

Padtec Holding S.A.

Interim financial statements for the quarter ended
September 30, 2022, accompanied by the Review Report
on the Quarterly Information

Padtec Holding S.A.

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Report on the Review of Quarterly Information

To the Shareholders and the Management of
Padtec Holding S.A.
Campinas - SP

Introduction

We have reviewed the individual and consolidated interim financial information of Padtec Holding S.A. ("Company"), contained in the Quarterly Information Form (ITR) for the quarter ended September 30, 2022, which comprises the Balance Sheet as of September 30, 2022 and the respective statements of profit of loss and comprehensive income for the three- and nine-month period then ended and changes in equity and cash flows for the nine-month period then ended, including the accompanying notes.

The Company's Management is responsible for preparing the individual and consolidated interim financial statements in compliance with Technical Pronouncement CPC 21(R1) and international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board ("IASB"), as well as for its presentation in a manner consistent with the rules issued by the Brazilian Securities and Exchange Commission ("CVM"), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review

We conducted our review in compliance with Brazilian and international standards for the review of interim financial information (NBC TR 2410 - Interim Financial Information Review Performed by the Entity's Auditor and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, mainly to persons responsible for financial and accounting matters, and applying analytical procedures and other review procedures. The scope of a review is significantly lower than an audit conducted in compliance with audit standards and, accordingly, has not allowed us to obtain assurance that we are aware of all significant matters that could be identified through an audit procedure. Therefore, we do not express an audit opinion.

Conclusion on the individual and consolidated interim information

Based on our review, we are not aware of any facts that would lead us to believe that the individual and consolidated interim financial information included in the aforementioned quarterly information was not prepared, in all material respects, in compliance with Technical Pronouncement CPC 21(R1) and International Standard IAS 34, applicable the preparation of Quarterly Information - ITR and presented in a manner consistent with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Statement of value added

The aforementioned quarterly information includes the individual and consolidated statements of value added (SVA) for the nine-month period ended September 30, 2022, prepared under the responsibility of the Company's management and presented as supplementary information for the purposes of IAS 34. Such statements were submitted to review procedures carried out together with the review of the quarterly information, in order to determine whether they are reconciled with the interim financial information and accounting records, as applicable, and whether their form and content comply with the criteria defined in Technical Pronouncement CPC 09 - Statement of Value Added. Based on our review, we are not aware of any facts that would lead us to believe that these statements of value added were not prepared, in all material respects, in compliance with the criteria defined in this Standard and in a consistent manner in relation to the individual and consolidated interim financial information taken together.

São Paulo, November 10, 2022.

A handwritten signature in blue ink, appearing to be "Fernando Radaich de Medeiros", is written over the typed name and title.

Fernando Radaich de Medeiros
Accountant CRC 1SP 217.532/O-6

RSM Brasil Auditores Independentes - Sociedade Simples
CRC 2SP-030.002/O-7

Padtec Holding S.A.
Balance sheets as of September 30, 2022 and December 31, 2021

(In thousands of Brazilian Reais)

Assets	Note	Parent Company		Consolidated	
		09/30/22	12/31/21	09/30/22	12/31/21
Current					
Cash and cash equivalents	4	-	-	41,742	87,468
Tradable securities	5	-	-	5,480	-
Trade accounts receivable	6	-	-	107,709	95,121
Inventories	7	-	-	103,285	81,442
Taxes recoverable	8	1,706	1,706	34,860	25,226
Related parties	11	3	-	-	-
Financial transactions	18	-	-	45,826	32,770
Other credits	10	239	202	7,266	4,873
Total current assets		1,948	1,908	346,168	326,900
Noncurrent					
Trade accounts receivable	6	-	-	14,659	-
Related parties	11	628	372	-	-
Restricted financial investments	9	-	-	1,374	11,737
Financial transactions	18	-	-	41,682	13,225
Judicial deposit	24.2	402	991	892	1,373
Other credits	10	-	-	398	69
Investments	12.1	154,469	152,561	-	-
Property, Plant & Equipment	13	-	-	37,770	38,702
Intangible assets	14	24	24	41,736	37,985
Total non-current assets		155,523	153,948	138,511	103,091
Total assets		157,471	155,856	484,679	429,991

The accompanying notes are an integral part of these interim financial statements

Padtec Holding S.A.
Balance sheets as of September 30, 2022 and December 31, 2021

(In thousands of Brazilian Reais)

Liabilities	Note	Parent Company		Consolidated	
		09/30/22	12/31/21	09/30/22	12/31/21
Current					
Loans and financing	15	-	-	8,745	10,087
Debentures	16	-	-	10,530	10,546
Lease transactions	17	-	-	5,698	4,086
Suppliers	20	108	4	60,188	62,497
Forfaiting	21	-	-	10,005	1,110
Financial transactions	18	-	-	45,826	32,770
Related parties	11	-	-	373	6
Taxes and contributions payable	22	45	48	7,246	9,107
Taxes and contributions payable - installment payment	23	-	-	2,410	7,129
Labor charges	25	254	199	25,839	24,660
Miscellaneous provisions	24.1	-	-	2,728	2,450
Advances from customers		-	-	1,758	6,865
Other accounts payable		-	-	1,007	766
Total current liabilities		407	251	182,353	172,079
Noncurrent					
Provision for labor, tax and civil risks	24.2	10,717	17,779	22,556	30,985
Loans and financing	15	-	-	60,791	42,206
Debentures	16	-	-	13,045	20,859
Suppliers	20	-	-	676	1,101
Lease transactions	17	-	-	19,269	20,023
Financial transactions	18	-	-	41,682	13,225
Taxes and contributions payable - installment payment	23	-	-	2,289	1,176
Related parties	11	12,104	4,911	-	-
Transactions with senior FIDC quotas	19	-	-	10,547	-
Provision for unsecured liabilities	12.2	3,647	4,578	-	-
Other accounts payable		-	-	875	-
Total noncurrent liabilities		26,468	27,268	171,730	129,575
Total liabilities		26,875	27,519	354,083	301,654
Equity					
Share Capital	27.1	199,211	199,211	199,211	199,211
Retained losses		(66,580)	(70,534)	(66,580)	(70,534)
Goodwill on capital transaction		599	599	599	599
Other comprehensive income	27.3	(2,634)	(939)	(2,634)	(939)
Total equity		130,596	128,337	130,596	128,337
Total liabilities and equity		157,471	155,856	484,679	429,991

The accompanying notes are an integral part of these interim financial statements

Padtec Holding S.A.
Statements of profit or loss for the nine-month period ended September 30, 2022 and September 30, 2021
(In thousands of Brazilian Reais)

	Note	Period from July 1 to September 30		Period from July 1 to September 30		Period from January 1 to September 30		Period from January 1 to September 30	
		Parent		Consolidated		Parent		Consolidated	
		09/30/22	09/30/21	09/30/22	09/30/21	09/30/22	09/30/21	09/30/22	09/30/21
Continued operations									
Net operating revenue	29	-	-	103,096	90,471	-	-	260,745	246,119
Cost of goods sold and services provided	30	-	-	(69,806)	(57,654)	-	-	(178,638)	(158,003)
Gross profit		-	-	33,290	32,817	-	-	82,107	88,116
Operating revenues (expenses)									
Administrative expenses	31.1	(892)	(739)	(7,643)	(6,016)	(2,973)	(2,818)	(22,779)	(19,013)
Selling expenses	31.1	-	-	(7,884)	(7,517)	-	-	(24,666)	(22,387)
Research and development expenses	31.1	-	-	(8,941)	(9,160)	-	-	(26,614)	(22,605)
Equity income	12.5	11,116	5,578	-	-	4,535	29,086	-	-
Other operating revenues (expenses), net	31.2	2,128	(38)	5,302	(1,289)	2,889	1,163	6,898	555
Profit before financial income (costs)		12,352	4,801	14,124	8,835	4,451	27,431	14,946	24,666
Financial income (costs)									
Financial income	32.1	11	1	5,674	3,301	11	9	17,346	13,016
Financial costs	32.2	(145)	(142)	(7,580)	(7,931)	(508)	(156)	(28,429)	(17,150)
Profit before income tax and social contribution		12,218	4,660	12,218	4,205	3,954	27,284	3,863	20,532
Income tax and social contribution Current	33	-	-	-	331	-	-	91	(6,529)
Profit for the period from continuing operations		12,218	4,660	12,218	4,536	3,954	27,284	3,954	14,003
Discontinued operations									
Net Profit (loss) from discontinued operations	34	-	-	-	124	-	-	-	13,281
Profit for the period from discontinued operations		-	-	-	124	-	-	-	13,281
Net income for the period		12,218	4,660	12,218	4,660	3,954	27,284	3,954	27,284
Profit (loss) attributable to:									
Controlling shareholders		12,218	4,660	12,218	4,660	3,954	27,284	3,954	27,284
Net income for the period		12,218	4,660	12,218	4,660	3,954	27,284	3,954	27,284
Earnings per share									
Basic and diluted earnings per share	28	-	-	-	-	0.0504	0.3478	0.0504	0.3478
Earnings per share from continuing operations									
Basic and diluted earnings per share from continuing operations	28	-	-	-	-	0.0504	0.3478	0.0504	0.1785
Earnings per share from discontinued operations									
Basic and diluted earnings per share from discontinued operations	28	-	-	-	-	-	-	-	0.1693

The accompanying notes are an integral part of these interim financial statements

Padtec Holding S.A.

Statements of comprehensive income for the nine-month period ended September 30, 2022 and September 30, 2021

(In thousands of Brazilian Reais)

	Period from July 1 to September 30		Period from January 1 to September 30	
	Parent Company and Consolidated		Parent Company and Consolidated	
	09/30/22	09/30/21	09/30/22	09/30/21
Profit for the period	12,218	4,660	3,954	27,284
Items that may be reclassified subsequently to the statement of income (loss)				
Other comprehensive income				
Translation adjustments of balance sheet of subsidiaries abroad	(1,320)	(31)	(1,695)	(250)
Comprehensive income for the period	10,898	4,629	2,259	27,034
Comprehensive income (loss) attributable to:				
Controlling shareholders	10,898	4,629	2,259	27,034
Comprehensive income for the period	10,898	4,629	2,259	27,034

The accompanying notes are an integral part of these interim financial statements

Padtec Holding S.A.

Statements of changes in equity for the nine-month periods ended September 30, 2022 and September 30, 2021

(In thousands of Brazilian Reais)

Parent Company and Consolidated

	Share Capital	Capital reserve	Goodwill on capital transaction	Equity valuation adjustment	Accumulated translation adjustments	Retained earnings/losses	Total equity
Balance as of December 31, 2020	199,211	(2,674)	599	(8,663)	(2,130)	(83,331)	103,012
Net income for the period	-	-	-	-	-	27,284	27,284
Equity valuation adjustment	-	-	-	8,663	-	(8,663)	-
Exchange variation adjustment of subsidiaries	-	-	-	-	1,166	(1,416)	(250)
Balance as of September 30, 2021	199,211	(2,674)	599	-	964	(66,126)	130,046
Balance as of December 31, 2021	199,211	-	599	-	(939)	(70,534)	128,337
Net income (loss) for the period	-	-	-	-	-	3,954	3,954
Exchange variation adjustment of subsidiaries	-	-	-	-	(1,695)	-	(1,695)
Balance as of September 30, 2022	199,211	-	599	-	(2,634)	(66,580)	130,596

The accompanying notes are an integral part of these interim financial statements

Padtec Holding S.A.
Statements of cash flows for the nine-month periods ended September 30, 2022 and September 30, 2021
(In thousands of Brazilian reais)

	Parent		Consolidated	
	09/30/22	09/30/21	09/30/22	09/30/21
Profit for the period before taxes	3,954	27,284	3,863	33,813
Adjustments to reconcile net income (loss) for the period with cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	12,787	11,044
Interest and inflation adjustments on loans	-	-	3,702	2,335
Interest and inflation adjustments on debentures	-	-	3,321	91
Amortization of costs with issuance of debentures	-	-	187	138
Allowance for doubtful accounts	-	-	(7,428)	(911)
Creation (reversal) of miscellaneous provisions	-	-	278	(391)
Provision for labor, tax and civil risks	(2,889)	(1,616)	(3,076)	1,511
Provision for inventory obsolescence	-	-	1,156	3,345
Equity income	(4,535)	(29,086)	-	-
Write-off of PPE and intangible assets	-	-	332	418
Decrease (increase) in operating assets:				
Trade accounts receivable	-	-	(19,819)	(3,214)
Inventories	-	-	(22,999)	(24,691)
Taxes recoverable	-	11	(9,634)	(2,578)
Related parties	(259)	1,106	-	-
Judicial deposit	589	196	481	991
Other credits	(36)	(2,460)	(2,722)	(4,704)
Increase (decrease) in operating liabilities:				
Lease transactions	-	-	(3,366)	3,830
Trade accounts payable	104	1,327	(2,734)	8,318
Labor charges	55	(53)	1,179	4,424
Taxes and contributions payable	(3)	102	(5,467)	701
Related party transactions	7,193	-	367	(2,854)
Transactions with senior FIDC quotas	-	-	5,067	-
Advances from customers	-	-	(5,107)	8,318
Other accounts payable	-	(121)	1,116	(3,508)
Labor, tax and civil indemnities - paid	(4,173)	-	(5,353)	-
Income tax and social contribution - paid	-	-	91	(6,529)
Charges on loans and financing - paid	-	-	(2,952)	-
Debenture charges - paid	-	-	(3,338)	(2,023)
Net cash used in (provided by) operating activities	-	(3,310)	(60,068)	27,874
Cash flows from investment activities				
Restricted financial investments	-	-	10,363	7,813
Acquisition of PPE and intangible assets	-	-	(11,714)	(20,067)
Related party loan agreement	-	3,309	-	-
Net cash used in (provided by) investing activities	-	3,309	(1,351)	(12,254)
Cash flows from financing activities				
Forfeiting	-	-	8,895	(14)
Raising of loans and financing	-	-	24,844	17,843
Payment of loans and financing - principal	-	-	(8,351)	(7,349)
Payment of debentures - principal	-	-	(8,000)	(5,333)
Net cash used in (provided by) financing activities	-	-	17,388	5,147
Exchange variation of cash in foreign currency	-	-	(1,695)	(250)
Increase (reduction) in cash and cash equivalents	-	(1)	(45,726)	20,517
Cash and cash equivalents at the beginning of the period	-	1	87,468	64,680
Cash and cash equivalents at the end of the period	-	-	41,742	85,197
Non-cash transactions				
Right-of-use of lease	-	-	4,224	-
Tradable securities	-	-	5,480	-

The accompanying notes are an integral part of these interim financial statements

Padtec Holding S.A.
Statements of value added for the nine-month periods ended September 30, 2022 and September 30, 2021
(In thousands of Brazilian reais)

	Parent Company		Consolidated	
	09/30/22	09/30/21	09/30/22	09/30/21
1 - Revenues	7,062	3,320	330,937	344,352
1.1. Sale of goods, products and products	-	-	318,616	326,114
1.2. Allowance for doubtful accounts	-	-	7,428	911
1.3. Other revenues	7,062	3,320	4,893	17,327
2 - Inputs purchased from third parties	(5,419)	(3,699)	(151,990)	(130,479)
2.1. Cost of products, goods and services sold	-	-	(111,737)	(100,508)
2.2. Energy, third-party services and other operating expenses	(5,419)	(3,699)	(40,253)	(29,971)
3 - Retentions.	-	-	(12,787)	(11,044)
3.1. Depreciation and amortization	-	-	(12,787)	(11,044)
4 - Value added produced, net	1,643	(379)	166,160	202,829
5 - Value added received on transfer	4,546	29,095	17,346	13,016
5.1. Equity income	4,535	29,086	-	-
5.2. Financial income	11	9	17,346	13,016
6 - Total value added to distribute	6,189	28,716	183,506	215,845
7 - Distribution of value added	6,189	28,716	183,506	215,845
7.1. Personnel and charges	1,460	1,073	78,176	69,927
Direct compensation	1,370	1,069	59,402	52,259
Benefits	90	9	14,811	14,324
Severance Fund (FGTS)	-	(5)	3,963	3,344
7.2. Taxes, fees and contributions	267	203	70,372	98,367
Federal	263	201	48,326	68,353
State	-	-	19,670	28,298
Municipal	4	2	2,376	1,716
7.3. Third-party capital remuneration	508	156	31,004	20,267
Financial costs	508	156	28,429	17,150
Rents	-	-	2,575	3,117
7.4. Equity remuneration	3,954	27,284	3,954	27,284
Net income for the period	3,954	27,284	3,954	27,284

The accompanying notes are an integral part of these interim financial statements

PADTEC HOLDING S.A.

MANAGEMENT'S NOTES TO THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2022

(Amounts In thousands of Brazilian reais - R\$, unless otherwise indicated)

1. GENERAL INFORMATION

1.1. Operational context

Padtec Holding S.A. ("Company", B3: PDTC3), started its operations as an investment company in Internet projects in 2000, the year it went public on B3 S.A. – Brasil, Bolsa, Balcão ("B3"). Its focus was on investing in fast-growing technology companies in a variety of areas, such as SaaS (Software as a Service) in the security and construction industry, technology in the financial and payments sector, digital commerce, digital media, mobility, broadband and optics. For many years, the Company has positioned itself as a technology venture capital in Brazil, actively participating in all stages of development of its investees, consolidating itself as a reference in the sector and was synonymous of entrepreneurship with a high level of Corporate Governance.

In 2015, already under a divestment process and after the disposal of most of its assets, it began a process of simplifying its corporate structure, which culminated in June 2020 with the merger of shares issued by Padtec S.A. and the consequent conversion of Padtec S.A. in its wholly-owned subsidiary.

In April 2022 the operations of FIDC Funttel Padtec were started, an investment fund in credit rights jointly with BNDES Participações S.A. - BNDESPAR, created for an indefinite term, with the purpose of granting credit to the Company's customers. The paid-in capital of FIDC Funttel Padtec will be up to R\$ 100 million, with contributions of up to R\$ 80 million from BNDESPAR (senior quotas) and up to R\$ 20 million from Padtec S.A. (subordinated quotas) and will be administered by Captalys Distribuidora de Títulos e Valores Mobiliários Ltda.

The Company holds direct and indirect interests in the following subsidiaries and investment fund:

	% of interest			
	09/30/22		12/31/21	
	Direct	indirect	Direct	indirect
Chenonceau Participações S.A. (a)	100.00%		100.00%	
Automatos Participações Ltda. (b)	100.00%		100.00%	
Padtec S.A. (c)	100.00%		100.00%	
Sucursal Argentina (d)		100.00%		100.00%
Padtec EUA (e)		100.00%		100.00%
Padtec Colombia (f)		100.00%		100.00%
Padtec Chile (g)		100.00%		100.00%
Padtec Soluções Para Redes Ltda. (h)		100.00%		-
FIDC FUNTTEL PADTEC - Fundo de Investimento em Direitos Creditórios (i)		20.00%		-

- a) Chenonceau Participações S.A. is a non-operating company which corporate purpose is to hold interests in other companies. It currently does not hold any investments.
- b) Automatos Participações is a non-operating company which corporate purpose is to hold interests in other companies. It currently does not hold any investments.
- c) Padtec S/A is a privately held company focused on the development, manufacture, and commercialization of turnkey solutions for optical systems. Its portfolio includes equipment for corporate access, Data Center Interconnect, Storage Area Network Extension, metropolitan networks, and terrestrial multi-terabit long-distance networks.

PADTEC HOLDING S.A.

MANAGEMENT'S NOTES TO THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2022

(Amounts In thousands of Brazilian reais - R\$, unless otherwise indicated)

- d) Padtec Sucursal Argentina is an operating company, headquartered in Argentina, incorporated in 2007. Its main purpose is to perform sales activities, resell Group's products and provide implementation, operation and maintenance services. Padtec S.A holds 100% equity interest.
- e) Padtec Estados Unidos da América is an operating company headquartered in the USA, in the state of Georgia, incorporated in 2014. Its main purpose is to perform sales activities, resell Group Padtec's products and provide implementation, operation and maintenance services. Padtec S.A. holds 100% equity interest.
- f) Padtec Colombia is an operating company headquartered in Colombia, incorporated in 2014. Its main purpose is to perform commercial activities, reselling the Group's products and providing implementation, operation and maintenance services. Padtec S.A. holds 100% equity interest.
- g) Padtec Chile is an operating company headquartered in Chile, incorporated in 2019, with 100% of its shares subscribed by Padtec Sucursal Argentina. Its main purpose is to perform sales activities, resell Group Padtec's products and provide implementation, operation and maintenance services.
- h) Padtec Soluções Para Redes Ltda is a privately-held company focused on leasing of equipment and solutions for optical systems. Its portfolio includes rental equipment for corporate access, Data Center Interconnect, Storage Area Network Extension, metropolitan networks, and terrestrial multi-terabit long-distance networks.
- i) FIDC Funttel Padtec - Fundo de Investimento em Direitos Creditórios, was created for the purpose of providing its shareholders with the appreciation of their shares through the allocation of their resources predominantly in credit rights arising from transactions of Equipment Purchase and Sale Agreements, entered into between Padtec S.A., as seller, and its customers, as buyers. The fund is managed by Captalys D.T.V.M. Ltda. Investee Padtec S.A. holds subordinated quotas in the fund (shown in the individual balance sheet of the investee in the group of tradable securities). Senior quotas were also issued to third parties, shown in the fund as shareholders' equity and in the Company's consolidated financial statements in the liability group (Note No. 19).

2. PRESENTATION OF THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.1. Basis of preparation

The individual and consolidated interim financial statements were prepared in compliance with IAS 34 - "Interim Financial Reporting", issued by the International Accounting Standards Board ("IASB"), as well as Technical Pronouncement CPC 21 (R1) - "Interim Reporting" and are presented in a manner consistent with the rules issued by the Brazilian Securities and Exchange Commission ("CVM"), applicable to the preparation of the Quarterly Information - ITR.

The accounting policies adopted in preparing the individual and consolidated interim financial information are consistent with those adopted and disclosed in the financial statements for the year ended December 31, 2021, and, therefore, both should be read together.

The presentation of the individual and consolidated Statement of Value Added (SVA) is required by Brazilian corporate law and accounting policies adopted in Brazil applicable to publicly held companies. IFRS standards do not require the presentation of such statement. Accordingly, under IFRS, this statement is presented as a supplementary information without prejudice to the set of financial statements.

PADTEC HOLDING S.A.

MANAGEMENT'S NOTES TO THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2022

(Amounts In thousands of Brazilian reais - R\$, unless otherwise indicated)

The consolidated interim financial statements include the financial statements of Padtec Holding S.A. and the companies in which the Company holds direct or indirect control, as detailed in Note 1, whose fiscal years and accounting practices are coincident. Direct and indirect subsidiaries have been consolidated since the acquisition date, which corresponds to the date on which the Company acquired control.

The Company's Management represents that all relevant information applicable to the interim financial statements is evidenced in the notes and corresponds to that used in its management.

The authorization for the issuance of this individual and consolidated interim financial information was given by Management on November 10, 2022.

2.2. Basis of measurement

The individual and consolidated interim financial statements were prepared based on the historical cost.

2.3. Functional currency and presentation currency

The individual and consolidated interim financial statements are presented in Brazilian reais, the functional currency used by the Company (Parent Company). The functional currency of subsidiaries located abroad corresponds to the currency of their respective countries. The effects of translating the functional currency of subsidiaries abroad into Brazilian reais are recorded in equity as other comprehensive income – effects of conversion of investments abroad. All balances have been rounded to the closest thousands, except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

The individual and consolidated interim financial statements were prepared based on the same accounting policies described in Notes Nos.3.1 to 3.17 disclosed in the financial statements for the year ended December 31, 2021, published on March 15, 2022. The effect of changes in accounting policies also is expected in the consolidated financial statements for the year ended December 31, 2022.

4. CASH AND CASH EQUIVALENTS

	Consolidated	
	09/30/22	12/31/21
Cash bank deposits	10,298	16,680
Highly-liquid financial investments	31,444	70,788
	41,742	87,468

Immediately-liquid financial investments refer to investments in CDB (Bank Deposit Certificate), held in top-tier financial institutions, remunerated at rates from 99% to 112% of CDI (Interbank Deposit Certificate), and are subject to a low risk of change in value (97% to 105% as of December 31, 2021).

PADTEC HOLDING S.A.

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5. TRADABLE SECURITIES

	Consolidated	
	09/30/22	12/31/21
FIDC Funttel Padtec - Fundo de Investimento em Direitos Creditórios		
ICVM 409 Fund Shares	5,274	-
Federal Bonds	206	-
Total	5,480	-

The investment in the credit rights investment fund is diversified in quotas of other immediately liquid investment funds, government bonds, and credit rights arising from transactions generated by investee Padtec S.A. (notes 6 and 19).

6. TRADE ACCOUNTS RECEIVABLE

	Consolidated	
	09/30/22	12/31/21
Accounts receivable		
Referred in national currency	74,839	68,134
Referred in foreign currency (a)	42,462	30,265
FIDC FUNTTEL - Padtec (b)	7,452	-
	124,753	98,399
(+) Provision - V.tal Project (c)	-	5,388
(+) Court-Supervised Reorganization - Oi (d)	2,451	1,828
(-) Provision for recognition of revenue out of the accounting period (e)	(2,487)	(717)
(-) Allowance for expected losses on doubtful accounts (f)	(2,349)	(9,777)
	122,368	95,121
Current	107,709	95,121
Non-current	14,659	-
	122,368	95,121

a) Consolidated represented by US\$ 7,854 as of September 30, 2022 (US\$ 5,423 as of December 31, 2021).

b) Credits related to FIDC FUNTTEL PADTEC consolidation, according to Note 19.

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- c) Subsidiary Padtec S.A. had a contract with the telecommunications operator Vtal (former "Oi") to supply equipment, materials and services for the implementation of new DWDM systems, as well as for the expansion of the network. As of September 30, 2022 the Company has no balance to invoice related to this contract.
- d) Grupo Oi filed for court-supervised reorganization on June 20, 2016, based on the Court-Supervised Reorganization and Bankruptcy Law (Law No. 11.101/2005). On December 20, 2017, subsidiary Padtec S.A. adhered to Clause 4.3.6 of Oi's Court-Supervised Reorganization Plan, which provides that: "Payments of debt instruments included in the court-supervised reorganization will be paid with a 20-year grace period, as of the homologation date, in 5 annual, equal and successive installments, plus TR per year, the first installment falling due on the last business day of the grace period mentioned above."
- e) Provision for reversal of revenue recognition outside the accrual period ("cut-off").
- f) Expected credit losses are based on CPC 48 – Financial instruments assumptions, and consider the analysis of the level of historical losses and knowledge and monitoring of the individual situation of customers. The allowance for estimated doubtful accounts is based on CPC 48 – Financial instruments assumptions, and considers the analysis of the level of historical losses and knowledge and monitoring of the individual situation of customers and is considered sufficient to cope with any losses on credit realization. Management constantly monitors all bills and the individual situation of its customers, as well as the quality of credit granted. When the result of these assessments implies risks of credit realization, negotiations are held to monitor the terms with these customers. Based on these assessments, Management understands that the amounts provisioned as of September 30, 2022 are sufficient to cover possible losses with default.

Below are the amounts of Trade Accounts Receivable due and past due, by maturity period.

	Consolidated	
	09/30/22	12/31/21
On maturity date	115,853	72,942
01-30 days past due	2,906	3,201
31-60 days past due	1,253	3,034
61-90 days past due	359	2,826
91-120 days past due	175	786
121-150 days past due	94	424
151-180 days past due	70	2,370
181-360 days past due	1,079	1,631
Over 361 days past due	2,964	11,185
	124,753	98,399

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Changes in the allowance for doubtful accounts are as follows:

	Consolidated			
	12/31/21	09/30/22		
	Opening balance	Addition	Reversal	Closing balance
(-) Allowance for expected losses on doubtful accounts	(9,777)	(1,424)	8,852	(2,349)
Total	(9,777)	(1,424)	8,852	(2,349)

The changes refer to the realization of losses recognized in the Company's results and the renegotiation and receipt from customers that were provisioned as losses. (note 31.2)

7. INVENTORIES

	Consolidated	
	09/30/22	12/31/21
Finished products	25,778	17,216
Products in progress	2,156	1,626
Raw materials	49,968	50,201
Resale materials	3,982	3,937
Import in progress	13,723	5,683
Inventories held on third parties (a)	22,168	16,113
Provision for obsolescence and slow turnover (b)	(14,490)	(13,334)
	103,285	81,442

- a) Refers substantially to raw materials under manufacturing process and pieces of equipment held as guarantee by customers.
- b) Refers to an allowance for inventory obsolescence and slow-moving inventory items. For this estimate, discontinued inventories are considered materials out of the quality standard and items with no movements whose realization is considered unlikely by Management, since newer technologies and/or solutions are available in the market. The provision for the realization of inventories is constituted based on the analysis of the sales prices charged, net effects of taxes and fixed expenses incurred in sales efforts.

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Changes in provisions for obsolescence and slow turnover are as follows:

	Consolidated			
	12/31/21	09/30/22		
	Opening balance	Addition to provision	Reversal	Closing balance
Inventory	(11,275)	(3,042)	3,015	(11,302)
Inventories held on third parties	(2,059)	(1,450)	321	(3,188)
Total	(13,334)	(4,492)	3,336	(14,490)

8. TAXES RECOVERABLE

	Parent Company		Consolidated	
	09/30/22	12/31/21	09/30/22	12/31/21
Tax on the circulation of goods and services - ICMS	-	-	2,619	611
Industrialized product tax forwarding in transit - IPI	-	-	238	417
Financial credit (a)	-	-	8,499	5,293
Social Integration Program (PIS)	-	-	230	161
Contribution to Social Security Financing - COFINS	-	-	986	680
Social contribution on net income - CSLL (b)	-	-	2,083	1,572
Corporate Income Tax - IRPJ (b)	1,706	1,706	7,593	7,672
Service Tax - ISS	-	-	213	760
Brazilian Social Security Institute (INSS)	-	-	690	681
Income tax withholding - IRRF	-	-	2,323	1,140
Withholding tax from public agencies	-	-	4,928	3,380
Other	-	-	4,458	2,859
	1,706	1,706	34,860	25,226

- a) Financial Credit: In December 2019, the amendment to Law No. 8.248/1991 (Information Technology Law) by Law No.13.969/2019 was published, effective from April 1, 2020, until December 2029. Accordingly, the tax incentive has become the receipt of financial credit proportional to the investments in research and development (R&D) made in advance. The financial credit is calculated quarterly and will be used to pay federal taxes controlled by the Brazilian Federal Revenue Service.
- b) Balances arising from overpayments due to mandatory monthly advances.

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9. RESTRICTED FINANCIAL INVESTMENTS

As of September 30, 2022, subsidiary Padtec S.A. has a total of R\$ 1,374 (R\$ 11,737 as of December 31, 2021) in restricted financial investments, as follows:

	Consolidated	
	09/30/22	12/31/21
Banco Andbank (a)	1,272	5,408
Banco Bradesco (b)	-	5,364
Other	102	965
	1,374	11,737
Non-current	1,374	11,737
	1,374	11,737

- a) FIDC transaction with Grupo Sifra in the amount of R\$ 1,272 (R\$ 5,408 as of December 31 2021) in long-term senior quotas of FIC FIDC OSHER, a long-term investment aimed to finance customers and anticipate resources (receivables). The average yield rate is 110% of the CDI.
- b) Financial investment with Banco Bradesco in the amount of R\$ 5,364 on December 31, 2021 in CDB modality, given as collateral for the suretyship, which guarantees the debt with FINEP. The average yield rate is 99% of the CDI. As of September 30, 2022, the company has no balance related to these investments.

10. OTHER CREDITS

	Parent Company		Consolidated	
	09/30/22	12/31/21	09/30/22	12/31/21
Credits of amounts receivable (a)	-	-	2,440	2,265
Rental guarantee deposit	-	-	149	163
Payroll advance	-	-	773	609
Advances to suppliers	99	99	1,987	821
Prepaid insurance premiums	140	103	1,507	430
Other credits receivable	-	-	808	654
	239	202	7,664	4,942
Current assets	239	202	7,266	4,873
Non-current	-	-	398	69
	239	202	7,664	4,942

- (a) Amount receivable from Mecominas Group, yielding 100% of the CDI, with renegotiation of maturity for the first quarter of 2023.

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11. RELATED PARTIES

The Company has the following companies as controlling shareholders with a relevant interest (interest over five percent (5%) of the share capital):

- a) Fundação CPqD – Centro de Pesquisa e Desenvolvimento em Telecomunicações, and
- b) BNDES Participações S.A. – BNDESPAR

Company's direct and indirect interests in subsidiaries are described in Note No.1.

Controlling shareholders, subsidiaries and affiliates, entities with joint control and entities under common control that somehow have significant influences over the Company and its subsidiaries were considered as related parties.

The main transactions and respective types are shown below:

- a) **Loan:** Financial transactions performed between the Company and its subsidiaries. The balances of the loan agreements are adjusted with interest of 2% per month, maturing in 24 months.
- b) **Sales of products:** Sales of finished products between Padtec S.A. and its subsidiaries, performed under conditions considered by the Company to be similar to those of the market at the time of the negotiation, in line with the internal policies pre-established by the Management.
- c) **Other assets and liabilities:** Transactions between Fundação CPQD and Padtec S.A., referring to expenses with infrastructure and administrative expenses according to the apportionment defined between contractual parties.
- d) **Technological development services:** An agreement was made with Fundação CPqD to perform research & development activities. The amounts relating to technological services with CPqD Foundation result from the Company's and its subsidiaries investments in a center of excellence in optical communication for the development of innovative technologies for use in all the solutions Padtec S.A offers to the market, performed at market prices and under arm's-length conditions.

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	Parent				Consolidated			
	09/30/22			12/31/21	09/30/22		12/31/21	
	Automatos	Chenonceau	Padtec	Total	Total	Fundação CPqD	Total	Total
Assets								
Loan (a)	631	-	-	631	372	-	-	-
	631	-	-	631	372	-	-	-
Current	3	-	-	3	-	-	-	-
Non-current	628	-	-	628	372	-	-	-
	631	-	-	631	372	-	-	-
Liabilities								
Rent	-	-	-	-	-	286	286	-
Other services (c)	-	-	-	-	-	87	87	6
Loan (a)	-	872	11,232	12,104	4,911	-	-	-
	-	872	11,232	12,104	4,911	373	373	6
Current liabilities	-	-	-	-	-	373	373	6
Non-current liabilities	-	872	11,232	12,104	4,911	-	-	-
	-	872	11,232	12,104	4,911	373	373	6

	Consolidated					
	09/30/22				09/30/21	
	Fundação CPqD	Padtec Argentina	Padtec Colômbia	Padtec EUA	Total	Total
Revenues						
Sales of products (b)	-	7,886	13,579	781	22,246	14,362
	-	7,886	13,579	781	22,246	14,362
Expenses / Costs						
Technological development services (d)	116	-	-	-	116	-
Other services (c)	2	-	-	-	2	11
	118	-	-	-	118	11

Key management personnel compensation

Key management staff of the Company, its subsidiaries or its controllers are also considered to be Related Parties to the Company (see the Policy on Related Party Transactions of Padtec Holding S.A.).

Compensation paid to Executive Officers, members of Board of Directors and members of Supervisory Board, when in operation, and to the members of the Audit Committee is set by the Shareholders Meeting and is consistent with market standards. The maximum global amount (covering fixed and variable compensation) approved at the Shareholders' Meeting held on April 28, 2022 is R\$ 9,114. The annual compensation effectively paid to key management personnel includes the amounts related to

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monthly fees, bonuses related to the performance of the previous year, contributions to official social security and private pension:

	<u>09/30/22</u>	<u>09/30/21</u>
Short-term benefits		
Salaries including bonuses	4,672	2,815
Social security charges	497	365
Private Pension Fund	197	158
	<u>5,366</u>	<u>3,338</u>
Total Compensation	<u>5,366</u>	<u>3,338</u>

Subsidiary Padtec S.A. sponsors two private pension plans for employees, managed by Fundação Sistel de Seguridade Social, as described in Note No. 26.

The Company has no additional post-employment obligations to its Management and does not grant any other long- term benefits, such as length-of-service leave or other seniority benefits. The Company does not grant either any severance benefits to members of senior management in addition to those defined in the employment contract, signed between them and the Company.

The amounts shown in the table above are included in the total of "labor expenses and social charges" shown in the table in Note 31.1.

12. INVESTMENTS AND PROVISION FOR UNSECURED LIABILITIES

The summarized accounting information of the Company's subsidiaries, including the total amounts of assets, liabilities, unsecured liabilities, income and loss for the period, are presented below:

12.1. Breakdown of investments

	<u>Parent</u>	
	<u>09/30/22</u>	<u>12/31/21</u>
Investments in subsidiaries		
Chenonceau Participações S.A.	1,259	1,188
Padtec S.A.	153,210	151,373
	<u>154,469</u>	<u>152,561</u>

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12.2. Provision for unsecured liabilities

	Parent	
	09/30/22	12/31/21
Investments in subsidiaries		
Automatos Participações Ltda.	(3,647)	(4,578)
	(3,647)	(4,578)

12.3. Summary of financial information of direct subsidiaries

	09/30/22	12/31/21	09/30/22	12/31/21	09/30/22	12/31/21
Share Capital	15,966	15,966	18,696	18,696	230,003	230,003
Total assets	80	30	1,269	1,188	486,897	432,257
Total liabilities	3,727	4,608	10	-	333,687	280,884
Net equity (negative net worth)	(3,647)	(4,578)	1,259	1,188	153,210	151,373
Income (loss) for the period	932	(690)	72	894	3,531	29,665
Number of shares (in thousands)	15,966	15,966	18,696	18,696	230,003	230,003
Number of shares held (in thousands)	15,966	15,966	18,696	18,696	230,003	230,003
Shareholding percentage	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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12.4. Summary of financial information of indirect subsidiaries

	Padtec S.A Sucursal Argentina		Padtec EUA		Padtec Colômbia		Padtec Soluções Para Redes Ltda (a)	
	09/30/22	12/31/21	09/30/22	12/31/21	09/30/22	12/31/21	09/30/22	12/31/21
Share Capital	2,160	2,160	23,346	19,556	16,400	949	-	-
Total assets	14,600	8,252	590	262	28,033	16,717	-	-
Total liabilities	11,588	5,588	877	2,111	17,414	19,029	-	-
Net equity (negative net worth)	3,012	2,664	(287)	(1,849)	10,619	(2,312)	-	-
Income (loss) for the period	1,400	1,212	(2,476)	(3,363)	(1,626)	(3,860)	-	-
Number of shares (in thousands)	2,160	2,160	23,346	19,556	16,400	1,456	100	-
Number of shares held (in thousands)	2,160	2,160	23,346	19,556	16,400	1,456	100	-
Shareholding percentage	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	0.00%

(a) Shown in number of shares.

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12.5.Changes in investments at the Parent Company

	Automatos Participações Ltda.		Chenonceau Participações S.A.		Padtec S.A.		Total	
	09/30/22	09/30/21	09/30/22	09/30/21	09/30/22	09/30/21	09/30/22	09/30/21
Opening balance of investments	-	-	1,187	294	151,374	121,933	152,561	122,227
Opening balance - loss of investment	(4,578)	(3,888)	-	-	-	-	(4,578)	(3,888)
Equity income	932	(733)	72	882	3,531	28,937	4,535	29,086
Translation adjustment of balance sheet of subsidiaries abroad	-	-	-	-	(1,695)	(250)	(1,695)	(250)
Other	(1)	-	-	-	-	-	(1)	-
Balance of the provision for losses in subsidiaries	3,647	4,621	-	-	-	-	3,647	4,621
Closing balance of investments	-	-	1,259	1,176	153,210	150,620	154,469	151,796

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13. PROPERTY, PLANT & EQUIPMENT

	Consolidated						
	Machinery and equipment	Computer equipment	Furniture and fixtures	Telephone devices	Third-party property improvement	Right to use lease (a)	Total
Balance as of December 31, 2020							
Cost	21,616	9,792	2,527	21	2,943	6,043	42,942
Accumulated depreciation	(15,572)	(4,636)	(1,263)	(19)	(226)	(2,686)	(24,402)
	6,044	5,156	1,264	2	2,717	3,357	18,540
Acquisitions	4,087	1,465	122	-	1,000	-	6,674
Write-offs and disposals (acquisition)	(36)	(28)	17	-	-	(2,885)	(2,932)
Write-offs and disposals (depreciation)	21	23	(5)	-	-	2,686	2,725
Depreciation	(1,146)	(1,199)	(190)	(1)	(444)	(1,799)	(4,779)
	8,970	5,417	1,208	1	3,273	1,359	20,228
Cost	25,667	11,229	2,666	21	3,943	3,158	46,684
Accumulated depreciation	(16,697)	(5,812)	(1,458)	(20)	(670)	(1,799)	(26,456)
	8,970	5,417	1,208	1	3,273	1,359	20,228

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	Consolidated						
	Machinery and equipment	Computer equipment	Furniture and fixtures	Telephone devices	Third-party property improvement	Right to use lease (a)	Total
Balance as of December 31, 2021							
Cost	21,913	11,814	2,671	21	4,025	26,539	66,983
Accumulated depreciation	(17,150)	(6,266)	(1,522)	(20)	(893)	(2,430)	(28,281)
Balance as of December 31, 2021	4,763	5,548	1,149	1	3,132	24,109	38,702
Acquisitions	351	395	9	-	-	4,224	4,979
Write-offs and disposals	(11)	8	-	-	-	-	(3)
Depreciation	(1,280)	(1,363)	(186)	(1)	(728)	(2,350)	(5,908)
Balance as of September 30, 2022	3,823	4,588	972	-	2,404	25,983	37,770
Cost	22,264	12,209	2,680	21	4,025	30,763	71,962
Accumulated depreciation	(18,441)	(7,621)	(1,708)	(21)	(1,621)	(4,780)	(34,192)
Balance as of September 30, 2022	3,823	4,588	972	-	2,404	25,983	37,770

- a) The Company adopted IFRS 16/CPC 6 (R2) - Lease transactions on January 1, 2020, considering as a basis for analysis the agreements with identifiable assets, for which the control of the use of the asset, economic benefits, among other aspects provided for in the pronouncement, are exclusive to the Company, irrespective of the legal form given to the agreement. Service agreements and supply agreements were treated as leasing agreements when there is an identifiable asset.

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The table below shows the average depreciation rates for PP&E for the year:

	In years	% per year
Machinery and equipment	02 to 10 years	10% per year to 50% per year
Computer equipment	01 to 05 years	20% per year to 100% per year
Furniture and fixtures	06 to 15 years	6.67% per year to 16.67% per year
Telephone device	04 to 10 years	10% per year to 25% per year
Right-of-use	03 to 06 years	16% per year to 33,3% per year
Other	05 years	20% per year

14. INTANGIBLE ASSETS

	Parent Company		Consolidated					
	Brands and patents	Total	Software	Brands and patents	Technical Information License	Development projects completed	Development projects in progress	Total
Balance as of December 31, 2021	24	24						
Cost	24	24						
Balance as of September 30, 2022	24	24						
Balance as of December 31, 2020								
Cost	10,211	27	5,144	20,169	14,068			49,619
Accumulated amortization	(6,097)	-	(4,256)	(10,049)	-			(20,402)
Balance as of December 31, 2020	4,114	27	888	10,120	14,068			29,217
Acquisitions	403	-	592	2,088	10,310			13,393
Transfer in development to completed	-	-	-	9,981	(9,981)			-
Write-offs and disposals (acquisition)	-	-	-	(5,289)	-			(5,289)
Write-offs and disposals (amortization)	(6)	-	(205)	5,289	-			5,078
Amortization	(843)	-	(1,094)	(4,328)	-			(6,265)
Balance as of September 30, 2021	3,668	27	181	17,861	14,397			36,134
Cost	10,614	27	5,736	26,949	14,397			57,723
Accumulated amortization	(6,946)	-	(5,555)	(9,088)	-			(21,589)
Balance as of September 30, 2021	3,668	27	181	17,861	14,397			36,134

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	Consolidated					Total
	Software	Brands and patents	Technical Information License	Development projects completed	Development projects in progress	
Balance as of December 31, 2021						
Cost	10,807	27	5,736	26,949	18,643	62,162
Accumulated amortization	(7,238)	-	(5,692)	(11,247)	-	(24,177)
Balance as of December 31, 2021	3,569	27	44	15,702	18,643	37,985
Acquisitions	862	-	1	-	10,096	10,959
Transfer in development to completed	-	-	-	9,237	(9,237)	-
Write-offs and disposals	10	-	-	-	(339)	(329)
Amortization	(840)	-	(45)	(5,994)	-	(6,879)
Balance as of September 30, 2022	3,601	27	-	18,945	19,163	41,736
Cost	11,679	27	5,737	36,186	19,163	72,792
Accumulated amortization	(8,078)	-	(5,737)	(17,241)	-	(31,056)
Balance as of September 30, 2022	3,601	27	-	18,945	19,163	41,736

Development projects in progress refer to new technologies under development that meet the recognition criteria related to the completion and use of assets and generation of future economic benefits.

The table below shows the average depreciation rates for intangible assets for the year:

Description	In years	% per year
Software	05 years	20% per year
Development of new products	05 years	20% per year

15. LOANS AND FINANCING

Modality	Agreed rate	Annual average effective rate	Due date	Guarantee	Consolidated	
					09/30/22	12/31/21
<i>Local currency</i>						
Working Capital - Safra	CDI + 5.53% p.a.	19.33%	from 10/22/20 to 09/23/25	-	7,366	8,602
Working Capital - Daycoval	CDI + 5.9% p.a.	19.72%	from 07/29/20 to 09/30/24	Receivables	3,314	7,646
Working Capital - ABC Brasil	CDI + 4.38% p.a.	18.13%	from 12/23/20 to 05/23/24	Receivables	5,797	7,801
Finep	CDI + 2.30% and 2.80% p.a.	5.03%	from 02/15/20 to 03/15/42	Bank-issued guarantee	53,059	28,244
					69,536	52,293
Current liabilities					8,745	10,087
Non-current liabilities					60,791	42,206
					69,536	52,293

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(Amounts In thousands of Brazilian reais - R\$, unless otherwise indicated)

Repayment schedule by year of maturity:

	Consolidated											
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032-2042	TOTAL
Loans and financing	2,198	10,098	9,941	3,425	3,425	3,425	3,425	3,425	3,425	3,425	23,324	69,536

Loans and Financing raised by the Company do not require the fulfillment of any covenants.

15.1. Payments

In 2022, R\$ 11,303 was paid in the consolidated as of September 30, referring to interest and principal on loans raised by the Company.

15.2. Raising of Loans and Financing

Over 2021, R\$ 10,256 of financing was released with FINEP, arising from agreements signed by subsidiary Padtec S.A. in 2020 (R\$ 10,356 released in 2020). The credit line granted under such agreements amounts to R\$ 23,964 and the funds are released according to the disbursement and proof of costs under the strategic plan. Interest will be paid in 232 consecutive monthly installments, with a 36-month grace period for principal payment.

In 2021, subsidiary Padtec S.A. signed another financing line with FINEP, also intended for technological investments, in the amount of R\$ 19,653. Under this agreement, the funds are released according to the disbursement and proof of costs under the strategic innovation plan of Padtec S.A. So far, R\$ 7,587 have been capitalized. Interest will be paid in 217 consecutive monthly installments, with a 30-month grace period for principal payment.

Finally, in March 2022, subsidiary Padtec S.A. and FINEP entered into three financing agreements with funds from the Telecommunication Technological Development Fund (Funttel) of the Ministry of Communications, aiming at the development of solutions for 5G networks, in the total amount of R\$ 53,400 to be disbursed by 2024. As of September 30, 2022, R\$ 21,500 had been capitalized. Interest will be paid in 241 consecutive monthly installments, with a 36-month grace period for principal payment.

15.3. Reconciliation of liabilities resulting from financing activities

	Consolidated
Balances as of January 1, 2021	43,432
Interest expenses	3,292
Interest Payment	(2,948)
Loans Raised	17,843
Amortization	(9,326)
Balance as of December 31, 2021	52,293
Interest expenses	3,702
Interest Payment	(2,952)
Loans Raised	24,844
Amortization	(8,351)
Net cash flows from financing activities for current nine-month period	17,243
Balance as of September 30, 2022	69,536

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(Amounts In thousands of Brazilian reais - R\$, unless otherwise indicated)

16. Debentures

In December 2020, subsidiary Padtec S.A. issued R\$ 40,000 in simple debentures not convertible into shares, with security interests (fiduciary assignment of bank account), in a single series, for public distribution placed with restricted efforts pursuant to CVM Instruction 476 ("Debentures").

The change in the issuance of Debentures is shown below:

Modality	Agreed rate	Annual average effective rate	Consolidated				Balance as of 09/30/2022
			12/31/21	Principal Amortization	Charges	Charges paid	
<i>Measured at amortized cost - post fixed</i>							
Post fixed							-
CDI	CDI+3.8%	17.52%	32,127	(8,000)	3,321	(3,338)	24,110
Total at cost			32,127	(8,000)	3,321	(3,338)	24,110
Funding expenses (*)			(722)	187	-	-	(535)
Total at fair value			-	-	-	-	-
Total			31,405	(7,813)	3,321	(3,338)	23,575
Current liabilities			10,546				10,530
Non-current liabilities			20,859				13,045
			31,405				23,575

Repayment schedule by year of maturity:

	Consolidated			
	2022	2023	2024	TOTAL
Debentures	2,159	10,749	10,667	23,575

(*) Pursuant to CPC 48/IFRS 9, these refer to funding costs directly attributable to the issuance of the respective debts, measured at cost.

Debentures have a maturity term of 4 (four) years, counted from their issue date, therefore maturing on December 21, 2024. The net funds raised through this issue were allocated to the reprofiling and extension of the Company's debts.

Covenants

The Debentures require compliance with some covenants, in addition to additional obligations, which are calculated on an annual basis. The financial covenant establishes that: Net Financial Debt to EBITDA ratio must be maintained at a ratio of up to two integers and five tenths (2.5) until the full payment of the Guaranteed Obligations, to be determined on an annual basis, from the year 2020 ("Financial Covenant"), based on the annual statements of the issuer (Padtec S.A.) for the immediately previous period, audited by an Independent Auditor, which should include the mention of compliance or not with the Financial Covenant of the issue of the Debentures.

The Company monitors these indexes on a systematic and constant basis, in order to ensure that the conditions are met. In Management's understanding, all restrictive conditions and financial and non-financial clauses are duly complied with as of September 30, 2022.

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16.1.Reconciliation of liabilities resulting from financing activities

	<u>Consolidated</u>
Balances as of January 1, 2021	39,078
Interest expenses	3,032
Interest Payment	(2,905)
Amortizaion of costs with issuance of debentures	200
Payment of debentures - principal	(8,000)
Balance as of December 31, 2021	31,405
Interest expenses	3,321
Interest Payment	(3,338)
Amortizaion of costs with issuance of debentures	187
Payment of debentures - principal	(8,000)
Net cash flows from financing activities for current nine-month period	(7,830)
Balance as of September 30, 2022	23,575

17. Lease transactions

The leased amount was calculated based on the present value of the fixed lease payments not made until that date. The amounts of the installments payable were discounted at the contractual rate or rates on the loan (discount rate), plus other contractual obligations provided for in the lease agreements adjusted to present value.

Subsidiary Padtec S.A. has lease agreements with Daycoval Leasing – Banco Múltiplo S/A, referring to the lease of equipment that is being used in the Company's operation. The leases last for 36 months and a include call option clause at the end of the respective terms. Lease payments will be made in 36 equal installments with final maturity by August 2024. The effect of this accounting is the recording of R\$ 6,084 in property, plant and equipment in the group of right-of-use, with a corresponding entry to the rental obligation in current and non-current liabilities.

The discount rate in force and used to calculate the present value of the provision for leasing of the identified assets and, consequently, for the monthly appropriation of financial interest, is 3.29% to 6.30%, in accordance with the effective term of each lease agreement.

Lease with Related Parties

The Company and its subsidiaries have a commitment arising from an operating lease agreement for the property where its administrative headquarters are located, executed with CPqD Foundation. The lease has a three-year term (expiring in 2025), with an option to renew after this period, and has no purchase option clauses at its termination. The lease payment is adjusted annually by the IGPM, and the actual rate of 6.3% per year was applied to reflect market prices. The effect of this accounting is the recording in property, plant and equipment, with a corresponding entry to the rental obligation in current liabilities (see Note No. 11).

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LIABILITIES	Consolidated	
	09/30/22	12/31/21
Provision for leasing	24,967	24,109
	24,967	24,109
Current liabilities	5,698	4,086
Non-current liabilities	19,269	20,023
	24,967	24,109

Below is the change in provision for lease:

	Consolidated				09/30/22
	12/31/21	Adjustment Contracts and interest	Payment	Interest Financial	
Machinery and equipment	3,819	2,800	(1,577)	(102)	4,940
Building lease - related parties	20,290	2,240	(2,329)	(174)	20,027
	24,109	5,040	(3,906)	(276)	24,967
Current liabilities	4,086				5,698
Non-current liabilities	20,023				19,269
	24,109				24,967

18. FINANCIAL TRANSACTIONS

As of September 30, 2022, the Company has recorded Vendor and FIDC financial transactions in the amount of R\$ 45,826 (R\$ 32,770 as of December 31, 2021) in current liabilities and R\$ 41,682 (R\$ 13,225 as of December 31, 2021) in non-current liabilities. The corresponding entries for such entries are recorded in current assets and non-current assets and the transactions are described below:

	Consolidated	
	09/30/22	12/31/21
Financial transactions		
Vendor	58,209	44,792
Forfait	29,119	-
Fidc - Sifra	180	1,203
	87,508	45,995
Current	45,826	32,770
Non-current	41,682	13,225
	87,508	45,995

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18.1. Vendor Transactions

The Company entered into Vendor agreements (factoring) with Banco do Brasil, Banco Safra, Banco Industrial, Banco Sofisa and Banco Daycoval, which consist of sales financing transactions based on the principle of credit assignment. As of September 30, 2022, these financial institutions granted credits to 23 customers of the Company upon Financing Promise Agreements, with a balance drawn of R\$ 94,174, maturing by June 2025. This amount is used to purchase the Company's products and services. As of September 30, 2022 there was no default and the amount recorded is R\$ 31,045 in the short term and R\$ 27,164 in the long term.

18.2. Discount without recourse (forfait)

The Company entered into forfait agreements with Banco do Brasil and Banco ABC, which consist of financing transactions for international sales, based on the principle of discounting receivables, providing terms and better conditions for customers. As of September 30, 2022, credits were granted to 3 of the Company's customers, with a balance drawn of R\$ 32,521, with maturity by March, 2024. This amount is used for the acquisition of Company's products. As of September 30, 2022 there was no default and the amount recorded is R\$ 14,601 in the short term and R\$ 14,518 in the long term.

18.3. Transactions with credit rights investment funds (FIDC Sifra)

The Credit Rights Investment Fund - Sifra was established in October 2019 by Padtec S.A. jointly with other shareholders. This amount is used to purchase the Company's products and implementation services. Padtec S.A holds a 25% interest and the other shareholders hold a 75% interest. The FIDC is managed by the Sifra Group, for the purpose of financing clients and anticipating funds (receivables). The credit limit will be R\$ 20 million. The assignment rate for Padtec's receivables is 1.85% p.m., with a term limited to the investment amount described below. This investment will be recorded with a chattel mortgage in favor of the Sifra Group, to exclusively guarantee Padtec operations as assignor. As of September 30, 2022, 5 customers of the Company were granted credit in the total amount of R\$ 8,722 million, with maturity up to January 2023. There was no default so far and the amount recorded is R\$ 180 in the short term.

19. TRANSACTIONS WITH SENIOR FIDC QUOTAS

FIDC FUNTTEL PADTEC - Fundo de Investimentos em Direitos Creditórios (FIDC FUNTTEL Padtec) aims to provide to its shareholders the appreciation of its shares by means of investing its resources preponderantly in credit rights arising from the transaction of Equipment Purchase and Sale Contracts, entered into between Padtec S.A., as seller, and its customers, as buyers of equipment of equipment for the telecommunications sector, which are recognized as Goods or Products Developed in Brazil by the Ministry of Science, Technology and Innovations, or equivalent government body, under the terms of the MCT Ordinance no. 950, of December 12, 2006 and/or that are qualified as being part of a Basic Productive Process.

FIDC FUNTTEL was launched as a closed condominium for an indefinite period, so that its Shares will only be redeemed in the event of the fund liquidation or on the date of redemption of the respective Share. The fund has BNDES PARTICIPAÇÕES S/A as its senior shareholder (a party related to the Company, see Note 11) and exclusively PADTEC S/A as a subordinate shareholder in the proportion 80% / 20% respectively.

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FIDC FUNTTEL PADTEC operation began in April 2022.

FIDC's equity structure as of September 30, 2022 is shown below:

	Contractual amount of shares	Subscribed			Total
		Total amount of shares	Padtec Interest	Third-Party interest	
FIDC FUNTTEL PADTEC					
Senior	80,000	1.054	-	10,547	10,547
Subordinated	20,000	1.000	2,500	-	2,500
Total	100,000		2,500	10,547	13,047

The Balance Sheet as of September 30, 2022 is shown below:

FIDC FUNTTEL PADTEC	09/30/22
Assets	
Tradable securities	5,480
Trade accounts receivable	7,453
Other receivables	145
Total assets	13,078
Liabilities	
Other accounts payable	31
	31
Equity	
Share Capital	12,500
Retained losses	547
Total equity	13,047

The Income Statement for the period ended September 30, 2022 is as follows:

FIDC FUNTTEL PADTEC	09/30/22
Finance Revenues	755
Financial Expenses	(208)
Net income for the period	547

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(Amounts In thousands of Brazilian reais - R\$, unless otherwise indicated)

20. TRADE ACCOUNTS PAYABLE

	Parent Company		Consolidated	
	09/30/22	12/31/21	09/30/22	12/31/21
Domestic suppliers	108	4	16,136	18,112
International suppliers	-	-	44,728	45,486
	108	4	60,864	63,598
Current liabilities	108	4	60,188	62,497
Non-current liabilities	-	-	676	1,101
	108	4	60,864	63,598

21. FORFAITING

The Company has an agreement with a Banco do Brasil to allow domestic suppliers to early collect their receivables. Under this transaction, suppliers assign receivables from sales of goods to financial institutions. The consolidated balance as of September 30, 2022 is R\$ 10,005, with a maximum term of 180 days.

The Company has no financial expenses related to this transaction, as the cost is paid by the supplier.

22. TAXES AND CONTRIBUTIONS PAYABLE

	Parent Company		Consolidated	
	09/30/22	12/31/21	09/30/22	12/31/21
Tax on the circulation of goods and services - ICMS	-	-	1,387	4,371
Corporate Income Tax - IRPJ	-	-	5	196
Excise Tax - IPI	-	-	2,336	1,680
Social contribution on Net Income - CSLL	-	-	3	-
Social Integration Program- PIS	-	-	305	299
Contribution to social security financing - COFINS	5	-	1,411	1,404
Service Tax - ISS	31	36	399	527
Other	9	12	1,400	630
Current liabilities	45	48	7,246	9,107

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23. TAXES AND CONTRIBUTIONS PAYABLE - INSTALLMENT PAYMENT

	Consolidated	
	09/30/22	12/31/21
Installment payment of tax on the circulation of goods and services - ICMS (a)	4,541	8,047
Special program for tax regularization - PERT	-	9
Installment payment of tax on service - ISS	158	249
Total liabilities	4,699	8,305
Current liabilities	2,410	7,129
Non-current liabilities	2,289	1,176
	4,699	8,305

- (a) Subsidiary Padtec S.A. adhered to the installment payment plan to refinance its ICMS-related debts, pursuant to Joint Resolution SP/PGE 02/12 and SF 72/12, in the amount of R\$ 13,729, with an outstanding balance as of September 30, 2022 in the amount of R\$ 4,541 with final maturity until January 2027.

24. PROVISIONS

24.1. Miscellaneous provisions

	Consolidated			
	12/31/21	09/30/22		
	Opening balance	Addition to provision	Reversals	Closing balance
Provision for commission (a)	766	702	(665)	803
Repairs during warranty (b)	952	335	(82)	1,205
Other	732	7	(19)	720
Total	2,450	1,044	(766)	2,728

- a) Refers to the provision for payment of commissions on sales made to customers at the percentage of 0.4% to 4% or fixed amounts of monthly salaries, pursuant to the contractual clauses.

- b) Recognized to meet expenditures relating to products, including warranty and contractual obligations.

24.2. Provision for labor, tax and civil risks

The Company and its subsidiaries are parties to lawsuits and administrative proceedings before various courts and government agencies, arising from the normal course of their operations, involving tax, civil, labor, and other matters. Provision is made only for amounts classified as probable risk of loss.

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(Amounts In thousands of Brazilian reais - R\$, unless otherwise indicated)

	Parent Company				
	12/31/21	09/30/22			
	Opening balance	Additions	Reversals	Payments	Closing balance
Labor (a)	17,779	1,030	(4,283)	(3,809)	10,717
Civil (b)	-	364	-	(364)	-
Total provisions	17,779	1,394	(4,283)	(4,173)	10,717
Judicial deposits (c)	(991)	(77)	666	-	(402)
Total	16,788	1,317	(3,617)	(4,173)	10,315

	Consolidated				
	12/31/21	09/30/22			
	Opening balance	Additions	Reversals	Payments	Closing balance
Labor (a)	20,348	1,638	(4,142)	(4,898)	12,946
Civil	3,486	786	(4)	(364)	3,904
Tax (b)	6,897	374	(1,784)	-	5,487
Administrative	254	99	(43)	(91)	219
Total provisions	30,985	2,897	(5,973)	(5,353)	22,556
Judicial deposits (c)	(1,373)	(270)	751	-	(892)
Total	29,612	2,627	(5,222)	(5,353)	21,664

(a) Labor

Lawsuits filed by former employees from subsidiaries Padtec S.A. and Automatos Participações Ltda., as well as from former investees (Officer, Pini and Latin and Ventures (Softcorp)) - already divested, claiming labor rights.

As of September 30, 2022, the Company reversed from its provisions the amount of R\$ 9,040, of which R\$ 4,868 refer to payments of labor indemnities (note 31.2).

(b) Tax

The main proceeding refers to Tax on Industrialized Products (IPI) of subsidiary Padtec S.A., which was assessed by the Brazilian Federal Revenue Service for the alleged sale of incentivized product accessories unaccompanied by the final products, allegedly not complying with the requirement to enjoy the tax benefit provided for in the Information Technology Law then in force (reduction of IPI rate). The subsidiary was assessed for the periods of 2011 and 2012. The total provisioned risk amounts to R\$ 2,543 and an additional provision was set in the amount of R\$ 46 for the periods 2017 to 2018.

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(c) Judicial Deposits

The amounts refer to judicial deposits held in the name of the Parent Company and investees Padtec S.A. and Automatos Participações Ltda., mainly in labor lawsuits.

(d) Contingencies with estimated losses classified as possible

In the consolidated, there are other lawsuits with a total amount at risk of R\$ 87,950 assessed by the legal advisors as having a possible risk of loss as of September 30, 2022 (R\$ 75,805 as of December 31, 2021), for which no provision has been made, given that accounting practices adopted in Brazil do not require their accounting and the Company does not expect extraordinary situations justifying a provision, in its opinion. This amount comprises R\$ 64,756 referring to tax risks, R\$ 12,483 labor, R\$ 10,561 civil and R\$ 150 administrative. The main proceedings classified as possible risk of loss are detailed below:

- Subsidiary Padtec S.A. has a tax foreclosure proceeding related to ICMS tax, which is in the appeal stage, in the amount of R\$ 6,439. The lower court decision was partially favorable to cancel the tax charged, maintaining, however, the requirement of fines.
- Subsidiary Padtec S.A. has a tax foreclosure process embodied in CDA No. 80 6 21 127486-04, demanding the payment of debts arising from Administrative Proceeding No. 10831 724290/2014-65, already concluded at the administrative level, referring to the Tax Assessment Notice issued for requirement of a Regulatory Fine and differences calculated under II, IPI, PIS and COFINS, as a result of the alleged error in the tax classification of imported products. The purpose of the foreclosure is only the regulatory fine of 1% on the customs amount, totaling R\$ 1,859. The Subsidiary guaranteed the foreclosure with the submission of a performance bond, to discuss in court the charge that it considers undue.
- Subsidiary Padtec S.A. has a tax assessment notice issued by the Brazilian Federal Revenue Service referring to the payment of PIS and COFINS calculated on a non-cumulative basis, for the period from January 2009 to December 2010. The process is at the Tax Control and Monitoring Service of the Federal Revenue Service of Sorocaba/SP and is awaiting judgment of the challenge, in the amount of R\$ 6,233. This process was stayed by a lawsuit filed by the subsidiary in 2008. Due to STF decision in the leading case and of the final and unappealable decision of the aforementioned lawsuit linked to this proceeding, in favor of the plaintiff, such developments were informed in the records in May 2021 and the immediate cancellation of the tax assessment notice under analysis was requested.
- Subsidiary Padtec S.A. has tax assessment notices and challenge of fine due to alleged non-compliance with the Basic Productive Process (PPB), for allegedly selling products with undue use of the tax benefit of IPI reduction in 2011 and 2012, in the amount of R\$ 44,488. In January 2008, Padtec S.A. received a subpoena, which dismissed the challenge presented and maintained the assessment. In September 2019, the judgment of the Voluntary Appeals filed with CARF converted the proceeding into a diligence, which was started in 2021 and it is not completed.
- PerDComp Federal Taxes: Refers to Reimbursement Requests linked to the Offset Statements of subsidiary Padtec S.A., with credits arising from non-cumulative overpayment of taxes (IPI, COFINS, Cide and others), referring to several periods that were fully rejected and not ratified, amounting to R\$ 14,109 as of December 31, 2021. The records are at the National Process Management Center of the Federal Revenue Office in Ribeirão Preto/SP. There are also infraction notices of fines for non-approved offsets resulting from the same proceedings.

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- Civil Actions F.P.e A.Ltda.: Padtec Holding S.A. (formerly Ideiasnet S.A.) is a defendant in three civil lawsuits filed by the plaintiff, namely: 0014757-87.2014.8.16.0001 (precautionary action); 0021446-50.2014.8.16.0001 (main case); and 0009306-47.2015.8.16.0001 (accountability action). Such lawsuits address the validity of the guarantees given by the plaintiff (fiduciary sale of real estate instruments) in favor of Padtec Holding S.A. in connection with the sale of the former investee Softcorp and the amounts due to Padtec Holding versus the amount executed by it through the guarantees. The lawsuits are conducted jointly, under a closed proceeding, separate from the main proceeding, with risk classified as "possible loss" by the lawyers, therefore, the amount involved (R\$ 9,516) is not provisioned. The lower court ruling was fully favorable to the Company. The parties involved have appealed the decision, and the case is now in the appellate court.
- Tax Assessment Notices issued by the Municipality of Belo Horizonte/MG, referring to (i) ISSQN payment at the rate of 5% related to alleged services rendered and fine for the issuance of a document other than that established by the municipal tax legislation, by the company PSG - Padtec Serviços Global de Telecomunicações Ltda (merged into subsidiary Padtec S.A.), by its branch located in the city of Belo Horizonte/MG from April 2015 to July 2016; and (ii) fine for issuing a document other than that established by the municipal tax legislation in the same period, with tax loss.. Such proceedings amount to R\$ 5,175 with a risk of "possible loss" according to the lawyers who sponsor the cases, so no provision is made.

25. LABOR CHARGES

	Parent Company		Consolidated	
	09/30/22	12/31/21	09/30/22	12/31/21
Wages	89	99	3,082	3,322
Profit sharing	-	-	4,010	7,102
Social charges	55	80	6,420	6,199
Provision for Vacations / Christmas Bonus	-	-	9,756	6,751
Private pension fund	-	-	540	958
Share-based compensation - Phantom Shares (a)	110	20	1,837	210
Other	-	-	194	118
	254	199	25,839	24,660

- a) The Company has a Long-Term Incentive and Retention Plan approved in October 2021, comprising a compensation program for certain beneficiaries (officers and/or employees of the Company or its subsidiaries who are considered key professionals) that consists of granting Phantom Shares, based on the market price of the Company's shares and settled in cash, as established in this Plan and in the First Long-Term and Retention Incentive Program under the Company's Long-Term and Retention Incentive Plan. There is no forecast of effective trading of shares issued by the Company, since there will be no issuance and/or delivery of shares for settlement of this Plan.

26. PRIVATE PENSION PLAN

The subsidiary Padtec S.A. sponsors two pension plans for employees, managed by Fundação Sistel de Seguridade Social. Supplementary pension plans are established as a defined contribution plan ("InovaPrev") or defined benefit ("CPqDPrev").

Under the defined benefit, the contribution and benefit amount is defined when the plan is contracted, and funding is determined by actuarial calculations, to ensure that the plan can be granted and maintained. Under the defined contribution plan, the benefit amount is consistently adjusted, according to the applicable account balance held on behalf of the participant, which, in turn, results from the contribution amounts, contribution time, income arising from investments made, among other variables

Pursuant to the regulations for these plans, funding varies according to a contribution table based on salary ranges, from 1% to 8% of the employees' compensation.

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As of September 30, 2022, there were no actuarial liabilities on behalf of Padtec S.A. arising from the supplementary pension plan.

Contributions made amounted to R\$ 2,180 on September 30, 2022, which were recorded as "labor expenses and social charges" in P&L for the period and included in the table of Note 31.1.

27. SHAREHOLDERS' EQUITY

27.1. Share Capital

As of September 30, 2022, the Company's subscribed and paid-in capital is R\$ 199,211, divided into 78,450 book-entry common shares, with no par value.

Shareholder	09/30/22		12/31/21	
	Number of Shares	Shareholding - %	Number of Shares	Shareholding - %
Fundação CPqD – Centro de Pesquisa e Desenvolvimento em Telecomunicações	43,075,127	54.91%	43,075,127	54.91%
BNDES Participações S.A. – BNDESPAR	18,084,240	23.05%	18,084,240	23.05%
LMC Brazil, LLC	3,927,649	5.01%	3,927,649	5.01%
Other	13,362,763	17.03%	13,362,763	17.03%
Total	78,449,779	100.00%	78,449,779	100.00%

27.2. Capital Reserve

Capital

Corresponds to gains or losses on the change of interest in subsidiaries without loss of control.

27.3. Other comprehensive income

Translation adjustments

Refers to the accumulated translation adjustments for all foreign currency differences resulting from the conversion of the financial statements of operations abroad.

28. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of common shares issued in the year.

The diluted earnings per share is calculated by adjusting the weighted average number of outstanding common shares to assume the conversion of all potential diluted common shares by the stock options, and number of shares that could have been bought is determined at fair value, based on the monetary value of all subscription rights linked to outstanding stock options. The Company does not hold outstanding shares with dilutive potential or other instruments that could result in a dilution of the earnings per share calculation.

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The number of shares calculated, as described above, is compared with the number of shares issued, assuming the period of stock options. The following shows the basic and diluted earnings per share as of September 30, 2022 and 2021:

	Parent		Consolidated		
	Continued operations		Continued operations		Discontinued operations
	09/30/22	09/30/21	09/30/22	09/30/21	09/30/21
Basic numerator					
Profit for the period	3,954	27,284	3,954	14,003	13,281
Number of Shares	78,450	78,450	78,450	78,450	78,450
Basic and diluted earnings per share - in Brazilian reais	0.0504	0.3478	0.0504	0.1785	0.1693
Diluted numerator					
Profit for the period	3,954	27,284	3,954	14,003	13,281
Number of Shares	78,450	78,450	78,450	78,450	78,450
Diluted earnings per share - in Brazilian reais	0.0504	0.3478	0.0504	0.1785	0.1693

29. NET OPERATING REVENUE

	Period from July 1 to September 30		Period from January 1 to September 30	
	Consolidated		Consolidated	
	09/30/22	09/30/21	09/30/22	09/30/21
Gross operating revenue	124,145	124,077	327,513	336,070
Products sold	84,481	92,234	226,049	259,224
Services rendered	39,665	31,843	101,465	76,846
Taxes on sales	(18,302)	(29,956)	(57,871)	(79,995)
Returns and cancellations	(2,747)	(3,650)	(8,897)	(9,956)
Net operating revenue	103,096	90,471	260,745	246,119

30. COST OF GOODS SOLD AND SERVICES PROVIDED

	Period from July 1 to September 30		Period from January 1 to September 30	
	Consolidated		Consolidated	
	09/30/22	09/30/21	09/30/22	09/30/21
Materials	(58,444)	(47,463)	(138,419)	(124,234)
Labor	(11,596)	(10,170)	(34,712)	(29,361)
Depreciation / amortization	(1,089)	(800)	(2,626)	(2,184)
Reversal of provisions (a)	7,393	6,075	14,628	12,108
Travel	(3,273)	(2,370)	(9,246)	(6,791)
Other costs	(2,797)	(2,926)	(8,263)	(7,541)
	(69,806)	(57,654)	(178,638)	(158,003)

(a) Balance referring to Cut-Off provision reversals and inventory obsolescence occurred in the period.

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31. OPERATING REVENUES (EXPENSES)

31.1. Administrative, selling and research and development expenses

	Period from July 1 to September 30		Period from July 1 to September 30		Period from January 1 to September 30		Period from January 1 to September 30	
	Parent		Consolidated		Parent		Consolidated	
	09/30/22	09/30/21	09/30/22	09/30/21	09/30/22	09/30/21	09/30/22	09/30/21
Labor expenses and social charges	(492)	(435)	(14,023)	(13,946)	(1,701)	(1,262)	(47,249)	(41,668)
Third-party services	(179)	(218)	(1,987)	(2,400)	(827)	(1,138)	(5,139)	(5,574)
Selling and marketing expenses	-	-	(114)	(340)	(69)	(177)	(685)	(819)
General and administrative expenses	(213)	(78)	(2,294)	(1,200)	(351)	(228)	(6,494)	(4,174)
Depreciation / amortization	-	-	(3,681)	(3,198)	-	-	(10,071)	(8,853)
Travel	-	-	(420)	(195)	-	-	(1,551)	(373)
Lease of properties and equipment	-	-	(85)	(183)	-	-	(402)	(407)
Other	(8)	(8)	(1,864)	(1,231)	(25)	(13)	(2,468)	(2,137)
	(892)	(739)	(24,468)	(22,693)	(2,973)	(2,818)	(74,059)	(64,005)

Reported as follows:

	Period from July 1 to September 30		Period from July 1 to September 30		Period from January 1 to September 30		Period from January 1 to September 30	
	Parent		Consolidated		Parent		Consolidated	
	09/30/22	09/30/21	09/30/22	09/30/21	09/30/22	09/30/21	09/30/22	09/30/21
Administrative expenses	(892)	(739)	(7,643)	(6,016)	(2,973)	(2,818)	(22,779)	(19,013)
Selling expenses	-	-	(7,884)	(7,517)	-	-	(24,666)	(22,387)
Research and development expenses	-	-	(8,941)	(9,160)	-	-	(26,614)	(22,605)
	(892)	(739)	(24,468)	(22,693)	(2,973)	(2,818)	(74,059)	(64,005)

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31.2. Other operating revenues (expenses), net

	Period from July 1 to September 30		Period from July 1 to September 30		Period from January 1 to September 30		Period from January 1 to September 30	
	Parent		Consolidated		Parent		Consolidated	
	09/30/22	09/30/21	09/30/22	09/30/21	09/30/22	09/30/21	09/30/22	09/30/21
Tax gain - PIS / Cofins credit - ICMS exclusion	-	-	-	-	-	-	-	1,736
Tax gain - ISS credit granted	-	-	2	-	-	-	92	1,532
Administrative indemnities	-	-	(75)	-	-	-	(91)	-
Civil indemnities	(744)	-	(744)	-	(364)	-	(364)	-
Labor indemnities	(1,196)	-	(1,423)	-	(3,809)	-	(4,868)	-
Loss of trade account receivables	-	-	(2,804)	(950)	-	5	(3,487)	(1,872)
Allowance for doubtful accounts	-	-	6,413	629	-	-	7,428	911
Provision for labor contingencies	4,068	695	4,026	(69)	7,062	1,271	7,402	255
Provision for tax contingencies	-	-	(86)	(21)	-	-	1,247	107
Provision for civil contingencies	-	181	(58)	140	-	1,047	(418)	(312)
Provision for administrative contingencies	-	-	28	(117)	-	-	35	(41)
Other	-	(914)	23	(901)	-	(1,160)	(78)	(1,761)
	2,128	(38)	5,302	(1,289)	2,889	1,163	6,898	555

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32. FINANCIAL INCOME (COSTS)

32.1. Financial income

	Period from July 1 to September 30		Period from July 1 to September 30		Period from January 1 to September 30		Period from January 1 to September 30	
	Parent		Consolidated		Parent		Consolidated	
	09/30/22	09/30/21	09/30/22	09/30/21	09/30/22	09/30/21	09/30/22	09/30/21
Income from financial investments	10	-	1,254	1,118	10	7	4,578	2,647
Income from financial transactions	-	-	698	202	-	-	1,531	616
Foreign exchange gains	-	-	3,390	2,156	-	-	10,262	6,402
Inflation adjustment on taxes and contribution	-	1	262	(100)	-	2	883	2,877
Other revenues	1	-	70	(75)	1	-	92	474
	11	1	5,674	3,301	11	9	17,346	13,016

32.2. Financial expenses

	Period from July 1 to September 30		Period from July 1 to September 30		Period from January 1 to September 30		Period from January 1 to September 30	
	Parent		Consolidated		Parent		Consolidated	
	09/30/22	09/30/21	09/30/22	09/30/21	09/30/22	09/30/21	09/30/22	09/30/21
Interest on loans and financing	(63)	(14)	(2,931)	(2,662)	(170)	(24)	(10,070)	(6,128)
Costs on financial transactions	-	-	80	-	-	-	(512)	(38)
Exchange variation on liabilities	-	-	(3,292)	(2,487)	-	-	(12,995)	(6,954)
Discounts granted	-	-	-	(1,043)	-	-	-	(1,043)
Pis and cofins on financial income	(54)	(97)	(154)	(430)	(54)	(97)	(396)	(530)
Banking expenses	(1)	-	(119)	(375)	(3)	(1)	(650)	(533)
IOF expenses	(54)	-	(109)	(191)	(214)	-	(831)	(555)
Other expenses	27	(31)	(1,055)	(743)	(67)	(34)	(2,975)	(1,369)
	(145)	(142)	(7,580)	(7,931)	(508)	(156)	(28,429)	(17,150)

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33. CURRENT INCOME TAX AND SOCIAL CONTRIBUTION

Current

The reconciliation of tax expenses calculated by applying the combined tax rate and the income tax and social contribution expense charged to profit or loss is as follows:

	Period from July 1 to September 30		Period from July 1 to September 30		Period from January 1 to September 30		Period from January 1 to September 30	
	Parent		Consolidated		Parent		Consolidated	
	09/30/22	09/30/21	09/30/22	09/30/21	09/30/22	09/30/21	09/30/22	09/30/21
Income before taxes	12,218	4,660	12,218	4,205	3,954	27,284	3,863	20,532
Share of profit (loss) of investees	(11,116)	(5,578)	-	-	(4,535)	(29,086)	-	-
Law No. 11.196/05	-	-	(1,192)	(2,097)	-	-	(4,033)	(7,522)
(+/-) Other additions and deletions	(5,040)	(3,731)	2,564	(8,342)	(6,972)	(4,412)	(10,637)	7,607
Provision/reversal for obsolescence of inventory	-	-	(597)	1,280	-	-	1,156	3,345
Provision/reversal of contingencies	(5,010)	(3,731)	(5,346)	1,116	(7,062)	(1,616)	(8,429)	1,511
Provision/reversal of revenues	-	-	8,452	(1,334)	-	-	5,482	3,521
Provision/reversal for doubtful accounts	-	-	(169)	(630)	-	-	-	(912)
Loss on account receivables	-	-	2,804	-	-	-	3,487	-
Provision/reversal - other	(31)	-	1,864	757	90	-	(2,567)	419
Financial credits	-	-	(5,334)	(5,977)	-	-	(15,205)	(15,619)
Discontinued operations	-	-	-	124	-	-	-	13,281
Other Additions and deletions	1	-	890	(3,678)	-	(2,796)	5,439	2,061
Tax profit (loss) (IR basis)	(3,938)	(4,649)	13,590	(6,234)	(7,553)	(6,214)	(10,807)	20,617
Income tax	-	-	6	234	-	-	94	(4,832)
Social contribution	-	-	(6)	97	-	-	(3)	(1,697)
Current income tax and CSLL	-	-	-	331	-	-	91	(6,529)

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34. DISCONTINUED OPERATIONS

On January 18, 2019, Padtec S.A. entered into the agreement for the sale of its submarine division with IPG Photonics, for a total amount of R\$ 75,000, with payments to be made in three annual installments, after the fulfillment of contractual obligations and overcoming the risks of failures that should be covered by the subsidiary.

In 2021, the remaining 15%, in the amount of R\$ 11,968 (referring to Padtec S/A, inflation adjusted pursuant the contractual provision), was recorded, and the Company received R\$ 1,313 from the sale of the remaining interest in Batanga, an investee of former Ideiasnet.

35. INSURANCE (UNAUDITED)

The Company and its subsidiaries adopt the policy of contracting insurance coverage for assets subject to risks for amounts considered sufficient to cover possible claims, considering the nature of its activity. The risk assumptions adopted by the Company, given their nature, are not part of the audit scope of the individual and consolidated interim financial statements and, consequently, were not examined by the independent auditors.

Below, we show the amounts insured by risk coverage:

	Covered risk	Current period		Insured amount
		From	Up to	09/30/22
Equity Insurance	Basic coverage: fire, lightning and explosion Additional coverage: loss of profits, flooding, goods, electrical damage, landslide, equipment, machinery breakdown, registration and document recomposition, RC Commercial and Industrial establishments, theft and windstorm	04/28/22	04/28/23	211,606
Group Life Insurance (employees) - Principal	Death, accident, disability	06/30/22	06/30/23	932
Group Life Insurance (employees) - Supplement	Death, accident, disability	06/30/22	06/30/23	419
Group Life Insurance (interns)	Death, accident, disability	06/30/22	06/30/23	32
Domestic Shipping	Road hazards	10/31/21	10/31/22	4,000
International Shipping (in US\$)	Broad coverage (Imports)	10/31/21	10/31/22	USD 2,000
International Shipping (in US\$)	Broad coverage (Export)	10/31/21	10/31/22	USD 2,000
Management civil liability- D&O	Executive Board	07/09/22	07/09/23	50,000
Comprehensive General Liability	General RC, Operations, Products	07/13/22	07/13/23	15,000

36. RISK MANAGEMENT

The Company and its subsidiaries manage their financial instruments through operating strategies and internal controls to ensure liquidity, profitability and security. The Company does not make speculative investments. The proceeds derived from these transactions are consistent with the policies and strategies defined by Management. Risk management and management of financial instruments are performed through policies, strategy definitions and implementation of control systems, defined by Management. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and on the characteristics of contractual cash flows.

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37. FINANCIAL INSTRUMENTS

All financial instrument transactions are recognized in the financial statements of the Company and its subsidiaries, as shown in the table below:

	Fair Value Hierarchy	Consolidated			
		Book Value		Fair value	
		09/30/22	12/31/21	09/30/22	12/31/21
Assets					
<i>Amortized cost</i>					
Trade accounts receivable		122,368	95,121	122,368	95,121
				-	-
<i>Fair value through profit or loss</i>					
Cash and cash equivalents	Nível 2	41,742	87,468	41,742	87,468
Restricted financial investments	Nível 2	1,374	11,737	1,374	11,737
Tradable securities	Nível 2	5,480	-	5,480	-
Total		170,964	194,326	170,964	194,326
Liabilities					
<i>Amortized cost</i>					
Loans and financing (current)		(8,745)	(10,087)	(8,745)	(10,087)
Loans and financing (non-current)		(60,791)	(42,206)	(60,791)	(42,206)
Debentures (current)		(10,530)	(10,546)	(10,530)	(10,546)
Debentures (current)		(13,045)	(20,859)	(13,045)	(20,859)
Lease transactions (current)		(5,698)	(4,086)	(5,698)	(4,086)
Lease transactions (non-current)		(19,269)	(20,023)	(19,269)	(20,023)
Trade accounts payable		(60,188)	(62,497)	(60,188)	(62,497)
Trade accounts payable (non-current)		(676)	(1,101)	(676)	(1,101)
Forfaiting		(10,005)	(1,110)	(10,005)	(1,110)
Bonds with senior FIDC quotas (non-current)		(10,547)	-	(10,547)	-
Total		(199,494)	(172,515)	(199,494)	(172,515)

The classification of financial assets at amortized cost or at fair value through profit or loss is based on the business model and cash flow characteristics expected by the Company and its subsidiaries for each instrument.

Fair value against book values

The fair values of financial assets and liabilities, with the book values presented in the balance sheet, are as follows:

- Cash and cash equivalents, tradable securities and restricted financial investments – interest rates used to calculate yield on the Company's cash equivalents and restricted financial investments, at the end of the year, approximate their fair value for transactions of similar nature, term and risk.
- Loans, financing and debentures – are contracted under market conditions and, therefore, the carrying amounts approximate their market value for transactions of similar terms, source and risks.

Valuation of financial instruments

The fair value of a security corresponds to its maturity value (redemption value) brought to present value by the discount factor (relating to the maturity date of the security) obtained from the market yield curve in Brazilian reais.

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CPC 4 (R1) and IFRS 7 require the classification based on a three-level hierarchy to measure the financial instruments at fair value, based on observable and unobservable information related to the financial instrument valuation on the measurement date. CPC 40 (R1) and IFRS 7 also define observable information as market data obtained from independent sources and non-observable information reflecting market assumptions.

The three fair value hierarchy levels are:

- Level 1: Prices quoted in an active market for identical instruments.
- Level 2: Observable information other than prices quoted in an active market that are observable for the asset or liability, directly (as prices) or indirectly (price derivatives).
- Level 3: Valuation techniques under which inputs to measure the fair value are not available.

37.1. Financial risk factors

The economic and financial risks mainly reflect the behavior of macro variables and exchange and interest rates, as well as the characteristics of the financial instruments used by Padtec Group. The Group's activities are exposed to various financial risks, capital risk, interest rate risk, exchange rate, credit and liquidity risk. The Company's practice is to manage existing risks on a conservative basis. The main purposes of this practice are to preserve the value and liquidity of financial assets and ensure the inflow of funds for the good development of business.

The Company's exposure to each of these risks, the purposes, practices and processes for risk measurement and management and capital management are described below.

37.2. Capital risk

The Company manages its capital to ensure the continuity of their regular activities while seeking to maximize the return on their operations for all stakeholders or parties involved in their operations, by optimizing the use of debt and equity instruments.

The capital structure of the Company and its subsidiaries is made up by net indebtedness (loans, financing and debentures), less cash and cash equivalents, restricted cash and financial investments and the Company's equity.

Padtec Group has net debt and its net cash (debt) ratio is:

	Parent Company		Consolidated	
	09/30/22	12/31/21	09/30/22	12/31/21
Debt	-	-	103,658	83,698
Cash and cash equivalents, financial investments	-	-	43,116	99,205
Net Debt (net cash)	-	-	60,542	(15,507)
Equity	130,596	128,337	130,596	128,337
Debt (cash) ratio, net	0%	0%	46%	-12%

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37.3. Credit risk

Credit risk is the risk of the Company incurring a financial loss if a customer or a counterparty to a financial instrument fails to fulfill its contractual obligations, mostly arising from receivables from recurring customers and financial investments. To mitigate this risk, the Company and its subsidiaries adopt the procedure of making a detailed analysis of their customers' equity and financial position and constantly monitoring their outstanding debt balances. Impairment losses are shown in Note 6 (Trade accounts receivable), according to the recoverability assessment performed by Management.

For financial investments, Padtec Group only carries out transactions with low-credit-risk institutions and setting a maximum limit of investment balances, as determined by Management. Management understands that there is no significant risk to which Padtec Group is exposed, considering the concentration levels and materiality of the amounts in relation to revenue.

37.4. Liquidity risk

It is the risk of Padtec Group may face difficulties for the settlement of its obligations related to financial liabilities settled in cash.

The approach to the liquidity risk is to ensure the payment of obligations, thus, the purpose of maintaining available cash to settle short-term obligations, doing its best to always have sufficient liquidity to meet maturing obligations, under normal and stress conditions, without causing unacceptable losses or risking damage to the reputation of the Company and its subsidiaries.

Padtec Group works to align fund availability and fund generation to settle its obligations on the agreed terms. Contractual maturity is based on the most recent date when the Company and its subsidiaries should settle the related obligations:

	Consolidated			
	Book Value	Up to 1 year	1-2 years	2-21 years
Restricted financial investments	1,374	-	1,374	-
Financial transactions	87,508	45,826	23,743	17,939
Lease transactions	(24,967)	(5,698)	(5,055)	(14,214)
Loans and financing	(69,536)	(8,745)	(12,632)	(48,159)
Debentures	(23,575)	(10,530)	(10,667)	(2,378)
Trade Accounts Payable	(60,864)	(60,188)	(676)	-
Forfaiting	(10,005)	(10,005)	-	-
Financial transactions	(87,508)	(45,826)	(23,743)	(17,939)
Total	(187,573)	(95,166)	(27,656)	(64,751)

37.5. Currency risk

This risk arises from the possibility of fluctuations in the exchange rates of foreign currencies used by the Company. Management analyzes and monitors its exposures in order to take decisions on contracting instruments to hedge the respective exposures in foreign currency.

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The net exposure in foreign currency is shown in the table below:

	Consolidated		Consolidated	
	09/30/22		12/31/21	
	R\$	US\$	R\$	US\$
Assets				
Trade accounts receivable	42,462	7,854	30,265	5,423
Liabilities				
Trade Accounts Payable	(44,728)	(8,273)	(45,486)	(8,151)
Total	(2,266)	(419)	(15,221)	(2,728)

37.6. Interest rate risk

Padtec Group's operations are indexed to fixed rates, Long-Term Interest Rate (TJLP) and CDI. Thus, Management understands that any fluctuation in interest rates would not have any significant impact on the Company's results.

The book value of financial instruments representing the maximum exposure to interest rate risk as of the date of the interim financial statements was:

	Consolidated	
	09/30/22	12/31/21
Assets		
Cash and cash equivalents	41,742	87,468
Restricted financial investments	1,374	11,737
Tradable securities	5,480	-
Financial transactions	87,508	45,995
Liabilities		
Loans and financing	(69,536)	(52,293)
Debentures	(23,575)	(31,405)
Forfaiting	(10,005)	(1,110)
Financial transactions	(87,508)	(45,995)
Net exposure	(54,520)	14,397

37.7. Sensitivity analysis

Padtec Group performed a sensitivity analysis of the main risks to which its financial instruments are exposed, basically represented by variation in exchange rates and interest rates.

When exposure to risk is considered to be active, the risk to be considered is a reduction in linked indexes due to a consequent negative impact on profit or loss. Likewise, when exposure to risk is considered passive, the risk is an increase in the linked indexes, also with a negative impact on profit or loss. Thus, Padtec Group is qualifying the risks through the net exposure of the variables (Dollar, CDI, IGP-M, IPCA, TJLP and Selic), as shown.

PADTEC HOLDING S.A.

MANAGEMENT'S NOTES TO THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2022

(Amounts In thousands of Brazilian reais - R\$, unless otherwise indicated)

Exchange rate	Consolidated		
	Probable scenario	25% Increase	50% Increase
Trade accounts receivable	42,462	10,616	21,231
Trade Accounts Payable	(44,728)	(11,182)	(22,364)
Impact on profit or loss		(566)	(1,133)

Interest rate	Consolidated		
	Probable scenario	25% Increase	50% Increase
Cash and cash equivalents	41,742	10,436	20,871
Restricted financial investments	1,374	344	687
Tradable securities	5,480	1,370	2,740
Loans and financing	(69,536)	(17,384)	(34,768)
Debentures	(23,575)	(5,894)	(11,788)
Forfeiting	(10,005)	(2,501)	(5,003)
Impact on profit or loss		(13,629)	(27,261)

38. INFORMATION BY SEGMENT

The Company and its subsidiaries have only one operating segment defined in the operational context. The Company and its subsidiaries are organized, and their performance is assessed, as a single business unit for operational, commercial, managerial, and administrative purposes.

39. SUBSEQUENT EVENTS

The Company called an Extraordinary Shareholders' Meeting for November 24, 2022 to resolve on the merger of Chenonceau Participações S.A. and Automatos Participações Ltda. by Padtec Holding S.A. aiming at the simplification, rationalization and efficiency of the Company's current corporate structure.

On October 20, 2022, Padtec S.A. entered into an agreement with Banco Votorantim, referring to FINIMP transaction, in the amount of US\$ 2,914 with a term of approximately 3 months, at the rate of 8.35% per year.