Operator:

Good morning and welcome to Sabesp' third quarter of 2026 Earnings presentation.

With us here today are Carlos Piani, CEO, Daniel Szlak, CFO and Thiago Levy, Investor Relations

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:

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

I'm Daniel Szlak, CFO, and I will present our operational and financial highlights for the quarter, after which I'll hand the call over to our CEO, Carlos Piani, to update you on our priorities. We will then open the floor for Q&A.

Starting with our operational performance on slide 4.

In 3Q26, total water production reached 796 million cubic meters, down 1.6% year-over-year and up 2.2% quarter-over-quarter.

The year-over-year decline reflects higher rain levels impacted by the Super El Nino with rainfall of 204mm, 175% higher than last year.

Our active customer base continues to grow, with about 9.5 million water and 8.3 million sewage connections. Both are now up 0.1% year-over-year, reversing the slight year-on-year reduction presented last quarter. Quarter-over-quarter, we saw a 0.3% increase in both water and sewage connections, a result of the universal access program.

Before I begin explaining slide number 5, I would like to remind our attendees that since last 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 reached R$6.0 billion, representing organic growth of 9.0% versus last year.

Adjusted EBITDA increased 14% year-over-year to R$3.6 billion, with an EBITDA margin solidly above 60%.

EBITDA Margin grew due to strong revenue performance and the efficiency agenda, partially offset by investments associated with our customer service initiatives, explained in our 2Q26 earnings call and which will be updated in the next slides.

Adjusted net income totaled approximately R$1.1 billion, reflecting higher funding costs and interest rates associated with our investment program.

Cash generation remained solid, with operating cash flow reaching R$2.0 billion, a 14% increase year-over-year.

Moving to slide 6.

Before diving deeper into the quarter, I will briefly go through the reconciliation between reported and adjusted figures after which I will focus on the adjusted figures, excluding the effects that do not reflect Sabesp's core performance.

As in previous quarters, we exclude construction and financial asset bifurcation effects – keep in mind that while Sabesp does not record margins for construction, EMAE still does. At the EBITDA level, we also exclude a R$300 million one-off tax gain and add R$38 million related to the Jaguaré incident.

As we did last quarter, we exclude EMAE's figures from the next pages so that we can properly discuss the core business performance. Investors can find more information on EMAE's performance in the appendix, in our filings at CVM and in EMAE's own filings, given it was also a publicly traded company during Q3.

Turning to slide 7 and exploring our revenue drivers.

Adjusted net revenue reached R$6.0 billion, an increase of 9.0% year-over-year.

First, price contributed 7.7%, driven by the 10.6% rate phase-in, partially offset by higher reforms, which we expect to recover in the 2028 rate cycle.

Second, volume contributed 2.1%, explained by a 2.2% contribution from new units and 0.4% from metering upgrades. These were partially offset by a 0.4% negative effect from weather.

Finally, mix was a negative 0.8%, reflecting customer categories and a 0.6% consumption band mix effect linked to weather. This is a significantly smaller drag than the 3.1% we saw last quarter.

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

More than 2 million units now have access to discounted rates, an increase of approximately 15% year-over-year and more than double what we had before privatization. The R$44 million mix impact in the quarter was mainly driven by the expansion of the CadÚnico social tariff, which added 268 thousand units year-over-year, together with category mix. This reflects our commitment to expanding access to sanitation services while supporting vulnerable populations.

The chart on the right puts this in perspective. Over the last 24 months, Sabesp's price effectively paid by our customers increased only about 5% and remains ~5 percentage points below CPI.

For Sabesp, these impacts are provided for within the regulatory framework and are expected to be adjusted annually on the tariff reviews.

Finally, meter upgrades were 58% lower year-over-year, although volumes increased versus the second quarter. More importantly, there has been a month-over-month increase in meter replacements from July to October, indicating a positive trend toward easing supply chain constraints with the inauguration of the local meter factories already happening next week.

Moving to EBITDA on slide 9.

Adjusted EBITDA grew 14% year-over-year to R$3.6 billion, with margin expanding from 58.6% to 61.2%. Starting from the top, net revenue contributed R$490 million, and personnel expenses contributed a further R$147 million. These were partially offset by:

G&A, with an R$80 million impact, mainly from portfolio aging driving a higher allowance for doubtful accounts of R$82 million.

Power, was a negative R$112 million impact, reflecting inflation and angra´s charges

People, had a positive contribution R$147 million impact with a 3.4% headcount reduction, health plan migration, collective bargain and workforce mix

On slide 10, we break down the execution of our commercial plan this quarter.

Total P&L impact was R$179 million, of which R$69 million in revenue and R$110 million in opex:

R$69 million from re-billing, as we proactively adjusted customer bills that fit inside the regulatory framework for that.

R$80 million from media and communication efforts to increase customer awareness and engagement.

And R$30 million from customer experience initiatives as we strengthen our service channels and simplify the customer journey.

Importantly, R$80 million of the total is non-recurring, with R$99 million recurring. In addition, R$69 million already has tariff coverage.

Deep diving into costs on slide 11.

Personnel expenses decreased 22% year-over-year, despite a 4.4% inflation-linked wage adjustment. This was more than offset by a 3.4% headcount reduction and other actions such as health plan migration, collective agreement and workforce mix.

Power costs increased 37%: most of that came from inflation and the new Angra sector charges as well as higher costs with power generators. Migration to the free market continued to mitigate part of these pressures, with 89% of total consumption now sourced through the free market, an increase of 13 percentage points year-over-year.

Moving to the next slide, reported net income reached R$1.4 billion in the quarter, compared with R$2.2 billion in the third quarter of last year.

EBITDA contributed positively with more than R$1.0 billion. The main driver behind the year-over-year decline was the net financial result. Keep in mind that 3Q25 included a non-recurring gain of R$1.5 billion from court-ordered payments, the precatórios. In addition, interest expenses increased by R$383 million on a larger debt balance, consistent with the financing needs of our accelerated investment program.

Depreciation and amortization also increased, reflecting the expansion of our asset base.

These effects were partially offset by lower income tax, reflecting lower pre-tax income.

Moving to slides 13 and 14, we will update you on our Capex.

Investment execution remains one of the highlights of our transformation. As we anticipated last quarter, capex accelerated in the second half: we invested R$4.5 billion in 3Q26, 13.8% more than a year ago and 21.4% above the second quarter. Year-to-date, capex totaled R$12 billion, an increase of 15% versus 9M25.

Our contracted backlog reached R$44.2 billion through 2029 onwards, up 9% quarter-over-quarter, driven by the contracting of universalization waves 2 and 3.

One important comment on capex unitization, meaning the transfer of assets to intangibles. As in previous years, unitization is concentrated in the fourth quarter. In 2025, around 65% of the year's transfers to intangible assets happened in Q4, and we expect that share to be even higher in 2026, for two reasons.

The first is the construction schedule: a large part of our projects are planned for final delivery in December, and unitization only happens after a project is completed.

The second is a one-off effect of our ERP migration to SAP S/4HANA. As expected in the migration plan, it temporarily slowed the pace of unitization, and that pace will catch up in the fourth quarter.

With the migration completed as planned and the year-end project deliveries on schedule, we are on track.

U-Factor targets continue to evolve at a fast pace. As of September, we have achieved 118% of our 2024–2026 cumulative water target and 103% of our sewage collection target. For sewage treatment, we reached 89% of the cumulative target, with the third quarter being our strongest quarter of the year in new units for treatment.

On slide 14, we provide an overview of our universalization program. Projects are being contracted in four waves, structured across 45 lots and covering 375 cities. Together with the R$34 billion executed since 2024, the R$44 billion backlog brings the program to R$78 billion, 40% more than a year ago.

Integra Tietê runs alongside the waves. It has a total investment of R$23 billion from 2023 to 2029 and will benefit around 5 million people. Program is 69% contracted and 39% executed.

Waves 1 and 2 in the Countryside are fully contracted, totaling R$13.1 billion across 23 lots and 321 cities, and are already in execution.

Wave 3, in the Santos Metropolitan Area and the Northern Coast, is 88% contracted, with R$4.8 billion in investments, and started execution in September.

Wave 4, in the São Paulo Metropolitan Area, is the largest, with R$19.7 billion across 14 lots, and is expected to begin in January 2027.

Together, these four waves will benefit approximately 1 million people.

Turning to slide 15, our balance sheet remains strong and well positioned to support the investment cycle.

Gross debt totaled R$46.4 billion, while net debt stood at R$38.6 billion at the end of the quarter. As of October, 66% of our debt is free of financial covenants.

Our average cost of debt remains close to CDI, with a 6.2-year weighted average maturity. In addition, 71% of our debt matures from 2031 onwards, increasing to 74% after the new a/b-loan signed in October, reflecting the long-term profile of our financing structure.

We ended the quarter with R$7.9 billion of cash, or R$12.8 billion including the proceeds from the a/b-loan, which covers all of our amortization through 2029 and provides liquidity and flexibility to continue executing our investment plan.

We monitor the Interest rates environment really close, give its impact on our results. Since most of our debt is linked to CDI, every 100 bps increase in the Selic rate reduces our pre-tax income by approximately R$340 million and our net income by approximately R$230 million.

However, our regulatory framework provides a mechanism to capture this environment over time. Higher interest rates and inflation in both Brazil and the US are inputs to the regulatory WACC, which will be reset in 2030. A higher cost of capital in the market would therefore be reflected in our allowed return at the next reset, offsetting the near-term impact on our financial results

Finally, on slide 16.

Our net debt closed at 2.7 times EBITDA, a level we deem appropriate for a company executing one of the largest infrastructure investment programs in the World.

Return metrics remained resilient in a higher-for-longer interest rate scenario sitting stable versus the prior quarters 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.

Last quarter, as we marked two years since privatization, I highlighted three values from our culture on this page: deliver results with purpose, be guided by ethics and safety, and put customers first. I also pointed to two areas that needed particular attention. Our customer experience had to catch up with the transformation across SABESP, and our safety standards had to keep pace with the expansion of our construction program. Today, I want to return to those commitments and show you the progress we have made. Values become credible when people can see them in action.

Let me start where I said we had to work the most: customer service. Three months ago, I presented our commercial plan built around three priorities: strengthening our service infrastructure, redesigning the customer journey, and communicating more with our customers. This year, we have opened 36 branches and deployed 78 self-service kiosks. Our branches offer more service positions, accessible layouts, and a more comfortable environment, supported by real-time management of queues and service times. The kiosks help customers complete routine tasks, such as getting a copy of a bill, making a payment, or changing the account holder, without waiting in line.

Through our Vambora Digitalizar initiative, branch teams also help customers use our digital channels. We have strengthened how we manage service, and whenever the average wait at a branch exceeds 20 minutes, an alert allows us to respond by adjusting staffing and opening hours. We also analyze recordings of calls and branch interactions to identify recurring complaints and improve follow-up, training, service quality, and compliance.

We are also closing the feedback loop through our Voice of the Customer process. Customers receive a WhatsApp survey three days after each contact, helping us understand whether the issue was resolved and how they rated the experience by channel, journey, and municipality. This gives us a much clearer view of the customer experience and where we still need to improve.

Let me show you what these changes are delivering. As you can see on the chart, average waiting time in our branches peaked at almost 14 minutes in April, when our service channels were under the greatest pressure. By September, it had fallen to just over three minutes, a 70% reduction from March. Complaints are also coming down. Between March and September, complaints through ombudsman and critical channels fell 51%, while complaints registered with Procon, the consumer protection agency, fell 46%.

Last quarter, I reported a 31% quarter-over-quarter reduction in complaints, and the progress this quarter shows that we are sustaining that improvement. Customers are also reporting a better experience, with our Net Promoter Score improving 23.5% in the third quarter compared with the second quarter. The scale matters: in 2026, we are serving an average of 318,000 consumers a month in our branches and 400,000 through our call center. Improvements across these channels therefore affect hundreds of thousands of interactions every month.

We still have work to do, but the customer experience is beginning to catch up with the transformation across SABESP. That progress also matters for how society sees our company. Last quarter, I said that customers need to understand and experience the benefits of our transformation, and the same applies to society more broadly. Earning stakeholder understanding and support is one of our strategic paths, which is why we increased investment in brand and communication to BRL 94.4 million year to date, compared with BRL 26.3 million in the same period of 2025.

Our reach has expanded significantly. From January to September, SABESP generated more than 6 billion media impressions, compared with about 3.4 billion in all of 2025. We also recorded almost 65,000 press publications, 35% more than in the same period last year. Our cost per thousand impressions was BRL 12.44, down 53% from 2024 and 20% from 2025.

More importantly, we are seeing an improvement in reputation. Our reputation index reached 8 out of 10, classified as good, up 5.3% quarter over quarter. At the same time, the share of consumers with a positive assessment of SABESP rose from 21% in June to 39% in September, an increase of 18 percentage points.

Let me now turn to safety, a commitment that must guide every stage of our work in the field. Last quarter, I said that recent incidents had made it clear that we needed to go further on safety. We raised our standards beyond Brazilian technical requirements, tripled our field inspectors, and created an operational safety group reporting directly to me. The first results are encouraging: our lost-time injury frequency rate, including employees and contractors, fell 67% in the third quarter compared with the same period last year, while field safety inspections were 2.6 times higher.

These results reinforce the importance of the measures we have taken, but sustaining them requires permanent capabilities, which we are building in three areas. First, technology and prevention. We will invest approximately BRL 41 million in AI-based monitoring through 2029, with the target of equipping all our backhoes with onboard AI cameras, complemented by mobile monitoring units deployed by our field inspection teams.

Second, governance and assurance. We now have a dedicated safety department with around 65 employees and 70 third-party staff covering people, safety management processes, and field safety. Through our Safety Excellence Program, we track more than 50,000 third-party workers individually and have already validated more than 2.5 million documents with the support of artificial intelligence.

Third, field standards and training. We have strengthened drilling and excavation protocols, introduced a dedicated safety leadership role in the field, and expanded zoning and subsurface investigations. We are also building a training center for underground works in Vila Leopoldina and have training partnerships with industry associations and SENAI. Our commitment remains clear: the acceleration of our investment program cannot come at the expense of safety.

I would like to finish with a tangible example of what delivering results with purpose means. For decades, the Tietê River has symbolized São Paulo's sanitation challenge, and the progress we are seeing now shows what sustained investment and execution can achieve. According to a CETESB technical note published on September 15, the organic load discharged into the Tietê in the São Paulo Metropolitan Region fell by approximately 30% compared with 2024.

Behind that number are projects delivered through Integra Tietê. We have added seven new wastewater treatment plants and more than 1,000 kilometers of sewage network. We are now treating an additional volume of sewage equivalent to 5,500 Olympic-sized swimming pools every month, benefiting around 3 million people. There is much more ahead, and our total investment in Integra Tietê will reach BRL 23 billion through 2029.

Before we move to Q&A, let me return to the commitments I discussed last quarter. We said the customer experience needed to catch up with SABESP's transformation. Waiting times are now down 70%, complaints have fallen by around half, and customer perceptions are improving. We said safety standards had to keep pace with our construction program. We have strengthened our controls and capabilities, and the first results are encouraging. And we said we would deliver results with purpose. The progress on the Tietê shows what that means for the communities we serve.

There is still a lot to do, and our responsibility now is to sustain this progress as we continue to invest and execute. 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, we can move to the Q&A session.

Questions and Answers

Operator:
Thank you. We will now begin our Q&A session for investors and analysts. To ask a question, please submit it via the Zoom Q&A informing your name and company. Our first question comes from Mr. Filipe Andrade from Itau BBA.

Filipe Andrade – Itau BBA:
Hi everyone. Good morning. Thanks for accepting the question. Just on the commercial plan you classified supply roughly 99 million of the commercial planning impact as recurring. So just two points here. First, should we interpret that as quarterly run impact or as an impact that should persist, but not necessarily at the same magnitude every quarter? And second, given that two thirds is a pass through, the expected impact now should be expected to remain at roughly 120 million per year, versus the 200 million before. Thanks.

Answer – Daniel Szlak:
Thank you. Thank you, Fillipe. Daniel, good morning. Here, look, thinking about the commercial plan, right. We had 99 recurring impact in Q2, of which 7 million are the reforms. And these are what we expect will keep the way it is. Naturally, as we become more efficient, it could go slightly down but I would expect that this is the right level that we'll see that.

And remember what this creates. This reduces the market right in here. Right. And this reduces the market for the next tariff review, which is going to go live in January 2028. Okay, so that's how you should think about that

mechanically. On the discounts, I think that was your second question where you mentioned 120 million. The large client discounts. Correct?

Filipe Andrade – Itau BBA:
Yes. The 1/3 that is not recurring.

Answer – Daniel Szlak:
The 1/3 is not recurring. Sorry. All right, so we have about 80 million that's not recurring. Most of that is linked to communications and so on, so forth. We saw that most of our customers didn't understand what we were doing, how we were doing, and why we were doing what we were doing.

So we decided that we needed to improve that communication with them. Specifically this year. We also have the tax reform that we're going to start communicating a lot over the next few days to the customers. So that's why we decided that we needed to invest a little bit more in communication this year, which we don't expect to continue at the same level that we did in 2026, and we expect it to return to levels consistent with the ones of 2025.

Filipe Andrade – Itau BBA:
Great. Thanks, Daniel.

Operator:
Our next question comes from Francisco Navarrete from Bradesco BBI.

Francisco Navarrete – Bradesco BBI:
Hello, Good morning, Can you hear me now?

Answer – Daniel Szlak:
Yeah, Francisco, you can go ahead.

Francisco Navarrete – Bradesco BBI:
Okay, thank you. So thank you for the opportunity. Our question was about the CAPEX deployment pace in the third quarter was 4.4 billion. Analyzed nine months would be closer to 17.7 billion. And this is one of the questions we get from investors. If this pace is the right one, if it were, will accelerate if we can expect anything between 18 or closer to 18 billion for the fiscal year 2026. And if you see any issues in the pace of the CAPEX deployment and still on the CapEx, you already also spoke about this, but if you could again just go over it.

The unitized CAPEX in the quarter was 1.8 billion, which optically seems low, but we know there's seasonality. So what do you think we could expect for the fourth quarter 2026. And, and are there any issues that may be preventing you from unitizing CAPEX at a, at a faster pace? Thank you very much.

Answer – Daniel Szlak:
Thank you. Nava, I'll take this one as well. Good morning to you. Look, with regards to CapEx, right? Our view continues to be the range that we provided in Q2 between 18 to 20, 18 being the floor, we're very confident about that. Q3 already showed some acceleration. And in Q4, I think when we. The page that we went through that explains the waves and the contracting phase of those waves is exactly aimed at trying to bridge that gap between us that are in the day to day and you that are outside of the day to day to try to show you how these things are actually stacking up together to increase the pace of execution in terms of CapEx.

So our view continues to be that at the floor we'll do 18 and potentially reach close to 20, but more likely close to 18. And that means that implicitly we exit this year at a very high pace of execution leading us into 2027. Okay. That's how we see the plan with regards to unitization.

First of all, I think one thing that's always good to remind everyone on the call, we have different levels of knowledge and understanding. The way that our CAPEX gets recognized into the rev right through the construction period, we get interest on construction, right? So provided that we do and execute the construction in the same time frame that the regulation allows us for each type of asset, we continue earning money on the asset and we preserve the economic value of the asset irrespective of it being unitized faster or not. So that's the first point to have in mind.

The second point to have in mind is from the month that the asset gets commission AKA unitized. Right. So it's put into use, it starts accruing walk plus inflation as the first amendment of the contract provided for. Okay, so just to, to make sure that we level set everyone in the same pace. I know that you know that very well now, but we have a lot of people on the call that said unitization is usually a back ended curve.

Last year we saw the same effect and this year particularly we also had the SAP go live that created a little bit of noise for us in Q2 and Q3 but at the end of Q3 you already saw the pace of the unitization picking up.

And what I can tell you already, since it's an open call, in October we had almost the same amount of unitization that we had in the whole quarter of the third quarter. So utilization is ramping up significantly and we expect to continue to unitize 2/3 of of the CapEx that we execute in 2026 at the end of the year.

Answer – Carlos Augusto Leone Piani:
Thank you very much. And just to add a little bit on Daniel, there's no restriction on capex execution. There's nothing holding us back now what happened, we had some extraordinary events during the year. Daniel already said SAP changed whatever. We changed some protocols in terms of safety procedures as we discussed previously on the, on the presentation. So I think looking ahead, I think there's momentum to increase the pace and even if we're a little bit, we deviate a little bit from our guidance of the capex as Daniel highlighted, for everyone to have the same understanding from economic standpoint, we're neutral.

But of course liquidity is important. So we're trying as best as we can to execute and unitize, as we call it, all the investments as soon as we can. And so I think it's upwards and consistently improving what we posted previous quarters.

Francisco Navarrete – Bradesco BBI:
Thank you very much. Congrats for the presentation and results.

Operator:
Our next question comes from Bruno Amorim from Goldman Sachs.

Bruno Amorim – Goldman Sachs:
Hi, good morning. Thanks for taking my question. I have a broader question related to capital allocation. Can you comment first on what changes if something in terms of the appetite for OR M&As and new concessions in light of the recent iteration in the rates environment which probably argued for higher returns and a more prudent balance sheet approach. And on the opportunity side, you know, can you please, you know, update us on the A Sao Paulo project.

I guess higher rates mean probably even less competition for sabesp. And also we know that some of your competitors across the country are highly leveraged and in the current environment the source of financing is probably more scarce, which means some of those assets can, can become targets for sabesp. So that's, that's kind of the question but other view on how you're seeing capital, location, the current environments. Thank you very much.

Answer – Carlos Augusto Leone Piani:
Thanks for the question, Bruno. I think in general not any, we don't have any news on Universaliza. I think we're falling as the process moves through. Of course we're interested. We're going to look very carefully given it's in our background backyard. Let's put it this way. Right, so it makes total sense for us. In broader sense it's a trade off, right. The environment's a little bit tougher on the economic cycle.

Cost of capital is higher as you mentioned, but as a little bit different from public markets. When you're dealing with illiquid markets, vintage is very important. Usually is the major variable correlation with returns. So given that we're long term investors, maybe this will be a vintage that will provide more opportunities but at the right price given the cost of capital is higher. So, that's how we think we all. Well, we always look at our stock as well.

Right. We can always buy our stock and this is a reference for us in comparing that opportunity to the others on the marketplace. Always with we our commitment is to look at these opportunities without compromising the plan and the commitments that we have at Sebes bed that we committed at the prevention. So all said that we're going to look at everything as we always do and knowing that based on past experience that may be a good vintage if we have the right price.

Operator:
Our next question comes from Sophia Braine from Moneda Investments and she says what's the average lag between capex outlay and tariff recognition Considering both the tariff increase process and that works are only recognized when operational and says can you give some color how uncollectibles are trending? Do you see higher uncollectibles in newly Accepted Access Economias vs legacy ones?

Sophia Braine – Moneda Investments:
What's the average lag between capex outlay and tariff recognition Considering both the tariff increase process and that works are only recognized when operational and says can you give some color how uncollectibles are trending? Do you see higher uncollectibles in newly Accepted Access Economias vs legacy ones?

Answer – Daniel Szlak:
So thank you Sophia for your questions. The, the average lag between CapEx and the tariff recognition, you should think about it in 18 months between the, the, the moment that it actually was put into service and the, the moment that we actually start earning money against that.

And the reason being that we execute the CapEx or that we unitize the CapEx throughout the year, so an average of six months and, and then after that we have to deliver that to the regulator which assesses audits and so on so forth and then puts that into the RAB and then into the tariff of the January of the year after. So a 12 month process between delivering that to the regulator and getting that into tariff and a six month average period between unitization and actually delivering that to the regulator. So this is the first, the end state of the process. The CapEx execution begins before that. Right.

So the CapEx starts before that and gets put into service once it's finalized and that process on average today our construction is taking about 20 months. We have construction works that go all the way to 36 months. We have construction that happens on the very same day and it gets into, into the RAB theory on the same day. But the average today is about 20 months. And the main driver for that average to be longer is because mainly we're expanding sewer treatment plants which are usually very high in expenditure and they are very long in terms of tenure.

But keep in mind that again during that construction phase we earn interest on the construction and then once the asset is unitized, we also start earning walk plus inflation or over that before it actually goes into the tariff. So economically we are well covered throughout that period.

The next question that you had with regards to allowance for delinquency, right when we started, right, we had about 4% of delinquency. We took it all the way down to 1%. We expect this as a benchmark to be around 2%. We will have up and downs, but we expect that on average to be on the long run about 2%, which is the average in the benchmark that we have for utilities. And I don't see a very different behavior from new economies that we're adding.

And the main driver for that is the social tariffs. When we look at the cohorts, right, 70% of what we add are usually eligible to social tariffs. When I look at the cohorts of social tariffs versus regular tariffs on residential consumers, their behavior is roughly the same. So it shows that social tariffs actually work. That, try to give you the full briefing on that. That's it.

Operator:
Our next question comes from Artur Pereira from JP Morgan.

Artur Pereira – JP Morgan:
Hey, good morning guys. My question is about the effective tariffs. When you compare to the regulatory tariffs, could you please share your estimated impact year to date when you take into consideration the rebidding process, discount to large industrials, subsidized tariffs and also client mix. And maybe if you also may share the breakdown of this. And also you have mentioned already about the rebidding process that it's only an adjustment of future volumes in tariffs.

But if you can recall us which items you do are entitled to financial compensation for past impacts and which ones are just adjustments for future tariffs. And if I may very two brief follow ups on previous questions on the client satisfaction expenses. You already mentioned the recurring level but in the second quarter result you mentioned 800 million potential impact related to 2026 and so far I understand that it was below 400 million.

So will also be a higher impact in the fourth quarter or should we take the third quarter as the best proxy for the fourth quarter? And on the unitization, you mentioned the 2/3 of the CAPEX deployed within the year. But what about the CAPEX that was deployed in 2025 and not yet unitized? Should we expect some unitization of that as well? Thank you.

Answer – Daniel Szlak:
Thank you, Artur. So maybe I'll probably start from the end. Simpler when we say that about 2/3 of the CAPEX of the year is the unitization, we try to use that as a proxy for everything to be easier for the investors in the end. So 2/3 is the cumulative between what we had in the work in progress and what we executed this year. So unitization, you shouldn't think about the inventory, think about the number as the capex times 2/3. That's what we unitized this year between what was in the inventory and what was added to the base.

In terms of the commercial plan costs. Right. I think when we discussed. We showed, let me put in a different way. Let me start from a different way. So we said that we had a commercial discount program that we expected to be approved by the regulator. It was approved, but it's only going to start its effectiveness in January. So 120 million of that 800 million goes away. Okay.

In terms of reforms, we've mentioned that we were expecting to have about 290 million of reforms. We had 50 million in Q2, 70 million in Q3. I would expect Q4 to be closer to Q3. Okay, but with some potential of acceleration or deceleration, this is on the go. And that part in the end gets reimbursed for us in the way that we're lowering the volume of the market and the tariff is the required revenue divided by the volume of the market. That's what, why and how this actually comes back to us. Right.

So this is where we are in terms of communications and customer service. I think the 200 million that we mentioned on both, I would expect that we will fully incur that in the full year basis, so that's how I think about that.

In terms of revenue gap. Right, as it stands the way that we think, there are basically two types of gaps, real gaps and timing gaps, because the reforms are timing gaps, the mix is a timing gap, all of this is a timing gap. And we disclose that every quarter. What's the impact of reforms, what's the impact of mix and so on, so forth?

The impact that actually has a real loss for us, let's say, is the discounts to large clients, right. On our view, we have an annualized discount of 150 million as it stands today, year to date, about 130, okay. And the reason for that is we have about one client that still has discounts, which is roughly one third of the total amount.

And we have some clients with injunctions that are still planning. We've been winning injunctions throughout the year, but the remaining of the amount comes from those injunctions. So that's where we are. That said, with the new commercial discount program, we're also offering the large customers an opportunity to enroll and so on, so forth, which should also help us solve for these issues as well.

Operator:
Our next question comes from Ricardo Bello from Safra.

Ricardo Bello – Safra:
Hi guys. Thank you for taking my questions. So the first one is regarding volumes growth. I would like to know how much came from new connections versus metering upgrades and what growth should we expect for the next quarter for this quarter, in fact, and expectations for the next year, considering the possible effects from ego.

And my second question is about the X factor. What is the expected timeline for our CEST final decision on the public consultation? And what were the main points in the company's contribution to the consultation and how has the dialogue with the regulator being right?

Answer – Daniel Szlak:
Thank you. Thank you. Look, thinking about the growth on the quarter for the new economies and the meter upgrades, right? So we have about 2.2% of growth in revenue coming from new customers that were added to the base. We expect that to continue because as we cycle through that, we expect that that pace to be more or less constant. And we've been seeing around the same level of growth.

And when we think about meter upgrades, we saw 0.4% contribution to revenue from metering upgrades. And when we think about that, we expect that to accelerate. Because if you remember we mentioned that in Q2 we had some supply chain issues with the smart meters coming through.

We already reached 100,000 smart meters in place, already installed. And next week we actually have the inauguration of all the four factories, the local factories that are producing the smart meter. So next year we expect to ramp up and start picking up against our regulatory obligation, which is replace the meters in Sao Paulo and San Jose campus for them.

With regards to the X factor, we have an open public consultation which should close on the twenty third of November and we'll see what progresses. Our contract actually already defines until 2029 the application of an efficiency factor of 0.89% to be applied over the OPEX. So we already have a pre definition until 2029. Sorry, I don't know if there was a third question. Pardon me?

Ricardo Bello – Safra:
Volume for next year given earlier.

Answer – Carlos Augusto Leone Piani:
Yeah, this is a very hard one. There's a correlation with climate. We're trying, we developed internal models to deal with this, but we don't have any guidance to give the market very uncertain. I think consumption with the rainfall. Let me give one step back. In our region, in the state of Sao Paulo, the impacts of El Nino, they're not marked. They're not as strong as in the south of Brazil and the Northeast. So it varies per season by phenomenon. So it's very hard to predict that, what's going to happen usually when we have hard, very strong onions, usually on the, on the beginning of the rainy season, on the dry season, it rains a little bit more and on the rainy season during the summer, it rains a little bit less. That's a pattern that we have seen with some square R square that's a little bit stronger, but it's no guaranteed.

So all that to say we need to have a little bit more visibility, to be a little bit closer to give educated comments and guidance to the market. We don't have anything that we can speak to the public markets regarding volume right now just to say there's correlation with climate that impacts our volume and today the volume is a little bit less than what we envisioned at the beginning of the year given what's happening. So as soon as we have a better guess on this, Daniel, and the team can discuss with you guys.

Operator:
Our next question comes from Liliana Young from HSBC.

Liliana Young – HSBC:
Hey. Hello. Good morning. Thank you for the call. Could you please clarify remind to us the impact of the tax reform on your financial statements on your operations. Thank you.

Answer – Daniel Szlak:
Hi Lili, good to hear from you. Thank you for your question. Look, with regards to tax reform, what I can say is first, our contract is neutral to that. Okay. And it says very explicitly in the contract. So that's the first point. There are initially very few changes, right. Because basically we're replacing fiscal fees for CBS.

Of course, whatever is the final rate of that will be reflected in our statements and we're discussing with the regulator. So it's a very close conversation and it will allow us to amplify our credit base which will probably be picked up, exposed and not exempted [ph]. So that's the first thing.

And then once IBS comes into play, then naturally this will add another tax on top of what we already have because we don't have currently ICMs. The sector is exempt from ICMs which should be passed on to the tariff. But that's how it actually gets reflected from a P&L perspective. And reading the P&L, naturally gross revenue will become net revenue and will be closer to how foreign report their statements then how Brazilian companies do that.

And on the day to day there's also impacts for us because we'll have to issue invoices and Autophis guys, and which today we don't. So we have a specific model of billing document the invoice that will come live now in December 1st. We are actually going live next week already to preempt the process and make sure that we don't have any issues.

Operator:
Our next question comes from Artur Pereira from JP Morgan.

Artur Pereira – JP Morgan:
Hi. A brief one on the leverage. Could you please share the outlook for funding and leverage given the recent increase in Brazil's rates? And also Sebastian Robust capes plan for 2027 and 2029.

Answer – Daniel Szlak:
Thank you. Artur. Look, in terms of leverage and funding, right, we have raised 40 billion to date since the privatization. We're finalizing our budget for next year, but we expect a lower number to be raised for next year, mainly because amortizations are smaller next year. We've extended a lot of the duration of the debt so we have less amortizations next and we will have a higher tariff next year as well. So these two things combined should reduce the capital requirements for next year.

That said, thinking about, let's assume that we have to raise the same 20 billion that we raised this year next year, right? We have a trillion reals into the local market, in the corporate market, another half a billion in incentivized in the incentivize the ventures.

So there's ample room for us to raise capital and make sure that we do that, especially now that the cost of capital abroad is a little bit more expensive, maybe. Let's see what happened now after the midterms and how this sustains in the market. But as it stands, our plan A is local.

And with regards to how this gets reflected naturally as we reset the walk in 2029, we have a formula that's already predefined in the contract that should reset the indexes that fit into the formula and they should capture that period of higher interest rates. So at some point this gets rebalanced in the contract.

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.