .8%.

And concerning water, we had an increase of connections in six months of 22.680 new connections and in 12 months 41.379 connections with an increase of 1.2%. So, the vegetative increase in this issue of what economic units will increase 34.382 in 12 months and 55.830 in one year with an increase of 1.3%.

Now concerning sewage, we had a measured volume that increased 2.5% in the semester in the invoice volume, it decreased 2.4% in the semester. In terms of connections, since we seek universalization, we have an increase, a more representative increase. In terms of connection and economies, we had an increase to 26.046 new connections and in 12 months we reached 70.964 connections.

About economic units, they increase to 41.685 economic units in 12 months, 97.152 with an increase of 2.8%, significant and very stable growth.

Next slide let's talk about this reservoir levels. So, we have this for reservoirs, Ivaí, Passaúna, Piraquara 1 and Piraquara 2. And Ivaí had 92% at the end of June, Passaúna and Piraquara 1 with 100% and Piraquara 2 with 89%. We have to remember that we continue with this water emergency. We are in the winter where the rains are less. So, we always have to be aware about consumption and the locations that are reached in certain regions and that might suffer from some lack of water. So, we are always alert about that. And then we have the 5th reservoir which is in progress.

In the next slide. We have the history of our service index. So, we have to remember the law of 2007 was a benchmark of sanitation. At the time we had 99% of treated water for the population in the areas of emergency. So, we were universalized in 2007. It shows the evolution, the progress of our service. In the issue of sewage treatment collection in June 2025, we have 81.7% of service and 90% of sewage. So, we are on the way to reach this target.

In the next slide, we will talk about some financial indicators. As we saw the default is 0.8%. We have to remember that the default is always measured without delays. One day of delay we considered the four. And we have to remember the continuous of the four measured by the agency, the regulating agency is 0.65%. So, 0.8% is a one-day default. So, it is within the age of the company. Last year it was 1.1% in the same. And in 2023, -2.4% because we were recovering the credits because of the COVID, as a result of the COVID and all they were very relevant at that time. So, losses per connection had an increase of 1.1%, reaching 223 liters for losses per day. And in this sense, we are trying to find some actions to bring this level to more comfortable percentage.

Margin EBITDA in the first quarter 47.1%, ROE of 20% and ROIC. Can realized of ROE and ROIC of 14.1%.

Now let's talk about the quarter results are when net revenue had an increase of 2.5% compared to the second half of 2024, reaching 1,705,000,000 reais. EBITDA had a decrease of 16.8% compared to the second quarter of 2024. It reached 536.000.000 REAIS and a net project profit of 264.000,000. So, we will cover the points that affected that.

The cost and expenses we increase 14.6% margin EBITDA in the second quarter was 31.4%, a reduction of 7.3% compared to the second quarter of 2024 and the net profit had a reduction of 7%.

Next slide, we have the accumulated results. We have a net revenue increasing in the period of six months of 4.4% reaching 3.511,000,000 reais in the first semester

EBITDA increased 16.5% in the semester reaching 1.652,000,000 reais and the net profit reaching 1.472,000,000 reais and cost and expense a reduction of 4.5%. One billion 88 million 59 EBITDA is 47.1%, an increase of 4.9% compared to last year and net margins 19.4% above the first semester reaching 41.9%. And this is all impacted to the risk.

The next slide we will break down the quarter results so that we can understand the results in a more detailed way.

So, concerning that revenue, as we saw there was an increase of 2.5%. It was a very shy increase. But we have to observe first and it's we have been cold weather in the second quarter. We had very cold weather this year that we our winter was quite strong and it's being strong. But another issue is the Ponta Grossa event that caused the

company to from March 21st for 30 days, we did not invoice the inhabitants of Ponta Grossa.

So, this affected the net revenue and we have to remember that in the issue of net revenue something that was enforced in 17 May, the 3rd tariff revision with 3.7% of reposition of readjustment in the fees in the since this is measured proportionally the impact, the whole impact happened in June 17, 16, 30 days later in the in the price.

So, in the third quarter this was not being failed in personnel. There was a decrease of 10.6% in the period and this is a result as President said of the issue of PDV. So, we have people who are leaving the company voluntarily starting from March and this disconnection will take place until November of 2025. Although we are hiring new people, this was one of the elements that brought a reduction in personnel in the second quarter.

So, we had about personnel a reduction in the lawsuits with a lower registry in this. If compared to the previous year. It was one of the reasons that caused us to reduce this percentage in personnel.

PPR, the employees. This is a result of profit. So, since we have a lower profit, this impact and readjustment of PPR of last year, considering that we reached the our target.

So, that's the reduction material account, we had a, a positive result. We had a reduction of 2.5% on the account of material. We have to remember that the big account is the treatment material, and we can say in this period. We had a positive result both in the treatment material as well as in other accounts. Another account that brought increase was electromechanical maintenance.

We had an increase there about electricity there was a reduction of 26.5%. This is a result of the free market, but not only that, but the issue of an operational control about the peak of consumptions, engines and energy science efficiency to apply to help us decrease, improve this account to have this within the expectation because this is an important item in our budget.

Concerning third party services, yes, you observed an increase of 13.6% and the accounts that are still impacting is the vigilance, is the security services due to the new contract scope hired by the company. We have the issue of monitored which is surveillance, a replacement of this scope of alarm to alarm plus cameras. And that's why we are seeing an increase in these services. But this is a result of many actions that we had in the past 2-3 years ago, which was the issue of thefts both of energy cables, in the treatment of water, in the sewage treatments, this copper material theft and in this cause the population also to suffer the consequences we interruption of supply of water. So, this investment in surveillance is a result of that.

And we had other maintenance of our reservoirs. We know how much we have evolved in terms of relevant investments in sewage heating in Curitiba. We have the biggest sewage treatment station. So, we had the issue in the operation of USB. We have some

expenses in operations of maintenance for us to be able to remove the proper and to do the proper treatment concerning the sewage.

Then about registry and collection, it's also collection of money this after COVID. This is something that increased the labor force price has been cost has been increasing the economy Paraná has been increasing a lot. So, we feel pressure on the cost of labor. So, we are close to a level or so, we have a very low level of unemployment. So, some specific sectors then feel the impact because we have less people available in technical operational services, in maintenance.

This was some elements that impacted the third-party services about finding about legal things. We had a decrease. The big point is the highlights it's non-management items seen by the company, payments of some funds to the municipalities, regulation fees, other taxes but the indemnisation to third parties. So, we had some write offs in the legal issues and we had some compensations and we had an improvement compared to the first semester of 2024.

In this point we add some environmental issues. We are always helping the preservation of programs and some partnerships educational environmental partnerships that we have our water body preserved.

Then judicial provisions and fiscal provisions and tax provisions. We have more relevant things due to provisions for Ponta Grossa. Ponta Grossa, we signed a TAC, we communicated the market. We will pay 15,000,000 reais in 15 instalments of 1,000,000 reais starting in August. This affected the issue of provision of Ponta Grossa. It was affected the result of second quarter and there was another 54,000,000 impacting the Seaview.

It brought different results of the expected and for healthcare and social service provision had a 13% increase. Financial expenses had an increase of 240%. Other costs and expenses we had a recalculation of discount fee which exceeded 4,36% and the economic environment with SELIC of 15%. So, these fees impact the fees of discount. This is the main element of the financial expenses of the period are the costs and expenses, an increase of 27% as a result of an update related to PPDS which were done. So, all the expenses and this impacted us in around 60 million reais in this quarter.

In the next slide let's talk about the quarter results of the accumulated result. So, the net result increased 4,5%, the personnel increased 3,2%. One of those write offs that we mentioned the highlights that we could say these provisions we have a relevant amount as a result of the regulatory liability in cars are in expenses launched, the issues of the rates of payment favorable to the company. But the net result in the period 1,400,000,071, an increase of 95% as we mentioned.

Now speaking about the investment, the CAPEX the company, invented 1 billion and 99 reais an increase of 26,1%. And the distribution of the composition of this CAPEX is divided in 31% in water, 59% in sewage and 10% in other investments.

Their origin of resources, 78% owned resources and 22% third party. So, we did not have to look for other investments, but the traditional ones to pay all our expenses. It's important to avoid right now more direct action in the market considering the interest rates which are very high and make the operations expensive.

Next slide, speaking of our net debt, it is a short term 879 million, long term 5,819,000,000 and total debt 6,000,698. At the end of June, we had 1,300,000,096 in cash and net debt of an increase of 7.2%, five billion 302. In June 24 it was five 4,000,946, but the level was the same 1.7 times the beach. That which was the same level registered in June 24.

The cash generation was quite positive. We had an increase of 15.8% reaching 1,428,000,000 with a conversion of 83%.

And now the cost of capital third party reached 11.4%, an increase of 0.6% in the first semester of 2025 compared to the 10.8% in the first semester of 2024.

So, we still have a debt breakdown, very healthy. You know as we understand we have 34% of our financing in long term connected to Caixa Econômica Federal in the long term whose interest is fixed, and the variable party are as you all know is a very benign fee. In turn, what concerns investment inflation. It's 29% of our debts connected with IPCA, DI, we have 24%. So, the total of our debt of 6.7 B, it's 24 percent is connected to DI. But given our cash flow, which somehow is connected to DI, we have a head between the position of debt and position of cash flow, which allows us the cost of capital to be close to 11 percent, 11.4%.

We have a contract which the literal, which is represent 5% of the Dow, 3% in Euro, which is KFW contract. It's a fee about 80% of CDI, TJLP 3% and 2% of contracts do not have monetary corrections. This is our profile of capital at the end of June 30th, 2025.

Now let's talk about covenants. So, we have some in the system BNDES. We have direct financial debentures of 4th and seven emissions. We have the covenant that has to be less or equal to 3 EBITDA, the divided by the service of that has to be bigger or more than 1.5 and having one and the other debts have to be less or equal to 1. So, we are reaching in this period of 30th of July, the contracts with CAIXA are heavy EBITDA adjusted by the net finance expense and we are doing well. It has to be and the net back then has to be less or equal to 3. We are OK. And the other honour is that it's 0.3 compared to 0.4.

Now let's talk about the other covenants. We have the 9th, 10th until the 14th issue of the benches all they have two covenants a pitched adjusted by all the percentage here they are according to in the level of the debt level was the percentage of 53% when our limit is 60%. So, it seems very little but it's quite significant the difference from 53 to 60%. So, we are doing very comfortably in this index.

In the next slide we let's talk about the balance sheet. Our net debt increase 10.3% if we compared to the end of 2024. The main element of increase was the issue of dividends

and interest up on own capital increase 19% in the period with the registering 3rd over the cash we had the reduction in the operating working capital, we are reducing 37,2%, the write offs exceeding 1 billion 411 to 1 billion 291, a reduction of 8,5%.

The stocks had an increase of 3.5% and the suppliers we had in the contractors and suppliers 0.9% increase and salaries and social payroll charges due to PDV, we had an increase of 69%. They are all in operating working capital.

About asset and liabilities, we had 571,606,000, a reduction of 7,8%. In provisions and contract assets, we have 3,234,000,000, an increase of 16.4%.

Our net equity is 11 billion 784 with operating working capital of 28 days, very positive. So, about the increase of revenue and decrease of liabilities. So, we still have to make some payments for salaries.

In the last slide, I will talk about the cash flow. We had the operating activities bringing 15.8% increase reaching 1,428,000,000 reais, the investment use with 1,85,000,000 and financing activities consuming 747 million reais.

There was a reduction of 404,000,000 reais of 1 billion 800. We have one billion 396 cash flow at the end of the period. So, we have to remember that in June 2025, Sanepar paid dividends. Related to 2024 is the history of payment done in this month and we also pay the PPR to the employees, which the most important expenditure in 2025 in June.

So, thank you for listening to the presentation. So, we have Lucia Costa, our accounting manager, who answered the questions. So, Rodrigo I hand it over to you.

Operator:

So, we will start now the Q&A session. We have to remember that to ask a question, you should send it to the Q&A icon at the bottom of your screen. Your name will be announced for you to ask your questions and then you will see a prompt to activate your mic. If you don't want to activate your microphone, you just write no microphone for your question to be written out loud.

So, let's start with our first question coming from Leandro Aguiar, an investor.

Initially he congratulates Sanepar's team for the results and he asks 3 questions. First question, I identified a significant increase 270% in provisions for contingencies with highlights of an amount for the Itaú construction. Would you break down this case a little bit and how the company is seeking to deal with this and how to protect future third-party contracts?

Second question, could you comment on the main offenders of AVP about the financial assets that had an impact in financial expenses, and I'd like to understand a little better this increase in the line of third-party services. These increases are being readjusted by the contract, or they are covering more contracts or improvement of services. What is the reason? These are Leandro's questions.

Abel Demetrio:

Good morning, Leandro, thanks for your questioning. I will hand it over. I will start with question to AVP, which is the adjustment in the current value. The good company has to recognize the assets that who deadline is within the contract bring it to the current amount and give the discount that exceeded 2024 deadline of 4.36% to 5.41%.

Given the deadline, which is done, we calculated the AVP and the change of rate is quite significantly impacting the results. And this is how we had in other occasions like for example, when the company extended the contract deadline into 48 with a bigger deadline we had at the time they needed following the accounting laws we needed to do the adjustments to the current value of these assets.

Concerning the third question, the third-party services, although I had explained the main elements, I will try to bring some more items to clarify this issue related to the increase in 3rd party services.

We have to remember that in six months in technical professional services, we had something relevant related to provisions for payments or wages of the rates of payment. The rate of papers is quite relevant, and the service is very representative, very significant.

The other costs are the main ones that I mentioned, surveillance services increased 52.3%, but I just want to give more details. We had an increase of 693 positions in the period and increase and it's important for us to take care of our state treatments, water stations, and security of workers. Sometimes at the stations it's more than 600 rural locations and sometimes these areas are very isolated and the and they need protection with the surveillance service we intend. To also to avoid thefts, protect the population, guarantee service to the population, guarantee that the water will not be cut and also in the revenue of the company. Because if you cut the water, we don't deliver the service, you cannot invoice for this payment. Not to mention the reputation of the company, which is if it is susceptible to interruptions as a result of this kind of theft and wrongdoing and about resuming services, the Commercial Services of Invoice.

We are spending a little bit more to, to bring efficiency in our services in terms of recovering our credits and making sure that we are paid and we have to recognize that our default is quite favorable. We had several actions to recover credits to make sure that let's say we receive our invoice, we continue reading the invoice. We are measuring correctly the consumption, and we want to make sure that this measurement is correct. We want to have a very good monthly standard of measurement. And for that, we need a team available to do these readings, these measurements, and do the registry implement new technologies for us to always serve the population as best as possible.

And electromechanical services had an increase, although it was not very significant, but there was an organizational change related to this theme about restructuring. So, we are

seeking ways to be more efficient and right now we have an expense which registered in the period.

So, Leandro, these are the main issues. Besides one of the main things we can mention, we have some the IPCA accumulated is about 5%. We have an increase in volume produced of 1.4%, 2.5% of sewage treated. So, we had an increase just for these actions, whether it's inflation or increase in volumes treated and produced both in sewage and water. Concerning the first question, the provisions for contingency, I will ask our accounting manager Ozires, to answer this question.

Ozires Kloster:

Good morning. Thank you, Leandro, for your question. Concerning the provisions in the quarter, we had two events that affected this line, especially we had the provision as you mentioned in the question, the provision of this contractor which was a node action of Piraquara 2 Reservoir. We had a provision for that, and we added in this quoted 54 million.

We also had the effect of the expected losses in the credits which is provision of losses for the clients. In the first quarter we did compare related to the instalments to the finance, the ones that were due, we created a provision and for this quarter we added this provision and also related to the payments for the clients that are in the fall. We also created a provisions for all the accounts regardless of the fact if they are due or not, you know, we discussed this with our commercial area and we decided to establish this amount.

Abel Demetrio:

I think Leandro also asked about the learning of this theme. I would like to hand over to Leura for her to talk about the fifth reservoir that I mentioned at the beginning. I want to talk about Leura. I think this type of construction, this reservoir, was quite unique, but I think we could have some more information about it.

Concerning the learning from Piraquara 2 and other initiatives, not specifically reservoirs. The law 13.303 brought the possibility of adopting the risk matrix. With this risk matrix we defined both the supplier and the contractor, which is Sanepar. They define problems that might come up in the execution of ours. So, Piraquara 2 should be an event of more than 10, 15 year project and we have been evolving in that in, in terms of more detailed reference, the bidding, the tender and this risk matrix can share the responsibility between supplier and the contracted.

Operator:

And now continuing, our next question comes from Maria Carolina Carneiro, Banco Safra.

She would like to understand three points, 1, the impacts mentioned of this wagon with fact which can have more impact in the next quarters and 2nd, the estimated losses. You can doubt it liquidation and how you have dealt with that and #3 about possible discussion regulated of the rate of payment balance. When this will be discussed. These are her three points.

Abel Demetrio:

So, I will hand it over to Ozires, for him to discuss this is wagon effect and the last question I can answer.

Ozires Kloster:

So, thank you for your question. So, the impact of the wagon effect, we consolidated this provision in the second quarter. We do not expect to have any other relevant effect for the next periods.

Concerning the other provisions, we follow the policy of the company, all the, let's say, accounts that are overdue. We make a provision for the overdue accounts over 180 days, and we also make a provision for municipalities based on history if account if it's above 2 years with the exception for all those municipalities that have the four. We also considered this wagon effect and for the state sector that is given the history, we have not made any provision. Basically, this is it.

Abel Demetrio:

Concerning the issue of the rates of payment and the regulation discussions about the theme. We maintain contact with the agency. The agency is leaning over this team, and we understand that we have important arguments to present for the agency, and the agency needs to digest all that, mature all that, because at the end of the day, it's responsible for defining and making decisions once the agency defines the norms. So, discussions are healthy, they are always very positive and it's important that we are move step by step this process, which is very slow, and we are following these lawsuits that it's going on for over 31 years. And we have all the dealings with justice and with the agency. But we expect that we will reach a balance at the end of the story, and we have room for discussion with the regulator. We understand that we will have a reasonable result at the end we expect that.

Operator:

Our next question comes from Luis Ferreira, an investor.

How are the development dealings for new businesses, especially about the market expansion according to the communication made to the market in June?

Abel Demetrio:

Luis, thanks for your question. I will hand this question over to our innovation and new businesses Director.

Anatalicio Ridsen:

Good morning. Thank you for your question and for the opportunity. The innovation Board and new businesses Board, in fact it's the newest here in the company. We've been here for over a year and yesterday we had the approval by the administration council, the director's plan of new businesses. So, of all the possibilities that the company has, we will stick to 7 thesis that will be disseminated soon so that we can develop new businesses bringing accessory revenue. And we have discussed these revenue accessories with GEPAR.

About looking at the market. We have a macro approach that we can look beyond the state of Paraná. We are studying. We are at the phase in an incipient phase. We are just studying the possibilities. But what is the most important thing related to new business was a resolution made by the Administration Council 758 where there was a norm regarding how we can do the new business. 13.303 authorizes this, and our Rio will approve it, and our statute is in line with all that the possibility to do that it's in then I would say the next few months with the company will disclose all the actual facts that are taking place.

Abel Demetrio:

I want to add something Ridsen from Sanepar is an internal regulation for contracts and biddings.

Operator:

And now continuing João Pimentel question, analyst of CITI.

Would you say the impacting revenue related to the agreement of Ponta Grossa? So, this was João's question.

Abel Demetrio:

Sure, I'll thank you for your question. Well, Ponta Grossa in terms of revenue, we had the month started in March to March 21 for 30 days. We did not charge them, and we estimated at the time 23 million that we did not receive last year in 2024, this was responsible 3.8% of revenue of the company. So, it was quite relevant. And now in August, according to TAC, we will give 50% discount, which will represent about 12, 13 million reais. That was the impact related to revenue conducting this conduct adjustment

signed by Sanepar. Besides what was it said the 15,000,000, I also mentioned 15,000,000 that were provision and that are being deposited in 15 instalments plan every month as communicated to the market.

Operator:

Next question comes from Gilmar Alves Filho, an investor.

He congratulates the company for the results and questions. The plan of investments for 2025 to 2029, what is the maximum leverage expected considering that to now we add in 1.7 EBITDA that we will maintain the payout in this period?

Abel Demetrio:

Gilmar, this is very relevant question. We have the payout issue. We have a plan of investment which is quite relevant of 11.8 billion highs. We are making all the efforts to do it as best as possible, following the regulation rules, and the search for savings in the works, because we know that this all impacts, in the fees, and the payments and the company makes. So, the more economical this cost us, the more we can invest. Of course, we have a leverage level which is approved by in the business plan when we present to the administration council, but we do not present to the market the limits or the maximums. We know that the maximum limit in the contracts is 3 times leverage. We are doing 1.7 times and we are conducting things that we are, they're always meeting the needs or expectations of our credit creditors, private banks and all the creditors that finance the company saying yes, the leverage is something quite relevant that we observe in the business plan and always seeking, trying to have this number in a comfortable place compared to the maximum. We know that there is room for leverage, but we also know that we are conservative because the debts are expensive and they have to be paid. So, we have to be very careful when we try to be as careful as possible to avoid super exposure to the market.

About payout, it's part of the strategy in the sense that we need to seek universalization of the services. We are on the path, on the right path and we are making an effort and then we have the effort of the investors. We understand that here I do not take out of the potential, I did not explore the potential, but the of that I would like. But this is due to our financial limits. Both payout and leverage is discussed strongly in our administration Council, both in on monthly meetings when we present results and in the planning meetings, which is normally A five-year planning revised every year.

Operator:

Now. Next question comes from Hiury Goulart, analyst at Trilha Investimentos.

About the deposit of rate of payment in Banco de Brasil mentioned by the President. Do you intend to make a relevant fact only on the payment leaves this judicial account and goes to an account to Sanepar.

Abel Demetrio:

Thank you for your questions. Indeed, we have an event which is about the deposit done in Banco de Brasil as you mentioned by the President. Since this is a very long-term process, we've been working on that for 31 years and our law office understands a lot about that. And we still have some administration steps to release these resources to make them available. It does not depend on the company. It's not that company that controls or manages these processes until it's liquidation.

And of course, the company manages the whole thing related to receiving the resources. But we do not know when this will be made available. Of course, when the resources are available to the company, we will communicate the market because then all the step will be concluded and we will own the money. And we only disclose this in ITR in the subsequent events to make the market updated on the subject. But it's, it depends on the justice and there are some steps to cover before that.

So, we expect good news, but we are careful because it's quite a significant amount and we know that it's not within our power to make this decision. So, we are positive, but we do not have any the total control of the team the total management of the team.

Operator:

Now next question comes from Fabio Rangel, an investor.

Recently SABESP relevant investment in digital readers water readings to guarantee better control Sanepar. Does Sanepar have any similar initiative.

Anatalicio Risen:

Fabio? I can say that we are investing time and resources for that. We have two concepts about the measuring devices over 300 agronomos within your chains and some of them with the probability of the cuts from a distance and reading from a distance. We are in the phase of interacting with our clients so that the client has this information as quickly as possible. And besides that we are working. We launched a program called Sanepar let's we launched the first the tender. It was launched the second public notice let's say together with PUC and LATEC. One of the items of the second public notice is the possibility for us to find economy. In regard to that we are following the experience of SABESP. I would say that in the short term we will have launchings, we will have hirings in this line of intelligence.

Operator:

So, we conclude the Q&A session, and we will hand over to Abel Demetrio for the final remarks.

Abel Demetrio:

Thank you for your participation in this video conference of the second quarter. Although the profit, the result has come with a reduction, I think we understand that the core of the company, all the level of service, level of operations of tariffs are preserved. And I'd like to wish to all of you a great weekend. Thank you all.

Operator:

The video conference of results of Sanepar is concluded. Have you all a nice day!