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Conference Call Transcript

SANEPAR

4Q25

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

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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, everyone for participating we have our Wilson Bley, our CEO, our Investment Director, Leura Lúcia Conte de Oliveira and our Accounting Director and our RI team. I will hand it over to our Wilson Bley for his initial considerations.

Wilson Bley:

Good morning. Good morning, everyone. Very briefly I would like to contextualize the numbers we will be presenting in this presentation's earnings of fourth quarter last year we are following. We are moving towards universalization in an accelerated way. We reached 82.4% and if we apply the new earn a resolution using the potential, we might have additional numbers reaching almost universalization determined for 2033, our objective is to reach it in 2029.

For that we need a lot of investment. Last year we had a record 2.7 billion in work which adds to the stocks in work ongoing. It shows how robust this company is in terms of being able to translate this in works which are complex but bring results especially for social inclusion and public health. Almost 12 million people are being served.

Something to highlight is the increase of new economies. There were over 100,000 or around 100,000 in sewage economies and 70,000 in new economies of water. So, if we compare it. This increase represents. The highest average number in Paraná. If we compare it with the city of Colombo with 70,000 people. So, we almost brought a new municipality of ever of middle size inside Paraná. So, this brings and translates an increase in revenue. As you will see, it's quite exponential.

We managed to approve the continuity of this universalization. A robust plan of investment in which we have sewage predominantly, but without forgetting the water systems. And we are projecting investments of 13.1 billion reais in the next five years. So, we might be the few companies in sanitation in mix the companies so robust for this kind of investment. And with a lot of tranquility in terms of receiving funds for what is projected.

Now of course, with all this. In all this increase and this new plant, everything that is added to what we already have, the expenditures tend to increase. So, we are trying to find the right balance between these new expenses are within the necessary volume to be able to give way to this increase in revenue and investments that we are making in a very accelerated way. But we managed to keep the EBITDA margin close to 40%, which is very traditional within the company. And we are making some concrete actions. So, we have some workers that agreed to leave the company and we added new workers more motivated and with lower values in their income, their compensation.

And this is demonstrated by our survey as something very well accepted within the company. Over 80% approved totally this regime that is established in terms of governance within our company. So, 80% of our workers approve of that. So, this is very interesting to understand that the more the pack, the more the operational cost. But we are always trying to find this balance to make it reasonable for everyone. Sanepar is going through a big moment is national and international highlight especially in what concerns innovation, operation, investment and we are now recently we launched this Sanepar 5.0 which is a new version of technology innovation that in the future will make our cost operational cost cheaper. Bringing the best in the market, what we have in the best in the market to be part of our day by day.

So, these are my initial words. I trust the future and. And this transparency is very important in this big moment Sanepar is going through.

Abel Demetrio:

Thank you, President. Rodrigo, we can start our presentation.

So, now let's go through the highlights of the year 2025 fourth quarter of 2025, as our investments were records, we've reached fourth quarter 789 million reais in investments. In 2025 it was 2.652 billion reais, which is an increase for 2024 of 38.8%.

Concerning operational efficiency, it also had a fall of 0.6%. And it's in line with our regulations. It's very important for this to be contemplated in the tariff of the company and the invoiced volume increased by 1% compared to 2024.

And in the fourth quarter we increased 1.1% compared to the fourth quarter of 2024. So, we compared it in 2025 with 2025. Concerning sewage, we increased 2.6% and also 2.6% compared to the year 2024.

Our net revenue increased 6.5% in the fourth quarter of 2025 compared to 2024 and 5.2% in the year 2025. When compared to the year of 2025, the net margin minus 4.1 compared to four quarter and plus 6.3 versus 2024 with a leverage 0.6 times EBITDA and some recognitions and governance like the transparency award, some solidarity seal and honorable mention due to our ESG causes, which is extremely. We have ESG in our DNA.

In the next slide, let's go through the operational results. As we saw in water, we had volume with an increase of 1%. The volume increased 1% as well. In the invoice volume, the volumes collected the sewage collected on the invoice increased also 2.6% the number of connections.

We had an increase of 1.3% which was 46.964 new connections and 1.6% of increase in sewage economies, with over 70.334 new economies, which shows that despite the companies universalized in terms of water since 2007.

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We continue with a robust growth concerning connections 2.6% reflecting the universalization's 66,954 new connections and more than a hundred thousand sewage economies. So, what the president said over 100,000 economies and over 70,000 economies of water. So, it's around 170,000 new economies in the year 2025.

Now let's see the reservoir levels. We closed the year of 2025 with 84% of our reservoirs with water. So, Iraí 70%, Passaúna 90%, Piraquara 1 96% and Piraquara 2 76%. The most up-to-date level at our site is approximately 87% of the volume.

The reservoir value levels today our service index, the legal framework which obliges us to serve 99% by 2033 and 90% is sewage by 2023. We are moving towards universalization to reach 82.4%. 100% of volume is treated by the company. And we kept this service 100% with treated water for the population, the urban population.

Next slide. Let's go through the financial indicators. We saw that the default in 2025 was 0.6%. In this regard I highlight that as important as the four is the level reached in the past three years.

In 2023 we had a reversion of the four in 2024, the four of 0.7% and this year a little lower 0.6%. Which is important because we know that the waging the then the invoices that are not paid, they go back to the tariff. So, they lower the default, they lower the tariff.

In the revision of tariffs. Because losses per connection, we had a reduction compared to 2024. We closed the year 2025 with losses of 222.7 liters per connection per day. Less than 223.1 recorded in 2024. Margin EBITDA for the 41.1% in line with 2024 ROE 17.9% and ROIC both ROE annualized of 12%.

In the next slide, let's talk about our quarter results. We increased in 2025. We increased 5.2%, reaching 7,206,000,000 in net revenue. And we reached increase 0.9% reaching 2,964,000,000. Our net profit reached 2,080,000,000 reais with an increase of 34.6%.

The cost and expenses increased 8.4% with 4,242,000,000. Our EBITDA margin compared to 2024 was 1.8%. Lower 41.1% and the net margin increase reached 28.9% in 2025.

Now let's go through the quarter results. The main impacts we had. So, the net revenue increased 6.5% compared to fourth quarter of 2024, a little better than 2024. It increased 4.7%.

The cost and expenses with personnel increased 12.7% reaching 434,988,000. These 12% are reflected as a result of labor compensation. Registered in the period a result of the company's work in terms of judicial settlements.

So, this labor compensation indenizations they refer to a reversion of proficiency. And we took out from that and launched in the personal expenses. Taking out this effect, which is close to the result, we would have an increase of 2,57% excluding these provisions. Because as we said, they were recorded in the item of provisions. PPR minus 12.5%. This is the profit material or reduction of 9.2%. And the impact was a reduction of 15% of chemical products. So, it's important for maintenance of our operations utilization of these products and that the prices of these products are accessible.

Third part electricity we had a reduction of minus 7.4% compared to the same period of last year. We reached 114 million reais is a result of migration of the free market. The issue of electricity, as we saw, has been a constant issue in 2025. Of course, this movement is being consolidated from 2026. We should have stability.

When we talk about third party services. We can open this. It is the PPPs. And we had on the fourth quarter of 2024 we had PPPs of an expense of 12,6 million. In 4Q25, a variation of 25,6 million reais that impacted these third-party services.

Excluding the PPPs, we have an increase of 16,5% increase especially impacted by maintenance services that increase and technical services that increase over 65,2%. And others have technical operational maintenance which impacted this account.

The General and taxes 7.7% increase in line with the usual expense inflation plus expense judicial provisions and regulations. A more positive result, as I said, because of personnel we had an increase of launching the indenizations and reducing the provision judicial provisions. So, the number was better. We have more than 47 million against 13 million of the fourth quarter of 2024.

The provisions for health insurance and health plans 5.974.000 expenses and financial revenue reduction minus 35.2% and other costs and expenses increase for impacted mainly by the issue of PPD done in December. Around 48 million reais.

If we the issue of PDD which is recommended by our independent audit. It was important in the sense of being adherent to the accounting norms and what the audit required from us.

When we see the next slide accumulated results. In the personnel account. Just to review the account we increased 18,6%. We have to remember that the provision for indenization of PDV of the 527 employees that left it was a provision in the indenization of 174 million reais. So, the personnel account was impacted because of these people who left voluntarily

In the account of expenses and revenue have an adjustment of the asset of 183 million net compared to 2024. Due to the increase of the discount rate of interest versus what was actual in 2024.

The PDDs we million compared to the quarter. But in the year when we compare to the year of 2024, this account of PDD increased 113 million reais So, it impacted in other costs and expenses an amount quite significant compared to 2024. So, when we add up PDV, AVP and the provisions for, we have these three items over 470 million which were registered and impacted on the results.

Besides that, the civil provisions around three big actions recorded in the year in provisions which were the provisions of the Itaú audit or the piece of land of Andirá, province in Ponta Grossa and that added in this amount. So, this are some main points reported in the year 2025.

In the next slide, let's take a look at the CAPEX. Last year we invested in 2024 1,912,000,000 and in 2025 2,653,000,00, over 38.8%. For this year we are predicting 2.6 billion again of investments. So, the investments were 31% in water, 54% and 15% in other the resources 65% owned resources in 35% third party resources of voice with a more robust cash money. We did not have to borrow money because now the savings are very high. So, we did not have the need to look for resources for our investments.

The net debt and leverage in the short term. The debts that are due in 2026 997 million. It’s very in line with 2025. It's the long-term debt over 6 billion reais and the total EBITDA 7,6 billion. So, we had a net debt was 700 billion 0,6% of EBITDA of the generation flow.

An increase of 154,4% and a conversion of 238%. So, the increase of the cost of third-party capital is impacting AVP due to the increase in the discount rate reaching 12%.

So, we hope that for 2026 we with the stability or the fall of SELIC and the level of If and if the inflation is stabilized, we might stabilize this increase which we verify in 2025.

Our debt breakdown is well distributed. Among the indicators with no pressure and 1/3 33% in TR, which is the biggest part on the right side of the graph IPCA 27% DI we have 30% which is the 27% which is written DI. But we also have 3% more gold, around 30%, connected to DI. IPC and 54% with no 4%. And so, it's a. It's a predictable debt with indicators, national indicators, all of them very well aligned.

Now our covenants and our obligation with our creditors. So, we have to with BNDES of the finances with the BNDES bank we have the benches fourth and seventh issues.

The three covenants established are fulfilled. Whether it is the dent that net debt bank less or equal to three, another 1.5 other debts less or equal to one EBITDA.

So, all of them fulfilled our contracts with Caixa. We have contracts that foresee some clauses of covenants. EBITDA adjusted for net financial expenses, greater than or equal to 1.5 and we have 128.7. So, 0.4 in other debts and 0.3 with a the EBITDA adjusted. So, we are quite comfortable here.

We issued it in 2025. 375 million which were obtained through Banco do Brasil for investments for the ET CIC Xisto sewage treatment station. So, we have a condition of a debt service coverage ratio of 1.5 and EBITDA by adjusted EBITA net financial expense. We have 0.4% meeting these indicators.

So, in the we have the debentures issues 9th to 14th. Also, two indicators. The debt is less or equal to three. We have 0.4 the EBITDA adjusted we have 128.7 the contracts KFW we went through all what was mentioned before. The level of debt. The limit is 60% of debt. We have 53% by the end of 2025. So, reaching this clause predicted in the contract.

Now let's go to our balance sheet. The main variations positions in 2025. So, the net debt reached 2,219,45,000. So, it's made up of cash and cash equivalent versus financial investment versus loans financing in the benches and dividends and interest on equity. So, we had 2135% and the issue of loans financials increased 11.5%.

The turnover closed 445 million 78 thousand. A decrease of 45.9% due to receivables lower than 2024 of 1 billion 411 million to 1 billion 283 million. A reduction of 9.1%.

The stocks increased from 73 to 97 million increase of 32.5%. And the contractors and suppliers went from 336 million to 516, an increase of 53,5%. Salaries and an increase of 38.1%. Other assets and liabilities reduction of 89.3% due to the liabilities compared to the rates of payment in this issue in other assets and liabilities and important account in assets in the contracts, the ongoing constructions increase to 3,685 billion increases of 32.7%.

So, our net assets were 12,347 billion. And our turnover operational turnover was measured in 23 days of the year 25, better than the 45 days verified in 2024.

The cash flow what we see, as we saw in the previous slide, an operating activity of 7 billion 60 million. An increase of 154% due to the net profit adjusted to a decrease of 36,6%. And the and so these are the main reflections of operational activities of investments with 2 billion 615 and the activities of financing consuming our cash flow of 637 million we received over 400 million. And the loans for finances 915,163,000 and other variations 68,348,000. So, there was an increase of 3 billion. So, with an important increase. So, that was the presentation for the fourth quarter of 2025.

So, we are available for any questions and other clarifications that need to be done. Thank you, Rodrigo.

Operator:

So, we will start the question-and-answer session. So, to ask questions, we advise you to send them by Q&A icon at the bottom of your screen. By default, dynamics, your names will be announced for them to ask their questions live. At this point, a request to activate your microphone will appear on the screen. If you are unable to open your microphone, please write no microphone at the end of the question and our operator will read it aloud.

Our first question is from Ricardo Bello, Bank of Safra and adding Guilherme Lima, Santander.

Concerning the writs of payment. Could you give us an update about the expectations of the company concerning the current dealings and the conclusion of the process, could you comment if the tariff process in 2025 could see an effect due to the devolution of rates of payment or should we wait for next year? These are the questions of Guillerme and Ricardo.

Abel Demetrio:

Thank you for your question, Ricardo and Guillerme. Question two, concerning the rates of payment as publication is the official journal was communicated to the market the regulating agency of Paraná it is analyzing this it declared that is analyzing the rates of payment.

The company has answered the questions of the agency about the process and it's awaiting Right now we have no definition of the theme.

As I said, this is in charge of this team of work that is inter sectorial which was constituted by the agency and the company was authorized by the Administration Council to make adjustments for 2026. This has to be analyzed by the agency by April 17, 2026, because the tariffs they go until the 17th of May are in force until the 17th May.

So, we don't think that the two issues are separate issues. Rates of payment and readjustments are two separate things. But I cannot say what is said for sure what is the date when they expect to give us an answer. So, we depend on the conclusion of the work done by the agency, and this so, depends on the board. So, right now we cannot give a precise answer. But we understand that this work is quite advanced. And this first semester of 2026 we should have a definition by the agency.

Operator:

Thank you. Now continuing our next question by João Vitor Smith, Atena Capital.

About a line of provision for contingency in DRE. Could you clarify if the company is acknowledging only additions and reversions or if the payments are impacting the results?

Abel Demetrio:

João, thank you for your question. In this regard I will hand over to our accountant Ozires for him to be able to answer.

Ozires Kloster:

Good morning. Thank you for your questions.

I think on behalf of the board to be participating in this event.

Yes, João. The effect on the result is integral. So, when we have a provision, because it has a provision, it has a value recorded as a liability contingent and the moment it is paid there is a judicial deposit. So, the effect of this payment is reversed, and the net impact is on account. Whether it's labor or civil or environmental, the impact is integral.

Operator:

Thank you. Next question is Luis Carlos Ferreira, investment.

The company announced the CAPEX for the announced for next year the universe the sewage universalization will be reached before the deadline. How is the PPPs?

Abel Demetrio:

Good morning. Thank you for your question. I hand over to our investment director for her to be able to answer.

Leura Lúcia:

Good morning, everyone. Concerning this service, the meeting our targets we work with very strong planning. The investments are not born without projects, without all the technical elements that we need. So, we have been managing to reach our purpose of reaching almost 100% of what we had planned.

Obviously, we have some problems in the middle of the way. Licensing, environmental licenses that require deep studies by the by the body to authorize the cutting of trees. And so, we have the issuance of tenders in some cases we have not been successful in the first attempt of tender many times. We need to review some technical points. So, all these issues cause us to work and the more planned the better.

So, we work strongly with the purpose of reaching universalization before 2033 is quite a big volume of work. It's around 600 different initiatives or works in the state. This year we are working around this number more than 250 works of high level.

In 2025 we had three big works which are very representative for the company. The conclusion of Mininguava resources reservoir. The cut of the trees. The roads. The building of roads to prevent. To prevent the people that who live in the area prevent them from having problems accessing their houses.

Now, by the end of 2025 and beginning of 2026 we have initiated the feeling of the reservoir of the lake. This was over 250 million reais invested. And they will have now an effect both in investment and remuneration of capital.

We had another work which is another reservoir which had an anchor in terms of judicial adjustments. It was signed in 2018. We managed to reach the next phase of treatment in 2025. We continue with the work. But it. It's solid phase, the gas phase. And that's why I understand that yes, we will be able to reach the universalization before 2033. This is our main goal.

Concerning PPPs, Abel might add something but we are working strongly. The beginning is so slow because we have three branches in the countryside with different companies. Each one of them know getting acquainted with the places, developing projects, approving together with the company how we are going to serve the population. But all of them are ongoing as we imagine as we project it. So, I believe we have a good prognosis to meet the new framework.

Abel Demetrio:

I think you mentioned three words, but you mentioned two.

Leura Lúcia:

So. Yeah, that's correct.

The third work is “Estação de Tratamento CIC Xisto”, which is today it must be around 60% or 70% of it close to its conclusion. It's more. It cost over 350 million reais. It will bring significant gains in environmentally speaking and operationally speaking. It's a region that expands its sewage treatment. And as we saw in the presentation, we treated 100% of our sewage. So, ETH CIC Xisto has the same finer purpose but no less important. Dozens of works that are ongoing and that some coming from 2025, but they are in their phase of implementation for 2026 and others that will start in 2027. Our plan of investment shows that this is a robust investment for many years still for us to reach universalization.

Abel Demetrio:

And I would like to add something related to PPPs. Remember in 2025, three batches and two micro regions, the micro regions center east. They started being serviced by the PPP's companies.

And financially speaking we received payments. So, that was a reinforcement. So, we reached 95.2 million of paid bills in 2025, which reflects the beginning of the activities in the three micro regions where the company makes. They had the tenders for PPPs.

Operator:
Thank you. Our next question comes from Reinaldo Veríssimo. And I added by Renan Ulrich both investors.

About 13% increase on personnel. What is possible to be done for the expenses not to increase above the inflation indicators? Above PDV is there any other initiative to reduce costs that in the near future? These are Reinaldo and Renan's questions.

Abel Demetrio:

Thank you, Renaldo. Thank you, Renan.

When we look at the personnel costs, that increased on the fourth quarter, 12.7%. As I mentioned, one of these aspects of growth was the issue of the labor indenizations, where we had some provision and the expenses and the expenses that affected the personnel account.

Taking out this effect. It will always have an effect. Indemnity compensation, labor compensation. But in the period the increase would be 2,57% of the company in the past few years, due to some action, the union won a case.

So, there was an increase and the company made some action, the PDV is one of them. It's more than 174 million reais paid in compensation. In the sense that causing this turnover, the necessary turnover for the employees who have been with us for a long time can leave and we can bring in new employees. This was done so much so that the number of employees, which was over 6,047 employees, we have 5,913. So, there was a reduction. So, this has an impact in the third party's account. Because sometimes we have to use the third-party services to make up for the labor.

So, this is something the company has been looking at carefully. The increase of cost costs in health care. This has impacted the companies in the past few years the cost has been increased above inflation. So, we've been talking about our social service that they care of ours. That takes care of this health insurance. They understand the need to look at it very carefully.

We have some initiatives to decrease overtime and some actions related personnel. We are taking some actions. So, this curve or increase in personnel is adherent to the regulatory issues because this has an impact in what AGEPAR grants in terms of tariffs. It grants a tariff that is updated by inflation. So, we need to be very aware. But we believe that as of 2026, due to the benefit that PDV must bring, since it was quite a relevant PDV, part of it might be reflected in the year of 2026 and the following years.

Operator:
Thank you. Our next question comes from Luis Carlos Ferreira, investor. He brings us two questions.

Yesterday, Sanepar announced that it requested adjustment for 2026. What was the percentage requested?

Second question. There are two great values in non-recurrent items. 75,9 million of provision and 51,5 million of some installments. Could you explain these points? These are Luis Carlos questions.

Abel Demetrio:

Luis Carlos. Thank you. And for your question. Yesterday the council board authorized the request for the regulating agency based on our methodology. Last year we had the tariff review, which was the third review for tariff concluded in 2025. Now we will have three years of IRT. So, it's an index of adjustment which are these ordinary adjustments which are requested by the company every year. This is an ordinary issue of the company.

The company does not announce the percentage requested because the decision is up to the regulatory agencies, not Sanepar that defines the tariff. So, in this sense the company does not create any expectation because obviously every calculation we send to the agency, the agency will make a calculation, and they will determine the adjustment of the deadline is April 17th.

Because it needs to publish the results 30 days in advance, which is May 17th. So, right now, when the agency defines, we will communicate the market informing the percentage and whatever the decision was concerning our request.

Concerning our second question, I will hand over to Ozires. So, that he can add to your question.

Ozires Kloster:

Thank you, Luis Carlos, for your question.

You mentioned two amounts in the non-recurrent effect that we showed. 75.9 million in line of provisions. Actually, this is a complement to our regulatory receivable related to the amount we have recorded. So, we added something for this amount to be reconstructed until the final decision by AGEPAR concerning the other amount that you cash in for 51.5 million. This PCLD complementary PCLD is expected loss in credits that we realized related to a work we did revisiting our portfolio in the last quarter.

We recorded this amount. This refers to the clients that have not paid his bills, his current bills and has no installments. So, we revisited our portfolio and discussing our independent audits. Also to meet the CPC 48 norm that rules the asset and liabilities. We constituted this complementary amount and revisited our policy of losses for clients.

Operator:

So, our next question comes from Felipe Tobias, investor.

After universalization, can we expect an expressive increase of payout?

Abel Demetrio:

Hi Felipe, thank you for your question.

This is a future issue. It's hard to answer right now, but obviously when the company reaches universalization, when in its areas of work, speaking of Sanepar that has a high CAPEX and have to maintain 100% universalization of 100% of treated water for the population and water resilience that will be important for the companies in the future. We expect the expenses to come to a level of reposition of assets which is a level close to depreciation amortization.

So, obviously from this point on we have resources left. So, how we will. What kind of we will use this remaining, let's say fund this depends on the company, on decisions because the effort that many companies have made in terms of investments and these are objectives that sometimes compete with like investments and distribution of dividends and so, yeah, but anyway, but I think it's a good perspective, but I believe we have a good perspective. But this is a step that in our case, not in only in our case, but in the case of the companies does who are concerned about universalization investments. This will be a discussion, a second-step discussion. But of course, it makes sense to question this. But it will depend on future decisions.

Operator:

Thank you. Our next question comes from Gabriel Dzuman, investor. I observed the interest of capital own capital concerning they do not have a defined payment date or Datacom even if it after being approved in council or as and please why this is still in not totally defined.

Abel Demetrio:

Thank you for your question. Let me check the release.

The company in the past few years has paid the dividends in the months of in June every year. It has been paid annually every year. So, when you look at the history. Last year, 2025, we paid on June 26th. In 2024 we paid on June 27th and in 2023, June 27th and 2022, June 24th. Why these dates coincide?

Because the company according to its statutes, it has 60 days to make payments of ividends after the AGO realization the ordinary assembly, which is done by April. So, once the AGO proves the distribution of dividends and interest over on capital, the company based on its dividends policy and in conformity to its statute, it pays after 60 days. This has coincided with the months of June of every year. As a result out so, this is when the company makes its payment.

Operator:
Our next question comes from Mariana Guerra.

Are the new reservoir operating? I would like some new. This was Mariana's question.

Leura Lúcia:

As I said previously, it is concluded. The civil work is concluded. All the cuts of three destinations are concluded. So, all the area around the reservoir is. So, we had a provision of 10 to 12 months to fill the reservoir. The first months now January and February they had rain below the average, which is not interesting for us. We still have. We are expecting the month of March to bring us enough rain to so that we reach the expected level so, that we can reserve the water inside the lake to reach 2000 liters per second, which was how the project was idealized. But we don't need all this amount right now.

So, we understand that the reservoir is operating in some situations. Throughout February we made use of part of the water which was there. So, we made use of it so that we didn't experience any lack of water, any shortage of water. But our main goal right now is to save this water too. But yeah, but we can say that it is in operation.

Operator:

Next question. Eduardo Lazzaretti, GTI.

The OPEX has been increasing in the above the revenue in the past quarters. What is Your expectation for 2026?

Abel Demetrio:

Hi, Eduardo. Thank you for your question.

Yes, indeed. We have been observing especially in 2025 an increase above what inflation is at least measured by IPCA. Of course, like many companies, we suffered an issue that is very structural in this sector. This sector is heated and when we see the INCC which is the labor, the national index, when the inflation while the inflation closes at 4.26, we have around 9% at the end of January 2026.

When we talk about pipes and connections, we had an increase of 17%. So, the sector brings some challenges for us in the sense that the inflation that is measured by IPCA is reflected in our contractual cost many times they are connected the inflation by Fundação Getúlio Vargas we had some non-recurrent events in 2025, as I said, which impacted strongly in the cost. Cost when we speak of a personnel account that is added is increased by a PDV which was quite robust. This was done with the objective of allowing people to leave and enjoy their pensions, bring new talents to the company, but also reduction reduces the expectations of salary in the next years. So, this was done and the price was paid in 2025.

We have had some in terms of not well, not so operational, but more financial issues. The AVP, which is the contract assets, this was. We expect it to be reflected in 2026. The PPCs we always need to observe that it's not a key that you turn off, turn on. So, you don't. So, an operator that is in a station, you cannot just remove him from that if and you have. You have a PPP and you have that cost suppressed. So, these issues of changes, even of change of paradigm in the operation in this case of PPP's they had a reflection in 2025.

What we see is that at least on the fourth quarter of 2025, we have an improvement in what was realized. Although the total cost of expenses has increased 11.8%. When we take out the effect of PDD, which is a change in politics, something that has always been executed and changed, we would have an increase of 7.6%.

So, when we take an inflation close to 5 plus the increase in 2,3% we see that it starts. It begins to be aligned with what is expected for the company in terms of cost. Obviously, the company has its control bodies, administration, the council, the board and the council that is always demanding from the board. We are engaged in bringing the cost to lower levels, to reasonable levels. But some non-recurrent effects affected exceptionally the year of 2025.

Operator:

So, now we close the session of question and answer and we hand over. We handed over to the Abel Demetrio.

Abel Demetrio:

So, thank you. I'd like to thank you once again that your participation. Thank you for your questions. If, if by any chance any question has not been clarified, feel free to send your question by mail to the IR channel. You may ask for more clarifications. We are available to answer every action, every answer. Thank you for your participation, for trusting our company. Thank you and Goodwill Weekend.

Operator:

The Conference of our Earnings Results is concluded. Thank you, all participants and have an excellent day!