

# Earnings Release

2021



**Padtec Holding S.A.**  
March 15, 2022



## Results Webcast

March 16, Wednesday, 11:30 a.m. (Sao Paulo, Brazil)

Zoom platform

*The webcast will be hosted in Portuguese. Access [www.padtec.com](http://www.padtec.com) to add the meeting to your calendar.*

**Padtec**

**Investor Relations**

ri@padtec.com.br

+55 19 2104-9703

padtec.com



# 2021 Earnings' Release

Campinas, SP, March 15, 2022. Padtec Holding S.A. (B3: PDTC3) (and together with its subsidiaries, in particular Padtec S.A., "Company" or "Padtec"), presents its results for the fiscal year ended December 31, 2021 (and the fourth quarter of 2021, "4Q21"), in accordance with accounting practices adopted in Brazil and with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). For the purpose of a better comparison with previous periods, the Company presents in this report and on its website combined consolidated information, considering Padtec S.A. as its wholly-owned subsidiary since January 2018.

- **2021 Highlights**

Brazilian multinational of high capacity optical transport systems and telecommunications solutions

Essential in the mission-critical ecosystem in telecom infrastructure

Innovative solutions, diversified product portfolio, qualified team with high expertise in developed technologies

Proximity and partnership with customers in offering Premium Services for high-capacity networks

Leadership in the high-capacity data connectivity market in Brazil and with a growing global presence

➤ For 20 years, Padtec has contributed its optical connectivity solutions to make the world increasingly digital and connected, accelerating digital, economic and social mobility inclusion in the regions where it operates.

➤ Gross revenues of R\$ 448.8 million, 41.2% higher than in 2020, a new record in its recent history.

➤ Gross revenues from optical transport systems (DWDM equipment) totaled R\$ 398.5 million, an increase of 47.7% compared to 2020.

➤ Gross profit of R\$ 122.6 million (gross margin of 35.7%), 43.9% higher than in 2020 (gross margin of 34.4%).

➤ Net income of R\$ 25.6 million, 56.8% above 2020.

➤ EBITDA of R\$ 58.5 million (71.2% higher than in 2020), with an EBITDA margin of 17.0% (13.8% in 2020), and Adjusted EBITDA, discounting non-recurring effects, of R\$ 47.4 million (increase of 77.1% over 2020), with an Adjusted EBITDA margin of 13.8% (10.8% in 2020).

➤ R\$ 43.6 million allocated in R&D, equivalent to 13% of the Company's revenue in the year, compared to R\$ 35.8 million in 2020 (14% of revenue in that year).

➤ Negative net debt of R\$ 15.5 million. Funds in cash and cash equivalents and financial investments in guarantee (R\$ 99.2 million) exceed the total debt amount (R\$ 83.7 million, 25% short-term and 75% long-term): solid capital structure.

➤ Structuring of FIDC together with BNDESPar in the total amount of up to R\$ 100 million completed in December.

➤ Arrival of 5G in Brazil generates increased opportunities for Padtec in the telecommunications ecosystem, from data transport to antennas.

➤ MoU celebrated in December between Padtec, Trópico and Airspan Networks Inc. to carry out a technical and economic feasibility study for the development of solutions for 5G networks in various bands of the spectrum.

R\$ thousand	Selected Financial Indicators - Combined*									
	1Q20	2Q20	3Q20	4Q20	2020	1Q21	2Q21	3Q21	4Q21	2021
Gross operating revenues	61.475	64.178	84.777	107.448	317.876	86.133	119.554	120.427	122.658	448.772
Gross profit	15.452	17.785	23.051	28.939	85.223	23.341	31.958	32.817	34.493	122.609
Net profit	(821)	1.454	7.801	7.860	16.293	11.721	10.903	4.660	(1.734)	25.550
Adjusted EBITDA	(1.250)	5.867	11.339	10.802	26.756	5.816	15.323	12.837	13.418	47.394
Adjusted EBITDA margin	-2,4%	11,5%	17,9%	13,2%	10,8%	8,8%	17,1%	14,2%	13,7%	13,8%
Gross debt	44.857	74.177	79.354	82.510	82.510	81.071	79.502	88.212	83.698	83.698
Net debt	(2.461)	(4.970)	9.929	(1.565)	(1.565)	11.823	3.981	(8.567)	(15.525)	(15.525)

\* Combined information for the year 2020, considering Padtec S.A. as its wholly owned subsidiary since January 2020.

- **Padtec: building the future in the present**

Since the beginning of its activities in 2001, the subsidiary Padtec S.A. develops and delivers products and solutions that meet the needs of its customers, from the planning and design of each solution to the installation, operation, maintenance, monitoring and technical support of the networks. By offering a complete solution based on DWDM technology, the Company combines high data transmission rates with lower space occupancy and transmitted cost per bit.

The adoption of optical fiber, which in current technologies offers from MBps to multi Tbps (Terabits), requires transport and access networks, backbones and long-distance and metropolitan routes increasingly capable of meeting the demands of consumption, quality and latency (the response time of the networks). Padtec aims to help thousands of broadband operators improve the capabilities of their networks through their products and services and, therefore, is a relevant part of this ecosystem.

Over the past two years, the digital revolution driven by the effects of the Covid-19 pandemic has made the world and societies both more digitally connected and more isolated. In the “new normal”, telecommunications and connectivity are key. Padtec, as well as several other players in the telecommunications industry, experienced a thriving demand for its products and services culminating in the unprecedented solid results obtained in 2021.

However, it is important to note that, in recent months, many of Padtec's current customers have made expansions, improvements and investments, preparing for the increase in data traffic in their fiber optic networks, caused by greater demand for internet end users (the customers of Padtec's customers). There is no guarantee that new investments will be made by these clients in the short term.

On the other hand, Latin America has more than 40 million disconnected homes<sup>1</sup> and high-capacity internet access is still low in Latin American countries when compared to more developed regions in the world. Therefore, there is a lot of room for growth of broadband connectivity in homes and businesses and, consequently, of the optical infrastructure essential for this connectivity.

<sup>1</sup>According to the report “Universalizing access to digital technologies to face the effects of COVID-19” of the Economic Commission for Latin America and the Caribbean - CEPAL of August 2020

According to data from Anatel, Brazil ended 2021 with 41.4 million fixed broadband accesses. Other Anatel information shows that optical fiber continues to stand out as the most used technology for fixed broadband, reaching 24.4 million subscriptions in 2021, 44.3% higher than in 2020, with average annual growth above 50% since 2014, more than all other technologies. In terms of representativeness, optical fiber went from 5% of total accesses in 2014 to 58.8% in 2021, an increase of 54 p.p.

Padtec's growth is based on three major strategic pillars: (i) local expansion in Brazil and internationally with a focus on Latin America, (ii) diversification of the portfolio of products and services offered, making them increasingly innovative, evolved and robust, and (iii) expansion of its leadership in the Brazilian market, adding new clients to its portfolio and more recurring sales.

In June, Padtec announced a partnership with Televés, a multinational company headquartered in Spain and a leading provider of telecommunications infrastructures solutions, aiming at expanding its operations in Europe, the Middle East and Africa (EMEA). This agreement is part of Padtec's strategy for the coming years which focuses on expanding its presence in the international market. The partnership with Televés enables both companies to enhance their leverage, their market knowledge and add to their technological and production capabilities.

In November, ANATEL (the Brazilian national telecommunications agency) promoted an auction offering lots to expand the presence and capacity of mobile data in 4G and 5G – the fourth and fifth generations for mobile and broadband networks. In practice, 5G will allow connections at very high speed and excellent quality, reducing the time that information travels over networks, enabling greater automation, with several applications in people's lives and in the reality of companies. 5G in Brazil brings more opportunities for Padtec (increase in demand for high capacity optical connectivity, offer of more equipment and services of the Company's portfolio) and for all other actors working in this ecosystem.

In December, Padtec informed that it signed a Memorandum of Understanding with Tropico and Airspan Networks Inc. The companies will work on the development of 5G networks solutions in various spectrum bands (including 700 MHz, 2.3 GHz, 3.5 GHz and 26 GHz) to provide end-to-end solutions for both traditional telecommunications operators, which already operate in the mobile segment, as well as for regional providers. Initially, the partners will conduct a high-level technical and economic feasibility study and produce a 5G solution proposal. This agreement is part of the Company's strategy for the coming years, which focuses on its entry into the 5G mobile communications market.

Padtec is well positioned in the telecommunications ecosystem and offers the market increasingly innovative solutions and services and the state-of-the-art of technology, in a competitive manner, seeking to consolidate its leadership in Brazil and expand its presence abroad.

- **The ESG Agenda at Padtec**

Padtec's purpose is to make connectivity an important tool for socioeconomic integration, viable and accessible to everybody. Greater connectivity implies less displacement of people and, therefore, less carbon emissions and a healthier and more productive life.

On a daily basis, the Company improves its commitment to Environmental, Social and Governance (ESG) issues, by offering solutions that allow the conduction of essential services and digital inclusion with production practices committed to the environment, the preservation of resources, the safety of its employees and its customers and that add value to all its stakeholders.

In the Social pillar, the highlights in 2021 were:

- In August, the subsidiary Padtec S.A. completed 20 years of history and innovation.
- Adoption of hybrid and totally remote work models in the post-pandemic of Covid-19.
- 189 new employees were hired, 59% of them to increase the Company's workforce. Thus, Padtec ended 2021 with 709 employees, 20% of whom were women. Eighteen employees oxygenated their careers by accepting new challenges through the Internal Selection program.
- According to a survey conducted internally with employees in November, engagement level reached 86%, the highest percentage since 2016.
- Padtec continued to focus on the culture of innovation and internal entrepreneurship in order to identify innovative and creative ways to boost its business and create new startups.
- According to a survey hired to measure the level of satisfaction and loyalty of its customers (carried out in 4Q21), the Net Promoter Score (NPS) reached 55%, an increase of 13 p.p. This index places Padtec in the Quality Zone of the global NPS scale.
- Implementation of several initiatives with customers:
  - ✓ Padtec Talks: a series of virtual events held regularly that address technical issues related to the solutions offered by the Company and the trends in the telecommunications market;
  - ✓ Inauguration of the EAD Studio to carry out distance training, with theoretical and practical classes, taught live;
  - ✓ Creation of the Satisfaction Committee: bringing together people from different areas of the Company to listen to customers needs, discuss innovations appropriate to each consumer profile and promote improvements in the products and services offered;
  - ✓ Padtec Classroom: a series of virtual and short technical courses conducted by the Padtec Training Center team.
- In 2021, Padtec continued the social actions developed under its Padtec Enlightenment program, whose objective is to cooperate for socio-cultural development, digital inclusion and the training of children and adolescents. In this program, employees make donations (in cash, food or other resources) to Non-Governmental Organizations and social assistance institutions and the Company contributes with an amount equivalent to that collected in the limit amount determined by the Board at the beginning of each year.
- In August, the subsidiary Padtec S.A. underwent an external audit to supervise its Quality Management System, which maintained the recommendation to its ISO 9001 certification until 2Q22. ISO 9001 is valid for three years and annual external audits are conducted at the Company to ensure the integrity of this management system.

In the Governance *framework*, the following stand out:

- The election of Carlos Raimar Schoeninger as Company's Chief Executive Officer in January. Mr. Schoeninger has more than 20 years of experience in executive positions in the telecommunications

industry. He was a member of the Board of Directors of the Padtec Group from 2016 to 2021 and joined the Company's Board of Executive Officers bringing his extensive experience in publicly traded companies and important contributions to the day-to-day and to the achievement of Padtec's growth plans.

- The transformation of the Audit Committee, which was in operation since February, into a Statutory Audit Committee in April, due to the amendment of the Company's Bylaws approved at a shareholders' meeting.
- The Company's adhesion to the Novo Mercado of B3 S.A. – Brasil, Bolsa, Balcão (“B3”) as of the trading session of May 10, 2021, demonstrating its commitment to the best corporate governance practices that go beyond legal requirements.
- The Company's first Compliance Week was held in May.
- The creation of the Chief Legal Counsel and Compliance Officer position in September, aiming to reinforce the practices of compliance, corporate governance and ethics at Padtec. Patricia Sayuri Iqueda, who had been the Company's Legal Manager since 2014, was elected to this position.
- Creation of the Company's Long-Term Incentive and Retention Plan, with the issuance of Phantom Shares to statutory or non-statutory officers, as well as to other employees of the Company or its subsidiaries, in Brazil or abroad, who are considered key professionals.
- The establishment of corporate policies and internal regulations of Management bodies and advisory committees, creating rules and routines, and the review of existing documents to adapt them to the reality of the Company.

In the Environmental pillar, the subsidiary Padtec S.A. implemented in 1Q22 the Environmental Management System for the scope "research, development, production and marketing, installation, implementation and commissioning of solutions in devices, equipment and communication and control systems in its headquarters in Campinas/SP". Padtec S.A.'s Environmental Management System meets the requirements of the ISO (International Organization for Standardization) 14001:2015 standards, which defines the guidelines on how to establish a balance between companies' productive and economic activities and the environment. This certification is valid until January 2025.

Padtec won the third place in the Telecommunications category of the “Prêmio Melhores e Maiores 2021” (or “Best and Largest 2021 Award”), granted by Exame magazine. Also in 2021, for another year, it was ranked among the best companies in the DWDM category of the research “As Marcas de Destaque nos Provedores de Internet” (or “The Highlight Brands in Internet Providers”) carried out by RTI magazine.

- **The Company's results in 2021**

### **Operating Income**

Padtec registered a record gross operating revenue in 2021: R\$ 448.8 million, an increase of 41.2% above the the previous year, R\$ 317.9 million.

Revenues from optical transport systems (DWDM equipment) accounted for R\$ 398.5 million, or 89% of total revenues in the year, 47.7% above the amount achieved in 2020, R\$ 269.7 million. Revenues from Premium Services, which correspond to high-tech services that assist in the operation and development of the

Company's customer data networks, totaled R\$ 50.2 million in 2021, an increase of 4.4% compared to the previous year, R\$ 48.1 million.

In 4Q21, gross operating revenue reached R\$ 122.7 million, 14.2% higher than in 4Q20 and 1.9% higher than in the previous quarter. Padtec's sector has a typical seasonality, where Q1 is usually weaker than others. Many companies start the year still completing their investment plans and their budget allocation estimated for that fiscal year.

R\$ thousand	GROSS REVENUES										2021 x		4Q2021 x	4Q2021 x
	1Q2020	2Q2020	3Q2020	4Q2020	2020	1Q2021	2Q2021	3Q2021	4Q2021	2021	2020	4Q2020	3Q2021	
DWDM	49.873	52.040	72.695	95.156	269.764	72.705	106.303	108.991	110.540	398.539	47,7%	16,2%	1,4%	
Premium Services	11.602	12.136	12.082	12.292	48.112	13.428	13.250	11.438	12.117	50.233	4,4%	-1,4%	5,9%	
<b>Total Revenues</b>	<b>61.475</b>	<b>64.176</b>	<b>84.777</b>	<b>107.448</b>	<b>317.876</b>	<b>86.133</b>	<b>119.553</b>	<b>120.427</b>	<b>122.657</b>	<b>448.770</b>	<b>41,2%</b>	<b>14,2%</b>	<b>1,9%</b>	

## Gross Profit

Gross profit in 2021 reached R\$ 122.6 million, with a gross margin of 35.7%, and growth of 43.9% compared to 2020, when it was R\$ 85.2 million (gross margin of 34.4%).

Padtec faced the global crisis in the supply of components that is affecting the entire industry by promoting a change in its inventory policy and started making early purchases of critical items, keeping between six to nine months of these critical items in inventories. In addition, as it has a dedicated engineering team and develops its products in house, the Company was able to create alternative solutions, finding substitutes for dozens of components that were missing in the market (or difficult to find at the appropriate price and within the required delivery time) without affecting deliveries to its customers.

In 4Q21, gross profit was R\$ 34.5 million (gross margin of 35.3%), an increase of 19.2% over gross profit of 4Q20 and 5.1% over 3Q21.

Since 2Q20, Padtec has been presenting a quarterly gross margin greater than 35%, demonstrating a good profitability over the last quarters.

## Operating Expenses / Revenues

In 2021, administrative expenses totaled R\$ 27.8 million, 14.6% above the previous year, R\$ 24.2 million, mainly due to the increase in the number of employees and the salary adjustment applied in 2021. In 4Q21, administrative expenses were R\$ 8.8 million, compared to R\$ 6.5 million in 4Q20.

Commercial expenses totaled R\$ 31.6 million in the year, 43.5% higher than in 2020 due to higher expenses related to the structuring of the Company's international expansion and higher sales in the period. In 4Q21, these expenses totaled R\$ 9.2 million and in 4Q20, R\$ 6.7 million.

In 2021, R\$ 43.6 million was invested in research and development ("R&D"), an increase of 21.8% over the previous year, R\$ 35.8 million. As the amount recorded in the Income Statement has the effect of deferrals, in that report these expenses total R\$ 33.5 million in 2021, compared to R\$ 28.7 million in 2020. Investments in R&D totaled R\$ 13 million in 4Q21 and R\$ 10.2 million in 4Q20.

Other operating revenues were R\$ 0.1 million in 2021. Changes made in the classification of provisions for contingency, indemnity payments in labor and civil claims, the registration of ICMS gain on PIS and COFINS (according to the decision obtained by the Company in August 2020), the recognition of provision for loss of obligations assumed by a former investee of Ideiasnet (Officer) and the write-off of expenses related to a public offering of shares not carried out last year make up this amount.

## Financial Result

The financial result in 2021 was composed of financial income of R\$ 16.8 million and financial expenses of R\$ 25.7 million, totaling a negative financial result of R\$ 8.9 million.

In 4Q21, the net financial result was negative by R\$ 4.8 million, consisting of financial revenues of R\$ 4.3 million and financial expenses of R\$ 9.1 million.

## Results from the Period

In 2021, the Company's net income was R\$ 25.6 million, an increase of 56.8% compared to the previous year, R\$ 16.3 million.

In 4Q21, Padtec recorded a loss of R\$ 1.7 million compared to net income of R\$ 7.9 million in 4Q20 and R\$ 4.7 million in 3Q21. Expenses of R\$ 3.9 million related to the Company's public offering of shares not carried out last year negatively impacted net income in 4Q21.

## Adjusted EBITDA

	Adjusted EBITDA									
R\$ thousand	1Q20	2Q20	3Q20	4Q20	2020	1Q21	2Q21	3Q21	4Q21	2021
From EBITDA to Net Income										
<b>Net Income</b>	(821)	1.454	7.801	7.860	16.293	11.721	10.903	4.660	(1.734)	25.550
Depreciation & Amortization	2.874	2.681	2.967	3.237	11.759	3.143	3.899	4.002	4.257	15.301
Net Financial Results	2.256	2.621	1.143	(805)	5.214	(168)	(328)	4.630	4.770	8.904
Income tax and social contribution	1.864	(888)	(573)	510	912	5.613	1.247	(331)	2.235	8.764
<b>EBITDA</b>	<b>6.172</b>	<b>5.867</b>	<b>11.339</b>	<b>10.802</b>	<b>34.178</b>	<b>20.309</b>	<b>15.721</b>	<b>12.961</b>	<b>9.528</b>	<b>58.519</b>
Fiscal Credits (PIS/Cofins)						(1.736)	-	-	-	(1.736)
Net Income from Discontinued Operations and Others	(7.423)	-	-	-	(7.423)	(12.759)	(398)	(124)	-	(13.281)
public offering of shares not carried out	-	-	-	-	-	-	-	-	3.890	3.890
<b>Adjusted EBITDA</b>	<b>(1.250)</b>	<b>5.867</b>	<b>11.339</b>	<b>10.802</b>	<b>26.755</b>	<b>5.814</b>	<b>15.323</b>	<b>12.837</b>	<b>13.418</b>	<b>47.392</b>
<b>Adjusted EBITDA Margin</b>	<b>-2,4%</b>	<b>11,5%</b>	<b>17,9%</b>	<b>13,2%</b>	<b>10,8%</b>	<b>8,8%</b>	<b>17,1%</b>	<b>14,2%</b>	<b>13,7%</b>	<b>13,8%</b>

The Company considers EBITDA, which corresponds to net income, plus income tax and social contribution, depreciation and amortization expenses and financial results, an important parameter for investors, as it provides relevant information on their operating results and profitability.

In 2021, EBITDA reached R\$ 58.5 million, with an EBITDA margin of 17.0%. From this number, the non-recurring effects of (i) the third milestone related to the divestment of the Submarine Systems business division carried out in 2019 (net revenue from tax effects), (ii) the sale of remaining equity interest in Batanga, a company that was invested by Ideiasnet, (iii) tax credits qualified for offsetting, resulting from a final favorable decision in the process regarding the exclusion of ICMS from the PIS/Cofins calculation base and (iv)



the write-off of expenses related to the possible public offering of shares not carried out last year, were discounted, resulting in the Adjusted EBITDA of R\$ 47.4 million and an Adjusted EBITDA margin of 13.8%.

The results obtained in 2021 position Padtec at a new level: compared to 2020, there was a 71.2% increase in EBITDA (R\$ 34.2 million) and 77.1% in Adjusted EBITDA (R\$ 26.8 million).

EBITDA recorded in 4Q21 reached R\$ 9.5 million (EBITDA margin of 9.8%), and Adjusted EBITDA in the quarter was R\$ 13.4 million (Adjusted EBITDA margin of 13.7%).

## Indebtedness and Cash

At the end of 2021, the Company had loans and financing of R\$ 52.3 million. Funding from Banco Safra, Banco ABC Brasil and Banco Daycoval, in addition to credit lines taken with FINEP (contracts celebrated in February 2020 and July 2021) and whose funds are destined to investments in new products and technologies and released according to the disbursements and evidence of the execution of the strategic innovation plan of subsidiary Padtec S.A. make up this amount.

In December 2020, Padtec S.A. issued R\$ 40.0 million in simple non-convertible debentures, of the type with real guarantee, in a single series, for public distribution, placed with restricted efforts under CVM Instruction 476 and maturity in December 2024. The net funds raised through this issuance were allocated to the re-profiling and lengthening of the Company's debts. The balance of these debentures as of December 31, 2021 was R\$ 31.4 million.

Thus, at the end of 2021, the Company's total indebtedness, consisting of loans, financing and debentures, totaled R\$ 83.7 million, of which R\$ 20.6 million (or 25%) was equivalent to short-term obligations and R\$ 63.1 million (or 75%) to long-term obligations. The average borrowing cost was 9.9% per year (compared to 6.3% per year in 2020).

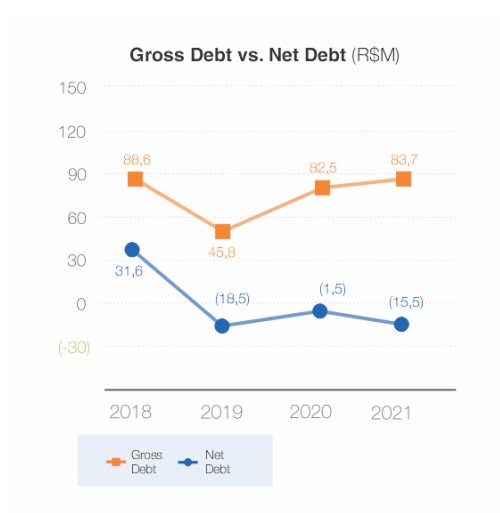
R\$ thousand					CONSOLIDATED	
Modality	Agreed Rate	Due Date (Maturity)	Due Date (Maturity)	Guarantee	Dec 31, 2021	Dec 31, 2020
Working Capital - Safra	CDI + 5,53% p.a.	5,68%	04/26//21 until 09/24/24	-	8.602	10.020
Working Capital - Daycoval	CDI + 5,9% to 10,08% p.a.	8,33%	07/29/20 until 09/30/24	Receivables	7.646	15.036
Working Capital - ABC Brasil	CDI + 4,38% p.a.	4,47%	12/23/20 until 05/23/24	Receivables	7.801	8.011
FINEP	TR + 2,80% p.a.	2,84%	02/01/23 until 02/01/40	Bank guarantee	28.244	10.365
					<b>52.293</b>	<b>43.432</b>
Padtec S.A. debentures	CDI + 3,80% p.a.	CDI + 3,80% p.a.	06/21/21 until 12/21/24		31.405	39.078
					<b>83.698</b>	<b>82.510</b>
<b>Current liabilities</b>					20.633	18.916
<b>Non-current liabilities</b>					63.065	63.594
					<b>83.698</b>	<b>82.510</b>

Repayment Schedule by Year of Maturity - R\$ thousand							
	2022	2023	2024	2025	2026	2027 onwards	total
Loan and financing	10.087	11.152	7.519	1.985	1.985	19.565	<b>52.293</b>
Debentures	10.546	10.667	10.192	-	-	-	<b>31.405</b>
<b>Total</b>	<b>20.633</b>	<b>21.819</b>	<b>17.711</b>	<b>1.985</b>	<b>1.985</b>	<b>19.565</b>	<b>83.698</b>

The amounts available in cash and cash equivalents at the end of 2021 totaled R\$ 87.5 million and the financial investments in guarantee, R\$ 11.8 million, totaling R\$ 99.2 million (18% above the closing of the previous year, R\$ 84.1 million).

The amounts allocated to financial investments in guarantee correspond to investments made in quotas of the FIC FIDC OSHER fund, whose purpose is to finance customers and anticipate their receivables, in the CDB of Banco Bradesco, part used as a judicial guarantee insurance and part to guarantee the debt with FINEP and in financial investments with Banco Alfa and Banco do Brasil that also guarantee the debt with FINEP.

In December 2021, net debt was negative by R\$ 15.5 million, with a negative net debt/Adjusted EBITDA ratio of 0.36 and a negative net debt/equity ratio of 0.12.



## Co-obligations

In order to facilitate the acquisition of its products and implementation services by customers who do not have direct access to the financing lines available in the market, Padtec carries out financial operations of Vendor and in a credit rights investment fund (FIDC, created in October 2019 and managed by the Sifra Group).

In December 2021, the Company had in its balance sheet operations of this nature of R\$ 46.0 million, given as guarantee for financing taken by some of its customers. About 71% of these obligations are short-term (29% long-term) and the counterpart of these entries is in current assets and non-current assets.

Vendor operations, which consist of granting credits through Financing Pledge Agreements entered into between financial institutions and Padtec customers and whose resources are used to purchase Company's products and services, total R\$ 44.8 million.

The operations carried out through the FIDC, in which Padtec has a 25% stake and operates similar to Vendor operations, total R\$ 1.2 million.

Padtec has been carrying out this type of transaction for about three years now, its portfolio is quite pulverized and default rate, close to zero. To better mitigate the credit risk of its counterparties, the Company conducts meticulous follow-up with each of its customers.

Also in December, the subsidiary Padtec S.A. and BNDES Participações S.A. – BNDESPAR ("BNDESPAR") concluded the structuring of an investment fund in credit rights (receivables). Its purpose is, through the granting of credit to Padtec's customers, to stimulate the technological innovation process, encourage the development of human resources, foster job creation and promote the access of small and medium-sized companies to capital resources, aiming to increase the competitiveness of the Brazilian telecommunications industry. The paid-in capital of FIDC FUNTTEL PADTEC Fundo de Investimento em Direitos Creditórios ("FIDC BNDESPAR") 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). This fund will be managed by Captalys (Captalys Distribuidora de Títulos e Valores Mobiliários Ltda. and Captalys Gestão Ltda.).

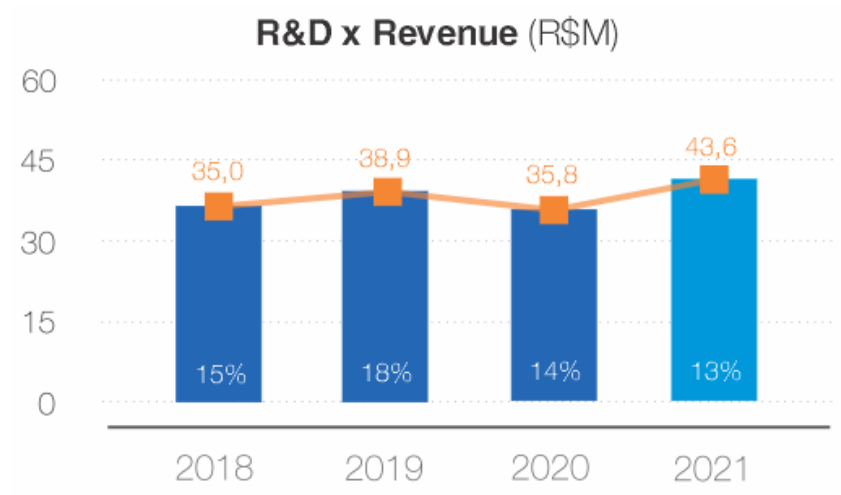
BNDESPAR will use funds raised from the Fundo para o Desenvolvimento Tecnológico das Comunicações ("FUNTTEL" or the Fund for the Technological Development of Telecommunications) for the payment of senior quotas. The funds allocated to FIDC BNDESPAR will be used to grant funding, with a total effective cost of Brazilian Reference Tax (TR) +7.0% p.a. and a minimum financing term of 24 months. Padtec S.A. will be the sole assignor of the FIDC BNDESPAR, relying on the fiduciary sale of the clients' equipment as a guarantee of this instrument. The Company estimates that FIDC BNDESPAR will be available from the first quarter of 2022.

- **Investments**

Investments in technology and proximity and partnership with customers are differentials of Padtec. The technology offered by the Company is in constant development, a result of intense research and development work. Padtec seeks to offer its customers increasingly compact and energy-efficient solutions that allow the expansion of transmission capacity in optical fibers hundreds of times. One of the main focus of R&D activities is the constant reduction of the transmission cost, essential to enable internet exponential growth.

In order to finance the investments planned for the near future, in addition to the amounts kept in its cash and the resources from new sales, Padtec constantly and recurrently evaluates alternatives for raising funds from the capital market.

During 2021, the Company invested R\$ 43.6 million, including R&D expenses and amounts allocated to intangible assets, 21.8% above 2020, R\$ 35.8 million.



- Income Statement – Consolidated\*

	CONSOLIDATED				
	1Q21	2Q21	3Q21	4Q21	2021
<i>(in thousand of Brazilian Reais)</i>					
<b>Gross operating revenues</b>	<b>86.133</b>	<b>119.554</b>	<b>120.427</b>	<b>122.658</b>	<b>448.772</b>
Sales taxes	(19.854)	(30.185)	(29.956)	(25.037)	(105.032)
<b>Net operating revenues</b>	<b>66.279</b>	<b>89.369</b>	<b>90.471</b>	<b>97.621</b>	<b>343.740</b>
Cost of products sold and services rendered	(42.938)	(57.411)	(57.654)	(63.128)	(221.131)
<b>Gross profit</b>	<b>23.341</b>	<b>31.958</b>	<b>32.817</b>	<b>34.493</b>	<b>122.609</b>
<b>Operational income (expenses)</b>					
Administrative expenses	(6.462)	(6.535)	(6.016)	(8.756)	(27.769)
Commercial expenses	(7.769)	(7.101)	(7.517)	(9.175)	(31.562)
Research and development expenses	(5.591)	(7.854)	(9.160)	(10.889)	(33.494)
Other operational expenses (income)	888	956	(1.289)	(402)	153
	<b>(18.934)</b>	<b>(20.534)</b>	<b>(23.982)</b>	<b>(29.222)</b>	<b>(92.672)</b>
<b>Profit/(losses) before financial income (expenses)</b>	<b>4.407</b>	<b>11.424</b>	<b>8.835</b>	<b>5.271</b>	<b>29.937</b>
Financial income	(5.332)	(3.787)	(7.501)	(9.088)	(25.708)
Financial expenses	5.500	4.115	2.871	4.318	16.804
<b>Profit/(losses) income tax and social contribution</b>	<b>4.575</b>	<b>11.752</b>	<b>4.205</b>	<b>501</b>	<b>21.033</b>
Income tax and social contribution					
Current	(5.613)	(1.247)	331	(2.235)	(8.764)
Deferred	-	-	-	-	-
<b>Profit in the period from continuing operations</b>	<b>(1.038)</b>	<b>10.505</b>	<b>4.536</b>	<b>(1.734)</b>	<b>12.269</b>
<b>Discontinued operations</b>					
Net income from discontinued operations	12.759	398	124	-	13.281
<b>Net income from discontinued operations</b>	<b>12.759</b>	<b>398</b>	<b>124</b>	<b>-</b>	<b>13.281</b>
<b>Net profit in the period</b>	<b>11.721</b>	<b>10.903</b>	<b>4.660</b>	<b>(1.734)</b>	<b>25.550</b>

<i>(in thousand of Brazilian Reais)</i>	CONSOLIDATED				
	1Q20	2Q20	3Q20	4Q20	2020
<b>Gross operating revenues</b>	<b>61.475</b>	<b>64.178</b>	<b>84.777</b>	<b>107.448</b>	<b>317.876</b>
Sales taxes	(10.076)	(13.349)	(21.424)	(25.314)	(70.163)
<b>Net operating revenues</b>	<b>51.400</b>	<b>50.829</b>	<b>63.353</b>	<b>82.134</b>	<b>247.713</b>
Cost of products sold and services rendered	(35.948)	(33.044)	(40.302)	(53.196)	(162.490)
<b>Gross profit</b>	<b>15.452</b>	<b>17.785</b>	<b>23.051</b>	<b>28.939</b>	<b>85.223</b>
<b>Operational income (expenses)</b>					
Administrative expenses	(7.269)	(4.501)	(5.923)	(6.535)	(24.227)
Commercial expenses	(5.109)	(4.652)	(5.525)	(6.702)	(21.988)
Research and development expenses	(6.813)	(5.579)	(7.433)	(8.831)	(28.657)
Other operational expenses (income)	(385)	133	4.202	695	4.646
	<b>(19.576)</b>	<b>(14.598)</b>	<b>(14.679)</b>	<b>(21.373)</b>	<b>(70.226)</b>
<b>Profit/(losses) before financial income (expenses)</b>	<b>(4.124)</b>	<b>3.187</b>	<b>8.372</b>	<b>7.566</b>	<b>14.997</b>
Financial income	(8.377)	(4.982)	(4.431)	(2.492)	(20.282)
Financial expenses	6.121	2.361	3.288	3.297	15.067
<b>Profit/(losses) income tax and social contribution</b>	<b>(6.380)</b>	<b>566</b>	<b>7.229</b>	<b>8.371</b>	<b>9.783</b>
Income tax and social contribution					
Current	(1.864)	888	572	(510)	(912)
Deferred	-	-	-	-	-
<b>Profit in the period from continuing operations</b>	<b>(8.243)</b>	<b>1.454</b>	<b>7.801</b>	<b>7.860</b>	<b>8.871</b>
<b>Discontinued operations</b>					
Net income from discontinued operations	7.423	-	-	-	7.423
<b>Net income from discontinued operations</b>	<b>7.423</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7.423</b>
<b>Net profit in the period</b>	<b>(821)</b>	<b>1.454</b>	<b>7.801</b>	<b>7.860</b>	<b>16.293</b>

\*Combined information for the year 2020, considering Padtec S.A. as wholly-owned subsidiary of Padtec Holding S.A. since January 2018.

• Balance Sheet – Consolidated

(in thousand of Brazilian Reais)	Consolidated		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
<b>Assets</b>			<b>Liability</b>	
<b>Current</b>			<b>Current</b>	
Cash and cash equivalents	87.468	64.680	Loans and financing	10.087
Accounts receivable	95.121	100.296	Debentures	10.546
Inventories	81.442	61.989	Commercial leasing operations	4.086
Recoverable taxes	25.226	23.562	Suppliers	62.497
Sales financing operation	32.770	37.139	Forfeiting	1.110
Other credits	4.873	2.356	Related parties	6
			Payable taxes and contributions	9.107
<b>Total current assets</b>	<b>326.900</b>	<b>290.022</b>	Payable taxes and contributions in installment	7.129
			Social contributions	24.660
<b>Non-current</b>			General provisions	2.450
Accounts receivable	-	2.377	Sales financing operation	32.770
Recoverable taxes	-	324	Advances from customers	6.865
Restricted financial investments	11.737	19.395	Other accounts payable	766
Sales financing operation	13.225	11.460		
Judicial deposits	1.373	2.364	<b>Total current liabilities</b>	<b>172.079</b>
Other credits	69	2.905		<b>159.741</b>
			<b>Non-current</b>	
Fixed assets	38.702	18.540	Provisions for labor and tax risks	30.985
Intangible assets	37.985	29.217	Loans and financing	42.206
			Debentures	20.859
<b>Total non-current assets</b>	<b>103.091</b>	<b>86.582</b>	Suppliers	1.101
			Commercial leasing operations	20.023
<b>Total assets</b>	<b>429.991</b>	<b>376.604</b>	Payable taxes and contributions in installment	1.176
			Sales financing operation	13.225
			<b>Total non-current liabilities</b>	<b>129.575</b>
				<b>113.851</b>
			<b>Total liabilities</b>	<b>301.654</b>
				<b>273.592</b>
			<b>Equity</b>	
			Capital stock	199.211
			Capital reserve	-
			Accumulated losses	(70.534)
			Currency translation adjustments	599
			Other comprehensive income	(939)
			<b>Total of shareholders' equity</b>	<b>128.337</b>
				<b>103.012</b>
			<b>Total of liabilities and shareholders' equity</b>	<b>429.991</b>
				<b>376.604</b>

This report may contain projections and/or estimates of future events. The use of the terms "anticipates", "believes", "expects", "estimates", "plans", "predicts", "projects", among others, intends to signal possible trends and statements that, of course, involve uncertainties and risks, and future results may differ from current expectations. Forward-looking statements are based on several assumptions and factors, including economic, market and industry conditions, in addition to operating factors. Any changes in these assumptions and factors may lead to practical results that are different from current expectations. These forward-looking statements should not be fully trusted. Forward-looking statements reflect opinions only on the date they were prepared and presented. The Company is not obliged to update them in the face of new information or new developments. The Company is not responsible for operations that are carried out or for investment decisions that are made based on these projections and estimates. Finally, the pro forma financial information contained in this report has not been audited, and therefore may differ from the final audited results.