RSM

Padtec Holding S.A.

Individual and consolidated financial statements accompanied by the independent auditor's report

As of December 31, 2023

Padtec Holding S.A.

Content

Independent auditor's report on individual and consolidated financial statements

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

Opinion

We have audited the accompanying individual and consolidated financial statements for **Padtec Holding S.A.** ("Company"), identified as Parent Company and Consolidated, respectively, which comprise the balance sheets as of December 31, 2023 and the statements of profit and loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including the material accounting policies and other explanatory information.

In our opinion, the accompanying individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of **Padtec Holding S.A.** as of December 31, 2023, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in compliance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities, under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of this report. We are independent of the Company and its subsidiaries and comply with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants (IESBA Code), the professional standards issued by the Brazil's National Association of State Boards of Accountancy ("CFC") 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.

Key audit matters

Key audit matters are those that, in our professional judgment, were the most significant in our audit of financial statements of the current year. These matters were addressed in the context of our audit of the overall individual and consolidated financial statements, and in forming our opinion on the individual and consolidated financial statements.

Therefore, we did not express a separate opinion on these matters. For each of the matters below, a description of how our audit has addressed them, including any comments on the results of our procedures is presented in the context of the financial statements taken as a whole.

Revenue recognition

As mentioned in explanatory notes no. 3.15 and 27 the Company and its subsidiaries recognize their revenues based on CPC Pronouncement 47 – Revenue from Contracts with Customers. Revenues from hardware and installation services have different performance obligations and are recognized when the Company and its subsidiaries meet the performance obligation.

Due to the relevance of the amounts involved and the inherent characteristics of the revenue recognition process, including the volume and assurance of capturing all sales within the accounting period, we consider this topic as a significant matter in our audit work.

How our audit addressed this matter

Our audit procedures included, among others:

- Understanding the flows of sales and provision of services and assessment of the internal control environment for the recognition of revenues and the respective accounts receivable;
- Analytical procedures on revenue changes, using data disaggregated by type of revenue, to identify changes inconsistent with our expectations obtained from our prior knowledge of the Company and the sector and that may indicate potential problems of revenue recognition out of the accounting period;
- External confirmation procedures for a base sample that makes up the accounts receivable balance by sending confirmation letters;
- Checking, by sampling, of supporting documentation for sales and services rendered in the period;
- Checking of financial inflows of the balance of accounts receivable, subsequent to the base date of the financial statements; and
- Accounting period cut-off test on revenues, by checking documentation evidencing the delivery of goods or provision of services within the correct accounting period.

Based on the evidence obtained through the procedures described above, we consider the recognition of revenue, as well as the related disclosures, adequate in the context of the individual and consolidated financial statements taken as a whole.

Existence and valuation of inventories and costs of goods sold

As described in explanatory note no. 7, the Company had a consolidated balance of inventories in the amount of R$ 102,196 thousand. The inventories of the Company and its subsidiaries comprises raw materials (in-house, in possession of third parties and under import process), products in process and finished products. As raw materials have high added value, is mostly imported, and there are several direct and indirect costs for production, the amounts involved are relevant.

Thus, due to the amounts involved, the complexity of costing the products, the involvement of third parties in the custody of part of the raw materials and the technical features of the products, we consider this topic as a significant matter in our audit work.

How the matter was addressed in our audit

Our audit procedures included, among others:

- Understanding of the Company's internal processes related to purchases and inventory monitoring and assessment of production cost allocation criteria;
- Monitoring, on a sample basis, of the physical counting of inventories;
- Confirmation with the custodians of the main balances of inventories held by third parties;
- Sample checking of documentation of purchase and delivery for production and recalculation of the average cost of selected items;
- Sample checking of documentation of direct and indirect production costs and the respective appropriations to products in process;
- Assessment of the criteria used by management to calculate the provision for losses in the realization of inventories and review of the calculations made; and
- Assessment of the need for provision for losses in the realization of inventories based on sales made.

Based on the audit evidence obtained through the procedures described above, we consider that the result is appropriate to support the existence and valuation of inventories and costs of goods sold, as well as the respective disclosures made, in the context of the individual and consolidated financial statements taken as a whole.

Other matters

Statement of value added

The individual and consolidated statements of value added for the year ended December 31, 2023, prepared under the responsibility of Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's individual and consolidated financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined in Accounting Pronouncement CPC 09 – Statement of Value Added. In our opinion, these individual and consolidated statements of value added have been properly prepared, in all material respects, in accordance with the criteria set forth in this Accounting Pronouncement and are consistent with the overall individual and consolidated financial statements.

Other information accompanying individual and consolidated financial statements and the auditor's report

The Company's management is responsible for such other information that comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether that report is materially inconsistent with the individual and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this respect.

Responsibility of Management and those charged with governance for the individual and consolidated financial statements

Management is responsible for preparing and fairly presenting the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by IASB and for such internal controls that it has determined to be required to enable the preparation of financial statements free from material misstatement, whether due to 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 unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those responsible for the governance of the Company and its subsidiaries are those responsible for overseeing the process of preparing the 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 as a whole 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 always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or as a whole, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with the Brazilian and International Standards of Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude 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.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the group's entities or business activities to express an opinion on the 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 charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we may identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and communicate any relationships or matters that could materially affect our independence, including, where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the individual and consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditor´s report unless law or regulation precludes public disclosure about the matter, or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, March 05, 2024.

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

RSM Brasil Auditores Independentes Ltda.
CRC 2SP-030.002/O-7

Padtec Holding S.A.

Balance sheets
December 31, 2023 and 2022
(Amounts In thousands of Brazilian reais - R$, unless otherwise indicated)

		Parent		Consolidated	
	NOTE	12/31/23	12/31/22	12/31/23	12/31/22
ASSETS					
CURRENT					
Cash and cash equivalents	4	-	60	50,456	49,620
Tradable securities	5	-	-	9,920	3,703
Trade accounts receivable	6	-	-	125,809	134,999
Inventories	7	-	-	102,196	93,435
Taxes recoverable	8	1,816	1,788	30,141	34,330
Financial transactions	17	-	-	39,008	41,125
Other credits	9	214	197	6,909	5,494
TOTAL CURRENT ASSETS		**2,030**	**2,045**	**364,439**	**362,706**
NON-CURRENT					
Trade accounts receivable	6	-	-	4,766	13,267
Restricted financial investments		-	-	1,754	212
Financial transactions	17	-	-	52,891	36,112
Judicial deposit	22.2	473	567	1,151	1,167
Other credits	9	-	-	23	409
		473	**567**	**60,585**	**51,167**
Investments	11.1	176,731	156,847	-	-
Net PPE	12	-	-	40,422	37,571
Net intangible assets	13	24	24	51,060	45,175
		176,755	**156,871**	**91,482**	**82,746**
TOTAL NON-CURRENT ASSETS		**177,228**	**157,438**	**152,067**	**133,913**
TOTAL ASSETS		**179,258**	**159,483**	**516,506**	**496,619**

The accompanying explanatory notes are an integral part of the individual and consolidated financial statements.

Padtec Holding S.A.

Balance sheets
December 31, 2023 and 2022
(Amounts In thousands of Brazilian reais - R$, unless otherwise indicated)

		Parent		Consolidated	
	NOTE	12/31/23	12/31/22	12/31/23	12/31/22
LIABILITIES					
CURRENT					
Loans and financing	14	-	-	13,374	23,595
Derivative financial instruments	34.1	-	-	1,671	-
Debentures	15	-	-	-	10,517
Lease transactions	16	-	-	5,882	6,044
Suppliers	19	47	80	57,395	68,223
Related parties	10	-	-	400	344
Taxes and contributions payable	20	47	60	4,643	14,541
Taxes and contributions payable - installment payment	21	432	119	1,055	1,931
Labor charges	23	384	285	27,274	22,774
Dividends payable	25.4	3,674	-	3,674	-
Miscellaneous provisions	22.1	100	713	2,411	2,689
Financial transactions	17	-	-	39,008	41,125
Advances from customers		-	-	1,447	1,458
Other accounts payable		-	-	1,208	355
TOTAL CURRENT LIABILITIES		**4,684**	**1,257**	**159,442**	**193,596**
NON-CURRENT					
Miscellaneous provisions	22.1	507	-	507	-
Provision for labor, tax and civil risks	22.2	6,872	9,662	16,058	19,308
Loans and financing	14	-	-	99,081	68,769
Debentures	15	-	-	-	10,440
Suppliers	19	-	-	508	522
Lease transactions	16	-	-	13,071	18,909
Taxes and contributions payable - installment payment	21	-	8	1,299	2,016
Related parties	10	14,597	12,877	-	-
Financial transactions	17	-	-	52,891	36,112
Transactions with senior FIDC quotas	18	-	-	21,109	10,393
Other accounts payable		-	-	-	875
TOTAL NON-CURRENT LIABILITIES		**21,976**	**22,547**	**204,524**	**167,344**
TOTAL LIABILITIES		**26,660**	**23,804**	**363,966**	**360,940**
EQUITY					
Capital	25.1	138,439	199,211	138,439	199,211
Capital reserve	25.2	3,193	-	3,193	-
Investment reserve	25.2	11,023	(60,780)	10,965	(60,780)
Goodwill on capital transaction		599	599	599	599
Other comprehensive income	25.3	(656)	(3,351)	(656)	(3,351)
TOTAL EQUITY ASSIGNED		**152,598**	**135,679**	**152,540**	**135,679**
TOTAL LIABILITIES AND EQUITY		**179,258**	**159,483**	**516,506**	**496,619**

The accompanying explanatory notes are an integral part of the individual and consolidated financial statements.

Padtec Holding S.A.

Statements of profit or loss for
the years ended December 31, 2023 AND 2022
(Amounts In thousands of Brazilian reais - R$, unless otherwise indicated)

		Parent Company		Consolidated	
	Note	**12/31/23**	**12/31/22**	**12/31/23**	**12/31/22**
Net operating revenue	27	**-**	**-**	**368,687**	**365,725**
Cost of goods sold and services provided	28	-	-	(237,415)	(248,855)
Gross profit		**-**	**-**	**131,272**	**116,870**
Operating revenues (expenses)					
Administrative expenses	29.1	(6,177)	(3,841)	(31,260)	(29,162)
Selling expenses	29.1	-	-	(35,457)	(32,556)
Research and development expenses	29.1	-	-	(37,486)	(34,679)
Equity income	11.4	17,189	8,864	-	-
Other operating revenues, net	29.2	6,359	5,386	3,107	6,688
Profit before financial result		**17,371**	**10,409**	**30,176**	**27,161**
Net financial result	30	(1,900)	(655)	(14,696)	(17,039)
Profit before income tax and social contribution		**15,471**	**9,754**	**15,480**	**10,122**
Income tax and social contribution					
Current	31	-	-	(67)	(368)
Net income for the year		**15,471**	**9,754**	**15,413**	**9,754**
Profit (loss) attributable to					
Controlling shareholders		15,471	9,754	15,413	9,754
Net income for the year		**15,471**	**9,754**	**15,413**	**9,754**
Earnings per share					
Basic earnings per share:	26	0.1953	0.1243	0.1946	0.1243
Diluted earnings per share	26	0.1947	0.1243	0.1939	0.1243

The accompanying explanatory notes are an integral part of the individual and consolidated financial statements.

Padtec Holding S.A.

Statement of comprehensive income
for the years ended December 31, 2023 and 2022
(Amounts In thousands of Brazilian reais - R$, unless otherwise indicated)

	Parent Company		Consolidated	
	12/31/23	**12/31/22**	**12/31/23**	**12/31/22**
Net income for the year	**15,471**	**9,754**	**15,413**	**9,754**
Items that may be reclassified subsequently to the statement of income (loss)				
Other comprehensive income				
Translation adjustments of balance sheet of subsidiaries abroad	2,812	(2,412)	2,812	(2,412)
Cash flow hedge	(117)	-	(117)	-
Comprehensive income for the year	**18,166**	**7,342**	**18,108**	**7,342**
Comprehensive income (loss) attributable to:				
Controlling shareholders	18,166	7,342	18,108	7,342
Comprehensive income for the year	**18,166**	**7,342**	**18,108**	**7,342**

The accompanying explanatory notes are an integral part of the individual and consolidated financial statements.

Padtec Holding S.A.

Statements of changes in equity
for the years ended December 31, 2023 and 2022
(Amounts In thousands of Brazilian reais - R$, unless otherwise indicated)

		Parent Company and Consolidated							
			Capital reserve				Profit reserves		
	Note	Share Capital	Legal reserve	Options granted	Goodwill on capital transaction	Other comprehensive income	Investment reserve	Retained earnings/accumulated losses	Total equity
		199,211	**-**	**-**	**599**	**(939)**	**-**	**(70,534)**	**128,337**
Net income for the year		-	-	-	-	-	-	9,754	**9,754**
Exchange variation adjustment of subsidiaries	11.4/25.3	-	-	-	-	(2,412)	-	-	**(2,412)**
		199,211	**-**	**-**	**599**	**(3,351)**	**-**	**(60,780)**	**135,679**
Net income for the year		-	-	-	-	-	-	15,413	**15,413**
Stock option plan	25.2	-	-	2,419	-	-	-	-	**2,419**
Set up of legal reserve	25.2	-	774	-	-	-	-	(774)	**-**
Set up of investment reserve	25.2	-	-	-	-	-	10,965	(10,965)	**-**
Mandatory minimum dividend	25.4	-	-	-	-	-	-	(3,674)	**(3,674)**
Exchange variation adjustment of subsidiaries	11.4/25.3	-	-	-	-	2,812	-	-	**2,812**
Capital increase	25.1	8	-	-	-	-	-	-	**8**
Capital decrease	25.1	(60,780)	-	-	-	-	-	60,780	**-**
Cash flow hedge	25.3/34.1	-	-	-	-	(117)	-	-	**(117)**
		138,439	**774**	**2,419**	**599**	**(656)**	**10,965**	**-**	**152,540**

The accompanying explanatory notes are an integral part of the individual and consolidated financial statements.

Padtec Holding S.A.

Statements of Cash Flows
for the years ended December 31, 2023 and 2022
(Amounts In thousands of Brazilian reais - R$, unless otherwise indicated)

	Parent		Consolidated	
	12/31/23	12/31/22	12/31/23	12/31/22
Cash flows from operating activities				
Profit for the period before taxes	**15,471**	**9,754**	**15,480**	**10,122**
Adjustments to reconcile net income (loss) for the year with cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	25,863	17,438
Interest and inflation adjustments on loans	-	-	4,616	5,039
Interest and inflation adjustments on debentures	-	-	1,220	3,814
Amortization of costs with issuance of debentures	-	-	474	248
Allowance for doubtful accounts	-	-	1,156	(7,951)
Creation (reversal) of miscellaneous provisions	(106)	713	229	239
Provision for labor, tax and civil risks	620	(3,178)	1,437	(5,043)
Provision for inventory obsolescence	-	-	(5,838)	1,656
Equity income	(17,189)	(8,864)	-	-
Loss of investment and merger	-	(2,412)	-	-
Stock options	2,419	-	2,419	-
Write-off of PPE and intangible assets	-	-	1,267	383
Decrease (increase) in operating assets:				
Trade accounts receivable	-	-	16,535	(45,194)
Tradable securities	-	-	(6,217)	(3,703)
Inventories	-	-	(2,923)	(13,649)
Taxes recoverable	(28)	(82)	4,189	(9,104)
Related parties	-	372	-	-
Judicial deposit	94	424	16	206
Other credits	(17)	5	(1,029)	(961)
Increase (decrease) in operating liabilities:				
Derivative financial instruments	-	-	1,671	-
Lease transactions	-	-	(6,690)	(4,630)
Suppliers	(33)	76	(10,842)	5,147
Labor charges	99	86	4,500	(1,886)
Taxes and contributions payable	292	139	(11,491)	1,076
Related party transactions	1,720	7,966	56	338
Transactions with senior FIDC quotas	-	-	10,716	10,393
Income tax and social contribution - paid	-	-	(67)	(368)
Charges on loans and financing - paid	-	-	(4,918)	(3,966)
Debenture charges - paid	-	-	(1,319)	(3,843)
Advances from customers	-	-	(11)	(5,407)
Other accounts payable	-	-	(22)	464
Labor, tax and civil indemnities - paid	(3,410)	(4,939)	(4,687)	(6,634)
Net cash used in (provided by) operating activities	**(68)**	**60**	**35,790**	**(55,776)**
Cash flows from investment activities				
Restricted financial investments	-	-	(1,542)	11,525
Acquisition of PPE and intangible assets	-	-	(35,176)	(18,406)
Net cash used in (provided by) investing activities	**-**	**-**	**(36,718)**	**(6,881)**
Cash flows from financing activities				
Capital payment	8	-	8	-
Cash flow hedge	-	-	(117)	-
Forfaiting	-	-	-	(1,110)
Raising of loans and financing	-	-	50,948	49,174
Payment of loans and financing - principal	-	-	(30,555)	(10,176)
Payment of debentures - principal	-	-	(21,332)	(10,667)
Net cash used in (provided by) financing activities	**8**	**-**	**(1,048)**	**27,221**
Exchange variation of cash in foreign currency	-	-	2,812	(2,412)
Increase (decrease) in cash and cash equivalents	**(60)**	**60**	**836**	**(37,848)**
Cash and cash equivalents at the beginning of the year	**60**	**-**	**49,620**	**87,468**
Cash and cash equivalents at the end of the year	**-**	**60**	**50,456**	**49,620**
Non-cash transactions				
Right-of-use of lease	**-**	**-**	**690**	**5,474**

The accompanying explanatory notes are an integral part of the individual and consolidated financial statements.

Padtec Holding S.A.

Statement of value added
for the years ended December 31, 2023 and 2022
(Amounts In thousands of Brazilian reais - R$, unless otherwise indicated)

	Parent Company		Consolidated	
	12/31/23	12/31/22	12/31/23	12/31/22
1 - Revenues	**2,776**	**10,325**	**456,428**	**468,639**
1.1. Sale of goods, products and products	-	-	455,162	455,290
1.2. Allowance for doubtful accounts	-	-	(1,156)	7,951
1.3. Other revenues	2,776	10,325	2,422	5,398
2 - Inputs purchased from third parties	**1,746**	**(6,514)**	**(180,661)**	**(211,050)**
2.1. Cost of products, goods and services sold	-	-	(147,749)	(157,175)
2.2. Energy, third-party services and other operating expenses	1,746	(6,514)	(32,912)	(53,875)
3 - Retentions.	**-**	**-**	**(25,863)**	**(17,438)**
3.1. Depreciation and amortization	-	-	(25,863)	(17,438)
4 - Value added produced, net	**4,522**	**3,811**	**249,904**	**240,151**
5 - Value added received on transfer	**16,435**	**8,806**	**16,219**	**18,977**
5.1. Equity income	17,189	8,864	-	-
5.2. Financial revenues	(754)	(58)	16,219	18,977
6 - Total value added to distribute	**20,957**	**12,617**	**266,123**	**259,128**
7 - Distribution of value added	**20,957**	**12,617**	**266,123**	**259,128**
7.1. Personnel and charges	**4,026**	**1,921**	**111,256**	**102,744**
Direct compensation	1,497	1,798	78,937	79,057
Benefits	2,529	123	26,764	18,144
Severance Fund (FGTS)	-	-	5,555	5,543
7.2. Taxes, fees and contributions	**314**	**345**	**106,111**	**107,256**
Federal	306	339	75,035	74,584
State	-	-	27,869	29,498
Municipal	8	6	3,207	3,174
7.3. Third-party capital remuneration	**1,146**	**597**	**33,343**	**39,374**
Financial costs	1,146	597	30,915	36,016
Rents	-	-	2,428	3,358
7.4. Equity remuneration	**15,471**	**9,754**	**15,413**	**9,754**
Net income for the year	15,471	9,754	15,413	9,754
Dividends	3,674	-	3,674	-
Retained earnings	11,797	9,754	11,739	9,754

The accompanying explanatory notes are an integral part of the individual and consolidated financial statements.

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

1. GENERAL INFORMATION

1.1. Operational context

Padtec Holding S.A. (“Company”, B3: PDTC3), started its operations as an investment company in Internet projects in 2000, the year it went public on B3 S.A. – Brasil, Bolsa, Balcão (“B3”).

In June 2020, the Company completed the process of merging shares issued by Padtec S.A. and the consequent conversion of Padtec S.A. into its wholly-owned subsidiary, which is currently its only investee.

Padtec S.A. was incorporated in 2001 and aims to provide high-capacity connections throughout Brazil, the Americas and around the world.

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

	Equity interest (%)			
	12/31/23		12/31/22	
	Direct	Indirect	Direct	Indirect
Padtec S.A. (a)	100.00%		100.00%	
Padtec Argentina (b)	-	100.00%	-	100.00%
Padtec EUA (c)	-	100.00%	-	100.00%
Padtec Colômbia (d)	-	100.00%	-	100.00%
Padtec Chile (e)	-	100.00%	-	100.00%
Padtec Peru (f)	-	100.00%	-	100.00%
Padtec Soluções Para Redes Ltda. (g)	-	100.00%	-	100.00%
FIDC FUNTTEL PADTEC - Fundo de Investimento em Direitos Creditórios (h)	-	20.00%	-	20.00%

a) Padtec S/A is a privately held company focused on the development, manufacture, and commercialization of turnkey solutions for optical systems. Its portfolio includes equipment for corporate access, Data Center Interconnect, Storage Area Network Extension, metropolitan networks, and terrestrial multi-terabit long-distance networks, as well as providing platforms and solutions for the telecom system.
b) 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.
c) 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.
d) Padtec Colombia is an operating company headquartered in Colombia, incorporated in 2014. Its main purpose is to perform commercial activities, reselling the Group's products and providing implementation, operation and maintenance services. Padtec S.A. holds 100% equity interest.
e) 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.
f) Padtec Peru is an operating company headquartered in Peru, incorporated in 2022, with 99% of its shares subscribed by Padtec S.A. and 1% by Padtec Colômbia. Its main purpose is to perform sales activities, resell Group Padtec’s products and provide implementation, operation and maintenance services.

g) 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. Padtec S.A. holds 100% equity interest.
h) 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. and its operations began in April 2022. 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, shown in the individual balance sheet of the investee in the group of tradable securities). Senior quotas are shown in the fund as shareholders' equity and in the Company's consolidated financial statements in the liability group (Note no. 18).

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 Holding S.A. and the companies in which the Company holds direct or indirect control, as detailed in Note 1, whose fiscal years and accounting practices are coincident. Direct and indirect subsidiaries 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 Padtec Group.

The issuance of these financial statements was authorized by the Company's Management on March 05, 2024.

2.2. 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 34.

2.3. 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 12 – Property, plant and equipment (application of defined useful lives and main assumptions in relation to recoverable amounts);
- Note 13 – Intangible assets (main assumptions in relation to recoverable amounts);
- Note 16 – Lease transactions (determination of if a contract contains a lease);
- Note 22.1 - General accruals (recognition and measurement: main assumptions on the likelihood of cash outflows);
- Note 22.2 – Provision for labor, tax and civil risks (recognition and measurement: main assumptions on the likelihood of cash outflows); and
- Note 24 – Private pension plan (main actuarial assumptions in the measurement of defined benefit obligations).

2.4. 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 translating the functional currency of subsidiaries abroad into Brazilian reais are recorded in equity as other comprehensive income – effects of conversion of investments abroad. All balances have been rounded to the closest thousands, except when otherwise indicated.

2.5. Statement of Value Added

The Company prepared the individual and consolidated Statements of Value Added in accordance with Accounting 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.

2.6. Statement of Cash Flows

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

3. Material accounting policies

The material 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.

In 2023, subsidiary Padtec S/A has unearned profits in the amount of R$ 58, relating to the transaction of equipment sales to Padtec Soluções Para Redes Ltda. (a subsidiary of Padtec S/A). Padtec Soluções Para Redes Ltda in turn runs the equipment rental operation for its customers. Unearned profit is being recognized in Padtec S/A's income statement, as Padtec Redes earns it through monthly sales to its customers. The effect of this operation generates the elimination of an unearned profit of R$ 58 on consolidation.

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.

Business model assessment:

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 if 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 evaluated 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, if 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 evaluated based on fair value are measured at fair value through profit or loss.

Assessment of if contractual cash flows are principal and interest payments only

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 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 if the contractual cash flows are payments of principal and interest only. This includes assessing if 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

Hedge accounting

For hedge accounting purposes, the following classifications apply: (i) fair value hedge: hedge for protection against exposure to changes in fair value of recognized asset or liability or unrecognized firm commitment, as well as a component of any of these items, which is attributable to a specific risk and which may affect profit or loss; (ii) cash flow hedge: hedge of exposure to changes in cash flows that are attributable to a specific risk associated with a recognized asset or liability or a highly probable forecast transaction that may affect profit or loss; or (iii) net investment hedge in a foreign transaction in a foreign operating unit.

The Company has the following structure for hedge accounting:

Cash flow hedge

When a derivative is designated as a cash flow hedge instrument, the effective portion of changes in fair value of the derivative is recognized in other comprehensive income and presented in the cash flow hedge account. The effective portion of changes in fair value of the derivative recognized in other comprehensive income is limited to the cumulative change in the fair value of the hedged item, determined on a present value basis, since the inception of the hedge. Any ineffective portion of the derivative’s fair value is recognized immediately in profit or loss.

If the hedge no longer meets the cash flow hedge accounting criteria, or the hedging instrument expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively and gains or losses previously recognized in comprehensive income remain in shareholders' equity until the expected transaction or firm commitment affect profit or loss.

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 conduct 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 13.

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 if 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 an 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 offers its employees a private pension plan benefit, recognized on the accrual basis in accordance with CPC 33 (R1) – 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.

VIII Stock Option Plan

In April 2023, the Extraordinary and Annual Shareholders' Meeting approved the VIII Stock Option Plan in favor of the chief executive officer and investor relations officer, with the aim of creating an additional incentive for the leading executive of the Company and its subsidiaries, giving him the opportunity to become a shareholder of Padtec Holding through the exercise of the Options, consequently achieving a closer alignment of this executive with the interests of the Company's shareholders.

The Company recognizes compensation costs in the profit or loss, with a corresponding increase in shareholders' equity. Compensation costs are measured at fair value on the date the stock options are granted.

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 reviewed at each closing date and will be recorded by management when it is probable that they will be recovered.

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

3.15. Revenue recognition

Operating revenues from the normal course of the business of the 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 set forth 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 when 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. Adoption of new accounting pronouncements

There are no standards and amendments, effective for annual periods beginning on or after January 1, 2023, that materially affect the Group's financial statements. The Group has decided not to adopt in advance any other standard, interpretation or amendment that has been issued but is not yet effective.

3.18. New pronouncements issued but not yet adopted

The new and amended standards and interpretations issued, but not yet in force as of the date of issue of the Group's financial statements, are described below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they come into force.

- Classification of liabilities as current or noncurrent (amendments to CPC 26 - IAS 1)
- Sale or Contribution in the form of Assets between an Investor and its Affiliate or Joint Venture (amendments to CPC 36 - IFRS 10 and CPC 18 - IAS 28)
- Supplier financing agreements (amendments to IAS 7 and IFRS 7)
- Lease liability in a Sale and Leaseback transaction (amendments to IFRS 16)

4. Cash and cash equivalents

	Parent Company		**Consolidated**	
	12/31/23	**12/31/22**	**12/31/23**	**12/31/22**
Cash bank deposits	-	60	7,252	17,000
Highly-liquid financial investments	-	-	43,204	32,620
	-	**60**	**50,456**	**49,620**

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

Immediately-liquid financial investments as of December 31, 2023 refer to investments in CDB (Bank Deposit Certificate), held in top-tier financial institutions, yielding rates from 78% to 103% of CDI (Interbank Deposit Certificate), and are subject to a low risk of change in value (100% to 104% as of December 31, 2022).

5. Tradable securities

	Consolidated	
FIDC Funttel Padtec - Fundo de Investimento em Direitos Creditórios	**12/31/23**	**12/31/22**
Fund Shares	9,679	3,490
Federal Bonds	241	213
	9,920	**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. (explanatory notes 6 and 18).

6. Trade receivables

	Consolidated	
	12/31/23	**12/31/22**
Referred in national currency	68,770	103,554
Referred in foreign currency (a)	44,023	38,638
FIDC FUNTTEL - Padtec (b)	16,161	8,969
	128,954	**151,161**
(+) Court-Supervised Reorganization Oi (c)	2,493	2,493
(+) Services provided to be invoiced (d)	2,382	-
(-) Provision for recognition of revenue out of the accounting period (e)	(272)	(3,562)
(-) Provision for expected credit losses (f)	(2,982)	(1,826)
	130,575	**148,266**
Current	125,809	134,999
Non-current	4,766	13,267
	130,575	**148,266**

a) In the consolidated statements, it is represented by US$ 9,093 thousand as of December 31, 2023 (US$ 7,405 thousand as of December 31, 2022).
b) Credits related to FIDC FUNTTEL PADTEC consolidation, according to Note 18.
c) Grupo Oi filed for court-supervised reorganization on June 20, 2016, based on the Court-Supervised Reorganization and Bankruptcy Law (Law no. 11.101/2005). On December 20, 2017, subsidiary Padtec S.A. adhered to Clause 4.3.6 of Oi's Court-Supervised Reorganization Plan, which provides that: "Payments of debt instruments included in the court-supervised reorganization will be paid with a 20-year grace period, as of the homologation date, in 5 annual, equal and successive installments, plus TR per year, the first installment falling due January 2039." Due to the risk associated with this receipt, the Company decided to set up a provision for loss, the amount of which is included in item f) of this Note 6.
d) Refers to the appropriation of services rendered in December that have not yet been invoiced.
e) Provision for reversal of revenue recognition outside the accrual period (“cut-off”).

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

f) Provisions for expected credit losses are based on the assumptions of CPC 48 – Financial Instruments, and consider the analysis of the level of historical losses, the knowledge and monitoring of the individual situation of the Company's customers. Management constantly monitors all bills and the individual situation of its customers, as well as the quality of credit granted. Based on these assessments, the Management understands that the amounts provisioned as of December 31, 2023 are sufficient to cover possible losses with default.

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

	Consolidated	
	12/31/23	**12/31/22**
Falling due	109,331	143,317
01-30 days past due	8,529	215
31-60 days past due	3,550	153
61-90 days past due	2,267	259
91-120 days past due	622	113
121-150 days past due	472	1,194
151-180 days past due	312	697
181-360 days past due	3,080	1,577
Over 361 days past due	791	3,636
	128,954	**151,161**

Changes in allowance for expected credit losses are as follows:

	Parent Company and Consolidated				
	12/31/2021	**12/31/2022**			
	Opening balance	**Addition to provision**	**Reversal**	**Effective losses**	**Closing balance**
Estimated losses on doubtful accounts	(9,777)	(3,072)	7,519	3,504	(1,826)
Total	**(9,777)**	**(3,072)**	**7,519**	**3,504**	**(1,826)**

	Parent Company and Consolidated				
	12/31/2022	**12/31/2023**			
	Opening balance	**Addition to provision**	**Reversal**	**Effective losses**	**Closing balance**
Estimated losses on doubtful accounts	(1,826)	(3,504)	958	1,390	(2,982)
Total	**(1,826)**	**(3,504)**	**958**	**1,390**	**(2,982)**

The changes on effective losses refer to the realization of losses recognized in the Company's profit or loss and the change in reversal of amounts refers to the renegotiation and receipt from customers that were provisioned as losses (Note 29.2).

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

7. Inventories

	Consolidated	
	12/31/23	**12/31/22**
Finished products	13,860	19,650
Products in progress	3,113	2,094
Raw materials	63,133	52,120
Resale materials	7,717	2,738
Import in progress	5,473	10,492
Inventories held on third parties (a)	18,052	21,331
	111,348	**108,425**
Provision for inventories		
(-) Provision for obsolescence and slow turnover (b)	(9,152)	(14,990)
	102,196	**93,435**

a) Refers substantially to raw materials under manufacturing process and pieces of equipment held as guarantee by customers.

b) 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.

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)
Total	**(13,334)**	**(6,430)**	**4,774**	**(14,990)**

	Consolidated			
	12/31/22	**12/31/23**		
	Opening balance	**Addition to provision**	**Reversal**	**Closing balance**
Inventories	(11,269)	(4,109)	9,791	(5,587)
Inventories held on third parties	(3,721)	(1,316)	1,472	(3,565)
Total	**(14,990)**	**(5,425)**	**11,263**	**(9,152)**

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

8. Recoverable taxes

	Parent Company		Consolidated	
	12/31/23	12/31/22	12/31/23	12/31/22
Tax on the circulation of goods and services - ICMS	-	-	3,295	1,011
Industrialized product tax forwarding in transit - IPI	-	-	388	237
Financial credit (a)	-	-	4,978	13,695
Social Integration Program (PIS)	-	-	527	443
Contribution to Social Security Financing - COFINS	-	-	2,383	2,000
Social contribution on net income - CSLL (b)	2	8	1,463	1,609
Corporate Income Tax - IRPJ (b)	1,808	1,774	7,587	6,326
Brazilian Social Security Institute (INSS)	-	-	2	692
Income tax withholding - IRRF	6	6	1,286	1,650
Withholding tax from public agencies	-	-	3,816	2,651
Other	-	-	4,416	4,016
	1,816	**1,788**	**30,141**	**34,330**

a) *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.*

9. Other credits

	Parent Company		Consolidated	
	12/31/23	12/31/22	12/31/23	12/31/22
Rental guarantee deposit	-	-	149	149
Payroll advance	-	-	822	609
Advances to suppliers (a)	40	99	3,610	2,934
Prepaid insurance premiums (b)	174	98	779	1,608
Other credits receivable	-	-	1,572	603
	214	**197**	**6,932**	**5,903**
Current assets	214	197	6,909	5,494
Non-current	-	-	23	409
	214	**197**	**6,932**	**5,903**

(a) Advances made to service providers.
(b) Performance bond related to loan and financing transactions with Finep. (Note no. 14)

10. Related parties

The Company has the following shareholders with a relevant interest (interest over five percent (5%) in its capital):

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

In addition, the Company's direct and indirect interests in its subsidiaries are described in Note no. 1.

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

Related parties were the shareholders with a relevant interest indicated above and those directly and indirectly controlled by the Company.

The main related-party transactions and respective types are shown below:

a) **Intercompany 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 services:** Transactions between Fundação CPqD and Padtec S.A., referring to expenses with infrastructure, property rental and administrative expenses according to the apportionment set forth between contractual parties.

	Parent Company			Consolidated		
	12/31/23		12/31/22	12/31/23		12/31/22
Liabilities	Padtec	Total	Total	Fundação CPqD	Total	Total
Loan (a)	14,597	**14,597**	**12,877**	-	**-**	**-**
Other services (c)	-	**-**	**-**	400	**400**	**344**
	14,597	**14,597**	**12,877**	**400**	**400**	**344**
Current liabilities	-	**-**	**-**	400	**400**	**344**
Noncurrent liabilities	14,597	**14,597**	**12,877**	-	**-**	**-**
	14,597	**14,597**	**12,877**	**400**	**400**	**344**

	Consolidated							
	12/31/23							12/31/22
	Padtec Argentina	Padtec EUA	Padtec Chile	Padtec Colômbia	Padtec Peru	Padtec Redes	Total	Total
Revenues								
Sales of products (b)	4,509	275	3,222	18,994	1,491	480	**28,971**	**24,023**
	4,509	**275**	**3,222**	**18,994**	**1,491**	**480**	**28,971**	**24,023**

Key management personnel compensation

Key management staff of the Company and its subsidiaries 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 Statutory Audit and Risks Committee is set by the Shareholders Meeting and is consistent with market standards. The maximum global amount (covering fixed and variable compensation) for fiscal year 2023, approved at the Shareholders' Meeting held on April 28, 2023 is R$ 12,689.

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:

	12/31/23	12/31/22
Short-term benefits		
Salaries including bonuses	4,179	6,159
Social security charges	771	827
Private Pension Fund	206	253
Other	130	166
Total Compensation	**5,286**	**7,405**

Subsidiary Padtec S.A. sponsors two private pension plans for its Management and employees, managed by Fundação Sistel de Seguridade Social, as described in Note no. 24.

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. The Company does not grant either any severance benefits to members of senior management in addition to those set forth 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 29.1.

11. Investments

The summarized accounting information of the Company's subsidiaries, including the total amounts of assets, liabilities, negative net worth, revenues and profit or loss for the period, are presented below:

11.1. Breakdown of investments

	Parent Company	
	12/31/23	12/31/22
Investments in subsidiaries		
Padtec S.A.	176,731	156,847
	176,731	**156,847**

11.2. Summary of financial information of subsidiaries

	Automatos Participações Ltda. (a)		Chenonceau Participações S.A.		Padtec S.A.	
	12/31/23	12/31/22	12/31/23	12/31/22	12/31/23	12/31/22
Share Capital	-	-	-	-	162,174	230,003
Total assets	-	-	-	-	516,878	502,457
Total liabilities	-	-	-	-	340,147	345,610
Equity	-	-	-	-	176,731	156,847
Profit (Loss) for the year	-	906	-	73	17,189	7,885
Number of shares (in thousands)	-	-	-	-	162,174	230,003
Number of shares held (in thousands)	-	-	-	-	162,174	230,003
Shareholding percentage	-	100.00%	-	100.00%	100.00%	100.00%

a) *Companies merged by the Company in November 2022.*

11.3. Summary of financial information of indirect subsidiaries

	Padtec Argentina		Padtec EUA		Padtec Colômbia		Padtec Peru		Padtec Soluções Para Redes Ltda (a)	
	12/31/23	12/31/22	12/31/23	12/31/22	12/31/23	12/31/22	12/31/23	12/31/22	12/31/23	12/31/22
Share Capital	2,160	2,160	27,457	23,877	16,400	16,400	259	-	30	-
Total assets	12,241	12,935	497	645	36,070	26,118	2,466	-	501	-
Total liabilities	10,856	10,385	287	1,113	27,196	16,077	2,179	-	587	-
Net equity (negative net worth)	1,385	2,550	210	(468)	8,874	10,041	287	-	(86)	-
Profit (Loss) for the year	(2,622)	748	(2,978)	(3,181)	(2,453)	(1,305)	34	-	(116)	-
Number of shares (in thousands)	2,160	2,160	27,457	23,877	16,400	16,400	10,000	10,000	100	100
Number of shares held (in thousands)	2,160	2,160	27,457	23,877	16,400	16,400	10,000	10,000	100	100
Shareholding percentage	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

(a) shown in number of shares.

11.4. Changes in investments at the Parent Company

	Automatos Participações Ltda.		Chenonceau Participações S.A.		Padtec S.A.		Total	
	12/31/23	12/31/22	12/31/23	12/31/22	12/31/23	12/31/22	12/31/23	12/31/22
Opening balance of investments	-	-	-	1,188	156,847	151,373	**156,847**	**152,561**
Opening balance - loss of investment	-	(4,578)	-	-	-	-	**-**	**(4,578)**
Equity income	-	906	-	73	17,189	7,885	**17,189**	**8,864**
Cash flow hedge	-	-	-	-	(117)	-	**(117)**	**-**
Translation adjustment of balance sheet of subsidiaries abroad	-	-	-	-	2,812	(2,412)	**2,812**	**(2,412)**
Balance of the provision for losses in subsidiaries	-	3,672	-	(1,260)	-	-	-	2,412
Closing balance of investments	**-**	**-**	**-**	**-**	**176,731**	**156,847**	**176,731**	**156,847**

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

12. Property, Plant & Equipment, net

	Consolidated							
	Machinery and equipment	**Computer equipment**	**Furniture and fixtures**	**Telephone devices**	**Third-party property improvement**	**PPE in progress (a)**	**Right of use of lease (b)**	**Total**
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**	**-**	**23,037**	**37,571**
Acquisitions	2,034	3,001	23	-	5	7,437	690	**13,190**
Write-offs and disposals (acquisition)	(310)	(18)	(11)	-	-	-	(828)	**(1,167)**
Write-offs and disposals (depreciation)	(70)	(44)	(3)	-	-	-	25	**(92)**
Depreciation	(1,428)	(1,961)	(239)	-	(994)	-	(4,458)	**(9,080)**
Balance as of December 31, 2023	**3,940**	**5,553**	**684**	**-**	**1,166**	**7,437**	**21,642**	**40,422**
Cost	24,263	15,596	2,689	21	4,030	7,437	31,875	**85,911**
Accumulated depreciation	(20,323)	(10,043)	(2,005)	(21)	(2,864)	-	(10,233)	**(45,489)**
Balance as of December 31, 2023	**3,940**	**5,553**	**684**	**-**	**1,166**	**7,437**	**21,642**	**40,422**

a) Refers to the acquisition of machinery and equipment that will be used in a new Company's operation.
b) See Note 16.

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

13. Intangible assets

	Parent	
	Brands and patents	Total
Cost	24	**24**
Balance as of December 31, 2022	**24**	**24**
Cost	24	**24**
Balance as of December 31, 2023	**24**	**24**

	Consolidated					
	Software	Brands and patents	Technical Information License	Development projects completed	Development projects in progress	Total
Balance as of December 31, 2021	**3,569**	**27**	**44**	**15,702**	**18,643**	**37,985**
Acquisitions	938	-	514	-	15,470	**16,922**
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	(1,186)	-	(45)	(8,163)	-	**(9,394)**
Balance as of December 31, 2022	**3,311**	**27**	**513**	**24,175**	**17,149**	**45,175**
Acquisitions	1,233	-	463	-	20,980	**22,676**
Transfer in development to completed	-	-	-	16,219	(16,219)	**-**
Write-offs and disposals (acquisition)	(22)	-	-	-	-	**(22)**
Write-offs and disposals (amortization)	14	-	-	-	-	**14**
Amortization	(1,269)	-	(894)	(14,620)	-	**(16,783)**
Balance as of December 31, 2023	**3,267**	**27**	**82**	**25,774**	**21,910**	**51,060**
Cost	12,935	27	6,713	59,804	21,910	**101,389**
Accumulated amortization	(9,668)	-	(6,631)	(34,030)	-	**(50,329)**
Balance as of December 31, 2023	**3,267**	**27**	**82**	**25,774**	**21,910**	**51,060**

(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.

14. Loans and financing

Modality	Agreed rate per year	Annual average effective rate	Due date	Guarantee	Consolidated 12/31/23	Consolidated 12/31/22
Local currency						
Finep	TR+2.30% and 2.80%	3.01%	02/15/20 to 12/15/42	Bank-issued guarantee	81,284	62,788
Working Capital - Safra	CDI+5.53%	19.33%	10/22/20 to 09/23/25	-	-	6,752
Working Capital - Daycoval	CDI+5.9%	19.72%	10/29/20 to 09/30/24	Receivables	-	3,007
Working Capital - ABC Brasil	CDI+4.38%	18.33%	12/23/20 to 05/23/24	Receivables	-	5,130
Letter of credit with FINIMP	10.14%	10.14%	03/20/2023	Credit letter	-	14,687
Foreign currency						
NCE - Votorantim	Exchange rate variation + 8.55%	8.55%	07/26/23 to 06/27/26	Escrow account flow	31,171	-
					112,455	**92,364**
			Current liabilities		13,374	23,595
			Non-current liabilities		99,081	68,769
					112,455	**92,364**

Repayment schedule by year of maturity:

	Consolidated											
	2024	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034-2042**	**TOTAL**
Loans and financing	13,374	20,686	10,456	5,341	5,341	5,341	5,341	5,341	4,675	4,541	32,018	**112,455**

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

14.1. Payments

During 2023, R$ 35,473 was paid in the consolidated, referring to interest and principal on loans raised by the Company.

14.2. Raising of Loans and Financing

In April 2023, Padtec S.A. raised R$ 32 million from Banco Votorantim, in an export credit note, NCE modality, with a three-year term, with payment of quarterly interest and principal in nine quarterly installments, with a grace period of 12 months from the signing of this agreement. The transaction is guaranteed by the financial flow of receivables in a restricted account.

For this loan, a SWAP was issued for the exchange rate variation and interest, subject to remuneration at the CDI rate + 1.65% p.a.

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

These funds enabled the settlement of the amounts of loans and financing that were outstanding with private institutions (Banco Daycoval, Banco ABC and Banco Safra) and the debentures issued by Padtec S.A. in 2020, in the amount of R$ 34 million. Such restructuring allowed the Company to reduce its financial cost, in addition to benefiting from the grace period of the new transaction.

In addition, subsidiary Padtec S.A. has eight financing facilities 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. By the end of 2023, R$ 81,645 had been capitalized.

The following table presents each of these financing facilities:

				Loans raised				
Modality/Contract	**Effective Term**	**Rate**	**Credit Released**	**2020**	**2021**	**2022**	**2023**	**Total**
FINEP - 02.22.0026.00	02/07/2020 to 02/15/2032	TR+2.8%	7,793	3,896	3,896	-	-	**7,792**
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	-	7,568	**13,455**
FINEP - 02.21.033.00	04/20/2021 to 05/15/2039	TR+2.8%	2,835	-	1,701	-	1,134	**2,835**
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	2,101	**4,101**
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	8,145	**17,790**
			118,455	**10,365**	**17,843**	**34,489**	**18,948**	**81,645**

14.3. Reconciliation of liabilities resulting from financing activities

	Consolidated
Balances as of January 1, 2022	**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**
Interest expenses	4,616
Interest Payment	(4,918)
Loans raised	50,948
Amortization	(30,555)
Balance as of December 31, 2023	**112,455**

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

15. Debentures

In December 2020, subsidiary Padtec S.A. issued R$ 40,000 million 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").

				Consolidated	
Modality	**Agreed Rate**	**Due date**	**Annual average effective rate**	**12/31/23**	**12/31/22**
Local currency					
Debentures – Padtec S.A	CDI + 3.8% p.a.	03/21/21 to 12/21/24	16.60%	-	20,957
				-	**20,957**
Current liabilities		Current liabilities		-	10,517
Noncurrent liabilities		Noncurrent liabilities		-	10,440
				-	**20,957**

In 1H23, the Company settled the outstanding amount of R$ 20,957 related to this transaction.

15.1. Reconciliation of liabilities resulting from financing activities

	Consolidated
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	(10,677)
Balance as of December 31, 2022	**20,957**
Interest expenses	1,220
Interest Payment	(1,319)
Amortization of costs with issuance of debentures	474
Payment of debentures - principal	(21,332)
Balance as of December 31, 2023	**-**

16. 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.

Subsidiary Padtec S.A. 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 November 2026. The effect of this accounting is the recording of R$ 8,134 in property, plant and equipment in the group of right-of-use, with a corresponding entry to the rental obligation in current and non-current liabilities.

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

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

Lease with Related Parties

The Company and its subsidiaries have a commitment arising from an operating lease agreement for the property where its administrative headquarters are located, executed with CPqD Foundation. The lease has a three-year term (expiring in 2025), with an option to renew after this period, and has no purchase option clauses at its termination. The lease payment is adjusted annually by the IGPM, and the actual rate of 6.3% per year was applied to reflect market prices. The effect of this accounting is the recording in property, plant and equipment, with a corresponding entry to the rental obligation in current liabilities (see Note no. 10).

	Consolidated	
	12/31/23	**12/31/22**
LIABILITIES		
Provision for leasing	18,953	24,953
	18,953	**24,953**
Current liabilities	5,882	6,044
Noncurrent liabilities	13,071	18,909
	18,953	**24,953**

Below is the change in leases:

	Consolidated				
	12/31/22	**Adjustment Contract and interest**	**Payment**	**Interest Financial**	**12/31/23**
Machinery and equipment	5,734	670	(3,430)	565	3,539
Building lease - related parties	19,219	(524)	(3,489)	208	15,414
	24,953	**146**	**(6,919)**	**773**	**18,953**
Current liabilities	6,044				5,882
Non-current liabilities	18,909				13,071
	24,953				**18,953**

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

17. Financial transactions

As of December 31, 2023, the Company has recorded financial transactions of Vendor and Forfait in the amount of R$ 39,008 (R$ 41,125 as of December 31, 2022) in current liabilities and R$ 52,891 (R$ 36,112 as of December 31, 2022) in non-current liabilities. The corresponding entries for such entries are recorded in current assets and non-current assets and the transactions are described below:

	Consolidated	
	12/31/23	**12/31/22**
Vendor	62,561	50,371
Forfait	29,338	26,835
FIDC – Sifra (a)	-	31
	91,899	**77,237**
Current	39,008	41,125
Non-current	52,891	36,112
	91,899	**77,237**

(a) FIDC operations with Sifra Group were terminated in March 2023.

17.1. Vendor Transactions

The Company entered into Vendor agreements with Banco do Brasil, Banco Safra, Banco Industrial, Banco Sofisa, Banco Paulista, Banco Regional de Desenvolvimento do Extremo Sul, Banco Daycoval and Cresol, which consist of sales financing transactions based on the principle of credit assignment. As of December 31, 2023 these financial institutions granted credits to 31 customers of the Company, upon Financing Promise Agreements, in the amount of R$ 95,847 maturing by December 2032. This amount is used to purchase the Company's products and services. As of December 31, 2023 there was no default and the amount recorded is R$ 22,320 in the short term and R$ 40,241 in the long term.

17.2. Discount without recourse (forfait)

THE Company entered into Forfait agreements with Banco do Brasil, Banco ABC, and Banco Fibra, 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, 2023, credits were granted to 5 of the Company's customers, in the amount of R$ 45,788 with maturity by August 2026. This amount is used for the acquisition of Company's products. So far, there was no default and the amount recorded is R$ 16,688 in the short term and R$ 12,650 in the long term.

18. 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 resources mainly 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 Padtec was launched as a closed condominium and for an indefinite period. The fund has BNDES PARTICIPAÇÕES S/A as its senior shareholder (a party related to the Company, see Note 10) and exclusively PADTEC S.A. as a subordinate shareholder in the proportion 80% / 20%

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

respectively. FIDC FUNTTEL PADTEC operation began in April 2022.
In April 2023, the Company made its second capital contribution in the amount of R$ 2.5 million referring to its stake in this fund, reaching a total amount of R$ 5 million so far.

FIDC's equity structure as of December 31, 2023 is shown below:

			Subscribed		
	Quantity of contractual quotas	Total amount of shares	Padtec Interest	Third-Party interest	Total
FIDC FUNTTEL PADTEC					
Senior	80,000	1.054	-	21,109	21,109
Subordinated	20,000	1.000	5,000	-	5,000
Total	**100,000**		**5,000**	**21,109**	**26,109**

The financials statements as of December 31, 2023 and 2022 is presented below:

FIDC FUNTTEL PADTEC	**12/31/23**	**12/31/22**
Current Assets		
Tradable securities	9,920	3,703
Trade accounts receivable	16,161	8,969
Other receivables	64	258
Total assets	**26,145**	**12,930**
Liabilities		
Other accounts payable	36	37
	36	**37**
Net equity		
Share capital	25,000	12,500
Retained earnings	2,313	780
Amortization of shares - LE	(1,204)	(387)
Total equity	**26,109**	**12,893**
Total Liabilities and Net Equity	**26,145**	**12,930**
Profit (loss)	**12/31/23**	**12/31/22**
Finance Revenues	2,231	1,025
Financial Expenses	(311)	(245)
Net income for the year	**1,921**	**780**

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

19. Suppliers

	Parent Company		Consolidated	
	12/31/23	12/31/22	12/31/23	12/31/22
Domestic suppliers	34	80	16,380	25,016
International suppliers	13	-	41,523	43,729
	47	**80**	**57,903**	**68,745**
Current liabilities	47	80	57,395	68,223
Noncurrent liabilities	-	-	508	522
	47	**80**	**57,903**	**68,745**

20. Taxes and contributions payable

	Parent Company		Consolidated	
	12/31/23	12/31/22	12/31/23	12/31/22
Tax on the circulation of goods and services - ICMS	-	-	106	1,074
Corporate Income Tax - IRPJ	-	9	-	37
Excise Tax - IPI	-	-	2,084	6,077
Social contribution on Net Income - CSLL	-	5	-	6
Social Integration Program- PIS	-	-	141	711
Contribution to social security financing - COFINS	6	6	658	3,281
Service Tax - ISS	31	31	321	423
Other	10	9	1,333	2,932
Current liabilities	**47**	**60**	**4,643**	**14,541**

21. Taxes and contributions payable - installment payment

	Parent Company		Consolidated	
	12/31/23	12/31/22	12/31/23	12/31/22
Installment payment of tax on the circulation of goods and services - ICMS (a)	-	-	1,922	3,585
Installment payment of tax on service - ISS	432	127	432	127
Other	-	-	-	235
Total liabilities	**432**	**127**	**2,354**	**3,947**
Current liabilities	432	119	1,055	1,931
Noncurrent liabilities	-	8	1,299	2,016
	432	**127**	**2,354**	**3,947**

a) *Subsidiary Padtec S.A. adhered to the installment payment plan to refinance its ICMS-related debts, pursuant to Joint Resolution SP/PGE 02/12 and SF 72/12, in the amount of R$ 3,117 with an outstanding balance as of December 31, 2023 in the amount of R$ 1,922 with final maturity by January 2027.*

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

22. Provisions

22.1. Miscellaneous provisions

	Parent			
	12/31/21	12/31/22		
	Opening balance	Addition to provision	Reversals	Final balance
Other	-	715	(2)	713
Total	**-**	**715**	**(2)**	**713**

	Parent			
	12/31/2022	12/31/2023		
	Opening balance	Addition to provision	Reversals	Final balance
Other	713	-	(106)	607
Total	**713**	**-**	**(106)**	**607**
Current Liabilities	713			100
Noncurrent liabilities	-			507
	713			**607**

	Consolidated			
	12/31/21	12/31/22		
	Opening balance	Addition to provision	Reversals	Final balance
Provision for commission (a)	766	1,042	(953)	855
Repairs during warranty (b)	952	357	(188)	1,121
Other	732	723	(742)	713
Total	**2,450**	**2,122**	**(1,883)**	**2,689**

	Consolidated			
	12/31/22	12/31/23		
	Opening balance	Addition to provision	Reversals	Final balance
Provision for commission (a)	855	1,355	(1,281)	929
Repairs during warranty (b)	1,121	398	(137)	1,382
Other	713	-	(106)	607
	2,689	**1,753**	**(1,524)**	**2,918**
Current Liabilities	2,689			2,411
Noncurrent liabilities	-			507
	2,689			**2,918**

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.*

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

22.2. 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 risk of loss is classified as probable.

	Parent					
	12/31/21	12/31/22				
	Opening balance	Merger	Additions	Reversals	Payments	Final balance
Labor (a)	17,779	-	1,030	(5,115)	(4,780)	8,914
Civil	-	-	159	-	(159)	-
Tax (b)	-	2,115	-	(1,367)	-	748
Total provisions	**17,779**	**2,115**	**1,189**	**(6,482)**	**(4,939)**	**9,662**
Judicial deposits (c)	(991)	-	(166)	590	-	(567)
Total	**16,788**	**2,115**	**1,023**	**(5,892)**	**(4,939)**	**9,095**

	Parent				
	12/31/22	12/31/23			
	Opening balance	Additions	Reversals	Payments	Final balance
Labor (a)	8,914	1,559	(191)	(3,410)	6,872
Tax	748	41	(643)	(146)	-
Total provisions	**9,662**	**1,600**	**(834)**	**(3,556)**	**6,872**
Judicial deposits (c)	(567)	(39)	133	-	(473)
Total	**9,095**	**1,560**	**(846)**	**(3,410)**	**6,399**

	Consolidated				
	12/31/21	12/31/22			
	Opening balance	Additions	Reversals	Payments	Final balance
Labor (a)	20,348	2,168	(5,208)	(6,366)	10,942
Civil	3,486	654	(4)	(159)	3,977
Tax (b)	6,897	203	(2,970)	-	4,130
Administrative	254	173	(59)	(109)	259
Total provisions	**30,985**	**3,198**	**(8,241)**	**(6,634)**	**19,308**
Judicial deposits (c)	(1,373)	(584)	790	-	(1,167)
Total	**29,612**	**2,614**	**(7,451)**	**(6,634)**	**18,141**

	Consolidated				
	12/31/22	12/31/23			
	Opening balance	Additions	Reversals	Payments	Final balance
Labor (a)	10,942	2,370	(39)	(4,558)	8,715
Civil	3,977	468	-	-	4,445
Tax (b)	4,130	254	(1,570)	-	2,814
Administrative	259	-	(46)	(129)	84
Total provisions	**19,308**	**3,092**	**(1,655)**	**(4,687)**	**16,058**
Judicial deposits (c)	(1,167)	(334)	350	-	(1,151)
Total	**18,141**	**2,758**	**(1,305)**	**(4,687)**	**14,907**

(a) Labor

Lawsuits filed by former employees of the Company (which succeeded Automatos Participações Ltda. in two lawsuits, due to the merger completed in November 2022), of subsidiary Padtec S.A., as well as former investees (Officer, Pini, ETML and Latin eVentures- Softcorp), claiming labor rights.

(b) Tax

The main proceeding refers to Tax on Industrialized Products (IPI) of subsidiary Padtec S.A., which was evaluated by the Brazilian Federal Revenue Service for the alleged sale of incentivized product accessories unaccompanied by the final products, allegedly not complying with the requirement to enjoy the tax benefit provided for in the Information Technology Law then in force (reduction of IPI rate). The subsidiary was evaluated for the periods of 2011 and 2012 and the accrued risk is R$ 2,814.

(c) Judicial Deposits

The amounts refer to judicial deposits held on behalf of subsidiary Padtec S.A. and the Company in labor lawsuits.

- **Contingencies with estimated losses classified as possible**

In the consolidated statements, there are other lawsuits with a total amount at risk of R$ 82,763 evaluated by the legal advisors as having a possible risk of loss as of December 31, 2023 (R$ 89,745 as of December 31, 2022), for which no provision has been made, given that accounting practices adopted in Brazil do not require their accounting and the Company does not expect extraordinary situations justifying a provision, in its opinion. This amount comprises R$ 68,140 related to tax risks, R$ 10,417 related to labor risks, R$ 4,040 civil risks and R$ 166 administrative risks. The main proceedings that fall under the classification of possible risk of loss are detailed below:

- The Company is a party to a civil proceeding filed by Banco Santander, requiring the piercing of the corporate veil of former investee Editora Pini, seeking to affect the then shareholders of this former investee. The object of the charge is a bank credit note issued by Editora Pini in default. The adjusted amount is R$ 2,795. The lawsuit is underway at the lower court.
- Subsidiary Padtec S.A. is a party to a tax foreclosure proceeding related to ICMS tax, which is in the appeal stage, in the amount of R$ 6,709. The lower court decision was partially favorable to cancel the tax charged, maintaining, however, the requirement of fines. The subsidiary filed an appeal, which is pending judgment.
- Subsidiary Padtec S.A. is a party to 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$ 2,316. The subsidiary guaranteed the foreclosures by submitting a performance bond, in order to discuss in court the charge it considers to be undue, and is waiting for the decision to be published.

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

- There is a tax assessment notice issued against subsidiary Padtec S.A. 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$ 6,750. This process was stayed by a lawsuit filed by the subsidiary in 2008. Due to STF decision in the leading case and of the final and unappealable decision of the aforementioned lawsuit linked to this proceeding, in favor of the plaintiff, such developments were informed in the records in May 2021 and the immediate cancellation of the tax assessment notice under analysis was requested.
- Subsidiary Padtec S.A. has tax assessment notices and challenge of fine due to alleged non-compliance with the Basic Productive Process (PPB), for allegedly selling products with undue use of the tax benefit of IPI reduction in 2011 and 2012, in the amount of R$ 49,214. 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 presented to CARF converted the proceeding into a diligence, which was started in 2021. The reports and statements of the subsidiary's technical assistants were presented; and are awaiting assessment by the CARF.
- PerDComp Federal Taxes: Refers to Reimbursement Requests linked to the Offset Statements of subsidiary Padtec S.A., with credits arising from non-cumulative overpayment of taxes (IPI, COFINS, Cide and others), referring to several periods that were fully rejected and not ratified, amounting to R$ 16,478 as of December 31, 2023. The records are at the National Process Management Center of the Federal Revenue Office in Ribeirão Preto/SP.
- Tax Assessment Notices issued by the Municipality of Belo Horizonte/MG, referring to (i) ISSQN payment at the rate of 5% related to alleged services rendered and fine for the issuance of a document other than that established by the municipal tax legislation, by the company PSG - Padtec Serviços Global de Telecomunicações Ltda (merged into subsidiary Padtec S.A.), by its branch located in that city 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.. In the judgment of the appeal, it was decided to cancel the qualified fine and exclude the liability of the partners and, by majority, maintain the assessment referring to the ancillary obligation and principal obligation. The lawsuits amount to R$ 5,418, with a “possible risk of loss”, and the judgment is pending publication.

23. Labor charges

	Parent Company		Consolidated	
	12/31/23	**12/31/22**	**12/31/23**	**12/31/22**
Wages	75	91	3,569	3,424
Profit sharing	-	-	3,040	2,194
Social charges	57	51	7,525	6,522
Provision for vacation pay	-	-	7,858	7,087
Private pension fund	-	-	1,121	994
Share-based compensation - Phantom Shares (a)	252	143	3,998	2,364
Other	-	-	163	189
	384	**285**	**27,274**	**22,774**

a) *The Company has a Long-Term Incentive and Retention Plan ("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, with yield based on the market price of the Company's shares traded at B3 S.A. – Brasil, Bolsa, Balcão 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.*

24. Private pension plan

Subsidiary Padtec S.A. sponsors two pension plans for its Management and 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 amounts are 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 both plans, funding varies according to a contribution table based on salary ranges, from 1% to 8% of the compensation of officers and employees.

As of December 31, 2023, there were no actuarial liabilities on behalf of Padtec S.A. arising from the supplementary pension plan.

Contributions made amounted to R$ 3,293 on December 31, 2023 (R$ 3,144 as of December 31, 2022), which were recorded as "labor expenses and social charges" in P&L for the year and included in the table of Note 29.1.

25. Equity

25.1. Share Capital

As of December 31, 2023, the Company's subscribed and paid-in capital is R$ 138,439 (R$ 199,219 as of December 31, 2022), divided into 79,214,664 book-entry common shares, with no par value.

In 3Q23, 764,885 shares were issued under the terms of the VIII Stock Option Plan approved by the Company's Annual and Extraordinary Shareholders' Meeting held on April 28, 2023. As a result, there was an increase in the Company's share capital in the amount of R$ 8.

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

In November 2023, the Company's Extraordinary Shareholders' Meeting resolved on the capital reduction to fully absorb the balance of accumulated losses in the amount of R$ 60,780 recorded in the individual and consolidated Financial Statements of December 31, 2022.

	12/31/23		12/31/22	
Shareholder	**Number of Shares**	**Interest - %**	**Number of Shares**	**Interest - %**
Fundação CPqD – Centro de Pesquisa e Desenvolvimento em Telecomunicações	43,075,127	54.38%	43,075,127	54.91%
BNDES Participações S.A. – BNDESPAR	18,084,240	22.83%	18,084,240	23.05%
LMC Brazil, LLC	-	-	3,927,649	5.01%
Other	18,055,297	22.79%	13,362,763	17.03%
	79,214,664	**100.00%**	**78,449,779**	**100.00%**

25.2. Capital reserves and equity valuation adjustment

Capital Reserve

Capital reserve balances arise from stock options granted to the Company's CEO and Investor Relations Officer, as described below:

VIII Stock Option Plan

In April 2023, the Extraordinary and Annual Shareholders' Meeting approved the VIII Stock Option Plan in favor of the chief executive officer and investor relations officer, with the aim of creating an additional incentive for the leading executive of the Company and its subsidiaries, giving him the opportunity to become a shareholder of Padtec Holding through the exercise of the Options, consequently achieving a closer alignment of this executive with the interests of the Company's shareholders. The Options granted correspond to 1,019,847 shares, approximately 1.3% of the total shares that make up the share capital of Padtec Holding S.A. on the approval date of the Plan. The strike price of the Options for subscription and payment of shares by the grantee was one cent of Brazilian real (R$ 0.01).

The Company recognized the stock options granted in its equity, with a corresponding entry in the profit or loss for the year, recording the accumulated amount of R$ 2,419. As determined by Accounting Pronouncement CPC 10 (R1) - Share-Based Payment, the amount of the options was determined on the grant date.

Legal reserve

On December 31, 2023, as established in Law no. 6.404/76 ("Brazilian Corporate Law"), the Company allocated 5% of the net income determined for the year and recorded the amount of R$ 774 under the heading "Legal reserve".

Investment reserve

The remaining balance of the net income, after the allocation of the legal reserve and dividends, shall be earmarked for the creation of a statutory investment reserve, which shall not exceed eighty percent (80%) of the share capital. The purpose of the statutory investment reserve is to finance the development, growth and expansion of the Company's business. Once the profit reserve limit has been reached, the balance is to be distributed to shareholders as an additional dividend.

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

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 2022.

25.3. 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.

Cash flow hedge

The variability of future cash flows attributable to changes in the US$/R$ exchange rate arising from payments of principal and interest on financial liabilities (loans) agreed by the Company are recognized under this item. The amounts recognized in other comprehensive income during the effectiveness of the hedge relationship are reclassified to financial income as a reclassification adjustment in the same period, or periods, in which the expected future transactions affected P&L. As of December 31, 2023, the amount of R$ 117 was recorded in other comprehensive income, referring to Mark to Market in the Cash Flow Hedge account, as per Note 34.1.

25.4. 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. The Company's proposal for fiscal year 2023 is to pay a minimum mandatory dividend of R$ 3,674.

The proposed allocation of net income for the year is shown in the table below:

	12/31/2023
Net income for the year	**15,471**
Legal reserve – 5% of profit for the year	(774)
Base net income for allocation	**14,697**
Dividends payable - 25% minimum mandatory	3,674
Total dividends	**3,674**

26. 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 holds stock options with dilutive potential 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, 2023 and 2022:

	Parent Company		Consolidated	
	12/31/23	12/31/22	12/31/23	12/31/22
Basic earnings per share:				
Profit for the year	15,471	9,754	15,413	9,754
Weighted average number of common shares outstanding	79,214,664	78,449,779	79,214,664	78,449,779
Basic earnings per share - in Brazilian reais	**0.1953**	**0.1243**	**0.1946**	**0.1243**

	Parent Company		Consolidated	
	12/31/23	12/31/22	12/31/23	12/31/22
Diluted earnings per share				
Profit for the year	15,471	9,754	15,413	9,754
Weighted average number of common shares outstanding	79,214,664	78,449,779	79,214,664	78,449,779
Dilutive effect of stock options	254,962	-	254,962	-
Weighted average number of common shares outstanding	**79,469,626**	**78,449,779**	**79,469,626**	**78,449,779**
Diluted earnings per share - in Brazilian reais	**0.1947**	**0.1243**	**0.1939**	**0.1243**

27. Net operating revenue

	Consolidated	
	12/31/23	12/31/22
Gross operating revenue	472,800	475,081
Products sold	388,526	336,925
Services rendered	84,274	138,156
Taxes on sales	(86,475)	(89,565)
Returns and cancellations	(17,638)	(19,791)
Net operating revenue	**368,687**	**365,725**

28. Cost of goods sold and services provided

	Consolidated	
	12/31/23	12/31/22
Materials	(159,854)	(172,821)
Labor	(52,172)	(46,770)
Depreciation / amortization	(4,752)	(3,704)
Provision (reversal) - Cut-Off	(1,459)	1,233
Provisions (reversals) (a)	5,058	(2,468)
Travel	(12,598)	(13,271)
Other costs	(11,638)	(11,054)
	(237,415)	**(248,855)**

a) Refers to obsolescence provisions and reversals, warranty and others.

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

29. Operating revenues (expenses)

29.1. Administrative, selling and research and development expenses

	Parent Company		Consolidated	
	12/31/23	**12/31/22**	**12/31/23**	**12/31/22**
Labor expenses and social charges	(1,872)	(2,229)	(57,729)	(60,814)
Stock options	(2,419)	-	(2,419)	-
Third-party services	(939)	(634)	(4,544)	(5,719)
Selling and marketing expenses	-	(69)	(1,235)	(870)
General and administrative expenses (a)	(910)	(875)	(9,143)	(9,269)
Depreciation / amortization	-	-	(21,111)	(13,734)
Travel	-	-	(2,590)	(2,018)
Lease of properties and equipment	-	-	(521)	(547)
Other	(37)	(34)	(4,911)	(3,426)
	(6,177)	**(3,841)**	**(104,203)**	**(96,397)**

a) Refers to expenses with insurance, legal advice, corporate systems, among others.

Reported as follows:	Parent Company		Consolidated	
	12/31/23	**12/31/22**	**12/31/23**	**12/31/22**
Administrative expenses	(6,177)	(3,841)	(31,260)	(29,162)
Selling expenses	-	-	(35,457)	(32,556)
Research and development expenses	-	-	(37,486)	(34,679)
	(6,177)	**(3,841)**	**(104,203)**	**(96,397)**

29.2. Other operating revenues (expenses), net

	Parent Company		Consolidated	
	12/31/23	**12/31/22**	**12/31/23**	**12/31/22**
Administrative indemnities	-	-	(129)	(109)
Civil indemnities (a)	7,361	(159)	7,361	(159)
Labor indemnities	(3,632)	(4,780)	(4,984)	(6,366)
Tax indemnities	(146)	-	(146)	-
Loss of trade account receivables	-	-	(1,390)	(3,504)
Provision/reversal of allowance for doubtful accounts	-	-	(1,156)	7,951
Reversal of provision for labor contingencies	2,042	8,960	2,227	9,406
Reversal of provision for tax contingencies	750	1,365	534	2,603
Provision for civil contingencies	-	-	(468)	(491)
Reversal (provision) for administrative contingencies	-	-	175	(5)
Other	(16)	-	1,083	(2,638)
	6,359	**5,386**	**3,107**	**6,688**

a) Amount received as indemnity in a civil lawsuit in which the then Ideiasnet S.A. (now Padtec Holding S.A.) was a party.

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

30. Net financial result

	Parent Company		Consolidated	
	12/31/23	12/31/22	12/31/23	12/31/22
Financial revenues				
Income from financial investments	-	13	5,174	4,713
Income from financial transactions	-	-	2,456	1,798
Foreign exchange gains	-	-	8,561	11,599
Inflation adjustment on taxes and contributions	-	-	56	883
Pis and Cofins on financial income	(688)	(73)	(1,066)	(499)
Other revenues	121	2	1,225	483
	(567)	**(58)**	**16,406**	**18,977**
Financial Expenses				
Interest on loans and financing	(279)	(250)	(7,852)	(13,930)
Interest on transaction with derivatives	-	-	(3,167)	-
Costs on financial transactions	-	-	(442)	(1,291)
Foreign exchange losses	-	-	(14,125)	(14,746)
Banking expenses	(7)	(4)	(784)	(909)
IOF expenses	(158)	(276)	(546)	(928)
Other expenses	(889)	(67)	(4,186)	(4,212)
	(1,333)	**(597)**	**(31,102)**	**(36,016)**
Net financial result	**(1,900)**	**(655)**	**(14,696)**	**(17,039)**

31. Income tax and social contribution

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	
	12/31/23	12/31/22	12/31/23	12/31/22
Profit before taxes	**15,471**	**9,754**	**15,480**	**10,122**
Equity Income	(17,189)	(8,864)	-	-
Law no. 11.196/05	-	-	(2,417)	-
(+/-) Other additions and deletions	(2,681)	(8,948)	(18,696)	(19,736)
Provision/reversal for obsolescence of inventory	-	-	(5,838)	1,656
Provision/reversal of contingencies	(2,790)	(9,071)	(2,469)	(10,260)
Provision/reversal of revenues	-	-	(954)	6,256
Provision/reversal for doubtful accounts	-	-	1,156	(7,951)
Loss on account receivables	-	-	161	3,504
Provision/reversal - other	109	123	1,914	(2,829)
Financial credits	-	-	(22,432)	(23,531)
Other Additions and deletions	-	-	9,766	13,419
Offset and tax loss (base IT)	**(4,399)**	**(8,058)**	**(5,633)**	**(9,614)**
Income tax	-	-	(40)	(363)
Social contribution	-	-	(27)	(5)
Current income tax and CSLL	**-**	**-**	**(67)**	**(368)**

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

32. 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**	**12/31/2023**
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	04/28/23	04/28/24	**119**
Group Life Insurance (employees) - Principal	Death, accident, disability	07/01/23	06/30/24	**1,089**
Group Life Insurance (employees) - Supplement	Death, accident, disability	07/01/23	06/30/24	**419**
Group Life Insurance (interns)	Death, accident, disability	06/30/23	06/30/24	**32**
National Transportation	Road hazards	10/31/23	10/31/24	**6,000**
International Shipping (in US$)	Broad coverage (Imports)	10/31/23	10/31/24	**USD 2,000**
International Shipping (in US$)	Broad coverage (Export)	10/31/23	10/31/24	**USD 2,000**
Management civil liability- D&O	Executive Board	07/10/23	07/09/24	**50,000**
Comprehensive General Liability	General RC, Operations, Products	07/13/23	07/13/24	**15,000**

33. 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 and its subsidiaries do not make financial investments of a speculative nature and gains resulting from these transactions are consistent with the policies and strategies set forth by Management.

The management of risks and financial instruments used is performed by means of policies, strategy definitions and implementation of control systems, set forth 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)

34. Financial instruments

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

	Fair Value Hierarchy	Consolidated			
		Book Value		Fair value	
		12/31/23	12/31/22	12/31/23	12/31/22
Assets					
Amortized cost					
Trade accounts receivable		130,575	148,266	130,575	148,266
				-	-
Fair value through profit or loss					
Cash and cash equivalents	Level 2	50,456	49,620	50,456	49,620
Restricted financial investments	Level 2	1,754	212	1,754	212
Tradable securities	Level 2	9,920	3,703	9,920	3,703
Total		**192,705**	**201,801**	**192,718**	**201,801**
Liabilities					
Amortized cost					
Loans and financing (current)		(13,374)	(23,595)	(13,374)	(23,595)
Loans and financing (non-current)		(99,081)	(68,769)	(99,081)	(68,769)
Debentures (current)		-	(10,517)	-	(10,517)
Debentures (current)		-	(10,440)	-	(10,440)
Lease transactions (current)		(5,882)	(6,044)	(5,882)	(6,044)
Lease transactions (non-current)		(13,071)	(18,909)	(13,071)	(18,909)
Suppliers		(57,395)	(68,223)	(57,395)	(68,223)
Suppliers (non-current)		(508)	(522)	(508)	(522)
Bonds with senior FIDC quotas (non-current)		(21,109)	(10,393)	(21,109)	(10,393)
Total		**(210,420)**	**(217,412)**	**(210,420)**	**(217,412)**

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 and financing – 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 (R$).

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.

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

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.

34.1. Financial instruments designated for cash flow hedge

As a procedure for managing its market risks, the Company manages its exposures in foreign currency by contracting derivative financial instruments pegged to US dollar, considering the payment forecast.

In April 2023, subsidiary Padtec S/A designated derivative instruments for hedge accounting of cash flows to protect against the variability of future cash flows attributable to changes in the US$/R$ exchange rate arising from the payment of principal and interest on the liability financial instrument (loan) contracted by the Company (see Note 14).

Hedge accounting structure consists of the risk management strategy that seeks to converge its funding cost to the Interbank Deposit Certificates (CDI), as follows:

Modality	Terms	Asset indexer	Liability indexer	Net
SWAP	Apr/23 to Apr/26	VC* + 8.55% p.a.	CDI + 1.65% p.a.	USD 6,339

*exchange rate variation

As of December 31, 2023, the Company has the derivative financial instrument, as follows:

		Consolidated					
		Fair value - Long Position		Fair value - Short Position		Gain/loss	
Bank	**Agreement.**	**12/31/23**	**12/31/22**	**12/31/23**	**12/31/22**	**12/31/23**	**12/31/22**
Votorantim							
Curve - Swap	SWAP	31,171	-	32,725	-	(1,554)	-
Mark to Market	SWAP	31,717	-	33,388	-	(1,671)	-

The measurement of SWAP mark-to-market was made considering the effect of changes in the liability and asset indexes, based on market information available at the time, of this measurement.

The change in the derivative financial instrument is shown below:

	Cash Flow Hedge
Balance as of December 31, 2022	-
Interest on the transaction recognized in P&L	1,554
Losses recognized in Other Comprehensive Income	117
Balance as of December 31, 2023	**1,671**

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

The Company monitors fluctuations in floating interest rates linked to certain debts and uses, when necessary, derivative instruments to manage these risks. The table below shows the positions of derivative financial instruments used to hedge interest rate risk:

Interest rate risk: Interest derivatives outstanding as of December 31, 2023

Bank	Agreement.	Maturity	Book Value	Fair value
Votorantim	*Interest Swap*	Apr/23 to Apr/26	1,671	1,671

34.2. 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. Padtec 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.

34.3. Capital risk

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

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

	Parent Company		Consolidated	
	12/31/23	12/31/22	12/31/23	12/31/22
Debt	-	-	133,564	123,714
Cash and cash equivalents, financial investments	-	60	52,210	49,832
Net Debt (net cash)	-	(60)	81,354	73,882
Net equity	152,598	135,679	152,540	135,679
Debt (cash) ratio, net	0%	0%	53%	54%

34.4. 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, 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.

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

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

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

	Consolidated			
	Book Value	**Up to 1 year**	**1-2 years**	**2-20 years**
Restricted financial investments	1,754	-	1,754	-
Financial transactions	91,899	39,008	28,756	24,135
Lease transactions	(18,953)	(5,882)	(5,055)	(8,016)
Loans and financing	(112,455)	(13,374)	(20,686)	(78,395)
Suppliers	(57,903)	(57,395)	(508)	-
Financial transactions	(91,899)	(39,008)	(28,756)	(24,135)
Total	**(187,557)**	**(76,651)**	**(24,495)**	**(86,411)**

34.6. 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	
	12/31/23		12/31/22	
	R$	**US$**	**R$**	**US$**
Assets				
Trade accounts receivable	44,023	9,093	38,638	7,405
Liabilities				
Loans and financing	(31,171)	(6,439)	-	-
Suppliers	(41,523)	(8,577)	(48,885)	(9,369)
Total	**(28,671)**	**(5,923)**	**(10,247)**	**(1,964)**

34.7. 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	
	12/31/23	12/31/22	12/31/23	12/31/22
Assets				
Cash and cash equivalents	-	60	50,456	49,620
Restricted financial investments	-	-	1,754	212
Tradable securities	-	-	9,920	3,703
Financial transactions	-	-	91,899	77,237
Liabilities				
Loans and financing	-	-	(112,455)	(92,364)
Derivative instruments	-	-	(1,671)	-
Debentures	-	-	-	(20,957)
Financial transactions	-	-	(91,899)	(77,237)
Net exposure	**-**	**60**	**(51,996)**	**(59,786)**

34.8. 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.

	Consolidated		
	Probable scenario	25% Increase	50% Increase
Exchange rate			
Trade accounts receivable	44,023	11,006	22,012
Trade accounts receivable	(41,523)	(10,381)	(20,762)
Loans and financing	(31,171)	(7,793)	(15,586)
Impact on profit or loss		**(7,168)**	**(14,336)**
Interest rate			
Cash and cash equivalents	50,456	12,614	25,228
Restricted financial investments	1,754	439	877
Tradable securities	9,920	2,480	4,960
Loans and financing	(112,455)	(28,114)	(56,228)
Impact on profit or loss		**(12,581)**	**(25,163)**

35. 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 evaluated, as a single business unit for operational, commercial, managerial, and administrative purposes.