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Padtec S.A.

Individual and consolidated financial statements for the year ended December 31, 2022, accompanied by the Independent Auditor's Report

Padtec S.A.

Content

Independent Auditor’s Report on the individual and consolidated financial statements

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

Opinion

We have audited the individual and consolidated financial statements for **Padtec S.A.** ("Company"), identified as Parent and Consolidated, which comprise the individual and consolidated balance sheet as of December 31, 2022, and the related statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, as well as the related notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the aforementioned financial statements properly present, in all material respects, the equity and financial position of **Padtec S.A.** as of December 31, 2022, the individual and consolidated performance of its operations and its individual and consolidated cash flows for the year then ended, in compliance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB).

Basis for the opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities, in accordance with such standards, are described in the following section entitled “Auditor’s responsibilities for the audit of individual and consolidated financial statements”. We are independent of the Company and its subsidiaries in compliance with the relevant ethical requirements set forth in the Code of Ethics for Professional Accountants and the professional standards issued by the Federal Accounting Council and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other matters

Statement of value added

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2022, prepared under the responsibility of the Company's management and presented as supplementary information for the purposes of IFRS, were submitted to audit procedures performed carried out together with the audit of the Company's financial statements. In order to form our opinion, we assessed whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in Technical Pronouncement NBC TG 09 - Statement of Added Value. In our opinion, these statements of value added have been properly 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 financial statements taken together.

Responsibility of Management and governance for the individual and consolidated financial statements

Management is responsible for preparing and properly presenting the individual and consolidated financial statements in compliance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) and for such internal controls that it has determined to be required to allow the preparation of individual and consolidated financial statements free of material misstatement, whether caused by fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the individual and consolidated financial statements, unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative to avoid doing so.

Those charged with governance of the Company and its subsidiaries are responsible for overseeing the process of preparing the individual and consolidated financial statements.

Auditor's responsibilities for the audit of individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements, taken together, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material when, individually or taken as a whole, they might reasonably be considered likely to influence the economic decisions taken by users, based on the individual and consolidated financial statements.

As a part of the audit carried out in compliance with Brazilian and international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition to that:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve override of internal control, collusion, forgery, intentional omissions or misrepresentations.
- Obtain an understanding of the internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Assessed the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Concluded on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Assess the overall presentation, structure and content of the individual and consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the group's entities or business activities to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group’s audit and, consequently, for the audit opinion.

We communicate with those in charge of governance regarding, among other matters, the planned scope, timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identified during our work.

São Paulo, March 22, 2023.

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

Andre Luiz Cabral da Silva
Accountant CRC 1SP 270.311/O-5

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

PADTEC S.A.

BALANCE SHEETS
AS OF DECEMBER 31, 2022 AND 2021
(Amounts In thousands of Brazilian reais, unless otherwise indicated)

		Parent		Consolidated	
	Note	**12/31/22**	**12/31/21**	**12/31/22**	**12/31/21**
Assets					
Current assets					
Cash and cash equivalents	4	45,489	83,797	49,560	87,126
Tradable securities	5	-	-	3,703	-
Trade accounts receivable	6	106,232	82,246	134,999	95,121
Inventories	7	88,039	75,882	93,435	81,442
Taxes recoverable	8	29,526	20,923	32,542	23,489
Financial transactions	18	44,146	32,770	41,125	32,770
Other credits receivable	10	4,682	4,016	5,297	4,670
Total current assets		**318,114**	**299,634**	**360,661**	**324,618**
Non-current					
Trade accounts receivable	6	6,541	-	13,267	-
Related parties	11	35,827	28,140	12,877	4,076
Restricted financial investments	9	212	11,737	212	11,737
Financial transactions	18	43,248	13,225	36,112	13,225
Judicial deposit	24.2	600	372	600	372
Other credits receivable	10	409	69	409	69
Investments	12.1	15,091	2,664	-	-
Property, Plant & Equipment	13	37,364	38,615	37,571	38,702
Intangible assets	14	45,022	37,801	45,151	37,961
Total non-current assets		**184,314**	**132,623**	**146,199**	**106,142**
Total assets		**502,428**	**432,257**	**506,860**	**430,760**

The accompanying notes are an integral part of these financial statements

PADTEC S.A.

BALANCE SHEETS
AS OF DECEMBER 31, 2022 AND 2021
(Amounts In thousands of Brazilian reais, unless otherwise indicated)

	Note	Parent		Consolidated	
		12/31/22	12/31/21	12/31/22	12/31/21
Liabilities					
Current					
Loans and financing	15	23,595	10,087	23,595	10,087
Debentures	16	10,517	10,546	10,517	10,546
Lease transactions	17	6,044	4,086	6,044	4,086
Trade accounts receivable	20	66,155	61,645	68,142	62,483
Forfaiting	21	-	1,110	-	1,110
Related parties	11	344	6	344	6
Taxes and contributions payable	22	12,584	8,568	14,482	9,058
Taxes and contributions payable - installment payment	23	1,812	7,010	1,812	7,010
Labor charges	25	21,994	23,521	22,489	24,461
Miscellaneous provisions	24.1	1,976	1,717	1,976	1,717
Advances from customers and deferred revenue		1,458	6,865	1,458	6,865
Financial transactions	18	44,146	32,770	41,125	32,770
Other accounts payable		72	370	319	767
Total current liabilities		**190,697**	**168,301**	**192,303**	**170,966**
Non-current					
Loans and financing	15	68,769	42,206	68,769	42,206
Debentures	16	10,440	20,859	10,440	20,859
Provision for labor, tax and civil risks	24.2	9,645	9,970	9,645	9,970
Trade accounts receivable	20	522	1,101	522	1,101
Lease transactions	17	18,909	20,023	18,909	20,023
Taxes and contributions payable - installment payment	23	2,008	1,037	2,008	1,037
Financial transactions	18	43,248	13,225	36,112	13,225
Transactions with senior FIDC quotas	19	-	-	10,393	-
Provision for unsecured liabilities	12.2	468	4,162	-	-
Other accounts payable		875	-	912	-
Total non-current liabilities		**154,884**	**112,583**	**157,710**	**108,421**
Total liabilities		**345,581**	**280,884**	**350,013**	**279,387**
Equity					
Capital	27.1	230,003	230,003	230,003	230,003
Capital reserve	27.2	21	21	21	21
Accrued losses		(67,829)	(75,715)	(67,829)	(75,715)
Other comprehensive income	27.3	(5,348)	(2,936)	(5,348)	(2,936)
Total equity		**156,847**	**151,373**	**156,847**	**151,373**
Total liabilities and shareholders' equity		**502,428**	**432,257**	**506,860**	**430,760**

The accompanying notes are an integral part of these financial statements

PADTEC S.A.

STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts In thousands of Brazilian reais, unless otherwise indicated)

		Parent Company		Consolidated	
	Note	12/31/22	12/31/21	12/31/22	12/31/21
Continued operations					
Net operating revenue	29	**349,607**	**341,890**	**365,725**	**343,739**
Cost of goods sold and services provided	30	(241,186)	(222,776)	(248,857)	(221,131)
Gross profit		**108,421**	**119,114**	**116,868**	**122,608**
Operating revenues (expenses)					
Administrative expenses	31.1	(22,806)	(21,858)	(25,267)	(23,322)
Selling expenses	31.1	(25,713)	(23,896)	(32,556)	(31,561)
Research and development expenses	31.1	(34,679)	(33,493)	(34,679)	(33,493)
Equity income	12.4	(3,739)	(6,011)	-	-
Other operating revenues (expenses), net	31.2	129	519	224	566
Profit before financial income (costs)		**21,613**	**34,375**	**24,590**	**34,798**
Financial income (costs)					
Financial income	32.1	12,955	14,701	18,960	16,776
Finance costs	32.2	(26,396)	(22,745)	(35,311)	(25,361)
Profit before income tax and social contribution		**8,172**	**26,331**	**8,239**	**26,213**
Income tax and social contribution					
Current	33	(286)	(8,634)	(353)	(8,516)
Profit for the year from continuing operations		**7,886**	**17,697**	**7,886**	**17,697**
Discontinued operations					
Profit (loss) from discontinued operations	34	-	11,968	-	11,968
Profit for the year from discontinued operations		**-**	**11,968**	**-**	**11,968**
Net income for the year		**7,886**	**29,665**	**7,886**	**29,665**
Profit (loss) attributable to:					
Controlling shareholders		7,886	29,665	7,886	29,665
Net income for the year		**7,886**	**29,665**	**7,886**	**29,665**
Earnings per share					
Basic and diluted earnings per share	28	0.6027	2.2670	0.6027	2.2670
Earnings per share from continuing operations					
Basic and diluted earnings per share from continuing operations	28	0.6027	1.3524	0.6027	1.3524
Earnings per share from discontinued operations					
Basic and diluted earnings per share from discontinued operations	28	-	0.9146	-	0.9146

The accompanying notes are an integral part of these financial statements

PADTEC S.A.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts In thousands of Brazilian reais, unless otherwise indicated)

	Parent Company and Consolidated	
	12/31/22	**12/31/21**
Net income for the year	**7,886**	**29,665**
Items that may be reclassified subsequently to the statement of income (loss)		
Other comprehensive income		
Translation adjustments of balance sheet of subsidiaries abroad	(2,412)	(227)
Comprehensive income for the year	**5,474**	**29,438**
Comprehensive income (loss) attributable to:		
Controlling shareholders	5,474	29,438
Comprehensive income for the year	**5,474**	**29,438**

The accompanying notes are an integral part of these financial statements

PADTEC S.A.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts In thousands of Brazilian reais, unless otherwise indicated)

		Parent Company and Consolidated				
	Note	**Capital**	**Capital reserve**	**Other comprehensive income**	**Retained earnings/losses**	**Total equity**
Balance as of December 31, 2020		**230,003**	**21**	**(2,709)**	**(105,380)**	**121,935**
Net income for the year		-	-	-	29,665	**29,665**
Exchange variation adjustment of subsidiaries	27.3	-	-	(227)	-	**(227)**
Balance as of December 31, 2021		**230,003**	**21**	**(2,936)**	**(75,715)**	**151,373**
Net income for the year		-	-	-	7,886	**7,886**
Exchange variation adjustment of subsidiaries	27.3	-	-	(2,412)	-	**(2,412)**
Balance as of December 31, 2022		**230,003**	**21**	**(5,348)**	**(67,829)**	**156,847**

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts In thousands of Brazilian reais, unless otherwise indicated)

	Parent Company		Consolidated	
	12/31/22	12/31/21	12/31/22	12/31/21
Profit for the period before taxes	**8,172**	**38,299**	**8,239**	**38,181**
Adjustments to reconcile net income (loss) for the year with cash provided by (used in) operating activities:				
Depreciation and amortization	17,383	15,264	17,438	15,301
Interest and inflation adjustments on loans	5,039	3,292	5,039	3,292
Interest and inflation adjustments on debentures	3,814	3,032	3,814	3,032
Amortization of costs with issuance of debentures	248	200	248	200
Allowance for doubtful accounts	(7,951)	388	(7,951)	388
Creation (reversal) of miscellaneous provisions	259	(899)	259	(899)
Provision for labor, tax and civil risks	1,370	(2,595)	1,370	(2,595)
Provision for inventory obsolescence	1,656	3,635	1,656	3,635
Equity income	3,739	6,011	-	-
Write-off of PPE and intangible assets	395	385	386	403
Decrease (increase) in operating assets:				
Trade accounts receivable	(22,576)	15,960	(45,194)	7,164
Inventories	(13,813)	(21,257)	(13,649)	(23,088)
Taxes recoverable	(8,603)	(468)	(9,053)	(1,733)
Related parties	(7,687)	(20,662)	(8,801)	(4,076)
Judicial deposit	(228)	43	(228)	43
Other credits receivable	(1,006)	(448)	(967)	(760)
Increase (decrease) in operating liabilities:				
Lease transactions	(909)	(2,630)	(909)	(2,630)
Trade accounts receivable	3,931	7,084	5,080	7,752
Forfaiting	(1,110)	(861)	(1,110)	(861)
Labor charges	(1,527)	5,076	(1,972)	5,671
Taxes and contributions payable	(211)	3,428	1,197	3,422
Transactions with senior FIDC quotas	-	-	6,690	-
Related party transactions	338	(942)	338	(942)
Income tax and social contribution - paid	(286)	(8,634)	(353)	(8,516)
Charges on loans and financing - paid	(3,966)	(2,948)	(3,966)	(2,948)
Debenture charges - paid	(3,843)	(2,905)	(3,843)	(2,905)
Advances from customers and deferred revenue	(5,407)	6,865	(5,407)	6,865
Other accounts payable	577	(2,755)	464	(4,063)
Labor, tax and civil indemnities - paid	(1,695)	-	(1,695)	-
Net cash used in (provided by) operating activities	**(33,897)**	**40,958**	**(52,880)**	**39,333**
Cash flows from investment activities				
Capital increase in subsidiary (cash)	(22,271)	(1,346)	-	-
Financial investments as collateral	11,525	7,658	11,525	7,658
Acquisition of PPE and intangible assets	(21,996)	(21,157)	(22,130)	(21,252)
Net cash used in investing activities	**(32,742)**	**(14,845)**	**(10,605)**	**(13,594)**
Cash flows from financing activities				
Raising of loans and financing	49,174	17,843	49,174	17,843
Payment of loans and financing - principal	(10,176)	(9,325)	(10,176)	(9,325)
Payment of debentures - principal	(10,667)	(8,000)	(10,667)	(8,000)
Net cash from financing activities	**28,331**	**518**	**28,331**	**518**
Exchange variation of cash in foreign currency	-	-	(2,412)	(227)
Increase (decrease) in cash and cash equivalents	**(38,308)**	**26,631**	**(37,566)**	**26,030**
Cash and cash equivalents at the beginning of the year	**83,797**	**57,166**	**87,126**	**61,096**
Cash and cash equivalents at the end of the year	**45,489**	**83,797**	**49,560**	**87,126**
Non-cash transactions				
Right-of-use of lease	**1,753**	**23,382**	**1,753**	**23,382**

The accompanying notes are an integral part of these financial statements

PADTEC S.A.

STATEMENTS OF VALUE ADDED
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts In thousands of Brazilian reais, unless otherwise indicated)

	Parent Company		Consolidated	
	12/31/22	12/31/21	12/31/22	12/31/21
1 - Revenues	**440,818**	**461,431**	**457,264**	**463,534**
1.1. Sale of goods, products and products	438,844	446,666	455,290	448,771
1.2. Allowance for doubtful accounts	7,951	(388)	7,951	(388)
1.3. Other revenues	(5,977)	15,153	(5,977)	15,151
2 - Inputs purchased from third parties	**(194,882)**	**(180,742)**	**(204,520)**	**(180,672)**
2.1. Cost of products, goods and services sold	(150,041)	(142,569)	(157,175)	(140,623)
2.2. Energy, third-party services and other operating expenses	(44,841)	(38,173)	(47,345)	(40,049)
3 - Retentions	**(17,383)**	**(15,264)**	**(17,438)**	**(15,301)**
3.1. Depreciation and amortization	(17,383)	(15,264)	(17,438)	(15,301)
4 - Value added produced, net	**228,553**	**265,425**	**235,306**	**267,561**
5 - Value added received on transfer	**9,216**	**8,690**	**18,960**	**16,776**
5.1. Equity income	(3,739)	(6,011)	-	-
5.2. Financial income	12,955	14,701	18,960	16,776
6 - Total value added to distribute	**237,769**	**274,115**	**254,266**	**284,337**
7 - Distribution of value added	**237,769**	**274,115**	**254,266**	**284,337**
7.1. Personnel and charges	**93,307**	**88,108**	**100,822**	**95,832**
Direct compensation	69,743	61,124	77,258	68,848
Benefits	18,021	22,407	18,021	22,407
Severance Fund (FGTS)	5,543	4,577	5,543	4,577
7.2. Taxes, fees and contributions	**106,822**	**129,309**	**106,889**	**129,191**
Federal	74,156	89,202	74,223	89,084
State	29,498	37,405	29,498	37,405
Municipal	3,168	2,702	3,168	2,702
7.3. Third-party capital remuneration	**29,754**	**27,033**	**38,669**	**29,649**
Financial costs	26,396	22,745	35,311	25,361
Rents	3,358	4,288	3,358	4,288
7.4. Equity remuneration	**7,886**	**29,665**	**7,886**	**29,665**
Net income for the year	7,886	29,665	7,886	29,665

The accompanying notes are an integral part of these financial statements

(Amounts In thousands of Brazilian reais, unless otherwise indicated)

1. GENERAL INFORMATION

1.1. Operational context

Padtec S.A. ("Company" or "Padtec") is a privately held company dedicated to the development, manufacture and sale of turnkey solutions for optical systems. Its portfolio includes equipment for corporate access, Data Center Interconnect, Storage Area Network Extension, metropolitan networks, and terrestrial and underwater multi-terabit long-distance networks. The Company's administrative headquarters are located at Rua Doutor Ricardo Benetton Martins, 1000, Parque II of Polo de Alta Tecnologia, Campinas, SP, Brazil.

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). The fund is managed by Finvest Distribuidora de Títulos e Valores Mobiliários Ltda.

The Company's consolidated financial statements cover the Company and its subsidiaries (together referred to as the Group):

	Equity interest (%)			
	12/31/22		12/31/21	
	Direct	Indirect	Direct	Indirect
Sucursal Argentina (a)	100.00%	-	100.00%	-
Padtec EUA (b)	100.00%	-	100.00%	-
Padtec Colômbia (c)	100.00%	-	100.00%	-
Padtec Chile (d)		100.00%	-	100.00%
Padtec Peru (e)	99.00%	-	-	-
Padtec Soluções Para Redes Ltda. (f)	100.00%	-	-	-
FIDC FUNTTEL PADTEC - Fundo de Investimento em Direitos Creditórios (g)		20.00%	-	-

a) Padtec Sucursal Argentina is an operating company, headquartered in Argentina, incorporated in 2007. 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.
b) 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.
c) Padtec Colômbia 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.

d) 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.
e) Padtec Peru is an operating company headquartered in Chile, incorporated in 2022, with 99% of its shares subscribed by Padtec S.A. and 1% by Padtec Sucursal Colômbia. Its main purpose is to perform sales activities, resell Group Padtec's products and provide implementation, operation and maintenance services.
f) 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.
g) 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 Finvest 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 INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of preparation

The individual (Parent Company) and consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with accounting practices adopted in Brazil (BR GAAP).

Consolidated financial statements include the financial statements of Padtec 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 are consolidated since each acquisition date, which corresponds to the date on which the Company acquired control.

Management states that all relevant information pertinent to financial statements are being disclosed, and correspond to that used in the management of the Company and its subsidiaries.

2.2. Authorization to issue the financial statements

The issuance of these financial statements was authorized by the Company's Management on March 22, 2023.

2.3. Basis of measurement

The individual and consolidated financial statements have been prepared at the historical cost, except for the following items recorded on the balance sheets: (i) derivative financial instruments measured at fair value; and (ii) non-derivative financial instruments measured at fair value through profit or loss. The classification of the fair value measurement into categories on levels 1, 2 or 3 (depending on the degree of observance of the variables used) is presented in Note 37, Financial Instruments.

2.4. Use of estimates and judgments

The preparation of individual and consolidated financial statements requires Management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, revenues and expenses.

Actual results may differ from accounting estimates. Thus, Management reviews estimates and assumptions on a regular basis, based on historical experience and other factors deemed relevant. Adjustments arising from these reviews are recognized in the period in which the estimates are reviewed and applied.

The main accounting items requiring the adoption of assumptions and estimates, which are subject to a higher level of uncertainty and which have a risk of resulting in a material adjustment if such assumptions and estimates are significantly changed in subsequent periods are:

- Note 6 – Trade accounts receivable (estimated losses for doubtful accounts: main assumptions in relation to the expectation of expected credit loss);
- Note 7 – Inventories (Provision for obsolescence and low turnover: main assumptions in relation to the expected loss of inventories);
- Note 13 – Property, plant and equipment (application of defined useful lives and main assumptions in relation to recoverable amounts);
- Note 14 – Intangible assets (main assumptions in relation to recoverable amounts);
- Note 17 – Lease transactions (determination of whether a contract contains a lease);
- Note 24.1 - General accruals (recognition and measurement: main assumptions on the likelihood of cash outflows);
- Note 24.2 - Provision for labor, tax an civil risks (recognition and measurement: main assumptions on the likelihood of cash outflows); and
- Note 26 – Private pension plan (main actuarial assumptions in the measurement of defined benefit obligations).

2.5. Functional currency and presentation currency

The individual and consolidated financial statements are presented in Brazilian Reais (R$), which is the Company's functional currency (Parent Company). The functional currency of subsidiaries located in the United States and Argentina is the US dollar, in Colombia is the Colombian peso, in Chile it is the Chilean peso and in Peru is the Peruvian sol. The effects of converting 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.

2.6. Statement of Value Added

The Company prepared the individual and consolidated Statements of Value Added ("DVA") in accordance with Technical Pronouncement CPC 09 - Statement of value added, which are presented as an integral part of the financial statements in accordance with accounting practices adopted in Brazil and as supplementary information to the financial statements in IFRS, as this is not an expected or mandatory statement under IFRS.

2.7. Statement of Cash Flows

Statements of Cash Flows were prepared using the indirect method and are presented in compliance with CPC 03 (R2).

3. Significant accounting policies

The significant accounting policies used in preparing these individual and consolidated financial statements are described below. These policies have been applied consistently for all the reporting years presented.

3.1. Basis of Consolidation

Investments in subsidiaries and affiliates are accounted for in the Parent Company, under the equity pick-up method. The Company's share in results of subsidiaries is recognized in the profit or loss for the year, as share of profit (loss) of investees For the exchange variation on investments abroad, which have a functional currency other than the Company's functional currency, changes in the amount of the investment arising exclusively from exchange variation are recorded in equity as other comprehensive income - translation adjustment of investments abroad - and are only taken to the profit or loss for the year when the investment is sold or written off for loss.

For the calculation of equity pick-up, unearned profits from operations with subsidiaries are fully eliminated, both in sales transactions from the Parent Company to the subsidiary, and between subsidiaries. Unrealized losses are eliminated, but only if there is no evidence of impairment loss. Intercompany balances and transactions and any revenues or expenses from these transactions are fully eliminated in the preparation of the consolidated financial statements.

Investments in subsidiaries, affiliates or jointly-controlled companies with negative net worth are presented in non-current liabilities. The Company's Management understands that there is no difference between the accounting practice adopted in Brazil and IFRS, since the Company acts as joint and several liable for the debt of its subsidiaries with negative net worth.

3.2. Transactions and balances in a currency other than its functional currency

Foreign currency transactions are translated into the respective Padtec Group's functional currency (R$ - Brazilian reais) at the exchange rates on the dates of transactions. Balance sheet account balances are translated at the exchange rate prevailing on the balance sheet dates. Exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognized in profit or loss for the year, in "Financial income" and "Financial expenses".

3.3. Financial instruments

i. Financial assets

Financial assets are initially recognized on the date they were originated or on the trade date on which the Company or its subsidiaries become a party to the contractual provisions of the instrument. Derecognition of a financial asset occurs when the contractual rights to the related asset's cash flows expire or when the rights and benefits of holding such financial assets are transferred.

Measurement:

- Financial assets measured at fair value through profit or loss: These assets are subsequently measured at fair value. The net result, including interest or dividend income, is recognized in profit or loss.

- Financial assets measured at amortized cost: These assets are subsequently measured at amortized cost, using the effective interest method. Amortized cost is reduced by impairment losses. Interest income, exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

- Debt instruments measured at fair value through other comprehensive income: These assets are subsequently measured at fair value. Net results are recognized in other comprehensive income, except for interest income calculated using the effective interest method, foreign exchange gains and losses and impairment, which are recognized in profit or loss. Upon derecognition, the accumulated effect in other comprehensive income is reclassified to profit or loss. The Company and its subsidiaries do not have financial assets of this classification.

- Equity instruments measured at fair value through other comprehensive income: These assets are subsequently measured at fair value. All changes are recognized in other comprehensive income and will never be reclassified to profit or loss, except for dividends received as a gain in profit or loss (unless the dividend clearly represents a recovery of part of the investment cost). The Company and its subsidiaries do not have financial assets of this classification.

For initial recognition, financial assets are classified as measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

Financial assets are not reclassified subsequently to initial recognition, unless the Company changes the business model for the management of financial assets, and therefore all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets the following two conditions and is not designated as measured at fair value through profit or loss:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

- its contractual terms give rise, on specific dates, to cash flows representing only payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if it meets the following two conditions and is not designated as measured at fair value through profit or loss:

- it is held within a business model which purpose is achieved both by the receipt of contractual cash flows and by the sale of financial assets; and

- its contractual terms give rise, on specific dates, to cash flows representing only the payment of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost, fair value through other comprehensive income, as described above, are classified as measured at fair value through profit or loss.

<u>Business model assessment:</u>

The Company carries out an assessment of the purpose of the business model in which a financial asset is held in a portfolio because this better reflects the way in which the business is managed. The information is provided to Management and includes:

- the policies and purposes stipulated for the portfolio and the practical operation of these policies. They include the question of whether management's strategy is focused on obtaining contractual interest income, maintaining a particular interest rate profile, matching the duration of financial assets to the duration of related liabilities or expected cash outflows, or the realization of cash flows through the sale of assets;

- how the performance of the portfolio is assessed and reported to the Company's Management;

- the risks affecting the performance of the business model (and the financial asset held in that business model) and the way in which those risks are managed;

- how business managers are compensated - for example, whether compensation is based on the fair value of assets under management or contractual cash flows gained; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and their expectations about future sales.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales, consistent with the ongoing recognition of the Company's assets.

Financial assets held for trading or managed with performance assessed based on fair value are measured at fair value through profit or loss.

<u>Assessment of whether contractual cash flows are principal and interest payments only</u>

For purposes of assessing contractual cash flows, principal is defined as the fair value of the financial asset at initial recognition. Interest is defined as the consideration for the time value of money and the credit risk associated with the principal amount outstanding over certain period of time and for other basic loan risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

The Company considers the contractual terms of the instrument to assess whether the contractual cash flows are payments of principal and interest only. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows in such a way that it would not meet that condition. When making this assessment, the Company considers:

- contingent events that change the value or timing of cash flows;

- terms that may adjust the contractual rate, including variable rates;

- prepayment and extension of the term; and

- the terms that limit the Company's access to cash flows from specific assets (e.g., based on the performance of an asset).

Purchases or sales of financial assets requiring the delivery of assets within a period established by regulation or agreement in the market (regular trading) are recognized on the trade date, i.e., on the date on which the Company undertakes to buy or sell the asset.

ii. Financial liabilities

Financial liabilities are initially recognized on the date they were originated or on the trade date on which the Company or its subsidiaries become a party to the contractual provisions of the instrument. Classifications of financial liabilities are as follows:

- Measured at fair value through profit or loss: these are financial liabilities that: (i) are held for trading, (ii) are designated at fair value aiming to compare the effects of the recognition of income and expenses to obtain more relevant and consistent accounting information or (iii) derivatives. These liabilities are recorded at their respective fair values, and their changes are recognized in profit or loss for the year and any change in the subsequent measurement of fair values that is attributable to changes in the liability's credit risk is recorded against other comprehensive income.

- Measured at amortized cost: refer other financial liabilities that do not fit into the above classification. These are initially recognized at fair value less any costs attributable to the transaction and subsequently recorded at amortized cost using the effective interest rate method.

iii. Derivative financial instruments

The Company and its subsidiaries did not carry out, in the years ended December 31, 2022 and 2021, any transactions with derivative financial instruments. Pursuant to its financial policies, the Company and its subsidiaries do not carry out transactions involving financial instruments of a speculative nature.

3.4. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and financial investments with original maturity of three months or less from the date of contracting, which are subject to an insignificant risk of change in fair value at the time of their settlement and are used by the Company in the management of short-term obligations. The purpose of determining the composition of the Company's cash and cash equivalents is to maintain sufficient cash to ensure the continuity of investments and the fulfillment of short- and long-term obligations, maintaining the return of its capital structure at adequate levels, aiming at the continuity of its business and the increase in the Company’s value.

3.5. Trade accounts receivable

Trade accounts receivable are recorded at their nominal value and deducted from the allowance for expected credit losses, which is estimated based on the weighting of the risk of loss for each group, considering the different risks according to the collection operation. Present value calculation, when applicable, is performed on the transaction date based on an interest rate that reflects the term and market conditions at the time.

3.6. Inventories

Recorded at the lower of net realizable value (estimated sales value in the normal course of business, less estimated expenses to carry out the sale) and average production cost or average acquisition price. The Company and its subsidiaries cost their inventories by absorption, using the weighted moving average for these. Provisions for slow-moving or obsolete inventories are recognized when considered necessary by management.

3.7. Property, Plant & Equipment

Property, plant and equipment are measured at acquisition and/or construction cost, plus interest capitalized during the construction period, when applicable for qualifying assets and reduced by accumulated depreciation and, when applicable, by accumulated impairment losses. It also includes any other costs for placing the asset in the proper location and condition for them to be able to operate as intended by Management, the costs of disassembly and restoring the location where these assets are located and loan costs on other qualified assets.

The rights related to tangible assets intended for the maintenance of the activities of the Company and its subsidiaries, arising from financial leasing transactions, are recorded as if they were a financed purchase, recognizing at the beginning of each transaction a fixed asset and a financing liability, with the assets also subject to depreciation calculated according to the estimated useful lives of the respective assets or effective term of the agreement, in cases where there is no purchase option.

Depreciation is recognized based in the estimated useful life of each asset or group of assets, using the straight-line method, so that its residual value after its useful life is fully written off. The estimated useful life, residual values and depreciation methods are reviewed on an annual basis, and the effect of any changes in estimates is accounted for on a prospective basis.

Gains and losses on the disposal/write-off of a property, plant and equipment item are calculated by comparing the proceeds from disposal with the asset’s residual value, and are recognized at their net amount, in other operating revenues/expenses.

3.8. Intangible assets

i) Software

Purchased computer program licenses are capitalized and amortized over their estimated useful lives. Costs associated with developing or maintaining software are recognized as an expense, as incurred. Expenses directly associated with identifiable and unique software, controlled by the Company and which are likely to give rise to economic benefits higher than costs for more than one year, are recognized as intangible assets. The estimated useful lives of significant items of intangible assets for the years presented are disclosed in Note 14.

ii) Product research and development

Research expenditures are recognized in profit or loss as incurred. Development expenses are recognized in intangible assets only when they meet all of the following criteria: (i) development costs can be measured reliably; (ii) the product or process is technically and commercially feasible and future economic benefits are likely; and (iii) the Company and its subsidiaries intend and have sufficient resources to complete the development and use or sell the asset. Capitalized development costs are measured at cost, less accumulated amortization and any impairment losses, when applicable. Intangible assets are amortized based on the straight-line method, and amortization is recognized in profit or loss over the estimated useful lives of the assets, from the date they are available for use.

3.9. Impairment

Management reviews the carrying amount of its tangible and intangible assets on an annual basis to determine whether there is any indication that such assets will not be recoverable through operations or their disposal. If there is such an indication, the recoverable amount of the asset is estimated for the purpose of measuring the amount of loss, if any. When it is not possible to estimate the individual recoverable amount of an asset, the Company and its subsidiaries calculate the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent allocation basis can be identified, corporate assets are also allocated to each cash-generating unit or the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life or not yet available for use are tested for impairment, at least once a year and whenever there is any indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flow is discounted to present value at a pre-tax discount rate that reflects a current market assessment of the time value of currency and the specific risks of said asset.

If the calculated recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The impairment loss is recognized immediately in profit or loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, provided that it does not exceed the carrying amount that would have been determined if no impairment had been recognized for the asset (or cash-generating unit) in prior years. Reversal of impairment loss is recognized immediately in profit or loss.

3.10. Provisions

Provisions are recognized as a result of a past event when there is a legal or constructive obligation that may be reliably estimated and it is likely that a economic resource will be required to settle the obligation. When applicable, provisions are calculated by discounting expected future cash flows at a rate that considers current market assessments and specific risks for the liability. Provisions for labor, tax, civil and administrative risks are set based on legal opinions and Management's assessment of the proceedings known at the balance sheet date for risks considered as probable loss.

3.11. Lease

At the lease agreement starting date, the Company recognizes in the balance sheet the fair value of the leased asset and the present value of the minimum payments for said lease. Each installment of the lease paid is allocated partly to liabilities and partly to finance charges. The corresponding obligations, net of financial charges, are classified in current and non-current liabilities according to the term of the agreement. Property, plant and equipment acquired through a lease is depreciated according to the term set in the respective lease agreement.

3.12. Employee Benefits

Pension plan

The Company provides its employees with a private pension plan benefit, recognized on the accrual basis in accordance with CPC 33 – Employee Benefits, and is considered the Sponsor of these plans. Plans are managed by Fundação Sistel de Seguridade Social and have the following characteristics:

- **Defined contribution plan:** post-employment benefit plan whereby the Sponsor pays fixed contributions, to a separate entity, with no liability for the actuarial deficiencies of that plan. Obligations are recognized as expenses in profit or loss for the year in which the services are provided.

- **Defined benefit plan:** net obligation is calculated as the difference between the present value of the actuarial obligation obtained through assumptions, biometric studies and interest rates consistent with market yields, and the fair value of plan assets at the balance sheet date. Actuarial obligation is calculated annually by independent actuaries, under the responsibility of Management, using the projected credit unit method. Actuarial gains and losses are recognized in other comprehensive income, as incurred.

Share-based compensation - Phantom Shares

The Company has a Long-Term Incentive and Retention Plan approved in October 2021, referring to 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 shares issued by the Company and settled in cash, as established in the Long-Term and Retention Incentive 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.

Pursuant to CPC 10 (R1) - Share-Based Payment, the amounts related to Phantom Shares are recorded as a provision payable, with a corresponding entry in the profit or loss for the year, based on the fair value of the Phantom Shares granted and in the vesting period. The fair value of this liability is reviewed and adjusted at each reporting period of quarterly and annual results, according to the change in the fair value of the benefit granted and the acquisition of the exercise right by the beneficiaries.

3.13. Earnings per share

Basic earnings per share are calculated using the income for the year attributable to shareholders and the weighted average number of shares outstanding in the respective year. Diluted earnings per share are calculated using the income for the year attributable to shareholders, adjusted for the effects of instruments that would potentially impact the year's income, and the average number of shares outstanding, adjusted for instruments potentially convertible into shares, with a dilutive effect, in the years presented, pursuant to CPC 41/IAS 33.

3.14. Current and deferred income tax and social contribution

Current income tax and social contribution are calculated at the rate of 15%, plus a 10% surtax on taxable income exceeding R$ 240 for income tax, and 9% on taxable income for social contribution; this calculation considers the offset of tax losses and CSLL tax losses: limited to 30% of taxable income. Income tax and social contribution expense comprises current income tax and social contribution. Current and deferred taxes are recognized in profit or loss, unless they relate to the business combination or to items directly recognized in equity or other comprehensive income.

Current income tax and social contribution expense is calculated according to legal tax bases in force as of the reporting date of the financial statements in countries where the Company and its subsidiaries operate and generate a taxable income. Management assesses on a regular basis its approach to tax matters that are subject to interpretation and recognizes a provision when there is an expectation of payment of income tax and social contribution according to the tax bases.

Deferred income tax and social contribution are recognized on differences generated between assets and liabilities recognized for tax purposes and the corresponding amounts are recognized in the individual and consolidated financial statements. However, deferred income tax and social contribution are not recognized if they arise on the initial recording of assets and liabilities in transactions that do not affect tax bases, except in business combination transactions. Deferred income tax and social contribution are determined considering the rates (and laws) in force on the date of preparation of the individual and consolidated financial statements and applicable when the respective income tax and social contribution are realized, and are recognized only to the extent that it is probable that there will be a positive tax base, for which temporary differences can be used and tax losses can be offset. Deferred income tax and social contribution assets are revised at each closing of the reporting period and are reduced to the extent their realization is no longer probable. The Company and its subsidiaries do not present balances of deferred assets recorded by December 31, 2022.

3.15. Revenue recognition

Operating revenues from the normal course of the business of te Company and its subsidiaries is measured through the consideration received or receivable. Operating revenue is recognized when it represents the transfer (or promise to transfer) of goods or services to customers so as to reflect consideration of what amount it expects to exchange for those goods or services.

IFRS 15 / CPC 47 provides a model for revenue recognition that includes five steps: (i) identifying the agreement with the customer; (ii) identifying the performance obligation defined in the agreement; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations in the agreement; and (v) recognizing revenue if and when the company fulfills performance obligations.

Accordingly, revenue is recognized only when (or if) the performance obligation is fulfilled, i.e., when “control” of goods or services of a certain transaction is effectively transferred to the customer. If discounts are likely to be granted and the amount can be reliably measured, then the discount is recognized as a reduction in operating revenue as sales are recognized.

3.16. Product warranty

Warranty expenses related to spare parts are recognized at the time the revenue is recorded in the income statement. Registration is done through estimated amounts based on historical factors. Warranty coverage period ranges from one to three years.

3.17. New standards and revised interpretations issued

I. New or revised pronouncements applied for the first time in 2022

The main regulations amended, issued or under discussion by the International Accounting Standards Board ("IASB") and the Accounting Pronouncements Committee ("CPC"), are as follows:

- IAS 16/CPC 27 "Property, Plant and Equipment": the amendment prohibits an Entity from deducting from the cost of property, plant and equipment amounts received from the sale of items produced while the asset is being prepared for its intended use. The respective revenues and related costs are recognized in profit or loss for the year.

- Annual improvements to IFRS 2018-2020 effective for periods beginning on or after 01/01/2022. This standard amends IFRS 1, addressing aspects of first-time adoption in a subsidiary; such as: IFRS 9-Financial Instruments, comments on the 10% test criterion for the reversal of financial liabilities; IFRS 16-Leases, includes illustrative examples of leasing.

The changes described above had no material impact on the financial statements.

II. New standards, reviews and interpretations issued but not yet in effect on 12/31/2022

For the following standards or amendments the Company's Management has not yet determined whether there will be significant impacts on its financial statements; namely:

- Amendment to IAS 8 - Accounting Policies, Changes in Estimates and Error Rectification: amends the definition of accounting estimates, which are now considered as "monetary amounts in the financial statements subject to measurement uncertainty", effective for periods beginning on or after 01/01/2023;

- Amendment to IAS 12 – Taxes on Profit (IRPJ and CSLL): establishes an additional exception to the exemption from the initial recognition of deferred income taxes related to assets and liabilities resulting from a single transaction, effective for periods beginning on or after 01/01/2023;

(Amounts In thousands of Brazilian reais, unless otherwise indicated)

- Amendment to IAS 1 (CPC 26) - Presentation of Financial Statements - Classification of liabilities as Current or Non-current. Paragraphs 69 to 76 of this amended IAS specify requirements on how to proceed. They clarify:

  a) the meaning of a right to defer settlement;
  b) that the right to defer must exist at the base date of the report;
  c) that this classification is not affected by the likelihood that an entity will exercise its right of deferral; and
  d) that only if a derivative embedded in a convertible liability is itself an equity instrument would the terms of a liability not affect its classification.

The aforementioned amendments are valid for periods beginning on or after 01/01/2023 and shall be applied retrospectively. Currently, the Company and its subsidiaries are assessing the impact of these changes on their current practice.

4. CASH AND CASH EQUIVALENTS

	Parent Company		Consolidated	
	12/31/22	**12/31/21**	**12/31/22**	**12/31/21**
Cash bank deposits	12,868	13,250	16,939	16,579
Highly-liquid financial investments	32,621	70,547	32,621	70,547
	45,489	**83,797**	**49,560**	**87,126**

Immediately-liquid financial investments refer to investments in CDB (Bank Deposit Certificate), held in top-tier financial institutions, remunerated at rates from 100% to 104% of CDI (Interbank Deposit Certificate), and are subject to a low risk of change in value (97% to 105% as of December 31, 2021).

5. TRADABLE SECURITIES

	Consolidated	
FIDC Funttel Padtec - Fundo de investimento em direitos creditórios	**12/31/22**	**12/31/21**
ICVM 356 Fund Shares	3,490	-
Federal Bonds	213	-
	3,703	**-**

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).

(Amounts In thousands of Brazilian reais, unless otherwise indicated)

6. TRADE RECEIVABLES

	Parent Company		Consolidated	
	12/31/22	12/31/21	12/31/22	12/31/21
Referred in national currency	103,554	68,134	103,554	68,134
Referred in foreign currency (a)	12,114	17,390	38,638	30,265
FIDC FUNTEL - Padtec (b)	-	-	8,969	-
	115,668	**85,524**	**151,161**	**98,399**
(+) Provision Oi Project (c)	-	5,388	-	5,388
(+) Court-Supervised Reorganization Oi (d)	-	1,828	-	1,828
(+) Court-Supervised Reorganization Oi (e)	2,493	-	2,493	-
(-) Provision for recognition of revenue out of the accounting period (f)	(3,562)	(717)	(3,562)	(717)
(-) Allowance for doubtful accounts (g)	(1,826)	(9,777)	(1,826)	(9,777)
	112,773	**82,246**	**148,266**	**95,121**
Current assets	106,232	82,246	134,999	95,121
Non-current assets	6,541	-	13,267	-
	112,773	**82,246**	**148,266**	**95,121**

a) In the consolidated statements, it is represented by US$ 7,405 thousand as of December 31, 2022 (US$ 5,423 thousand as of December 31, 2021).

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

c) The Company 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 December 31, 2022, the Company has no balance to invoice, as this contract ended in the first half of 2022.

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 March 14, 2018, subsidiary Padtec S.A. adhered to Clause 4.3.5.2 of Oi's Court-Supervised Reorganization Plan, which states that: “the securities that are part of the court-supervised reorganization will be paid with a 10% discount in 5 annual installments, equal and successive, plus TR + 0.5% per year, with the first installment due on the last business day of the first year after the expiry of the term for choosing the credit payment option”. In 1Q22, the Company received the last installment referring to this credit.

e) Also concerning the filing for court-supervised reorganization by Oi Group in June 2016, on December 20, 2017, subsidiary Padtec S.A. adhered to Clause 4.3.6 of Oi's Court-Supervised Reorganization Plan, which defines 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 January 2039."

f) Provision for reversal of revenue recognition outside the accrual period (“cut-off”).

(Amounts In thousands of Brazilian reais, unless otherwise indicated)

g) The allowance for estimated losses on doubtful accounts is based on the assumptions of CPC 48 – Financial Instruments, and considers the analysis of the level of historical losses and knowledge and monitoring of the individual situation of customers. The provision is considered sufficient to cover possible losses on the realization of receivables. 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, the Management understands that the amounts provisioned as of December 31, 2022 are sufficient to cover possible losses with default.

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

	Parent Company		Consolidated	
	12/31/22	12/31/21	12/31/22	12/31/21
Falling due	107,823	68,683	143,317	81,558
01-30 days past due	215	523	215	523
31-60 days past due	153	68	153	68
61-90 days past due	259	1,887	259	1,887
91-120 days past due	113	1,380	113	1,380
121-150 days past due	1,194	246	1,194	246
151-180 days past due	697	471	697	471
181-360 days past due	1,577	472	1,577	472
Overdue over 361 days	3,637	11,794	3,636	11,794
	115,668	**85,524**	**151,161**	**98,399**

Changes in the allowance for estimated losses on doubtful accounts are as follows:

	Consolidated				
	12/31/21	12/31/22			
	Opening balance	Addition to provision	Reversal	Effective losses	Final balance
Estimated losses on doubtful accounts	(9,777)	(3,072)	14,527	(3,504)	(1,826)
	(9,777)	**(3,072)**	**14,527**	**(3,504)**	**(1,826)**

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

(Amounts In thousands of Brazilian reais, unless otherwise indicated)

7. INVENTORIES

	Parent Company		Consolidated	
	12/31/22	**12/31/21**	**12/31/22**	**12/31/21**
Finished products	14,255	11,657	19,650	17,216
Products in progress	2,094	1,626	2,094	1,626
Raw materials	52,119	50,200	52,120	50,201
Resale materials	2,738	3,937	2,738	3,937
Import in progress	10,492	5,683	10,492	5,683
Inventories held on third parties (a)	21,331	16,113	21,331	16,113
	103,029	**89,216**	**108,425**	**94,776**
Provision for inventories				
Provision for obsolescence and slow turnover (b)	(14,990)	(13,334)	(14,990)	(13,334)
	88,039	**75,882**	**93,435**	**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.

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

	Consolidated			
	12/31/21	**12/31/22**		
	Opening balance	**Addition to provision**	**Reversal**	**Final balance**
Inventories	(11,275)	(4,384)	4,390	(11,269)
Inventories held on third parties	(2,059)	(2,046)	384	(3,721)
	(13,334)	**(6,430)**	**4,774**	**(14,990)**

(Amounts In thousands of Brazilian reais, unless otherwise indicated)

8. RECOVERABLE TAXES

	Parent Company		Consolidated	
	12/31/22	12/31/21	12/31/22	12/31/21
Tax on the circulation of goods and services - ICMS	1,011	611	1,011	611
Financial credit (a)	13,695	5,293	13,695	5,293
Corporate Income Tax - IRPJ (b)	4,580	5,939	4,580	5,939
Social contribution on net income - CSLL (b)	1,601	1,569	1,601	1,569
Income tax withholding - IRRF	1,615	1,139	1,615	1,139
Withholding tax from public agencies	2,651	3,217	2,651	3,217
Excise Tax - IPI	237	417	237	417
Social Integration Program- PIS	443	161	443	161
Contribution to social security financing - COFINS	2,000	680	2,000	680
Brazilian Social Security Institute (INSS)	692	681	692	681
Service Tax - ISS	-	760	-	760
Other	1,001	456	4,017	3,022
	29,526	**20,923**	**32,542**	**23,489**

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 on a quarterly basis and used to pay federal taxes controlled by the Brazilian Federal Revenue Service.

b) Balances arising from overpayments due to mandatory monthly advances.

(Amounts In thousands of Brazilian reais, unless otherwise indicated)

9. RESTRICTED FINANCIAL INVESTMENTS

As of December 31, 2022, the Company has a total of R$ 212 (R$ 11,737 as of December 31, 2021) in restricted financial investments, as follows:

	Parent Company and Consolidated	
	12/31/22	12/31/21
Banco Andbank (a)	80	5,408
Banco Bradesco (b)	-	5,364
BRDE Consortium	132	-
Other	-	965
	212	**11,737**

a) FIDC transaction with Grupo Sifra in the amount of R$ 80 (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 December 31, 2022, the company has no balance related to these investments.

10. OTHER CREDITS

	Parent Company		Consolidated	
	12/31/22	12/31/21	12/31/22	12/31/21
Credits of amounts receivable (a)	-	2,265	-	2,265
Rental guarantee deposit	149	163	149	163
Payroll advance	609	609	609	609
Advances to suppliers (b)	2,824	722	2,824	722
Prepaid insurance premiums (c)	1,509	326	1,509	324
Other credits receivable	-	-	615	656
	5,091	**4,085**	**5,706**	**4,739**
Current assets	4,682	4,016	5,297	4,670
Non-current assets	409	69	409	69
	5,091	**4,085**	**5,706**	**4,739**

(a) Write-off made in the 4th quarter of 2022 of credits receivable due to non-expectation of receipt.
(b) Advances made to providers of logistical services.
(c) Performance bond related to finep transactions.

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.

(Amounts In thousands of Brazilian reais, unless otherwise indicated)

	Parent Company						Consolidated			
	12/31/22	12/31/22		12/31/22		12/31/21	12/31/21	12/31/22		12/31/21
	Parent Company	Direct Subsidiaries					Parent Company	Parent Company		
	Padtec Holding	Padtec Colômbia	Padtec Argentina	Padtec EUA	Total	Total	Padtec Holding	Fundação CPqD	Total	Total
Assets										
Customers (b)	-	12,737	9,112	1,101	**22,950**	**24,064**	-	-	**-**	**-**
Loan (a)	12,877	-	-	-	**12,877**	**4,076**	12,877	-	**2,877**	**4,076**
	12,877	**12,737**	**9,112**	**1,101**	**35,827**	**28,140**	**12,877**	**-**	**12,877**	**4,076**
Non-Current assets	12,877	12,737	9,112	1,101	**35,827**	**28,140**	12,877	-	**12,877**	**4,076**
	12,877	**12,737**	**9,112**	**1,101**	**35,827**	**28,140**	**12,877**	**-**	**12,877**	**4,076**
Liabilities										
Technological development services (d)	-	-	-	-	**-**	**6**	-	-	**-**	**-**
Other services (c)	-	-	-	-	**-**	**-**	-	344	**344**	**-**
	-	**-**	**-**	**-**	**-**	**6**	**-**	**344**	**344**	**-**
Current liabilities	-	-	-	-	**344**	**6**	-	344	**344**	**6**
	-	**-**	**-**	**-**	**344**	**6**	**-**	**344**	**344**	**6**

	Parent Company						Consolidated	
	12/31/22					12/31/21	12/31/22	12/31/21
	Parent Company	Direct Subsidiaries					Parent Company	
	Padtec Holding	Padtec Colômbia	Padtec Argentina	Padtec EUA	Total	Total	Fundação CPqD	Fundação CPqD
Revenues								
Sales of products (b)	-	14,359	8,592	1,072	**24,023**	**22,072**	-	-
	-	**14,359**	**8,592**	**1,072**	**24,023**	**22,072**	**-**	**-**
Expenses / Costs								
Technological development services (d)	612	-	-	-	**612**	**417**	**612**	**417**
Other services (c)	327	-	-	-	**327**	**99**	**327**	**99**
	939	**-**	**-**	**-**	**939**	**516**	**939**	**516**

(Amounts In thousands of Brazilian reais, unless otherwise indicated)

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

	12/31/22	12/31/21
Short-term benefits		
Salaries including bonuses	4,285	2,993
Social security charges	518	451
Private Pension Fund	253	239
Total Compensation	**5,056**	**3,683**

The Company 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:

(Amounts In thousands of Brazilian reais, unless otherwise indicated)

12.1. Breakdown of investments

	Parent	
	12/31/22	12/31/21
Investments in subsidiaries		
Padtec S.A Sucursal Argentina	2,550	2,664
Padtec Colômbia	10,041	-
FDIC Funtell Padtec S.A.	2,500	-
	15,091	**2,664**

12.2. Provision for unsecured liabilities

	Parent Company	
	12/31/22	12/31/21
Investments in subsidiaries		
Padtec EUA	(468)	(1,849)
Padtec Colômbia	-	(2,313)
	(468)	**(4,162)**

12.3. Summary of financial information of subsidiaries

	Padtec S.A Sucursal Argentina		Padtec EUA		Padtec Colômbia		Padtec Soluções Para Redes Ltda (a)		Padtec Peru (a)	
	12/31/22	12/31/21	12/31/22	12/31/21	12/31/22	12/31/21	12/31/22	12/31/21	12/31/22	12/31/21
Capital	2,160	2,160	23,877	19,556	16,400	949	-	-	-	-
Total assets	12,935	8,252	645	262	26,118	16,717	-	-	-	-
Total liabilities	10,385	5,588	1,113	2,111	16,077	19,029	-	-	-	-
Net equity (negative net worth)	2,550	2,664	(468)	(1,849)	10,041	(2,313)	-	-	-	-
Profit (Loss) for the year	748	1,212	(3,181)	(3,363)	(1,305)	(3,860)	-	-	-	-
Number of shares (in thousands)	2,160	2,160	23,877	19,556	16,400	1,456	100	-	10,000	-
Number of shares held (in thousands)	2,160	2,160	23,877	19,556	16,400	1,456	100	-	10,000	-
Shareholding percentage	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	0.00%	100.00%	0.00%

12.4. Changes in investments at the Parent Company

	Padtec S.A Sucursal Argentina		Padtec EUA		Padtec Colômbia		FDIC Funtell Padtec S.A.		Total	
	12/31/22	12/31/21	12/31/22	12/31/21	12/31/22	12/31/21	12/31/22	12/31/21	12/31/22	12/31/21
Initial balance of investments	2,664	1,770	-	227	-	1,398	-	-	**2,664**	**3,395**
Initial balance - loss of investment	-	-	(1,849)	-	(2,313)	-	-	-	**(4,162)**	**-**
Capital increase	-	-	4,321	1,345	15,450	-	-	-	**19,771**	**1,345**
Investments / contributions (redemptions)	-	-	-	-	-	-	2,500	-	**2,500**	**-**
Share of profit (loss) of investees	748	1,212	(3,182)	(3,363)	(1,305)	(3,860)	-	-	**(3,739)**	**(6,011)**
Translation adjustment of balance sheet of subsidiaries abroad	(862)	(318)	242	(58)	(1,792)	149	-	-	**(2,412)**	**(227)**
Balance of the provision for losses in subsidiaries	-	-	468	1,849	-	2,313	-	-	**468**	**4,162**
Final balance of investments	**2,550**	**2,664**	**-**	**-**	**10,040**	**-**	**2,500**	**-**	**15,090**	**2,664**

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

13. PROPERTY, PLANT & EQUIPMENT

	Parent						
	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	21,812	11,716	2,636	21	4,025	26,540	**66,750**
Accumulated depreciation	(17,063)	(6,234)	(1,494)	(20)	(893)	(2,431)	**(28,135)**
Balance as of December 31, 2021	**4,749**	**5,482**	**1,142**	**1**	**3,132**	**24,109**	**38,615**
Acquisitions	551	792	8	-	-	5,474	**6,825**
Write-offs and disposals (acquisition)	(40)	(6)	-	-	-	-	**(46)**
Write-offs and disposals (depreciation)	(17)	(4)	-	-	-	-	**(21)**
Depreciation	(1,645)	(1,769)	(247)	(1)	(977)	(3,370)	**(8,009)**
Balance as of December 31, 2022	**3,598**	**4,495**	**903**	**-**	**2,155**	**26,213**	**37,364**
Cost	22,323	12,502	2,644	21	4,025	32,014	**73,529**
Accumulated depreciation	(18,725)	(8,007)	(1,741)	(21)	(1,870)	(5,801)	**(36,165)**
Balance as of December 31, 2022	**3,598**	**4,495**	**903**	**-**	**2,155**	**26,213**	**37,364**

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

	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	666	812	6	-	-	5,474	**6,958**
Write-offs and disposals (acquisition)	(40)	(13)	-	-	-	-	**(53)**
Write-offs and disposals (depreciation)	(16)	19	5	-	-	-	**8**
Depreciation	(1,659)	(1,791)	(246)	(1)	(977)	(3,370)	**(8,044)**
Balance as of December 31, 2022	**3,714**	**4,575**	**914**	**-**	**2,155**	**26,213**	**37,571**
Cost	22,539	12,613	2,677	21	4,025	32,013	**73,888**
Accumulated depreciation	(18,825)	(8,038)	(1,763)	(21)	(1,870)	(5,800)	**(36,317)**
Balance as of December 31, 2022	**3,714**	**4,575**	**914**	**-**	**2,155**	**26,213**	**37,571**

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.

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

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

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

14. INTANGIBLE ASSETS

	Parent Company						
	Software	Software Development	Brands and patents	Technical Information License	Development projects completed	Development projects in progress	Total
Balance as of December 31, 2021							
Cost	10,481	-	3	5,736	26,949	18,643	**61,812**
Accumulated amortization	(7,072)	-	-	(5,692)	(11,247)	-	**(24,011)**
Balance as of December 31, 2021	**3,409**	**-**	**3**	**44**	**15,702**	**18,643**	**37,801**
Acquisitions	903	37	-	514	-	15,470	**16,924**
Transfer in development to completed	-	-	-	-	16,964	(16,964)	**-**
Write-offs and disposals (acquisition)	-	-	-	-	(328)	-	**(328)**
Amortization	(1,167)	-	-	(45)	(8,163)	-	**(9,375)**
Balance as of December 31, 2022	**3,145**	**37**	**3**	**513**	**24,175**	**17,149**	**45,022**
Cost	11,384	37	3	6,250	42,913	17,149	78,736
Accumulated depreciation	(8,239)	-	-	(5,737)	(19,738)	-	(33,714)
Balance as of December 31, 2022	**3,714**	**37**	**3**	**513**	**24,175**	**17,149**	**45,022**

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

	Consolidated						
	Software	**Software Development**	**Brands and patents**	**Technical Information License**	**Development projects completed**	**Development projects in progress**	**Total**
Balance as of December 31, 2021							
Cost	10,807	-	3	5,736	26,949	18,643	**62,138**
Accumulated amortization	(7,238)	-	-	(5,692)	(11,247)	-	**(24,177)**
Balance as of December 31, 2021	**3,569**	**-**	**3**	**44**	**15,702**	**18,643**	**37,961**
Acquisitions	902	37	-	514	-	15,470	**16,923**
Transfer in development to completed	-	-	-	-	16,964	(16,964)	**-**
Write-offs and disposals (acquisition)	(21)	-	-	-	(328)	-	**(349)**
Write-offs and disposals (amortization)	11	-	-	-	-	-	**11**
Amortization	(1,187)	-	-	(45)	(8,163)	-	**(9,395)**
Balance as of December 31, 2022	**3,274**	**37**	**3**	**513**	**24,175**	**17,149**	**45,151**
Cost	11,688	37	3	6,250	43,585	17,149	**78,712**
Accumulated amortization	(8,414)	-	-	(5,737)	(19,410)	-	**(33,561)**
Balance as of December 31, 2022	**3,274**	**37**	**3**	**513**	**24,175**	**17,149**	**45,151**

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

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	Parent Company and Consolidated 12/31/22	Parent Company and Consolidated 12/31/21
Local currency						
Working Capital - Safra	CDI + 5.53% p.a.	19.33%	10/22/20 to 09/23/25	-	6,752	8,602
Working Capital - Daycoval	CDI + 5.9% p.a.	19.72%	10/29/20 to 09/30/24	Receivables	3,007	7,646
Working Capital - ABC Brasil	CDI + 4.38% p.a.	18.13%	12/23/20 to 05/23/24	Receivables	5,130	7,801
Letter of credit with FINIMP	10.14% per year	10.14%	03/20/23	Credit letter	14,687	-
Finep	TR + 2.30% and 2.80% p.a.	3.98%	02/15/20 to 03/15/42	Performance Bond	62,788	28,244
					92,364	**52,293**
			Current liabilities		23,595	10,087
			Non-current liabilities		68,769	42,206
					92,364	**52,293**

Repayment schedule by year of maturity:

	Consolidated 2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033-2042	TOTAL
Loans and borrowings	23,595	11,704	3,983	3,983	3,983	3,983	3,983	3,983	3,983	3,330	25,854	**92,364**

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

15.1. Payments

During 2022, R$ 14,142 was paid in the consolidated, referring to interest and principal on loans raised by the Company.

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

15.2. Raising of Loans and Financing

The Company has 8 financing lines with FINEP for technological investments in the amount of R$ 118,455. The funds are released according to the disbursement and proof of costs under the strategic innovation plan of Padtec S.A. So far, R$ 62,698 have been capitalized.

The following table shows the contracts for the year:

				Loans raised			
Modality/Contract	**Effective Term**	**Rate**	**Credit Released**	**2020**	**2021**	**2022**	**Total**
FINEP - 02.22.0026.00	02/07/2020 to 02/15/2032	TR+2.8%	7,793	3,896	3,896	-	**7,793**
FINEP - 02.20.003.00	02/07/2020 to 02/15/2040	TR+2.8%	16,172	6,469	6,359	3,344	**16,172**
FINEP - 02.21.032.00	04/20/2021 to 05/15/2039	TR+2.8%	16,819	-	5,887	-	**5,887**
FINEP - 02.21.033.00	04/20/2021 to 05/15/2039	TR+2.8%	2,835	-	1,701	-	**1,701**
FINEP - 02.22.0025.00	04/16/2022 to 04/15/2042	TR+2.3%	39,953	-	-	15,000	**15,000**
FINEP - 02.22.0026.00	04/16/2022 to 04/15/2040	TR+2.8%	4,101	-	-	2,000	**2,000**
FINEP - 02.22.0027.00	04/16/2022 to 04/15/2040	TR+2.8%	9,349	-	-	4,500	**4,500**
FINEP - 02.22.0511.00	11/21/2022 to 12/15/2042	TR+2.8%	21,434	-	-	9,645	**9,645**
			118,456	10,365	17,843	34,489	**62,698**

On December 29, 2022, Padtec S.A. entered into an agreement with Banco Votorantim, referring to FINIMP transaction, in the amount of US$ 14,685 with a term of approximately 3 months, at the rate of 10.14% per year.

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	5,039
Interest Payment	(3,966)
Loans Raised	49,174
Amortization	(10,176)
Balance as of December 31, 2022	**92,364**

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

16. DEBENTURES

In December 2020, 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 (in force at that time, “Debentures”).

				Parent Company and Consolidated	
Modality	**Agreed Rate**	**Average monthly effective rate**	**Due date**	**12/31/22**	**12/31/21**
Local currency					
Padtec S.A. Debentures	CDI + 3.8% p.a.	16.60%	03/21/21 to 12/21/24	20,957	31,405
				20,957	**31,405**
Current liabilities				10,517	10,546
Non-current liabilities				10,440	20,859
				20,957	**31,405**

Repayment schedule by year of maturity:

	Consolidated		
	2023	**2024**	**TOTAL**
Debentures	10,517	10,440	**20,957**

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 covenants and financial and non-financial clauses are duly complied with as of December 31, 2022.

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

16.1. Reconciliation of liabilities resulting from financing activities

	Consolidated
Balances as of January 1, 2021	**39,078**
Interest expenses	3,032
Interest Payment	(2,905)
Amortization of costs with issuance of debentures	200
Payment of debentures - principal	(8,000)
Net cash flow for the year	**(7,673)**
Balance as of December 31, 2021	**31,405**
Interest expenses	3,814
Interest Payment	(3,843)
Amortization of costs with issuance of debentures	248
Payment of debentures - principal	(10,667)
Net cash flow for the year	**(10,448)**
Balance as of December 31, 2022	**20,957**

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 loans (discount rate), plus other contractual obligations provided for in the lease agreements adjusted to present value.

The Company has lease agreements with Daycoval Leasing – Banco Multiplo 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 July 2026. The effect of this accounting is the recording of R$ 7,464 in property, plant and equipment in the group of right-of-use, with a corresponding entry to the rental obligation in current and no-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.

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

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).

	Parent Company and Consolidated	
LIABILITIES	**12/31/2022**	**12/31/2021**
Provision for leasing	24,953	24,109
	24,953	**24,109**
Current liabilities	6,044	4,086
Non-current liabilities	18,909	20,023
	24,953	**24,109**

Below is the change in provision for lease:

	Parent Company and Consolidated				
	12/31/2021	**Adjustment Contracts and interest**	**Payment**	**Interest Financial**	**12/31/2022**
Machinery and equipment	3,819	4,203	(2,051)	(237)	5,734
Building lease - related parties	20,290	2,240	(3,087)	(224)	19,219
	24,109	**6,443**	**(5,138)**	**(461)**	**24,953**
Current liabilities	4,086				6,044
Non-current liabilities	20,023				18,909
	24,109				**24,953**

18. FINANCIAL TRANSACTIONS

As of December 31, 2022, the Company has recorded financial transactions of Vendor, Forfait and FIDC in the amount of R$ 44,146 (R$ 32,770 as of December 31, 2021) in current liabilities and R$ 43,248 (R$ 13,225 as of December 31, 2021) in non-current liabilities, in its Parent Company.
In the consolidated, the Company eliminates Vendor transactions in the amount of R$ 10,157, made with FIDC FUNTTEL PADTEC fund for Padtec customers (see Note No. 19)

Therefore, the Company records in its consolidated the amount of R$ 41,125 (R$ 32,770 as of December 31, 2021) in current liabilities and R$ 36,112 (R$ 13,225 as of December 31, 2021) in non-current liabilities.

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

The corresponding entries for such entries are recorded in current assets and non-current assets and the transactions are described below:

	Parent Company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Financial transactions				
Vendor	60,528	44,792	50,371	44,792
Forfait	26,835	-	26,835	-
Fidc - Sifra	31	1,203	31	1,203
	87,394	**45,995**	**77,237**	**45,995**
Current assets	44,146	32,770	41,125	32,770
Non-current assets	43,248	13,225	36,112	13,225
	87,394	**45,995**	**77,237**	**45,995**

18.1. Vendor Transactions

The Company entered into Vendor agreements (factoring) with Banco do Brasil, Banco Safra, Banco Industrial, Banco Sofisa, Banco Regional de Desenvolvimento do Extremo Sul and Banco Daycoval, which consist of sales financing transactions based on the principle of credit assignment. As of December 31, 2022, these financial institutions granted credits to 23 customers of the Company, upon Financing Promise Agreements, with a balance drawn of R$ 60,528, maturing by September 2027. This amount is used to purchase the Company's products and services. As of December 31, 2022, there was no default and the amount recorded is R$ 27,190 in the short term and R$ 23,181 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 December 31, 2022, credits were granted to 4 of the Company's customers, with a balance drawn of R$ 34,599 with maturity by July, 2025. This amount is used for the acquisition of Company's products. So far, there was no default and the amount recorded is R$ 13,905 in the short term and R$ 12,930 in the long term.

18.3. Transactions with the credit rights investment fund (FIDC)

The Credit Rights Investment Fund - Sifra was established in October 2019 by Padtec S.A. jointly with other shareholders. The funds will be 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 December 31, 2022, 5 customers of the Company were granted credit in the total amount of R$ 8,722 million, maturing up to January 2023. There was no default so far and the amount recorded is R$ 31 in the short term.

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

19. TRANSACTIONS WITH SENIOR FIDC FUNTTEL PADTEC 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. FIDC FUNTTEL PADTEC operation began in April 2022.
FIDC's equity structure as of December 31, 2022 is shown below:

		Subscribed			
	Contractual amount of shares	Total amount of shares	Padtec Interest	Third-Party interest	Total
FIDC FUNTTEL PADTEC					
Senior	80,000	1.054	-	10,393	10,393
Subordinated	20,000	1.000	2,500	-	2,500
Total	**100,000**		**2,500**	**10,393**	**12,893**

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

The Balance Sheet as of December 31, 2022 is shown below:

FIDC FUNTTEL PADTEC	**12/31/22**
Assets	
Tradable securities	3,703
Trade accounts receivable	8,969
Other receivables	258
Total Assets	**12,930**
Liabilities	
Other accounts payable	37
	37
Equity	
Capital	12,500
Retained earnings	780
Amortization of shares - LE	(387)
Total Equity	**12,893**
Total Liabilities and Net Equity	**12,930**

The Income Statement for the period ended December 31, 2022 is as follows:

FIDC FUNTTEL PADTEC	**12/31/22**
Finance Revenues	1,025
Financial Expenses	(245)
Net income for the year	**780**

20. TRADE ACCOUNTS PAYABLE

	Parent Company		Consolidated	
	12/31/22	**12/31/21**	**12/31/22**	**12/31/21**
Domestic suppliers	28,694	9,476	24,935	8,614
International suppliers	37,983	53,270	43,729	54,970
	66,677	**62,746**	**68,664**	**63,584**
Current liabilities	66,155	61,645	68,142	62,483
Non-current liabilities	522	1,101	522	1,101
	66,677	**62,746**	**68,664**	**63,584**

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

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 December 31, 2021 was R$ 1,110, settled in 2022. As of December 31, 2022, the Company has no balance related to this transaction.

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	
	12/31/22	12/31/21	12/31/22	12/31/21
Tax on the circulation of goods and services - ICMS	1,074	4,371	1,074	4,371
Corporate Income Tax - IRPJ	28	196	28	196
Tax on Industrialized Products - IPI	6,077	1,680	6,077	1,680
Social Integration Program- PIS	709	300	709	299
Contribution to social security financing - COFINS	3,276	1,404	3,276	1,404
Service Tax - ISS	392	491	392	491
Other	1,028	126	2,926	617
Current liabilities	**12,584**	**8,568**	**14,482**	**9,058**

23. TAXES AND CONTRIBUTIONS PAYABLE - INSTALLMENT PAYMENT

	Parent Company		Consolidated	
	12/31/22	12/31/21	12/31/22	12/31/21
Installment payment of tax on the circulation of goods and services - ICMS (a)	3,585	8,047	3,585	8,047
Other	235	-	235	-
Total liabilities	**3,820**	**8,047**	**3,820**	**8,047**
Current liabilities	1,812	7,010	1,812	7,010
Non-current liabilities	2,008	1,037	2,008	1,037
	3,820	**8,047**	**3,820**	**8,047**

(a) The Company 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$ 8,559 with an outstanding balance as of December 31, 2022 in the amount of R$ 3,585 with final maturity up to January 2027.

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

24. PROVISIONS

24.1. Miscellaneous provisions

	Parent Company and Consolidated			
	12/31/21	12/31/22		
	Opening balance	Addition to provision	Reversals	Final balance
Provision for commission (a)	765	660	(491)	855
Repairs during warranty (b)	952	113	(188)	1,121
Total	**1,717**	**773**	**(679)**	**1,976**

a) Refers to the provision of fixed monthly salaries to salespeople, for the payment of commissions on sales made to customers, pursuant to 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, arising from the normal course of their operations, involving tax, civil, labor, and other matters. Provision is made only for amounts whose as risk of loss is classified as probable.

	Parent Company and Consolidated				
	12/31/2020	12/31/21			
	Initial balance	Additions	Reversals	Payments	Final balance
Tax (a)	7,014	1	(3,210)	(51)	3,754
Labor (b)	2,205	2,583	(516)	(1,797)	2,475
Civil (c)	3,063	2,637	(1,349)	(864)	3,487
Administrative	285	451	(93)	(389)	254
Total provisions	**12,567**	**5,672**	**(5,168)**	**(3,101)**	**9,970**
Judicial deposits	(415)	(107)	150	-	(372)
Total	**12,152**	**5,565**	**(5,018)**	**(3,101)**	**9,598**

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

	Parent Company and Consolidated				
	12/31/21	12/31/22			
	Initial balance	Additions	Reversals	Payments	Final balance
Tax (a)	3,754	203	(578)	-	3,379
Labor (b)	2,475	2,482	(1,342)	(1,586)	2,029
Civil (c)	3,487	495	(4)	-	3,978
Administrative	254	173	(59)	(109)	259
Total provisions	**9,970**	**3,353**	**(1,983)**	**(1,695)**	**9,645**
Judicial deposits	(372)	(418)	190	-	(600)
Total	**9,598**	**2,935**	**(1,793)**	**(1,695)**	**9,045**

(a) Tax

The main proceedings are described as follows:

IPI

The Company was assessed by the Federal Revenue Service of Brazil 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 Company was assessed for the years 2011 and 2012, totaling a risk of R$ 2,598.

(b) Labor lawsuits - these are lawsuits filed by former employees, claiming labor rights.

(c) Civil Proceedings - refer to claims of different origins relating to commercial partnerships and customers. Based on the analyzes performed by the lawyers sponsoring the cases, the previously informed provisions were made.

(d) Contingencies with estimated losses classified as possible.

There are other lawsuits with a total amount at risk of R$ 72,024, of which R$ 63,113 refer to tax risks, R$ 7,664 labor risks, R$ 1,058 civil risks and R$ 189 administrative risks assessed by the legal advisors as having a possible risk of loss as of December 31, 2022, for which no provision has been made, given that accounting practices adopted in Brazil do not require their accounting. Below is the breakdown of these most relevant proceedings in the tax area:

- ICMS – The Company has a tax foreclosure proceeding related to ICMS tax, which is in the appeal stage, in the amount of R$ 6,494. The lower court decision was partially favorable to cancel the tax charged, maintaining, however, the requirement of fines. The process is at the appeal stage;

- The Company is a party in 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 value, totaling R$ 2,108. The Subsidiary guaranteed the foreclosure with the submission of a performance bond, to discuss in court the charge that it considers undue;

- There is a tax assessment notice issued against the Company 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$ 6,345. 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.

- The Company has tax assessment notices and challenge of fine due to alleged non-compliance with the Basic Productive Process (PPB), selling products with undue use of the tax benefit of reduction of the Tax on Industrialized Products (IPI) in 2011 and 2012. According to the inspection, Padtec S.A. would have improperly taken advantage of IPI reduction considering the undue use of the tax benefit established by Law No. 8.248/1991, in the total amount of R$ 42,855. In January 2018, 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 - These are Reimbursement Requests linked to the Company’s Offset Statements, 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, in the total amount, as of December 31, 2022, of R$ 14,282. 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.

- 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 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.. The amount of the proceedings is R$ 5,311, with a “possible loss” risk. The proceedings are at an administrative appeal level.

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

25. LABOR CHARGES

	Parent Company		Consolidated	
	12/31/22	12/31/21	12/31/22	12/31/21
Wages	3,306	2,803	3,333	3,223
Profit sharing	2,194	7,040	2,194	7,040
Social charges	6,249	5,887	6,472	6,119
Provision for vacation	6,923	6,558	7,087	6,751
Private pension fund	994	958	994	958
Share-based compensation - Phantom Shares (a)	2,221	190	2,221	190
Other	107	85	188	180
	21,994	**23,521**	**22,489**	**24,461**

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 Company 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.

As of December 31, 2022, there were no actuarial liabilities on behalf of Padtec S.A. arising from the supplementary pension plan.

Contributions made amounted to R$ 3,144 on December 31, 2022 (R$ 2,932 as of December 31, 2021), which were recorded as "labor expenses and social charges" in P&L for the period and included in the table of Note 31.1.

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

27. EQUITY

27.1. Capital

As of December 31, 2022, the Company's subscribed and paid-in capital is R$ 230,003, divided into 13,085,308 book-entry common shares, with no par value.

Shareholder	Number of Shares	Interest - %
Padtec Holding S.A	13,085,308	100.00%
Total	**13,085,308**	**100.00%**

27.2. Capital reserve and equity valuation adjustment

Equity valuation adjustment

Corresponding to gains or losses on the change of interest in subsidiaries with no loss of control, transferred to accumulated losses in 2021.

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.

27.4. Dividends

The Company's Bylaws sets forth the allocation of 25% of net income, adjusted pursuant to Article 202 of Law 6.404/76, to be paid as mandatory minimum dividends, when profits are determined for the year. No distribution of dividends was made for the year ended December 31, 2022, as the profit for the year was absorbed by the accumulated loss. As of December 31, 2021, no dividends were distributed as well.

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.

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

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 December 31, 2022 and 2021:

	Parent Company			Consolidated		
	Continued operations			Continued operations		Discontinued operations
	12/31/22	12/31/21	12/31/21	12/31/22	12/31/21	12/31/21
Basic numerator						
Profit for the year	7,886	17,697	11,968	7,886	17,697	11,968
Number of Shares	13,085	13,085	13,085	13,085	13,085	13,085
Basic and diluted earnings per share - in Brazilian reais	**0.6027**	**1.3524**	**0.9146**	**0.6027**	**1.3524**	**0.9146**
Diluted numerator						
Profit for the year	7,886	17,697	11,968	7,886	17,697	11,968
Number of Shares	13,085	13,085	13,085	13,085	13,085	13,085
Diluted earnings per share - in Brazilian reais	**0.6027**	**1.3524**	**0.9146**	**0.6027**	**1.3524**	**0.9146**

29. NET OPERATING REVENUE

	Parent Company		Consolidated	
	12/31/22	12/31/21	12/31/22	12/31/21
Gross operating revenue	456,336	458,192	475,081	460,774
Products sold	321,069	338,452	336,925	338,457
Services rendered	135,267	119,740	138,156	122,317
Taxes on sales	(89,237)	(104,776)	(89,565)	(105,032)
Returns and cancellations	(17,492)	(11,526)	(19,791)	(12,003)
Net operating revenue	**349,607**	**341,890**	**365,725**	**343,739**

30. COST OF GOODS SOLD AND SERVICES PROVIDED

	Parent Company		Consolidated	
	12/31/22	12/31/21	12/31/22	12/31/21
Materials	(169,054)	(163,932)	(173,423)	(160,149)
Labor	(45,505)	(39,735)	(46,770)	(40,586)
Depreciation / amortization	(3,704)	(3,059)	(3,704)	(3,059)
Cut-Off Reversal	1,233	1,275	1,233	1,275
Provisions	(1,866)	1,325	(1,866)	1,325
Travel	(13,135)	(9,523)	(13,271)	(9,523)
Other costs	(9,155)	(9,127)	(11,056)	(10,414)
	(241,186)	**(222,776)**	**(248,857)**	**(221,131)**

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

31. OPERATING REVENUES (EXPENSES)

31.1. Administrative, selling and research and development expenses

	Parent Company		Consolidated	
	12/31/22	12/31/21	12/31/22	12/31/21
Labor expenses and social charges	(51,610)	(49,608)	(58,586)	(57,031)
Third-party services	(5,047)	(7,024)	(5,047)	(7,024)
Selling and marketing expenses	(802)	(1,022)	(802)	(1,022)
General and administrative expenses	(6,675)	(5,381)	(8,378)	(6,656)
Depreciation / amortization	(13,588)	(12,034)	(13,643)	(12,071)
Travel	(1,476)	(302)	(2,018)	(689)
Lease of properties and equipment	(547)	(537)	(547)	(537)
Freight	(2,022)	(2,263)	(2,051)	(2,270)
Consumables	(866)	(602)	(866)	(602)
Other taxes	(565)	(474)	(564)	(474)
	(83,198)	**(79,247)**	**(92,502)**	**(88,376)**

Reported as follows:

	Parent Company		Consolidated	
	12/31/22	12/31/21	12/31/22	12/31/21
Administrative expenses	(22,806)	(21,858)	(25,267)	(23,322)
Selling expenses	(25,713)	(23,896)	(32,556)	(31,561)
Research and development expenses	(34,679)	(33,493)	(34,679)	(33,493)
	(83,198)	**(79,247)**	**(92,502)**	**88,376)**

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

31.2. Other operating revenues/(expenses), net

	Parent Company		Consolidated	
	12/31/22	12/31/21	12/31/22	12/31/21
Tax gain - PIS / Cofins credit - ICMS exclusion	-	1,736	-	1,736
Tax gain - ISS credit granted	21	1,532	21	1,532
Write-off of other accounts	(2,655)	(83)	(2,655)	(83)
Administrative indemnities	(109)	(260)	(109)	(260)
Civil indemnities	-	(1,066)	-	(1,066)
Labor indemnities	(1,586)	(898)	(1,586)	(898)
Loss of trade account receivables	(3,504)	(2,255)	(3,504)	(2,255)
Allowance for doubtful accounts	7,951	(388)	7,951	(388)
Provision for labor contingencies	446	(360)	446	(360)
Provision for tax contingencies	210	2,819	210	2,819
Provision for civil contingencies	(491)	(424)	(491)	(424)
Provision for administrative contingencies	(5)	216	(5)	216
Other	(149)	(50)	(54)	(3)
	129	**519**	**224**	**566**

32. FINANCIAL INCOME (COSTS)

	Parent Company		Consolidated	
	12/31/22	12/31/21	12/31/22	12/31/21
Financial income				
Income from financial investments	4,652	4,367	4,652	4,367
Income from financial transactions	1,798	720	1,798	720
Foreign exchange gains	5,606	6,616	11,599	8,381
Inflation adjustment on taxes and contributions	883	3,259	883	3,259
Pis and Cofins on financial income	(420)	(441)	(420)	(441)
Other revenues	436	180	448	490
	12,955	**14,701**	**18,960**	**16,776**
Financial costs				
Interest on loans and financing	(13,608)	(10,261)	(13,608)	(10,261)
Costs on financial transactions	(1,291)	(253)	(1,291)	(253)
Foreign exchange losses	(7,004)	(8,109)	(14,746)	(10,462)
Fines / Interest	(1,894)	(667)	(3,067)	(930)
Discounts granted	(64)	(1,045)	(64)	(1,045)
Banking expenses	(903)	(649)	(903)	(649)
IOF expenses	(626)	(697)	(626)	(697)
Other expenses	(1,006)	(1,064)	(1,006)	(1,064)
	(26,396)	**(22,745)**	**(35,311)**	**(25,361)**

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

33. 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:

	Parent		Consolidated	
	12/31/22	**12/31/21**	**12/31/22**	**12/31/21**
Profit for the year before taxes from continuing operations	8,172	26,331	8,239	26,213
Profit for the year before taxes from discontinued operations	-	11,968	-	11,968
Income before taxes	**8,172**	**38,299**	**8,239**	**38,181**
Equity Income	3,739	6,011	-	-
Law No. 11.196/05	(3,959)	(9,987)	(3,959)	(9,987)
(+/-) Other additions and deletions	(9,473)	2,229	(7,322)	8,358
Provision/reversal for obsolescence of inventory	1,656	3,636	1,656	3,636
Provision/reversal of contingencies	(161)	(2,250)	(161)	(2,250)
Provision/reversal for doubtful accounts	(7,951)	388	(7,951)	388
Provision/reversal of revenues	6,256	9,015	6,256	9,015
Loss on account receivables	3,504	2,255	3,504	2,255
Provision/reversal - other	(2,952)	3,871	(2,952)	3,871
Financial credits	(23,531)	(20,876)	(23,531)	(20,876)
Other Additions and deletions	13,706	6,190	15,857	12,319
Tax profit (loss) (IR basis)	**(1,521)**	**36,552**	**(3,042)**	**36,552**
Income tax	(286)	(6,373)	(353)	(6,255)
Social contribution	-	(2,261)	-	(2,261)
Current income tax and CSLL	**(286)**	**(8,634)**	**(353)**	**(8,516)**

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 to the contractual clause) was recorded. Also in 2021, the Company received R$ 1,313 related to the sale of the remaining equity interest in Batanga, an investee of former Ideiasnet.

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

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:

		Current period		Insured amount
	Covered risk	**From**	**Up to**	**12/31/22**
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**
National Transportation	Road hazards	10/31/21	10/31/23	**4,000**
International Shipping (in US$)	Broad coverage (Imports)	10/31/21	10/31/23	**USD 2,000**
International Shipping (in US$)	Broad coverage (Export)	10/31/21	10/31/23	**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.

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

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:

		Consolidated			
		Book Value		Fair value	
	Fair Value Hierarchy	12/31/22	12/31/21	12/31/22	12/31/21
Assets					
Amortized cost					
Trade accounts receivable		148,266	95,121	148,266	95,121
				-	-
Fair value through profit or loss					
Cash and cash equivalents	Level 2	49,560	87,126	49,560	87,126
Restricted financial investments	Level 2	212	11,737	212	11,737
Tradable securities	Level 2	3,703	-	3,703	-
Total		**201,741**	**193,984**	**201,741**	**193,984**
Liabilities					
Amortized cost					
Loans and financing (current)		(23,595)	(10,087)	(23,595)	(10,087)
Loans and financing (non-current)		(68,769)	(42,206)	(68,769)	(42,206)
Debentures (current)		(10,517)	(10,546)	(10,517)	(10,546)
Debentures (current)		(10,440)	(20,859)	(10,440)	(20,859)
Lease transactions (current)		(6,044)	(4,086)	(6,044)	(4,086)
Lease transactions (non-current)		(18,909)	(20,023)	(18,909)	(20,023)
Trade accounts receivable		(68,142)	(62,483)	(68,142)	(62,483)
Trade accounts payable (non-current)		(522)	(1,101)	(522)	(1,101)
Forfaiting		-	(1,110)	-	(1,110)
Bonds with senior FIDC quotas (non-current)		(10,393)	-	(10,393)	-
Total		**(217,331)**	**(172,501)**	**(217,331)**	**(172,501)**

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 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.

CPC 40 (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 marked 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.

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

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	
	12/31/22	12/31/21	12/31/22	12/31/21
Debt	92,364	52,293	123,714	83,698
Cash and cash equivalents, financial investments	45,701	95,534	49,772	98,863
Net Debt (net cash)	46,663	(43,241)	73,942	(15,165)
Equity	156,847	151,373	156,847	151,373
Debt (cash) ratio, net	30%	-29%	47%	-10%

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.

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

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	212	-	212	-
Financial transactions	77,237	41,125	27,555	8,557
Lease transactions	(24,953)	(6,044)	(5,055)	(13,854)
Loans and financing	(92,364)	(23,595)	(11,701)	(57,068)
Debentures	(20,957)	(10,517)	(10,440)	-
Trade accounts receivable	(68,664)	(68,142)	(522)	-
Financial transactions	(77,237)	(41,125)	(27,555)	(8,557)
Total	**(206,726)**	**(108,298)**	**(27,506)**	**(70,922)**

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.

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

	Consolidated		Consolidated	
	12/31/22		12/31/21	
	R$	US$	R$	US$
Assets				
Trade accounts receivable	38,638	7,405	30,265	5,423
Liabilities				
Trade accounts receivable	(43,729)	(8,381)	(54,970)	(8,280)
Total	**(5,091)**	**(976)**	**(24,705)**	**(4,427)**

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.

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

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

	Parent Company		Consolidated	
	12/31/22	12/31/21	12/31/22	12/31/21
Assets				
Cash and cash equivalents	45,489	83,797	49,560	87,126
Restricted financial investments	212	11,737	212	11,737
Tradable securities	-	-	3,703	-
Financial transactions	87,394	45,995	77,237	45,995
Liabilities				
Loans and financing	(92,364)	(52,293)	(92,364)	(52,293)
Debentures	(20,957)	(31,405)	(20,957)	(31,405)
Forfaiting	-	(1,110)	-	(1,110)
Financial transactions	(87,394)	(45,995)	(77,237)	(45,995)
Net exposure	**(67,620)**	**10,726**	**(59,846)**	**14,055**

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.

	Probable scenario	25% Increase	50% Increase
Exchange rate			
Trade accounts receivable	38,638	9,660	19,319
Trade Accounts Payable	(43,729)	(10,932)	(21,865)
Impact on profit or loss		**(1,272)**	**(2,546)**

	Consolidated		
Interest rate	Probable scenario	25% Increase	50% Increase
Cash and cash equivalents	49,560	12,390	24,780
Restricted financial investments	212	53	106
Tradable securities	3,703	926	1,852
Loans and financing	(92,364)	(23,091)	(46,182)
Debentures	(20,957)	(5,239)	(10,479)
Impact on profit or loss		**(14,961)**	**(29,923)**

38. INFORMATION BY SEGMENT

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

39. SUBSEQUENT EVENT

STF final and unappealable decision in tax matters

On February 8, 2023, the Full Bench of the Federal Supreme Court (STF) decided, unanimously, in Extraordinary Appeals 955.227 (Theme 885) and 949.297 (Theme 881) on the possibility of deconstituting the final unappealable decision in successive legal relationships in tax matters. After analysis by Management, together with its legal advisors, of the tax proceedings to which the Company is or was a party, both as plaintiff and defendant, no situation was identified that could impact the set of individual and consolidated financial statements ended December 31, 2022.