



Operator:

Good morning and welcome to Sabesp's Second Quarter 2026 Earnings Presentation.

Joining us today are Carlos Piani, CEO; Daniel Szlak, CFO; and Thiago Levy, Investor Relations Director.

Before we begin, we clarify that the statements made during this presentation do not include projections or estimates of future events. However, they may contain forward-looking statements, which indicate potential trends related to Sabesp, based on the management's expectations, beliefs, and reasonable assumptions as of today.

These statements involve risks and uncertainties and are based on assumptions and factors—such as market, regulatory, and economic conditions—that may not materialize, in addition to risk factors disclosed in Sabesp's documents filed with the Securities and Exchange Commission (CVM), B3, and on its Investor Relations website.

Investors should understand that changes in these factors may lead to results that differ from current trends and should not place undue reliance on these statements.

The full disclaimer will be presented next and should be read carefully by all participants.

This presentation is being recorded, and all participants will remain in listen-only mode during the presentation. Afterwards, we will begin the Q&A session, which is intended exclusively for analysts and investors.

If you wish to ask a question, please use the Zoom Q&A function, providing your name and the institution you represent.

I now turn the floor over to Daniel Szlak, who will comment on the results.

Daniel, please proceed.

Daniel Szlak:

Thanks, operator. Good morning, everyone, and thank you for joining Sabesp's second quarter 2026 earnings call.

I'm Daniel Szlak, CFO, and I will present our operational and financial highlights for the quarter. After that, I will hand the call over to our CEO, Carlos Piani, who will provide an update on our priorities. We will then open the floor for Q&A.

In 2Q26, total water production reached 779 million cubic meters, 4.3% lower year-over-year. As mentioned last quarter, consumption continued to be affected by milder weather conditions compared to the prior year, as well as the application of SP Águas' operational rule for night pressure management, implemented for approximately 10 hours per day to enhance system resilience during the quarter.

Our active customer base remained stable, with approximately 9.5 million water connections and 8.2 million sewage connections. The slight year-over-year reduction is mainly explained by increased revenue assurance actions and the verticalization of the cities in which we operate.

Quarter-over-quarter, both water and sewage connections increased by 0.2%, reflecting the progress of our universal access program.

Turning to slide 5, before I begin, I would like to clarify that, this quarter, we started to consolidate EMAE's results into our reported figures. Therefore, the figures presented on this slide include EMAE's contribution.

Adjusted net revenue grew by 9.4% year-over-year, mainly reflecting the tariff adjustment and the expansion of our customer base.

Adjusted EBITDA was R\$3.5 billion, down 2.3% compared to the same period last year, with an EBITDA margin of 58.3%. This performance reflects investments associated with our customer service initiatives, as well as inflationary pressures, which I will discuss in more detail in the next slides.

Adjusted net income totaled R\$1.2 billion. The decrease versus the prior year reflects the higher net debt balance required to fund our universal access program.



Cash conversion and generation remained solid, with operating cash flow reaching nearly R\$3.0 billion in the quarter and conversion above 75%.

Moving to slide 6, before diving deeper into the quarter, I will briefly go through the reconciliation between reported and adjusted figures.

From this point onwards, I will focus on adjusted figures, excluding effects that do not reflect Sabesp's operating performance.

As in previous quarters, we exclude construction revenues and financial asset bifurcation effects, which are merely accounting in nature. It is worth noting that, while Sabesp does not record a margin for construction, EMAE still does.

We also exclude R\$68 million mainly related to the Jaguaré incident and EMAE's figures.

Given that EMAE is much smaller than Sabesp, we will exclude its figures from the next pages so that we can properly discuss the core business performance. However, investors can find more information on EMAE's performance in the appendix, in our filings with the CVM, and in EMAE's own filings, given that it is also a publicly traded company.

Turning to slide 7 and exploring our revenue drivers, adjusted figures increased 6.7% year-over-year.

The quarter was also affected by two additional factors: milder weather conditions, with average temperatures approximately 1.1% lower year-over-year, and our ERP implementation. Excluding these effects, underlying revenue growth would have been close to 10%.

Price contributed 8.7%, driven by the January 2026 tariff cycle, partially offset by reforms, which will be subsequently adjusted in the 2027 tariff review.

Volume contributed 1.1%, explained by a 1.0% contribution from new units and 0.6% from metering upgrades. These effects were partially offset by the negative impact of weather on consumption.

Finally, mix had a negative 3.1% impact, split into 2.3% from category mix, mainly reflecting the expansion of low-income tariffs versus the previous year, and 0.6% from band mix, driven by weather.

On slide 8, we provide additional color on revenue performance.

Roughly 2 million units now have access to discounted rates, representing an increase of approximately 15% year-over-year and almost double the level we had before privatization.

This reflects our commitment to expanding access to sanitation services while supporting vulnerable populations. An interesting fact is that the new social tariff program has kept the average price to consumers flat compared to the level before privatization.

For Sabesp shareholders, these discounts are contemplated within the regulatory framework and are expected to be addressed in future tariff reviews.

We also experienced a temporary slowdown in meter replacement activity due to import constraints, which affected the pace of upgrades in the quarter.

Moving to EBITDA on slide 9, adjusted EBITDA declined 3.2% year-over-year to R\$3.5 billion.

Starting from the top, the positive contribution from net revenue was more than offset by a strong comparison base in costs versus the prior year.

G&A was impacted because 2Q25 benefited from R\$230 million in reversals of legal accruals.

Service costs were driven by investments in customer experience initiatives, including the expansion of service channels, such as agencies and Poupatempo units, the reinforcement of field operations, and the strengthening of customer service capabilities, including call center expansion and a change in provider.

This line also includes higher customer communication and marketing outreach efforts as part of our commercial plan.

We also saw inflationary pressures associated with the geopolitical environment, amounting to approximately R\$28 million in the quarter and mainly affecting chemicals.

We wanted to share with investors our perspective on the underlying EBITDA for the quarter. Excluding the gain from 2Q25 legal victories, ERP timing effects, customer experience investments, and extraordinary inflation from the geopolitical conflict, underlying EBITDA would have grown close to 20% year-over-year in the quarter.

Deep diving into costs on slide 10, personnel expenses remained controlled, increasing 0.9% year-over-year despite a 4.4% wage adjustment behind inflation.

This was largely offset by workforce optimization initiatives implemented over the last quarters, including voluntary dismissal plans.

Power costs increased 2.2%, mainly due to transmission and sector charges, including the new charge from Angra. However, migration to the free market helped mitigate part of these pressures, with 88% of total consumption now sourced through the free market.

Moving to the next slide, reported net income reached R\$1.5 billion in the quarter.

The main driver behind the year-over-year decline was the increase in financial expenses, reflecting a higher average net debt balance.

The increase in interest expenses is consistent with the financing needs of our accelerated investment program.

Depreciation and amortization also increased, reflecting the expansion of our asset base, which grew from approximately R\$55 billion to R\$70 billion year-over-year.

These effects were partially offset by a lower effective tax rate, which declined from 34% to 29%, driven by interest on capital paid in April.

Moving to slides 12 and 13, we will update you on our Capex.

Investment execution remains one of the highlights of our transformation and continues to demonstrate our ability to bring definitive solutions to historical issues.

Capex totaled R\$7.5 billion year-to-date, an increase of 15.6% versus the previous year. We also ended the quarter with more than R\$40 billion in contracted backlog through 2029, providing strong momentum for future execution.

We would like to remind investors of the historical seasonality of our Capex, which is usually higher in the second half of the year.

U-Factor targets continue to evolve at a fast pace. As of July, we had virtually met the water target for the year, while sewage collection and treatment targets reached 90% and 82%, respectively, giving us a good runway for this year and the next.

Physical evolution remains strong across our key programs. We delivered two new sewage treatment plants, Caieiras and Água Vermelha, which together add 0.4 cubic meters per second of treatment capacity.

As a result, 127 thousand additional people now have access to sewage treatment services.

In the Countryside, Phase 1 continues to advance, with 11 projects in execution, representing R\$5.1 billion in investments. The next phases continue to advance as expected.

Turning to slide 14, our balance sheet remains strong and well positioned to support the investment cycle.

Gross debt totaled R\$51.7 billion, while net debt stood at R\$34.2 billion at the end of the quarter.

It is worth highlighting that 54% of our debt is now covenant-free. Once we reach our capital target for the year, two-thirds of our debt will have no financial covenants.

Our average cost of debt remains close to CDI, with a 6.1-year weighted average maturity.

In addition, 64% of our debt matures from 2031 onwards, reflecting the long-term profile of our financing structure.

We also ended the quarter with R\$17.4 billion in cash, which covers more than four years of amortization and provides substantial liquidity and flexibility to continue executing our investment plan.

Finally, on slide 15, our net debt closed at 2.5 times EBITDA, a level we deem appropriate for a company executing one of the largest infrastructure investment programs in Brazil.

Return metrics also showed resilience, even in a higher-for-longer interest rate scenario. ROIC was 10% and ROE was 17%, reflecting the strength of the business as we continue investing for future growth.

With that, I will now hand the call over to our CEO, Carlos Piani, to discuss our priorities in greater detail.

Carlos Piani:

Thanks, Daniel. Good morning, everyone.

Before going into the operational highlights, I would like to revisit what we call Sabesp's Culture on a Page.

This is the framework that has guided our transformation over the past two years. It brings together our purpose, our long-term dream, the strategic paths we need to execute to get there, and, importantly, our values - which define how we want to get there.

As we completed two years since privatization in July, I think it is useful to look at how far we have come and, equally important, where we still need to improve.

We have made significant progress across several of our strategic paths. We have accelerated universalization and strengthened water and sewage security, resilience and quality through both organic and inorganic investments. We have advanced innovation and digital transformation, made important progress in business efficiency, and continued investing in people development.

But transformation at this scale is a journey, and there are areas where we still have significant work ahead of us - customer satisfaction being one of them.

So, this quarter, I would like to focus on three of our corporate values that are particularly relevant to our equity story today: deliver results with purpose; be guided by ethics and safety; and put customers first.

Let me start with delivering results with purpose.

For us, this means delivering exceptional results while creating sustainable value for all our stakeholders. Sustainability is therefore not something separate from our strategy; it is embedded in the way we operate and allocate capital.

This quarter, we received an upgrade in our MSCI ESG Rating to BBB, recognizing the progress we are making in integrating sustainability into our strategy and operations.

This is particularly relevant for Sabesp because many of the most important ESG issues are also fundamental business issues for us: managing water resources, increasing system resilience, adapting to climate change, expanding sanitation coverage, and providing reliable and affordable essential services.

We see this upgrade as recognition of the progress already made, but also as an indication of where we can continue improving.

Now let me move to another value that is fundamental to our transformation: be guided by ethics and safety.

The scale of our operation has changed dramatically over the past two years.

Two years ago, Sabesp had a workforce of approximately 25,000 people, including our own employees and third-party workers, and around 200 construction sites in execution.

Today, our workforce is approximately 44,000 people, an increase of roughly 76%, and we have around 1,500 construction sites underway - 7.5 times the level of two years ago.

This extraordinary increase in activity is what allows us to accelerate universalization. But it also materially increases the complexity of our operations and our exposure to safety risks.

Although our lost-time injury frequency rate has declined year over year, recent incidents made it clear to us that we needed to go further. We therefore conducted a comprehensive review of our safety procedures and decided to raise our standards beyond Brazilian technical requirements.

As you can see on the slide, we expanded the attention zone around underground infrastructure from one meter to three meters, strengthened verification procedures for natural gas and other underground infrastructure, and made Ground Penetrating Radar mandatory throughout the attention zone.

We have also tripled the number of field inspectors, reinforced supervision based on project risk and complexity, and established mandatory training, qualification and certification requirements for both Sabesp and third-party employees.

At the same time, we are increasingly using technology - including artificial intelligence and robotic inspection equipment - to identify underground risks and strengthen field monitoring.

And finally, we created an Operational Safety Group reporting directly to me, reinforcing accountability and ensuring that safety has the appropriate visibility throughout the organization.

The message here is straightforward: the acceleration of our investment program cannot come at the expense of safety.

As our construction program grows, our safety standards, controls and capabilities must grow with it.

Let me now turn to the third value I want to highlight today: put customers first.

Over the past two years, the transformation of Sabesp has accelerated significantly across virtually every dimension of the company.

But that transformation has also generated incremental demand across our customer channels. More construction, more connections, changes in our systems and processes, and a much greater pace of activity inevitably create more interactions with our customers.

We recognized that our customer-facing infrastructure needed to evolve at the same speed as the rest of Sabesp. So, in 2026, we decided to accelerate both Opex and Capex investments across our entire customer service platform.

Our commercial plan is organized around three priorities.

First, strengthening our customer service infrastructure and capabilities.

We created a dedicated Customer Experience Executive Team, added approximately 200 FTEs, including internal and outsourced personnel, expanded our physical presence with 12 new stores, 34 store retrofits and 20 new Poupatempo service centers, and strengthened our call center with a new provider, enhanced capabilities and 120 additional service positions.

Second, redesigning the customer journey and improving every point of interaction with Sabesp, with particular attention to our low-income customers.

Since privatization, the number of customers with access to discounted tariffs has nearly doubled, from approximately 1 million to almost 2 million units, with an average discount of approximately 66% compared with the standard tariff.

For us, universalization is not only about connecting households to water and sewage infrastructure. It is also about making those services accessible, affordable and easier to navigate.

And third, significantly increasing communication with our customers.

We are transforming Sabesp at unprecedented speed, but the benefits of that transformation need to be understood and experienced by our customers. That requires us to communicate more frequently and more proactively - about planned maintenance, construction, water conservation, service changes and the improvements we are delivering.

In the second quarter, our proactive customer communications were approximately 2.4 times the level of the second quarter of 2025.

These initiatives are already producing tangible improvements. Average handling time in June was 87% lower than in December 2025, and complaints across critical channels declined 31% quarter over quarter.

Altogether, we expect approximately R\$800 million of spending and investment in commercial initiatives in 2026. As the new operating model becomes fully implemented and reaches maturity, we expect part of this cost base to normalize and the overall structure to become increasingly efficient.

Ultimately, our objective is very clear: we want the customer experience to catch up with the transformation already taking place across the rest of Sabesp.

Before we move to the next session, let me leave you with one final thought.

Two years into this transformation, Sabesp is a very different company. We are investing and executing at an unprecedented scale, accelerating universalization, strengthening the resilience of our operations, and building the capabilities required for the next phase of our journey.

But transformation is not only about doing more - it is about doing it better. That means delivering results with purpose, raising the bar on safety, and ensuring that the improvements we are making across the company ultimately translate into a better experience for our customers.

We have made significant progress, but we know there is still a lot to do. Our ambition remains unchanged: to build the global leader in water and sanitation, while creating sustainable, long-term value for our shareholders and for society.

With that, I conclude this part of the presentation. We can now move to the question-and-answer session.

Questions and Answers

Operator:

Thank you. We will now begin the question and answer session for investors and analysts. To ask a question, send it via Zoom Q&A stating your name and company. Our first question comes from Mr. Bruno Amorim from Goldman Sachs. Mr. Bruno, your microphone is open. You may proceed.

Bruno Amorin – Goldman Sachs:

Hi, good morning, everybody, and thank you for the opportunity to ask a question.

You know, how much of the higher costs in the second quarter are either transitory or subject to future tariff coverage, in your opinion? And just to follow up to that, can you also better explain the nature of the components of the bridge in the bottom of slide nine, especially the revenue and timing components, which you exclude from the calculation of the underlying EBITDA?

Thank you so much.

Answer – Daniel Szlak:

Thank you, Bruno.

Thinking about maybe I'll start from the back. I think it helps explain the early part of your question, right? So on Page 9, what we tried to bring was what are the things that we've decided to do? What are the things that are new versus what we've been communicating with the market? So one of the things that we started to disclose is the effect that weather has in our results. This is a good practice that happens across the globe with our peers. So we started to disclose that as this is very material to the business, and something that will oscillate positive or negative depending on the quarter, and to bring that sensitivity to the market.



The second part, which is still on net revenue, about 60 million of that, and combined with the second item on the bridge of timing is related to the SAP go-live. The part that's hitting revenues is mainly due to a higher fiscal fees, a higher sales tax rate based on the go-live of the system, because we had fewer invoices coming in where we are able to take credit, tax credits from them. So we had more accruals to reflect the actual cost of the quarter. And hence we expect that to transition down in Q3. So we expect to recover that in Q3. When we look at the timing part of cost, I'll say half of that is Q1 expenses that move to Q2 and the other half are Q3 expenses that moved into Q2. So I'll expect half of that would be recovered over Q2.

Thinking about all the other things and I'll leave the customer experience to the end because that's the part that we want to deep dive a little bit more. But we had this year for one quarter, oil prices at 115, 110, that put an additional pressure to our chemical costs. That was about a 20% average increase in cost to our chemicals. There are chemicals that increase more than that, chemicals that didn't increase that are linked to the supply chain that comes all the way from the Middle East. So, in that aspect, we had extraordinary cost. Now, our task and challenge is to negotiate that back down to the current levels and to try to bring that back for the second half of the year. We're already making progress to that, but we still have some things to be done.

Thinking about the commercial plan, as Piani highlighted in his speech, we expect to spend about R\$800 million this year in many areas. Some of that we'll see through cost, some of that we'll see through revenue. On the revenue front, one thing that we didn't mention here, but we had 50 million reais increasing reforms in this quarter, just rounding the numbers. We expect to see that continue. One of the things that we used to do when we think about reforms, we were more reactive than proactive when we saw that there was an increase in consumption volume for a given a connection. And what we did was we anticipated the resolution time by being proactive in flagging that to the consumer and treating that.

We've increased a part of the cost also comes from increasing the number of people that actually do that job and to reduce the friction on the consumer front. So, that's about 50 million in the quarter. And we have another 150 million on the cost side that we flagged also on the bridge. That's mainly related to the communication outreach that Piani mentioned. About half of that is related to that. And the other half is mainly linked to the expansion of customer service agencies such as Poupatempos, increasing 200 people on the service agencies that actually provide a service to the population. And another 120 people call it on the call center. So, that we can solve a backlog of tickets that we had accumulated. As we grew, what we started noticing that we grew and we started also being more on point on collection.

And as we started doing that, we realized that we had to also expand our service capacity to be able to meet the questions or the concerns that the clients had, and we wanted to improve the service. So that's a little bit of the general picture. Of that general picture, what we expect based on the rules 106 by ourselves, and all the other rules on our contract, we expected about a little bit more than half of that to some extent will either be a pass-through or it will be something that we will cover through the histogram in upcoming tariff cycles. When you think about that, a part of the amount that Piani flagged is also in anticipation of the public hearing that close with regards to discounts to large clients. So we've already placed a number inside. that R\$800 million, assuming that this comes live very soon, to be conservative.

And the rest of that, I would say that half of the half, so about 20%, 25% of that we expect to stick, and the other half we expect to improve through productivity as we transition more to digital channels rather than physical channels. So this is more or less what we expect going forward and how we see this transitioning. I don't know if I was able to answer everything, Bruno, but of what I remember you asked, I think I addressed it.

Operator:

Our next question comes from Mr. Artur Pereira from JP Morgan.

Artur Pereira – JP. Morgan:

Hi, good morning, guys.

So still on... want these investments in commercial efforts. You mentioned that out of the R\$800 million, this should consider OPEX and revenues, just to make sure that nothing goes into CapEx And you mentioned the R\$150 million in expenses in the second quarter, R\$50 million in revenues. So the remainder R\$600 million, should we consider in the second half of this year, or was anything already disbursed in the first quarter? And on the expenses, was this fully booked as third-party expenses or also personnel? Because personnel expenses increased quarter over quarter. And maybe just wanted to recap a little bit what you see as underlying. You exclude the R\$150 million in this quarter on the underlying figure that you presented. So how much of this OPEX on the commercial efforts should we consider as recurring?

in the upcoming years, thinking about 2027 onwards.

Answer – Daniel Szlak:

Thank you, Arthur. Thank you. Long question. I'll try to remember everything. I wrote down most of what you said, but let me know if I missed something. Look, thinking about '27 onwards, as I said, I think about 20% to 25% of that is what I expect will stick given, to some extent, we'll recover a part. So let me put it in a different way. A part of that, which is a majority part of that will stick, but half, more than half of that will come back to the tariff cycles, which is the part that's linked to revenues and large clients discounts and mandatory communication as we go commission construction work. So these are things that are mandatory by the regulation. And these things will get eventually reimbursed. Another 20% are things that we are increasing cost and that we will stick.

And the remainder of that we expect we'll see in productivity over the next years improving. So, we don't expect that to stick over '27 and so on and so forth. So, from an NPV perspective, the only lagging part is going to be the 20% that we'll stick in terms of cost. I know that's where you're going. In terms of personnel, a small portion of that is in personnel. I don't expect to see a big part of that plan hitting personnel. I wouldn't model that. My view is that the oscillation that you see in personnel is more linked to timing of benefits and things like that that we don't even deem worth of calling out. And in terms of the timing of commercial, you're right. We've cycled through 200, give or take, of the 800 that we mentioned. We will see the next 600 over the next quarters between Q3 and Q4. That's where we expect we will land.

Did I miss anything?

Answer – Carlos Piani:

No, I think, Daniel, I think you got everything, but just let me try to give a 10,000 feet overview. What we're doing, we're taking the customer by the hand. Instead of letting him complain, we're preempting any big variations on customer bills and bringing those customers to a conversation, see if there's any, according to the regulatory framework, any reforms that are available for that increase. So what happened before was we were reactive, waiting for the client to complain. Now we proactively, we're using the rules of the game below our arms and trying to give that benefit to the consumer. That's the piece of the commercial investment, in broader sense, that goes through revenues because it's a bill reform, okay?

So this is basically an anticipation of something that we are going to be compensated through different tariff revisions moving forward. So just to be clear on that front. The second piece that I think is worthwhile, we invested a lot, much more than I think it's a recurrent basis on communications. Besides everything that we're doing that we need to communicate, we're communicating all these changes to the consumer so that he can appreciate and know what are his rights. Of course, this has a bump at the beginning and then this has a reduction and has dent in general, independently if it has a regulatory recognition or not. And part of these communications are also. .. So regulatory compliance that can be compensated for the tariff cycles.

And to be very specific in one of the measures that Daniel made is that we created, as I mentioned on the opening of the call, we created an additional group that's small. I don't think it's relevant for you guys to model, but we have a dedicated team to improve the experience with the consumers. So yes, there's a pickup increase on personnel, but we don't believe that this is going to change the trajectory that we had before.

Operator:

Our next question comes from Mr. Francisco Navarrete from Bradesco BBI.

Francisco Navarrete – Bradesco BBI:

Okay, thank you, Piani and Daniel I just have two questions, if I may. One is if you could comment about the CAPEX leveling to Q26.

I think maybe the pace at which the CAPEX showed in 2Q was a little bit below expectations, and if you could talk about that and then tell us what your vision for the CAPEX for the full year 26. So, that's one question. And then the second, I know you already explained part of it, but if you could provide more detail on the revenue gap that we're seeing, I think we're estimating something that seems to be a little bit higher than in the first quarter. So if you could help us understand that.

I know in the press release you already mentioned BRL170 million of mix, but what else should we consider there to close that gap? Thank you very much.

Answer – Carlos Piani:

Thanks for the question. I'll make a brief introduction, pass to Daniel, and maybe I'll come back. But in terms of CapEx, usually the first quarter is the softest quarter of the year because people are tired of pushing until the end of the fourth quarter, given all the incentives that we have, annual revisions of the regulatory asset base and so forth. So there's a seasonality, there's a pacing, and it's back-ended. This is natural as expected. The second comment I think is worthwhile. The works that we were pursuing at the beginning of this journey, we're less than two years in, were the projects that were closest to us, basically here in the north region of the metropolitan area of São Paulo, that were known, and so forth. The change, why are we confident that we're going to pick up, we're going to pick up strongly the pace?

Because as I think we have as I think we highlighted in the presentation, Daniel can give a little bit more color, we're concluding the hiring of four phases. So, we highlighted two, but there's four phases of the universalization program for the countryside of São Paulo. That's what we're going to be measuring next year. So, we need to pick up in 100% of the municipalities of Doria. So, there's a lot of volume of works that are being hired and this gives us conviction that we're going to aim towards the R\$20 billion a year end. Of course, there's a challenge as always, it's not a piece of cake, but I think we have, what I can tell you guys is that we have an action plan to get there and we know how to get there, right?

Of course, we need to prove this on a daily basis, but we have the contracts now signed, and we have a plan to get there back-ended until the fourth quarter this year.

Answer – Daniel Szlak:

All right, just to complement here, going to the CapEx, right? So we have about R\$40 billion of backlog. Last quarter, we also had R\$40 billion of backlog, so we executed almost four, and continue with 40, which means that we contracted 4 billion through the quarter. We're now in the final stages of contract, final, no, but I'd say over the next nine months or so, we'll be contracting another 20, give or take. So that will allow us to continue ramping up the CapEx As it stands today, we have about 1,500 different CapEx fronts active. We expect to reach at the end of next year at some point close to that, which is going to be our peak, about 4,000 simultaneous on work sites. So that's definitely a big increase, as Piani alluded to. We have a lot of people working around internally and on the contractor's front.

These numbers are going to almost double by the end of next year. So, we're very well advanced into the U-factor targets for this year, right, as you can see from the presentation. And now we're turning our attention a lot to the U-factor targets for next year. So, that's where we are, more or less, with regards to that. In terms of the revenue gap versus the regulatory front, we have basically three items that are relevant. The first one is, as you mentioned, is the mix, about R\$877 million from social tariffs and from consumption band mix because of the lower temperatures. The second part of that is the reforms that I mentioned, and as you correctly pointed out, about 15 million in the quarter.

And... Then when you look at the remaining R\$50 million, in our view, that continues to exist, this is mostly related to large clients.

And basically, it has a R\$50 million impact on the quarter that's mostly linked to very few clients that still have active contracts of discounts, being half of that R\$50 million. And the other half is another gap that's driven by the injunctions that are still active. Every quarter, we'll be reducing that number. But we still have some injunctions that are active that prevent us from charging the full price to some clients. Okay. So, that's give or take where we see the regulatory gap today.

Operator:

Thank you. Our next question comes from Ms. Sofia Gran from Moneda. If it's not the case that she doesn't have her mic on, I can read her question here. I think it's directly to Daniel. What percentage of universal coverage have you reached so far and how many connections remain to be achieved? There's some other questions. How do you plan to finance the CapEx for universal coverage and what percentage of the total CapEx expected to be deployed for sewage and for water? How much CapEx is going to be used to improve the network?

Answer – Daniel Szlak:

Great. Thank you. Thank you, Sofia, for your question. So when we think about our percentage coverage, this is something that we don't have. I cannot give you a final... number yet because we're still doing the census, right? And this is going to be what's going to be used to calculate what is the percentage coverage. What and this is going to happen until the end of this year. What I can say today is that from our target that needs to be met by adding a net new number of economies, we've met 105% of the three-year target for water, 90% of the sewage collection, and 82% of the sewage treatment, which means that we're very advanced as we think that we still have six months to deliver. And like I said, our attention is focused right now in contracting what is '27.

So as we progress and as we have the result of the census, we'll be able to update everyone as to what's the percent coverage compared to the 99% that we need to reach by 2029. Okay, how do we plan to finance the CapEx? We've been funding that mostly through that, and we'll probably continue to do that over the next year and expected by '28 to start generating enough cash flow to, to, to be able to continue funding that with less percentage of that. About two thirds of that CapEx goes into sewage treatment and 1 third goes into water. Just that's just how much the split is. And in terms of improvement of the network, we've been doing about 10% of that total CapEx, which is maintenance network upgrades and so on and so forth.

The bulk of the CapEx really goes into expansion and extending the network and, and extending the the, the, the sewage treatment facility capacity so that we can plug more economies into that.

Operator:

Our next question comes from Felipe Andrade from Itaú BBA.

Felipe Andrade - Itaú BBA:

Hello, good morning. Thanks for accepting the questions.

If you could just please go through the increase on the allowance for doubtful accounts. What explains this increase from 1.4% in the past three quarters to the 2.5% figure on the second quarter of 2026? And also, if you could just please comment on the unitization pace expected for 2026, if the company sees any changes on what it was expecting before the reduction on CapEx deployment of the second quarter. Thank you.

Answer – Daniel Szlak:

Thank you, Felipe. I'll take the first one. So, in terms of allowance for doubtful accounts, I think it's worth rewinding a little bit further the movie. When we came in,... The run rate of the allowance for doubtful accounts was about 4% of

revenues, which meant that this created a very long backlog of collection that we could act on, and we've acted on that, and we've been able to achieve the lowest historical number, which was 1.4% at the end of Q1 of this year, and even I think at the end of Q4 last year as well. So we've reached the historical best, but that was also at the expense of collecting some of the backlog, and naturally, as you start working through that, this starts reducing, so that opportunity starts reducing.

I think going forward, and then I'll talk about Q2, but going forward, what we expect is something that will eventually land at something that's similar to other utilities from our benchmark, is close to 2%, a little bit less, a little bit more, but that's what we expect will be eventually the recurring pattern of the company. As we upgrade to smart meters, that might present an opportunity for us to continue improving structurally. So as they become a bigger part of our metering fleet, eventually this is going to be able to improve. That said, historically Q2 is one of our highest allowance for doubtful accounts quarters from a seasonality perspective. So that's in the end a little bit of that. I would look at that more as a first half rather than Q1, Q2. But that's where we see the numbers.

In terms of unitization, we don't expect any change to what we've been communicating, where we think that about two-thirds of the CapEx of the year usually is able to commission in that year. And one-third goes to the work in progress. This is more or less what we continue to expect. We don't see major changes here.

Operator:

Our next question comes from Carolina Carneiro from Safra.

Carolina Carneiro – Safra:

Hi, everyone. Good morning. Thank you for the call and the opportunity.

I wanted to go back to CapEx. If you can now update us a little bit on the overall CapEx plan on regards especially of the potential dissipation of the projects they're aiming to enhance the water resilience and the security of supply here in São Paulo. And also how has been conversations or conversations going already with the regulatory agency here in order to recognize that support that especially noting that we are going to have this year the application of the methodology to recognize the annual CapEx on tariff. So if you can give us a hint on these specific points would be great.

Thank you.

Answer – Daniel Szlak:

Thank you, Carolina, given, I think, since August of last year, there's a specific protocol that has been enacted by the state government, which has today by weekly meetings, previously it was weekly meetings, where all the strategy regarding water scarcity involving all players was decided in that group. That group decided together to anticipate a couple of investments, as I think we mentioned in the past. I think the major one that we have is a connection between Billings and our Alto Tietê watershed, so we can take water from Billings to the water treatment plant at Taiaçupeba, which represents roughly 30% of the water, potable water, of the metropolitan region of São Paulo. This construction is expected to be concluded by the third quarter of next year, and it's around R\$1.4 billion. So this has been aligned, everybody knows.

We still don't have clarity about the new methodology, as you mentioned, that had already a public hearing. We expect this to come out to the market probably, and it may be until the end of the third quarter. But I think what I can tell you is everybody knows that we're doing the best we can to help avoid a tail event, okay? So there's two other smaller investments, but I think the major one is the one I just described. Our strategy is to pull forward a couple investments, but nothing. that we can do is going to solve the next 2-3 months, right? I think the night pressure management is the lever that, as a community, we can pull together.

But everything that we're doing is aligned, and we expect to be recognized in the tariff, in the regulatory asset base, independently of the methodology that's going to come forward in the next couple of quarters.

Operator:

Okay, our next question comes from Mr. André Sampaio from Santander, and I will read it. I want to go back to OPEX, but focus more on the structural long-term view. How the company views the efficiency agenda moving forward?

Answer – Carlos Piani:

Thank you, operator. Thank you, Andre. Look, the efficiency agenda... continues to be one of the company's main strategic pillars, right? There are three strategic pillars, deliver the universal access, deliver the efficiency to fund the universal access. And then as we progress, eventually, as we reach good customer satisfaction, good service levels and so on, so forth, dream a little bit beyond our borders. That's basically our strategy in a nutshell. Right. We already achieved very important milestones. We started with what I'd say maybe the low hanging fruits and captured a lot of that. There's still some remaining opportunities on that front. But I think we've done a lot in that first wave. What I expect now is that we enter a different phase that comes from the top and from the bottom.

On the top, we have important initiatives, strategic initiatives like the integrated operation center, like the metering upgrade for smart meters, like the biogas projects, all the software upgrades that we're doing that we That will allow us in the future to start using artificial intelligence even more to gain productivity. So all of these things are top of the house initiatives that we push here from the center. But another thing that's important, as Piani started talking about our values, is the culture, the culture of treating the company as your own, right, and making the right decisions on the day to day and really being frugal on the day to day of the company so that this provides a cumulative effect on savings and a compounding effect.

So I think what we'll see is from the top, very large initiatives with capital deployment and investment that has a J-curve nature, and from the bottom, the cultural change and how this evolves on the day to day and at the edge of the operation in the day to day. So that's more or less what I see for the future.

Operator:

Our next question comes from Mr. Henrique Simões from UBS.

Henrique Simões – UBS:

Okay, hi everyone. Thank you for taking my questions. I had a follow-up first on Bruno's question regarding the timing effect on revenues. I had in my mind that in the first quarter you had two days of revenues that weren't billed due to the migration of the ERP and that you were. I was expecting a reversal of that, that we should exclude two days of revenues from this quarter, but you had a positive effect again on the timing. I'm just curious if those are separate effects and it would be fair to still make that adjustment to the revenues. And the second one was on the costs, on the quality of service and communication, if that should be the new recurring level or is that temporary for this year and then we should go back to normal levels next year. Thank you.

Answer – Daniel Szlak:

Thank you, Henrique. Thinking about taking your first question first. On SAP, when we went live with SAP, you saw a lower volume, but we also did an accrual for unbilled revenues. So from a revenue perspective, you don't see the impact in Q1 from the SAP go live. On Q2, you see more volume, but the reversal of that accrual for revenue, for unbilled revenue. So net revenue didn't change when you think about that by component from the SAP go live. What we are calling out as a positive carryover for Q3 from the SAP go live versus Q2 is linked to the invoice entry that was delayed because of some contracts that we were not able to bind correctly to that phase.

As the invoices come in in Q3, we're naturally able to take more tax credits on the sales tax, whereas when we do the accruals to keep the cost in line with what we know the cost is, we're not able to take sales tax credits for that. So, that's the difference between Q2 and Q3 that we call it now in Q2. Thinking about cost, I think overall, our efficiency agenda continues, right, and we will continue to pursue that. We saw very good results on the migration, for example,



of power. We continue to carry over positive effects from the voluntary dismissal plans in terms of cost. So, all of that is still continuing, and we see that momentum. What we did is we selectively decided to invest in the commercial plan so that we want to explore more our value of putting the consumer first.

And on the chemical side, we're fighting now to reduce those costs back to where they were before that oil increase. But that's it.

Operator:

Our next question comes from Sushinta Chakravorty from Goldman Sachs, and I will read it. Provide an update on the company's funding strategy, including expected annual funding requirements over the next few years.

Answer – Daniel Szlak:

Thank you, Sushinta, for your question. Thank you, Operator, for reading. In terms of funding, right, we've anticipated our funding for the year of 2026. Between January and February, we raised about R\$14 billion. And by the end of Q3, we'll probably have met all our funding targets for the year. And that will put us in a good position and that will put us in a position where we'll probably have more than 60% for that with no financial covenants and with a longer maturity and a more structured pace. When we look at the next years, naturally, those funding needs, they will start declining as the cash flow of the company also starts picking up. But naturally, the year of '25 and '26 were the largest funding needs in our view. So that's what we can say.

In terms of actual figures for that raising requirements, all the sell-side models, they're fairly well-designed and they can provide some good clarity on that as we don't disclose guidance.

Operator:

The Q&A session is now over. We would like to give the floor to Mr. Carlos Piani, for the company's closing remark.

Answer – Carlos Piani:

I'd like to thank everyone for participating in the call today and for the continued support and hope to see you all on the next call. Have you all a nice day. Thank you very much. Bye-bye.

Operator:

Sabesp's presentation is now closed.

Thank you very much for your participation, and we wish you all a very good day. The Event has Ended.