

**Earning Release Conference**  
**2Q23**  
**Sanepar**

**Operator:**

Good morning, everybody. Thank you for waiting. Welcome to the video conference to disclose the results from SANEPAR for 2023.

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For those listening to the video conference in English, there is an option to mute the original audio in Portuguese by clicking on "mute original audio".

We inform you that this video conference is being recorded and will be made available on the Company's IR website, where the complete material of disclosure of results is available. You can also download the presentation from the chat icon also in English.

During the Company's presentation, all participants will have their microphone disabled. We will then start the Q&A session. To ask questions, click on the Q&A icon at the bottom of your screen and type your questions to join the queue.

When you are announced, a request to activate a microphone will appear on your screen and you must then activate a microphone to ask questions. We advised the questions to be asked all at once. If for some reason, your question is not answered during the event, please direct it to RI on [ri@sanepar.com.br](mailto:ri@sanepar.com.br).

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

To begin, we hand the floor over to the Financial and Investor Relations Director, Abel Demetrio:

**Abel Demetrio:**

Good morning, everybody. Thank you for participating in this video conference and on behalf of the Company, I thank you all. And, if the president is available to introduce himself and to open the floor, please open your mic.

**Cláudio Stabile:**

Good morning. Everybody. First of all, I would like to thank the presence of all of you, online or in person. I'm here in the Federal District where we will talk about a very important topic regarding SANEPAR in the country, and I'm sure everybody will be very happy with the results. We have my manager, my director and our RI manager and they will introduce to you everything that happened.

A few months ago, we would only talk about those projects and today we see them happening. So I thank you again. I hope you have a great event. See you soon.

**Abel Demetrio:**

Thank you, Mr. President, for joining us. We are here with our Director of Investments, Leura Lucia Conte de Oliveira, our Director of Environment and Social Action, Júlio César Gonchorosky. We also have our Accounting Manager, Ozires Kloster, along with our Investor Relations Manager, Ricardo Garcia Gonçalves, and the IR team.

In the presentation of the second quarter of 2023 and the year-to-date results until June 2023, we had on the following page the highlights of this quarter and semester. We saw a growth in net revenue of about 13% in the 2Q23, and an 8.1% growth over the six months.

The EBITDA margin increased by 49.8% in the 2Q23, and by 27.8% over six months. Net profit grew by 80.5% in the 2Q23 of 2023 and 41.1% in the cumulative six months, all compared to the same period in 2022.

Regarding the increase in Water Connections, we had 54.4 thousand new Water Connections and 67.3 thousand Sewer Connections. Our Water Service Coverage Index remains at 100%, fully universalized. For sanitation, we achieved 79.4% of collected sewage and 100% of treated collected sewage.

Our EBITDA margin went from 32.6% in 2Q22 to 43.2% in 2Q23, and in the accumulated six months, it closed at 44.4%. In terms of investments, we had increases both in the quarterly and semi-annual comparisons. In 2Q22, we invested BRL477.6 million compared to BRL411.2 million invested in 2Q22. Over the six months, we invested BRL880.3 million compared to BRL763.7 million in the same period of 2022.

Regarding the operational results for the period, we experienced a 3.7% growth in Billed Water Volume. Over the six-month period, Total Connections grew by 1.6%, with an addition of 28,535 new connections. As for sewage services, our Billed Volume increased by 5.9%.

There was a 2.8% increase in Total Connections, leading to the addition of 40,589 new connections during the period. Our delinquency rate is at -2.4%, which is a significant improvement compared to the 4.9% delinquency rate observed during the same period last year.

In terms of losses, we reached 221.8 liters/Connection/Day, marking a 2.5% increase compared to the same period last year. It's worth noting that last year, during the first semester, we were still dealing with the effects of the water crisis. Therefore, it's expected that loss rates will return to previous levels.

Regarding Reservoir Volumes, we concluded the semester with 92.86% across our four main

reservoirs, which make up the SAIC system. This is closely in line with the same reference date in June 2022 when the volume was at 90.98%. This quarter saw some hot days, particularly in May and June, which also contributed to the volume dynamics mentioned in the previous slide.

In terms of Performance Indicators, we completed the payment of the 8th series of Debentures in the 2Q23. An amount of approximately BRL167 million was paid. We are maintaining the Covenants for both private and market emissions, BNDES system emissions, financing contracts with Caixa Econômica Federal, and the KfW contract. All of these are within the limits set by their respective contractual agreements.

Now, let's go through the key indices. EBITDA/Debt Service  $\geq 1.5$ . We are at 2.75 by the end of June 2023. Net Bank Debt/EBITDA  $\leq 3.0$ . We stand at 1.78, slightly higher leverage compared to 1.63 observed in the same period of 2022, due to the increased investment volume during this period.

Other Onerous Debts/EBITDA  $\leq 1.0$ . We are at 0.41. Debt Ratio, which, according to the KfW contract, should be  $\leq 60\%$ . We are at 48.6% by the end of June. EBITDA Margin, as mentioned before, is 44.4%. Annualized ROIC of 11.7%, and annualized ROE of 15.3%.

Moving on to Financial Performance, Net Revenue grew by 8.1% over six months, reaching BRL2,990 million. EBITDA grew by 27.8%, totaling BRL1,327 million over the six-month period. Net Profit increased by 41.1% over six months, reaching BRL742 million, with a Net Margin of 24.8%.

Operational Costs and Expenses, specifically those impacting EBITDA, decreased by 3.7% during the period, amounting to BRL1,663 million compared to the same period in 2022.

In terms of Cash Generation and EBITDA Conversion, we achieved a cash generation of BRL1,025 million, a 12.5% increase, with an EBITDA to cash conversion rate of 77.2%. It's important to highlight that the company has a credit recovery program in place with the population.

Naturally, with the debt being paid in installments over several months, there's already an economic effect. However, in terms of cash, we expect the recovery of these resources over a period of three to four years, which is the average installment period. This is why the EBITDA to cash conversion is slightly below that of 6M22.

Net Debt and Leverage: We had short-term debts of BRL656 million by the end of June, and long-term debts of BRL4,958 million, totaling a debt of BRL5,614 million. At the end of June, we had cash equivalents of BRL1,154 million, resulting in a Net Debt of BRL4,460 million, representing a leverage of 1.8X, as we've discussed.

The Weighted Average Cost of Debt stood at 11.1%, in line with the end of 2022, which was 11.5%. This year, due to the reduction in certain inflation indices, we likely have a positive impact on the average cost of debt. The interest rate, SELIC, has started to decrease by 0.5%, and so has inflation.

Today, the IPCA inflation index was released, showing an accumulated rate of 3.99% over 12 months. The inflation for July was also released today, at 0.12%. Therefore, we expect a downward trajectory for inflation, which is significant for our figures.

In terms of CAPEX, we observe a substantial effort from the Company. We grew by 38.3%

compared to 2021 last year, and this year, we've seen an additional 15.3% growth compared to 2022. We achieved an investment of BRL880 million, which is quite significant. This investment was distributed with 38% in water, 56% in sewage, and 5% in other areas.

Looking at the graph, we notice that in 2021, the water-sewage ratio was slightly different. We had invested more in water, around 50%, and sewage was at 45%. With the end of the water crisis and the investment actions taken, we've been able to allocate more resources to sewage, reaching 56%. This is also in line with the legal requirement for universalization.

In the Quarterly Income Statement, we experienced a 13% increase in Net Revenue. It was a favorable quarter in terms of volumes, as we saw earlier. Moreover, there was a 4.6% reduction in total expenses during the quarter. When we look at the cumulative six-month period, we have an 8.1% growth in Net Revenue and a decrease of 2.2% in total costs and expenses.

Examining the key accounts, there's an 8.3% increase, primarily driven by the National Consumer Price Index (INPC), which included a 5.5% employee wage adjustment and some settled labor disputes that resulted in this 8.3% growth in costs.

Materials expenses grew by 17%. The main contributor here is the treatment material, responsible for 68% of material expenses. The financial impact resulted solely from the growth of this account, which amounted to BRL20.6 million. The second item, Electromechanical Maintenance Material, grew by 4.4%, below the 17% mark. This was positive, but as it represents 8% of the total material cost, it resulted in a monetary variation of BRL547,000.

Electricity costs continue to perform well in this 2nd quarter, building upon the positive performance observed in the 1st quarter. We achieved a 24.2% reduction in costs compared to the same period in 2022.

It's important to note that starting from June 24th, Copel, the main electricity supplier to the Company, announced an average 10.5% increase in electricity bills. This average increase of 10.5% applies to both high-voltage and low-voltage costs. For high-voltage, the average increase was 8.31%, and for low-voltage, it was 11.73%.

Considering that around 70% of SANEPAR's costs related to Copel are associated with high voltage, this is expected to have an average impact of 9.34% due to the June 24th adjustment. Also, it's worth mentioning that from this year onwards, the subsidy has ended. The remaining 3% of the subsidy for the sanitation sector has been definitively incorporated into the tariff.

Third-Party Services increased by 11%. The main accounts impacting this item were maintenance of network services – there were some maintenance delays that were covered during this period, leading to growth in this account. Additionally, there's the matter of Reclip, customer billing and registration services, which experienced a growth of around 19% during this period.

Security services are also an important component. Due to collective agreement adjustments and an increased number of security positions established by the Company, there was an impact on the Third-Party Services costs.

General and Tax Expenses recorded a 12.9% reduction, mainly because last year, there were expenses related to municipal environmental funds. Since those payments did not recur this year, it resulted in savings in this account.

Civil, environmental, fiscal, and tax provisions saw a substantial increase, with an expense of BRL120.843 million compared to BRL56.714 million in the same period of the previous year. This increase is largely attributed to labor-related lawsuits, which involved provisions for reinstating retirees, overtime bonuses, salary equalizations, union-related matters, and aspects of our job and career plans. Some environmental provisions were also made, and updates to certain actions led to changes in values, impacting this account.

Provisions for Health and Pension Plans saw a significant reduction of 43.3%. Financial Expenses and Revenues remained consistent with the previous year, reaching BRL116.339 million compared to BRL118.980 million in the same period of the previous year. This change is due to a lower accumulated inflation this year compared to the same period of the previous year.

Other Costs and Expenses result from the Company's credit recovery campaign with its customers. There was a significant recovery and reversal of around BRL44.825 million during this period. The provision for losses saw a reversal as well, leading to a possible reduction in this account by 47.9%.

Let's move on to the balance sheet in the next slide. Our Net Debt increased by 14.5% from the end of 2022 to July 2023. This growth is primarily due to the expansion of Loans, Financing, and Debentures by 10.4%, reaching BRL5.614,402 million.

In Financial Investments, we are currently 4.6% lower than at the end of 2022, which has contributed to the 14.5% increase in our Net Debt.

In Operational Working Capital, we saw growth in Accounts Receivable. It's important to note that these are often renegotiated and, in most cases, divided into installments, based on customer preferences within the established rules. Accounts Receivable increased by 19.1% during this period, leading to a 24.8% growth in our Operational Working Capital.

Among other items, we had reductions in inventory and favorable financing with Contractors and Suppliers, Salaries, and other accounts. However, this first item significantly contributed to the increase in Working Capital for our operations.

Other assets/liabilities grew by 8.1%, largely due to Provisions, which grew by 17.5%, as mentioned earlier. Another significant item is Contract Assets, which also grew by 5.3%, reaching BRL2,891,427 million during this period. Equity at the end of June 2023 was BRL9,100,573 million, with the Working Capital Turnover at 56 days.

Regarding the Company's Cash Flow, Operating Activities generated BRL1,024,618 million, marking a 12.4% growth. Net Income contributed BRL1,311,734 million, while other accounts resulted in a reduction of assets by BRL292 million, a 12% increase.

In terms of Investing Activities, as we discussed, there was a growth of 15.2%. These activities consumed BRL881,227 million. Financing Activities saw a net cash outflow of BRL197,206 million, mainly due to Loans and Financing, with payments of BRL738,663 million.

Dividend and Interest on Equity Payments amounted to BRL385,616 million, and Financing Payments were BRL481,154 million. Overall, there was a reduction in cash of BRL53,815 million during this period. Cash decreased from BRL1,207,932 million to BRL1,154,117 million.

This concludes the presentation for 6M23. I now return the floor to our moderator. Thank you.

**Yuri Goulart, Analyst:**

The electricity procurement from the Free Contracting Environment (ACL, Ambiente de Contratação Livre) represents approximately what percentage of the Company's energy consumption? And what is the cost in Brazilian reais per megawatt-hour (MWh)?

**Abel Demetrio:**

Good morning, Yuri. The procurement from the ACL represents about 45% of the total energy consumption across the company's operational units. There were 49 units involved in this procurement. The winner was Copel Comercializadora, and the contract was signed on July 27th, with a value of BRL200 million. We anticipate that this will lead to significant energy cost savings from 2024 to 2028.

Of course, not all of the savings will be immediately realized at the beginning of 2024. This is due to the need to terminate existing contracts as they expire. I apologize for not having the exact megawatt-hour cost on hand. I've already requested our Investor Relations team to provide the specific details regarding the cost in these parameters.

**Yuri Goulart:**

I'd like to better understand the main factors behind a significant increase in water and sewage volumes. Was the comparison base for 2Q22 weak? What's the impact of the Reclip program on the increase in billed volume?

**Abel Demetrio:**

Yes, once we experienced a period of water scarcity, we saw volume recovery following the end of the water crisis. Naturally, this takes time until the normal consumption volumes stabilize.

However, I would say there is also a strong element, which is the investments being made in increasing the number of water and sewage connections. This, I believe, has contributed to the increase in volumes. Additionally, in the 2Q23, we did experience favorable weather conditions.

We had many sunny and hot days, which led to increased household consumption. And of course, the Reclip program aids in recovering credit for amounts that were previously considered losses; when these amounts are rebooked, they return to the account. These were the primary reasons that led to an increase in volumes, particularly in terms of growth.

**Nilo Nasser, Investor:**

We've noticed that the Company's debt is elevated and would like to know what actions the Company plans to take to reduce the debt over time?

**Abel Demetrio:**

Thank you for your question, Nilo. I would say that our debt stands at a leverage level of 1.78X. Our limit is three, and we take careful measures to comply with all covenants. Naturally, the necessary investment volume due to the new sanitation legal framework does bring a slightly higher leverage.

We currently maintain a debt level that I would consider reasonable for the Company's financial health. In fact, it's even below that of other companies that have much higher leverage than ours.

Our average debt repayment term is quite comfortable, as can be observed in our financial statements. Of course, our planning, which is conducted annually and reviewed each year for a five-year period, is meticulously done. This includes investment planning, revenue and expense planning, and a focus on indicators to ensure covenant compliance. The annual guidelines are approved by our Board of Directors.

I would say that our debt level today is at a point we still consider very reasonable.

**Juliano, Sell-side Analyst:**

Regarding the investments of PPP, will they be a part of the net RAB of the Company?

**Abel Demetrio:**

Well, as far as the investments of PPP, we have to follow the definitions of the regulatory agency, which already considers, in the case of leasing assets, which is an investment very similar to the PPP issue, as a pass through of the tariff, putting all the expenses incurred, all the consideration paid into the tariff.

The definition we have at the moment from AGEPAR is that the entire amount spent by the company on paying the consideration, which involves both the works portion and the services portion, should be passed on in the tariff.

**Eduardo Lazzaretti, GTI, Buy-side Analyst:**

Good morning, everyone. I have three questions, please.

The first question has already been answered.

Secondly: could you explain the increase we saw in both water and sewage volume this quarter? The growth seems quite strong compared to historical data and our expectations. We would like to understand if there were any exceptional events or if it's mainly due to the weaker comparison base in 2Q22.

Thirdly: Do you have any updates on the dispute you have with the government? Thank you.

**Abel Demetrio:**

Thank you, Eduardo, for your question. Regarding the legal action related to tax immunity against the government, there haven't been any significant procedural developments in this period. The situation remains consistent with what has already been disclosed to the market.

Regarding the increase in volumes, I will pass the floor to Julio, and he can provide an explanation of how he perceives the climate conditions in this quarter compared to previous periods. Until we have more technical data to support the volume growth, beyond what was impacted by the water crisis, as I mentioned earlier. Please, Julio.

**Julio César Gonchorosky:**

Good morning, everyone. Indeed, we experienced higher-than-expected temperatures in June and July throughout the state of Paraná, and even across Brazil as a whole. There was an increase in the average temperature, followed by very dry days across the state. This is one of the factors that led to higher water consumption, alongside the increase in new connections.

We see this as a normal event due to climatic conditions. At the same time, we were able to maintain our reservoir levels, especially in the metropolitan region of Curitiba, where the levels were quite satisfactory, close to 90%.

Despite the increased consumption across the state and in the metropolitan region, our reservoir levels and water availability remained stable.

**Abel Demetrio:**

Adding to that, we don't perceive anything exceptional in this matter. What we are seeing is truly related to climatic conditions and the recovery from historically low levels due to the water crisis and the conservation efforts that were implemented during that time.

Now, we have gone through a phase that was quite significant for the Company, and naturally, some recovery in consumption from the levels observed during the crisis is expected.

**Ricardo César:**

Is there any expectation for the privatization of the Company? Thank you.

**Abel Demetrio:**

Thank you, Ricardo. We don't have anything related to this and any expectations.

**Reinaldo Verissimo, Investor:**

Could you provide more information about the partnership with AEGEA? How will SANEPAR benefit from this PPP?

**Leura Lucia Conte de Oliveira:**

Good morning, everyone. Regarding the PPP and our new partner AEGEA, our expectations are quite positive. We have 16 municipalities within this PPP, and four of them do not yet have sewage systems for the population. We see this as a very positive aspect, not only for SANEPAR but also for the population.

The new legal framework has generated significant investment demands from municipalities to reach 90% coverage by 2033. We have less than ten years ahead of us, and this is reflected in the increased investments that the Company has undertaken from 2022 and 2023, which have grown substantially.

AEGEA is a partner that will support us in achieving universal coverage in a shorter time frame than if the Company were working in the traditional manner of contracting individual projects. This



partnership will expedite our progress toward universalization. Thank you.

**Leonardo Rafael Calixto, Investor:**

Could you provide some information about the acquisition of CS Bioenergia S/A?

**Abel Demetrio:**

Leonardo, thank you for your question. As this topic is currently under negotiation with third parties, the Company prefers not to comment at this time in order to avoid affecting the ongoing negotiations.

In the future, perhaps in the next quarter, the Company will keep the market informed through announcements and relevant disclosures regarding this matter. However, at this moment, we wouldn't like to make any statements about it. Thank you.

**Marcos K. Berlim, Investor:**

Does SANEPAR have plans to operate outside the state of Paraná? And I would like to congratulate you on the excellent results presented.

**Abel Demetrio:**

Thank you for your question. I believe that the legal framework for sanitation is bringing about several changes in the profile and scope of companies, introducing new opportunities to the market.

Of course, the Company has a significant effort to be made internally within the state of Paraná. For instance, consider the recent discussion of the PPP aimed at achieving universal sanitation coverage in municipalities that currently lack sewage systems.

Therefore, CAPEX remains quite relevant within the state of Paraná. While the Company has already achieved 79.4% coverage in sanitation, which is the main challenge of universalization, there might come a point where the Company could allocate resources for activities outside the state.

The market is open, but at this moment, there is no initiative in that direction. However, it is a possibility; the Company has the potential to operate outside the state and even outside the country. This is permitted by the Company's legal framework.

It's important to note that we have already been operating in a municipality in Santa Catarina for a long time. So, while we do have the freedom to operate outside the state, our primary focus is on achieving universal coverage within the state of Paraná.

**Vladimir Pinto sell-side analyst, XP:**

Good morning, I would like to know the effect of the Reclip program on revenue and billed volume. Thank you.

**Ozires Kloster:**

Hello, good morning. The Reclip program has had a positive impact on the Company's income statement, as Director Abel mentioned. However, the cash effect will be realized over time due to the installment payment schedules.

This program has led to the recovery of amounts for which we had previously made provisions as losses. At this point, those provisions are being reversed. The expectation is that these recovered amounts will be received gradually over the period, resulting in a positive cash impact.

**Abel Demetrio:**

Adding to that, it's also about the volumes. These volumes were billed in the past, so there's no impact on the billed volumes for the first semester.

**Daniel Hanson, Investor:**

Good morning! Congratulations on the results and the increase in sewage connections.

Could you please provide more information about energy generation from wastewater treatment? What is the outlook for this type of project, and could biogas help with the Company's energy consumption? Are there initiatives to utilize byproducts from wastewater?

**Júlio César Gonchorosky:**

Thank you, Daniel. The Company is indeed making various efforts and initiatives related to different aspects of wastewater treatment, as mentioned earlier.

The CS Bio project itself is a significant endeavor in partnership with SANEPAR, already yielding positive outcomes through the generation of electrical energy from the treatment of sludge at the Belém Wastewater Treatment Plant, the largest in the state of Paraná.

Furthermore, we have a series of other initiatives, such as experiments involving biogas, especially for the production of green hydrogen, and the utilization of residual sludge from wastewater treatment as biofertilizers.

So, there are several initiatives that the Company is pursuing, aiming for sustainability, nature-based solutions, and generating energy and products that align with environmental considerations. I believe President Cláudio would like to add a few words.

**Cláudio Stabile:**

Julio covered the topic of Biofertilizer, and we have recently finalized the selection of the best proposal for converting sewage sludge into biofertilizer. This involves primarily research, and it's likely to be the optimal solution. Based on the presented solutions, we anticipate establishing a partnership with the winning company behind the proposal.

Regarding hydrogen, as Julio mentioned, it's important to note that we have entered a significant partnership with the German government to produce renewable hydrogen from biogas. This involves purifying biogas to eventually yield renewable hydrogen.

In addition to receiving two FINEP awards in November, one for the purification of biogas from sewage treatment, resulting in biogas, CO<sub>2</sub>, and eventually renewable hydrogen, we also secured another FINEP award to initiate the production of liquid CO<sub>2</sub>, which has market demand.

These initiatives and others align with our commitment to product utilization, circular economy principles, supplementary revenue streams, and an improved cost-to-revenue ratio. All of which contribute to enhancing the Company's revenue. Thank you.

**Ricardo Oliveira, Investor:**

Good morning, what is the expected impact on the upcoming results due to the environmental indemnification lawsuits related to the sewage treatment plants (ETE's) being adjudicated at the TJPR (Paraná State Court of Justice)? And what are the expectations regarding compensations at the STJ (Superior Court of Justice)?

**Abel Demetrio:**

Ricardo, the Company does not provide forward-looking information or expectations related to ongoing legal matters, including environmental indemnity cases involving the sewage treatment plants being adjudicated at the TJPR (Paraná State Court of Justice) or potential compensations at the STJ (Superior Court of Justice). The Company's policy is to refrain from disclosing information about future events over which it currently lacks control. Therefore, we won't be addressing this matter.

**Leandro Aguiar, Investor:**

Dear sirs, good morning. First of all, I would like to congratulate you on the results of 2Q23, with the significant improvement in margins across various operation lines such as gross and net EBITDA, revenue increase, and progress in achieving the sanitation goals.

I would like to ask just two questions.

Regarding the provisioning line that has been increasing in the past year, could you provide some details on that? Could you please elaborate more on the Company's future vision regarding the investment in hydrogen-generated energy?

**Abel Demetrio:**

Leandro, thank you for your question. I will provide some information regarding the provisioning, as you requested.

In this period, indeed, in comparison, for the 6M21, it was BRL49.095 million, for the 6M22, it was BRL56.714 million, and for the 6M23, it was BRL120.843 million. As you mentioned, there has been an increase.

The labor-related issues had a significant impact on the provisions, with a contribution of BRL138.1 million. The reasons for this increase are as follows, and I'll reiterate them. The reinstatement of retirees, certain issues in this regard, which necessitated additional overtime payments, salary recovery, the update of the compensation and career program of the Engineers' Union (SENGE), concerning the salary differences. This had a relevant impact on this provision.

Additionally, there were environmental actions amounting to BRL27.4 million that were provisioned, with BRL12.1 million related to matters involving the IAT (Water and Land Institute) here in Paraná, as well as IBAMA (Brazilian Institute of Environment and Renewable Natural Resources).

Furthermore, an additional BRL13 million was related to an action in the municipality of Campo Largo concerning environmental damages, which the Company has also accounted for in its results. Lastly, there were updates on these actions, totaling BRL14 million. These are the main factors that led to the increase in provisions.

With regard to the accounts that were reduced, we had the definitive dismissal of 96 civil lawsuits for BRL12.1 million, 25 environmental lawsuits for BRL9.1 million and 332 labor lawsuits that were written off for BRL37.6 million and transferred to expense accounts. That's the answer to the question of provisions.

As for the use of hydrogen.

**Júlio César Gonchorosky:**

In regard to the utilization of hydrogen, I believe the president provided an insightful overview that might have addressed the expectation.

**Leura Lucia Conte de Oliveira:**

I would just like to mention that we are still in the early stages of these studies. The agreement has just been signed. So, we still have a path ahead of us, involving research and development. Only then can we envision some positive outcomes that could bring additional revenue for the Company.

**Pedro Macedo, Meta Asset, Buy-side Analyst:**

What is the Company's expectation for the next tariff adjustment from the regulator?

**Abel Demetrio:**

Thank you for the question, Pedro. The base date is always April 17th. We depend on the entire cost composition of the year 2023 to then potentially request an adjustment to the Agency.

So at this moment, we rely on inflation rates, we rely on our OPEX. We need to wait longer to have any expectations for an adjustment, and currently, we have nothing disclosed regarding this matter.

**Operador:**

Continuing, we received the following question via text:

Could you comment on the progress of the Miringuava dam construction? Thank you.

**Leura Lucia Conte de Oliveira:**

With great joy, last Saturday, we crowned the reservoir and reached its maximum level. We are now waiting for favorable weather conditions, as there is rain in Curitiba today, so that we can proceed with the pavement of the road on the dam crest.

We still have some electromechanical and electrical issues, final touches to be done in the construction. Our target date is October 31st. At this moment, we have this date as the final completion date for the first phase of the dam construction, which is the building of the dam structure.

We also have the second phase, which involves the rescue of flora and fauna with tree cutting, and perhaps Julio could provide more detailed information on this matter as it involves the Environmental Department.

**Júlio César Gonchorosky:**

We are entering the most complex phase of the reservoir. Not that the entire construction isn't complex, but environmental issues are always more delicate in the eyes of society. We are finalizing the last details requested by IBAMA.

We are prepared with all the teams to start the final surveys of certain flora and fauna species, and then proceed with the rescue and recovery of areas, so that we can effectively fill the reservoir.

The proposal we are going to make is in stages, based on depth, to expedite the process and ensure environmental quality and the preservation of everything that is necessary. SANEPAR has presented a very interesting proposal for environmental compensation, creating significant biodiversity corridors between the Miringuava reservoir and the Guaricana National Park. This will turn the reservoir into not only a water protection area but also a biodiversity corridor with significant genetic flow.

**Javier Kenner:**

Good morning, I wanted to congratulate you on the Company's results in this 2Q23. My question is about the dividend policy. Considering the increase in the Company's revenue and profit, will SANEPAR maintain the minimum dividend payment of 25% of its net profit?

**Abel Demetrio:**

Thank you for the question. Regarding dividends, we indeed experienced an increase in revenue and profit. However, as mentioned previously in relation to the leverage issue, we review our business plan annually and are currently revising the plan for 2024 to 2028.

All these cost, expense, and investment elements need to fit within the plan. Then, we need to consider the Company's covenants, restrictions in signed contracts, in order to determine the dividend payout volume.

It's worth noting that the Company has been paying slightly above 25%, around 31% to 32% in recent years. Last year, it was even close to 40%. But of course, all these factors need to be re-evaluated for the new cycle in order to have a more concrete determination of the dividend volume.

**Paulo, investor:**

Good morning! Thank you for selecting my question and congratulations on the results. In past disclosures, SANEPAR mentioned studying improvements with the practice of distributing dividends through Interest on Own Capital (JCP). Has there been any progress on this matter?

Additionally, if possible, could you provide more details on how the Company is monitoring the current hiring levels and upcoming expirations? Thank you.

**Abel Demetrio:**

Paulo, we are currently working concurrently on this issue along with the business plan. We are looking at the guidelines for the coming years and simultaneously considering a potential proposal for aligning dividends with the significant CAPEX that the Company needs to undertake in relation to its revenue.

Regarding the concession issue, we are still evaluating all the decrees. We have internal legal teams monitoring this matter, and we are keeping a close watch on developments to ensure that we are attentive to contractual matters with the municipalities, as they form the basis of our revenue.

There is no progress that can be disclosed at this time, but the Company does recognize the importance of having firm contracts, including for securing funding from public entities like Caixa Econômica Federal and BNDES.

**Vitor Ribeiro:**

Regarding the results participation program, compared to 1Q23, there was an increase of 102.5% when compared to the same quarter of the previous year. The increase remains significant, over 58.4%. With that said, I have two questions.

1° Isn't there a limit for the results participation program?

2° Can we expect such significant increases every semester?

**Abel Demetrio:**

Hello Vitor, yes, we do have defined limits for the distribution of Profit Sharing Program (PPR) to employees. We do not exceed these limits, and they are also conditioned to the achievement of performance goals that are evaluated by the management. Based on these goals, the PPR is distributed, and it can even be lower than the established limit, because that is the maximum.

Naturally, when comparing 2Q23 to 2Q22, which was a weak quarter in terms of earnings, the provision for this item also increases due to this comparability. These are the factors that guide our results participation program.

**Mauricio Rodrigues Chagas, Investor:**

Are actions being implemented to mitigate the occurrence of probable loss assessments in labor lawsuits?

**Abel Demetrio:**

Regarding provisions, all of them are duly monitored by the Company, especially by its legal team. Obviously, values within a certain threshold go through verification processes. We closely monitor this with our Statutory Audit Committee, Board of Directors, and the Company as a whole.

Unfortunately, this quarter we made some provisions. However, when it comes to labor issues, for example, we see cases from as far back as 2009, 2010. There is a delay in court judgments, which is a fact.

This brings some difficulty for companies, including us, in making accurate predictions for proper provisions, given the prolonged legal processes. This isn't just a challenge faced by our Company but is shared among various companies that find themselves needing to make provisions due to court decisions.

Of course, learning from mistakes, improving processes, enhancing the way we operate, are all commitments we make to ensure that these issues do not affect future administrations.

Our commitment is to have our house in order so that such situations do not arise. However, the dynamics of labor relations are always evolving. Take, for example, the pandemic. How many changes it has brought, such as remote work, and what effects will these have on legal matters? Not only for our company but for all companies, in terms of events that are yet to be evaluated, perhaps five or ten years from now.

So, we diligently work to mitigate risks. We provision for what is likely. We have reasons to do it, and we are obligated to do so. We need clearer definitions, even in terms of court decisions where we sometimes see changes in interpretation between different levels of the judiciary. But these are processes we have to incorporate and manage within the Company.

**Marcos Carneiro, buy-side analyst:**

Hello. Congratulations on the results. Could you comment on the methodology used for calculating the provision for doubtful accounts? Was there any change or improvement due solely to the commercial program?

**Ozires Kloster:**

Thank you, Marcos, for the question. There's a provision policy that the Company follows. Accounts from private customers that are overdue for more than six months or 180 days are considered for potential loss.

For municipal public sector accounts, those overdue for more than two years are also provisioned. There hasn't been a change in provision during this period, and consequently, with Reclip, as we had provisioned these values during the pandemic period.

Now, with the credit recovery program, we are reversing those provisions, which is having a positive impact on the financial results.

**Gabriel Vieira, Investor:**

Congratulations on the presentation and the excellent results of the Company. Is the Company currently working in any innovative sector to achieve relevant future results? If so, could you elaborate on that?

**Abel Demetrio:**

Thank you for your question. SANEPAR has recently received the Economic Value award for the third consecutive year in the infrastructure sector as the most innovative company in Brazil. We were indeed honored to receive this award.

We have several innovative actions within the Company that have already been implemented. We have the Ouro Verde Wastewater Treatment Plant in Foz do Iguaçu, which is a good example. Julio can talk about all these elements. We also have a joint venture with CS Bio, a company that generates energy through biogas, treats organics from CEASA, and utilizes sludge. We have the Atuba Sul Wastewater Treatment Plant, which is one of the Company's giants with various innovative improvements.

I would say that this aspect of innovation has been widely used in the Company as a factor for its development, cost reduction, revenue increment through accessory products, by-products, especially sludge, but also others.

I will pass the word to Julio so that he can complement with some practical examples of what the Company has been doing and also about the Atuba Sul Wastewater Treatment Plant, to show a bit about the Company's practices in this regard.

**Júlio César Gonchorosky:**

As the president mentioned, we have two initiatives that are just starting, but they are quite promising. These are green hydrogen and the utilization of sewage sludge as biofertilizers. These two examples alone are extremely promising not only for additional revenues but also for the proper utilization of the Company's by-products.

Today, a significant portion of the sludge goes to agriculture as a direct placement after sterilization, and the gases are mostly used for burning to generate energy or to prevent pollution. So, these two examples are extremely interesting in terms of bringing significant gains to society in terms of environmental quality and can also bring substantial additional revenues to the Company.

**Leura Lucia Conte de Oliveira:**

We have financing from the German bank KfW for some of the state's largest treatment plants that have the potential to generate a reasonable amount of biogas. The Atuba Sul Wastewater Treatment Plant is one of them.

We are making significant progress with the project, with almost BRL300 million in investments. Our main objective is to treat Paraná well, which means utilizing biogas for electricity generation. We also have thermal sludge drying in the final testing phase. We can use this drying process to not only reduce volume but also harness energy and biogas from the sludge.



**Operador:**

We are now concluding the Q&A session and handing the floor over to the Chief Financial and Investor Relations Officer, Abel Demetrio, for the Company's closing remarks.

**Abel Demetrio:**

Thank you for the questions and for participating in this Company event. Yuri, we will address your question regarding electricity. I wish everyone here a great day and an excellent weekend.

**Operador:**

The results videoconference for the 2Q23 of SANEPAR has concluded. Thank you very much to all participants, and have a great day.