

Earnings Release

3Q22



Padtec Holding S.A.
November 10, 2022



Results Webcast

November 11, Friday, 11:00 a.m. (Sao Paulo, Brazil)

Zoom platform

The webcast will be hosted in Portuguese. Access www.padtec.com to add the meeting to your calendar.

Padtec

Investor Relations

ri@padtec.com.br

+55 19 2104-9703

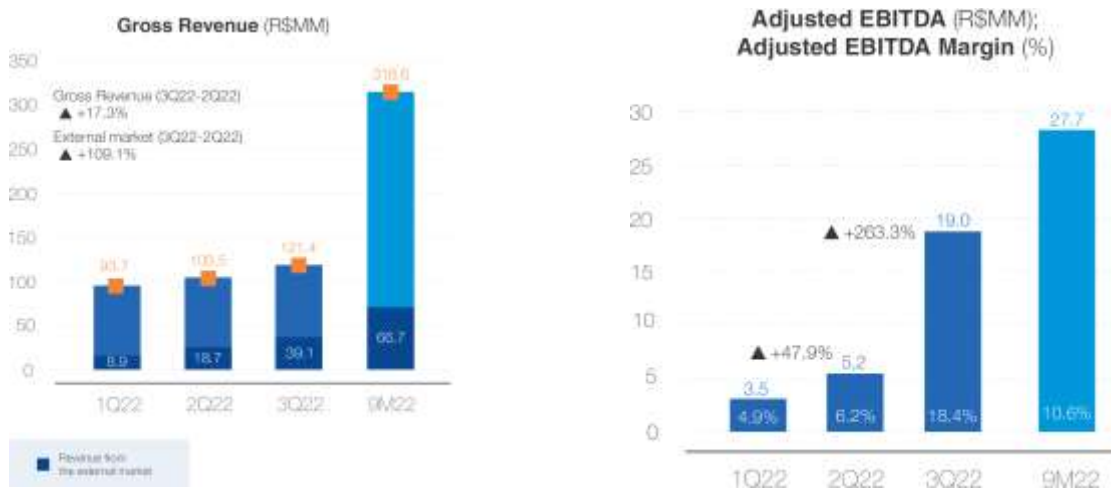
padtec.com



Earnings Release 3Q22

Campinas, SP, November 10, 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 third quarter of 2022 ("3Q22"), in accordance with accounting practices adopted in Brazil and the 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 on its *website* combined consolidated information, considering Padtec S.A. as its wholly-owned subsidiary since January 2018.

- **3Q22 Highlights:**



Brazilian multinational of high-capacity optical transport systems and mission-critical telecommunications solutions

Strong demand for Padtec solutions in domestic and international environments

Launch of a new platform for managing telecom infrastructure: Smart Site

Renewal of relevant contract in the Premium Services vertical

Company's own financing structures help maintain sales growth

- Acceleration of demand for Padtec equipment in the 2nd half of 2022.
- Gross revenues of R\$121.4 million, 17.3% higher than 2Q22.
- Gross revenues from optical transport systems (DWDM equipment) of R\$107.2 million, 17.1% higher than 2Q22.
- Revenues from the foreign market more than doubled in 3Q22 (R\$36.1 million) compared to 2Q22 (R\$18.7 million).
- Gross revenue from Premium Services of R\$14.2 million, 19.1% up on 2Q22.
- Gross profit of R\$33.3 million, an increase of 18.3% over 2Q22, with a gross margin of 32.3%.
- EBITDA reached R\$19.0 million (EBITDA margin of 18.4%), more than three times 2Q22 amount, R\$5.2 million (EBITDA margin of 6.2%).
- EBITDA recorded in 9M22, R\$27.7 million (EBITDA margin of 10.6%), had no impact from non-recurring effects.
- Net income of R\$12.2 million, compared to a loss of R\$3.8 million in 2Q22.
- R\$9.5 million in R&D investments, totaling R\$30.4 million in 9M22 (corresponding to 12% of revenue in the period).

- Net debt of R\$50 million, comprising debt of R\$93.1 million and cash and cash equivalents and financial investments in guarantee of R\$43.1 million.
- Launch of Smart Site: a platform for remote management of telecom sites, which is already in the testing phase by relevant customers.
- Announcemet of a partnership with Zanecom, an Angolan consultancy that acts as an integrator of information and communication technology solutions, to offer DWDM solutions in Sub-Saharan Africa: a new geographic frontier.

R\$ thousand	Selected Financial Indicators - Combined									
	1Q21	2Q21	3Q21	4Q21	9M2021	2021	1Q22	2Q22	3Q22	9M2022
Gross Operating Revenues	86.133	119.554	120.427	122.658	326.114	448.772	93.748	103.470	121.398	318.616
Gross Profit	23.341	31.958	32.817	34.493	88.116	122.609	20.665	28.152	33.290	82.107
Net Results	11.721	10.903	4.660	(1.734)	27.284	25.550	(4.477)	(3.787)	12.218	3.954
Adjusted Net Results	(2.774)	10.505	4.536	2.156	12.267	14.423	(4.477)	(3.787)	12.218	3.954
Adjusted EBITDA	5.816	15.323	12.837	13.418	33.976	47.392	3.533	5.224	18.976	27.733
Adjusted EBITDA Margin	8,8%	17,1%	14,2%	13,7%	13,8%	13,8%	4,9%	6,2%	18,4%	10,6%
Gross Debt	81.071	79.502	88.212	83.698	88.212	83.698	78.334	93.857	93.111	93.111
Net Debt	11.823	3.981	(8.567)	(15.525)	(8.567)	(15.507)	1.709	20.650	49.995	49.995

- Padtec: bringing people and the world together

Padtec is a vital connection tool that goes beyond geographical borders and contributes to constructing a more digital and active society.

The Company is constantly attentive to the demands of the telecommunications and technology segments and to the needs of its customers for new products and services. These products and services can be developed internally or in partnership with other actors in the telecommunications ecosystem. To achieve its goals, Padtec continuously analyzes the growth options, organic and inorganic, that contribute to accelerate its economic growth through more sales in the domestic and Latin American markets, besides other geographic borders, in addition to complement its lines of products and services. Nowadays, the Company is already present in 80% of Latin American countries, with local commercial and technical teams in Argentina, Colombia, and Chile and commercial representation in the United States of America. Padtec also has an agreement with Televés, a multinational of Spanish origin, a reference in solutions for telecommunications infrastructure, aiming at expanding its operations in Europe, the Middle East, and Africa (EMEA).

Also, as part of its international expansion strategy, the Company announced in October an agreement with Zanecom. This Angolan consultancy acts as an integrator of information and communication technology solutions. Under the agreement, the DWDM (Dense Wavelength Division Multiplexing) solutions developed by Padtec become part of Zanecom's product line, contributing to the expansion of the Brazilian Company's operations in Sub-Saharan Africa. Africa has excellent growth potential for high-capacity communication networks, as digitization and the online consumption of goods and services have rapidly accelerated in that region of the globe.

The success of the 5G auction in Brazil, held a year ago, stimulates investments in the construction of communication networks across the country to prepare the infrastructures for the next generation of

applications, meet the need for greater data capacity and the broadband services that will emerge with the new networks. To support 5G, investments in high-capacity optical networks are mandatory. These investments will result in greater demand for DWDM solutions – technology that allows for more excellent connectivity and better quality of data services. New neutral network companies, industry-oriented private networks, the implementation of data centers, and the development of new regional providers also contributes to this increase in demand for optical transport systems. However, it is imperative to understand that building the 5G network is a journey that cannot be completed overnight.

In October, Padtec, together with other technology and telecom companies, installed an intelligent 5G luminaire in the City Hall of Campina Grande (in the state of Paraíba) to provide a public demonstration for 60 days on the impact of modern technologies, such as 5G and IoT (Internet of Things), in people's daily lives. Among the features incorporated in this equipment is a lighting service management system, which allows for identifying faults and controlling the lighting intensity remotely, and a camera, which may have facial identification features and several other analytical softwares of extreme importance for the city. The luminaire also has a 5G cellular antenna to capture and transmit signals to smartphones that have this 5G technology, in addition to Wi-Fi connectivity, transforming this equipment into a service unit and demonstrating, in practice, what a "smart city" should be like. Through its participation in this initiative, Padtec helps to promote national technological development, to support advances in research and development in the field of 5G networks, and to contribute to the growth of an ecosystem in the area of optical systems, reinforcing its position as a technological leader in the segment.

- **Smart Site: Padtec's platform for remote management of telecom sites**

Always attentive to the needs presented by its customers, Padtec launched a new service a few weeks ago: Smart Site, a cloud platform aimed at remote and real-time management of network environments (sites) of operators and internet providers located in different regions of Brazil. Soon, this service will be offered to customers outside the country.

Smart Site has an intuitive graphical interface and features that centralize the service provider's operation, allowing complete management of their sites (security systems - with presence sensors, cameras, and access control, energy, temperature and humidity, and air conditioning system), from wherever they are. Telemetry data are read by sensors and commands are sent remotely to installed actuators on each monitored site. An essential differential of this new service is the possibility of using systems (software) and equipment already installed in customers' environments without requiring new investments. The management of sites in real-time in a single web environment, in a small, simple, and centralized way, through automation resources and functionalities that simplify the monitoring and control routine of sites distributed many times over very distant regions, results in gains of efficiency and productivity.

The Smart Site allows Padtec to offer its customers a complete and effective tool to deal with the complexities of managing network environments, minimizing the risks of interruption of critical operations.

- **The ESG agenda at Padtec**

Connectivity has assumed more and more importance in issues related to ESG topics since it is the primary means to implement modern technologies and optimize available natural resources. Through connectivity, it is possible to expand, exponentially, the sharing of data and information, reaching more people and various

places with incredible speed and efficiency without degrading the environment (pollution, waste, etc.). At Padtec, the commitment to sustainability is real and reinforced daily with all its stakeholders.

In October, the Company underwent the 1st Supervision Audit of the ISO 14001 Certification, confirming its Environmental Management System (or Sistema de Gestão Ambiental - SGA) certification following this standard.

Among the initiatives developed in 3Q22 in the Social pillar, a highlight is the free training within the scope of the ISP Meeting Business, held in the city of Sobral, in the interior of Ceará state, aimed at supporting the development of companies in that region and promoting the training of skilled labor force in the optical communications area. This course happened in the optical network laboratory of ICETEL – Instituto Cearense de Tecnologia, Empreendedorismo e Liderança, a space conceived and inaugurated in 2019 through a partnership with Padtec, which is equipped with state-of-the-art products developed by the Company.

Padtec participated in the Sustainable Spaces project (Projeto Espaços Sustentáveis), an initiative to revitalize public spaces through free workshops for people served by social institutions in São Paulo state. In this edition, the area chosen for revitalization was a square in the Unicamp Convention Center. The free workshops lasted more than 90 hours and had the participation of 20 young people assisted by the “*Resgate de Efraim*” project from Campinas. They learned from a team of art educators painting and graffiti techniques, landscaping, and urban furniture development. The result was a wholly revitalized space with new living spaces for university students. The sponsorship of this project is one of the actions of the Padtec “*Iluminar*” social responsibility program, which has among its pillars the allocation of part of the ICMS taxes to socio-cultural and sports initiatives of institutions throughout the state of São Paulo. Initiatives like this reinforce Padtec's positioning as a company that, in addition to focusing on technological innovation, also pays attention to the social development of the regions where it operates, seeking to empower the community and encourage care for the environment.

Aiming at the continuous development of its employees, Padtec launched the Technical Mentorship Program (Programa de Mentoria Técnica). Its purpose is to accelerate the level of technical maturity of the mentees, stimulate and offer objective conditions for the transmission of knowledge from experienced professionals to the younger ones, promote collaboration, discussions, reflections, and expositions on present and future issues. This Program also seeks to ensure the sustainability of technical expertise, contributing to the perpetuity of businesses. Each edition of the Program will last for six months.

To develop and maintain a high quality relationship with its various stakeholders, Padtec periodically participates in technical meetings and business fairs, in addition to seminars with partners and suppliers.

- **The Company's results in 3Q22**

The year 2022 continues to present significant challenges for Brazil and other countries on several fronts – such as macroeconomic, political, and the persistent supply crisis for microelectronics. Padtec remains well positioned in the telecommunications ecosystem to deal with these challenges and competitively offers innovative and state-of-the-art solutions and services.

Operating income

In the last two years, the digital revolution, accelerated by the Covid-19 pandemic, has made the world and societies increasingly digitally connected, accelerating e-commerce, anywhere work and home office trends. In 2020 and 2021, most of Padtec's customers made expansions, improvements, and investments, preparing for the increase in data traffic on their fiber optic networks caused by greater demand by internet end users. This asset increase took place at an accelerated rate in Brazil and at a slower pace in other geographies in the Americas.

In the first months of 2022, there was a slowdown in Brazilian domestic demand and an increase in sales in the international market. In Brazil, this is explained by the massive investments in infrastructure reinforcement mentioned above and by macroeconomic reasons (increasing financing costs, rising interest rates, and rising inflation). However, in the second half of 2022, when the SELIC interest rate seems to have reached a "ceiling," operators returned to projects to increase capacity, already showing a clear reacceleration of demand in Brazil. On the side of internet access providers (whose consolidation movement is still strong), those with a larger structure are capitalizing themselves and thus making new investments, while smaller ones, aware of the advantages of DWDM equipment, are migrating to this technology that guarantees more capacity, quality, and energy efficiency. It is important to note that market data indicate that there are still more than 20 million households in Brazil without any internet connection. Finally, historical data related to the optical transport systems market show that the year's second half is usually warmer than the previous months.

For the DWDM Systems Business Unit, Padtec has two delivery models to its customers.

In the first model, the customer buys a "turn key" project, in which Padtec will be responsible for the manufacture, delivery of the equipment and for its installation, commissioning and all the project's operation tests, giving the customer an optical network transport fully ready to start operations. Usually in this model, the accounts receivable process is divided into two components:

- Equipment: starts after billing and delivery to the customer's sites;
- Services: starts after delivery of the complete project, installed, tested and with complete documentation.

Follow a diagram of the simplified form of the "turn key" supply model:



Alternatively, Padtec's customers can purchase only the DWDM equipment and themselves be responsible for installing the project, using their own human resources duly trained by the Company and able to perform the necessary technical services. In this model, the delivery flow is simpler, as shown in the below diagram. The accounts receivable process begins when the equipment is delivered to the customer.



As can be noticed above, the Company's sales cycle is relatively extensive and any changes in sales may take more than 45 days to be accounted for in billing.

Regarding its 3Q22 results, Padtec experienced a recovery in sales volumes and registered gross operating revenue of R\$121.4 million, 17.3% higher than that recorded in 2Q22, R\$103.5 million, and about 1% above 3Q21, R\$120.4 million.

In 9M22, gross operating revenue amounted to R\$318.6 million, compared to R\$326.1 million in the same period in 2021.

The amount recorded with revenues from optical transport systems, R\$107.2 million, is equivalent to 88% of the total obtained in 3Q22, 17.1% higher than that obtained in 2Q22, and 1.6% lower than in 3Q21.

Revenues from DWDM equipment from the foreign market continue to proliferate and increased 152% in 9M22 (R\$66.7 million) compared to 9M21 (R\$26.5 million), contributing 21% of the total earned between January and September 2022. These revenues more than doubled between 3Q22 and 2Q22, from R\$18.7 million to R\$39.1 million. In the comparison to 1Q22, R\$ 8.9 million, revenues grew more than four times.

As a way of being close to the needs of its customers, Padtec seeks to facilitate their access to the financial resources necessary for acquiring the Company's products. Thus, Padtec provides Vendor financial operations, forfeit operations, and credit rights investment funds (FIDC Sifra and FIDC Funttel Padtec). As an example, the recently announced Forte Telecom investments in Padtec's 800 Gb/s transponders, a carrier of carriers based in the state of Rio de Janeiro, was carried out with funds from the FIDC Funttel Padtec.

Revenues from Premium Services, comprising high-tech services that assist in the operation and development of the Company's customer data networks, totaled R\$14.2 million in 3Q22, 19.1% higher than in 2Q22 and 23.9% higher than the 3Q21.

In August, Padtec celebrated a partnership with FiBrasil (a Brazilian operator of neutral networks) focused on managing the operation of this operator's communication networks, including monitoring and technical support through Padtec's Network Operations Center.

In October, Telebras – Telecomunicações Brasileiras S.A. announced that Padtec S.A. was the winner of the electronic auction held for the operation and maintenance, for the next three years, of its internal network throughout Brazil. Thus, the Company will continue to provide these services to Telebrás, as is currently the case.

R\$ thousand	GROSS REVENUES										3Q2022 x	3Q2022 x	9M2022 x
	1Q2021	2Q2021	3Q2021	4Q2021	9M2021	2021	1Q2022	2Q2022	3Q2022	9M2022	3Q2021	2Q2021	9M2021
DWDM	72.705	106.303	108.991	110.540	287.999	398.539	83.563	91.575	107.231	282.369	-1,6%	17,1%	-2,0%
Premium Services	13.428	13.250	11.438	12.117	38.116	50.233	10.185	11.895	14.167	36.247	23,9%	19,1%	-4,9%
Total Revenues	86.133	119.553	120.427	122.657	326.113	448.770	93.748	103.470	121.398	318.616	0,8%	17,3%	-2,3%

Gross profit

Gross profit totaled R\$33.3 million in 3Q22, an increase of 18.3% over 2Q22, R\$28.1 million, and 1.4% over 3Q21, R\$32.8 million. In 3Q22, the gross margin recorded by the Company was 32.3%.

In 9M22, gross profit totaled R\$82.1 million with a gross margin of 31.5%, compared to R\$88.1 million in the same period in 2021, with a gross margin of 35.8%.

Operating Expenses / Revenues

The readjustment in the salaries of employees approved in the Collective Agreement 2022, the increase in corporate travels, and higher inflation rates justify the increase in operating expenses in 9M22 compared to 9M21.

In 3Q22, administrative expenses totaled R\$7.6 million, 7.3% lower than in 2Q22, R\$8.3 million, and 27.1% higher than in 3Q21, R\$6.0 million. Between January and September 2022, R\$22.8 million were spent, 19.8% higher than in the same period in 2021, R\$19.0 million.

Selling expenses were R\$7.9 million in 3Q22, a reduction of 9.9% compared to 2Q22, R\$8.8 million, but 4.9% above the expenses of 3Q21, R\$7.5 million. In 9M22, these expenses totaled R\$24.7 million, an increase of 10.2% over 9M21, R\$22.4 million.

In 3Q22, R\$9.5 million was invested in research and development ("R&D"), 9.5% lower than in 2Q22, R\$10.4 million, and 15.8% lower than in 3Q21, R\$11.2 million. As the amount recorded in the Income Statement shows the effect of deferrals, these expenses amount to R\$8.9 million in 3Q22, compared to R\$9.2 million in both 2Q22 and 3Q21. In 9M22, R\$30.4 million was invested in R&D (R\$26.6 million recorded the Income Statement), equivalent to the investments made in 9M21, R\$30.6 million (R\$22.6 million recorded the Income Statement).

Other operating income totaled R\$5.3 million in 3Q22, impacted by changes in the classification of provisions for tax and labor contingencies and reversals in conditions for doubtful accounts. In 9M22, this item totals revenues of R\$6.9 million.

Financial result

In 3Q22, the net financial result was negative by R\$1.9 million, compared to a loss of R\$4.9 million in 2Q22 and R\$4.6 million in 3Q21.

Financial income totaled R\$5.7 million (R\$5.8 million in 2Q22 and R\$2.9 million in 3Q21), positively impacted by income from financial investments and active exchange variation. Financial expenses were R\$7.6 million (R\$10.7 million in 2Q22 and R\$7.5 million in 3Q21), comprising interest expenses on loans and financing and passive exchange rate variations.

In 9M22, the net financial result was negative by R\$11.1 million, compared to a loss of R\$4.1 million in 9M21.

Results from the period

Padtec posted a net income of R\$12.2 million in 3Q22, compared to a loss of R\$3.8 million in 2Q22 and a net gain of R\$4.7 million in 3Q21.

Between January and September 2022, net income totaled R\$4.0 million. In 9M21, it was R\$27.3 million. The 9M21 result was impacted by the recording of R\$13.3 million from discontinued operations, of which R\$12 million was related to the receipt of the third and final installment related to the sale of the Submarine Systems

division and R\$1.3 million from the sale of remaining equity interest in Batanga, an investee of Ideiasnet S.A. There were no results from discontinued operations in 2022.

In addition to the accounting result, the Company presents its adjusted net income below, disregarding, as it does in the Adjusted EBITDA, the non-recurring effects. In the first nine months of 2022, there was no adjustment referring to non-recurring effects. Therefore, there is no variation between net income and adjusted net income. However, in the same period of 2021, the following adjustments were discounted: (i) the third milestone related to the divestment of the Submarine Systems business division carried out in 2019 (revenue net of tax effects), (ii) the sale of the remaining equity interest in Batanga, and (iii) tax credits eligible for offset, resulting from a definitive favorable decision in a proceeding regarding the exclusion of ICMS from the PIS/Cofins calculation basis.

	Adjusted Net Result									
R\$ thousand	1Q21	2Q21	3Q21	4Q21	9M2021	2021	1Q22	2Q22	3Q22	9M2022
From Net Result to Adjusted Net Result										
Net Result	11.721	10.903	4.660	(1.734)	27.284	25.550	(4.477)	(3.787)	12.218	3.954
Fiscal Credits (PIS/Cofins)	(1.736)	-	-	-	(1.736)	(1.736)	-	-	-	-
Net Income from Discontinued Operations and Others	(12.759)	(398)	(124)	-	(13.281)	(13.281)	-	-	-	-
public offering of shares not carried out	-	-	-	3.890	-	3.890	-	-	-	-
Adjusted Net Result	(2.774)	10.505	4.536	2.156	12.267	14.423	(4.477)	(3.787)	12.218	3.954

Adjusted EBITDA

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

	Adjusted EBITDA									
R\$ thousand	1Q21	2Q21	3Q21	4Q21	9M2021	2021	1Q22	2Q22	3Q22	9M2022
From EBITDA to Net Income										
Net Income	11.721	10.903	4.660	(1.734)	27.284	25.550	(4.477)	(3.787)	12.218	3.954
Depreciation & Amortization	3.143	3.899	4.002	4.257	11.044	15.301	3.750	4.185	4.852	12.787
Net Financial Results	(168)	(328)	4.630	4.770	4.134	8.904	4.259	4.918	1.906	11.083
Income tax and social contribution	5.613	1.247	(331)	2.235	6.529	8.764	1	(92)	-	(91)
EBITDA	20.309	15.721	12.961	9.528	48.991	58.519	3.533	5.224	18.976	27.733
Fiscal Credits (PIS/Cofins)	(1.736)	-	-	-	(1.736)	(1.736)	-	-	-	-
Net Income from Discontinued Operations and Others	(12.759)	(398)	(124)	-	(13.281)	(13.281)	-	-	-	-
public offering of shares not carried out	-	-	-	3.890	-	3.890	-	-	-	-
Adjusted EBITDA	5.814	15.323	12.837	13.418	33.974	47.392	3.533	5.224	18.976	27.733
Adjusted EBITDA Margin	8,8%	17,1%	14,2%	13,7%	13,8%	13,8%	4,9%	6,2%	18,4%	10,6%

In 3Q22, EBITDA totaled R\$19.0 million (with an EBITDA margin of 18.4%). It reached R\$27.7 million in 9M22 (with an EBITDA margin of 10.6%). In the first nine months of 2022, there were no adjustments related to non-recurring effects, so there is no variation between EBITDA and Adjusted EBITDA.

In 9M21, the Company's EBITDA was R\$49.0 million. Adjusted EBITDA, after discounting the non-recurring effects (i) of the third milestone related to the divestment of the Submarine Systems business division carried out in 2019 (net revenue from the taxes), (ii) the sale of the remaining equity interest in Batanga, a company that Ideiasnet invested at the time, and (iii) tax credits eligible for offset, resulting from a definitive favorable decision in a proceeding regarding the exclusion of ICMS from the calculation basis from PIS/Cofins, totaled R\$34.0 million. The adjusted EBITDA margin was 13.8%.

Debt, cash, and capital structure

At the end of September 2022, loans and financing totaled R\$69.6 million (compared to R\$52.3 million in December 2021), comprising credit lines for working capital raised with Banco Safra, Banco ABC Brasil, and Banco Daycoval in the amount of R\$16.5 million and funds taken from FINEP for R\$53.1 million.

The evolution of the Company's indebtedness is explained by the increase in credit lines granted by FINEP (an increase of R\$24.8 million compared to December 2021). These lines are part of contracts entered into in February 2020, July 2021 and March 2022 and whose resources are destined to investments in new products and technologies and released in accordance with the disbursements and evidence of the execution of the strategic innovation plan of subsidiary Padtec S.A.

In December 2020, Padtec S.A. issued R\$40.0 million in simple non-convertible debentures, of the type with a guarantee, in a single series, for public distribution, placed with restricted efforts under the terms of CVM Instruction 476 and maturity in December 2024. The net funds raised through this issue were destined the reprofiling and lengthening of the Company's debts. The balance of debentures in 3Q22 totals R\$23.6 million (compared to R\$31.4 million at the end of 2021).

Between January and September 2022, R\$11.3 million were paid in interest and principal on loans obtained.

The Company's total indebtedness at the end of 9M22, including loans, financing, and debentures, is R\$93.1 million, 11.2% more than that recorded in December 2021, R\$83.7 million. The distribution between short-term obligations, 21% of the total, in the amount of R\$19.3 million, and long-term obligations, 79% of the total, R\$73.8 million, demonstrates the good profile of the Company's debt. The average funding cost was 9.43% per year (compared to 9.9% per year in 2021).

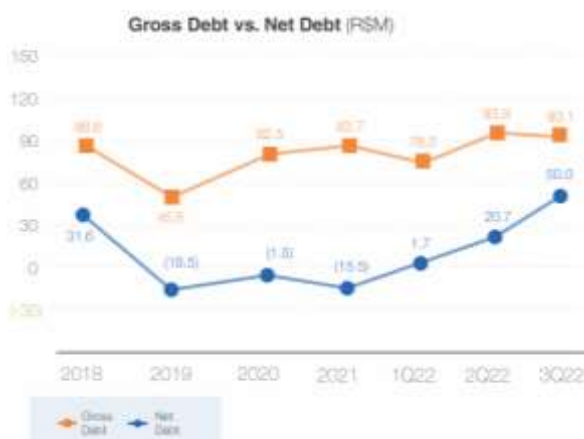
R\$ thousand						CONSOLIDATED	
Modality	Agreed Rate	Annual Average Effective Rate	Due Date (Maturity)	Guarantee	Sept 30, 2022	Dec 31, 2021	
Working Capital - Safra	CDI + 5,53% p.a.	19.33%	04/26//21 until 09/24/25	-	7.366	8.602	
Working Capital - Daycoval	CDI + 5,9% p.a.	19.72%	07/29/20 until 09/30/24	Receivables	3.314	7.646	
Working Capital - ABC Brasil	CDI + 4,38% p.a.	18.13%	12/23/20 until 05/23/24	Receivables	5.797	7.801	
FINEP	TR + 2,30% and 2,80% p.a.	5.03%	02/01/23 until 02/01/42	Bank guarantee	53.059	28.244	
					69.536	52.293	
Padtec S.A. debentures	CDI + 3,80% p.a.	17.52%	06/21/21 until 12/21/24		23.575	31.405	
					93.111	83.698	
Current liabilities					19.275	20.633	
Non-current liabilities					73.836	63.065	
					93.111	83.698	

Repayment Schedule by Year of Maturity - R\$ thousand							
	2022	2023	2024	2025	2026	2027 onwards	total
Loan and financing	2.198	10.098	9.941	3.425	3.425	40.449	69.536
Debentures	2.159	10.749	10.667	-	-	-	23.575
Total	4.357	20.847	20.608	3.425	3.425	40.449	93.111

The amounts available in cash and cash equivalents at the end of September 2022 totaled R\$41.7 million (compared to R\$87.5 million in December 2021) and financial investments in guarantee, R\$1.4 million (R\$11.8 million at the end of 2021), totaling R\$43.1 million. The decrease of R\$30.1 million between June and September 2022 is explained by the increase in customer financing using Padtec's own cash, resulting in an increase in the financial cycle and reflecting an increase of about 61% in the amounts recorded in Accounts Receivable in this period.

About 93% of the amounts allocated to financial investments as collateral correspond to investments made in quotas of the FIC FIDC OSHER fund, whose purpose is to finance customers and anticipate their receivables. The remaining amount guarantees customer financing transactions through BRDE, with funds from FINEP.

At the end of September 2022, net debt was R\$50 million, with a net debt/LTM Adjusted EBITDA ratio¹ of 1.22 and a net debt/equity ratio of 0.38. Despite the increase recorded in net debt concerning the previous quarter, the Company considers that its capital structure allows it to conduct its operations safely and sustainably, maintaining current financing operations available for its customers.



Co-obligations

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, forfait and credit rights investment fund (FIDC Sifra, incorporated in October 2019 and managed by the Sifra Group).

At the end of 9M22, the Company had operations of this nature in its balance sheet of R\$87.5 million, given as collateral for financing taken out by some of its customers. About 52% of these obligations are short-term (48% long-term), and the counterpart of these entries is in current and non-current assets. The 90.3% increase recorded between December 2021 and September 2022 (when these operations totaled R\$46.0 million) is due to the increase in the granting of financing to customers, mainly with the beginning of the offer of forfait transactions in 1Q22 (between 3Q22 and 2Q22, there was a 16% growth in these operations).

Vendor operations, which consist of granting credit through Financing Promise Agreements entered into between financial institutions and Padtec customers and whose funds are used to purchase the Company's products and services, totaled R\$58.2 million (compared to R\$44.8 million at the end of 2021).

¹LTM Adjusted EBITDA corresponds to the sum of Adjusted EBITDA

Operations carried out through FIDC Sifra, in which Padtec has a 25% stake and operates similarly to Vendor operations, totaled R\$0.2 million (R\$1.2 million in December 2021).

Finally, forfait operations, which consist of financing international sales based on the principle of discounting receivables, which guarantee terms and better conditions for customers outside Brazil, started in 2022 and, by September, have already totaled R\$29.1 million.

The Company has carried out these transactions for approximately five years. Credits have already been granted to more than 30 customers, and the portfolio is highly dispersed, contributing to the proper management of financial risk and maintenance of delinquency close to zero. To mitigate the credit risk of its counterparties, Padtec carries out a rigorous follow-up with each of its customers.

FIDC Funttel Padtec

In addition to the instruments described above, at the end of last year the Company structured a second credit rights investment fund, this time jointly with BNDES Participações S.A. – BNDESPAR ("BNDESPAR"). FIDC Funttel Padtec has as senior shareholder BNDESPAR, which will use funds raised from the Fund for the Technological Development of Telecommunications (Fundo para o Desenvolvimento Tecnológico das Telecomunicações or "FUNTTEL") for the payment of its quotas, and as subordinate shareholder, Padtec S.A. Its objective is to, through the granting of credit to Padtec's customers, stimulate the process of technological innovation, encourage the training of human resources, foster jobs generation and promote the access of small and medium-sized companies to capital resources, in order to increase the competitiveness of the Brazilian telecommunications industry. Until 9M22, the fund's shareholders made R\$13.0 million available, and R\$8.5 million were granted to nine Padtec customers.

FIDC Funttel Padtec is consolidated in the Company according to the rules of Technical Pronouncement CPC 36 (R3) Consolidated Financial Statements, correlated to International Accounting Standards – IFRS 10 (IASB - B.V. 2012). However, for this Earnings Release, the values of the FIDC Funttel Padtec are not considered for the calculations and analyses presented in the section "Debt, cash, and capital structure."

- **Investments**

Padtec invests, on average, 13% of its annual revenue in research and development to continue to provide solutions capable of adapting to the constant changes and evolutions of the market so that people, companies, and society remain connected. Thus, the Company has partnerships with universities and research centers, which contribute to expanding and diversifying the range of technological innovations that allow it to maintain its competitiveness and always be on the frontier of knowledge in its area of operation. In 2022, Padtec registered four new invention patents at the INPI – Instituto Nacional da Propriedade Intelectual, the Brazilian National Institute of Intellectual Property, reaching seven granted patents out of a total of more than 15 filed.

In 3Q22, R\$9.5 million were invested, including R&D expenses and amounts allocated to intangible assets, compared to R\$10.4 million in 2Q22 and R\$11.2 million in 3Q21. Between January and September 2022, the Company invested R\$30.4 million, in line with the amount allocated in 9M21, R\$30.6 million.



The telecommunications market demands increasing capacities with the least possible impact on its costs. To meet this need, Padtec's main product lines have focused on increasing transmission rates, with new transponders operating at hundreds of gigabits per second. This has resulted in the development of the 800 Gb/s and 1.2 Tb/s generation of transponders and, more recently, the new 400 Gb/s range. These products make possible to optimize the operation of internet providers since it enables to transport more data with a smaller amount of equipment. This reduces the cost per bit transmitted and energy and space consumption, which are scarce in telecommunications environments.

In 2019, Padtec created the Program called "*Movimento Inovação*," which aims to identify, in partnership with its work teams, innovative and creative ways to boost business and create new startups, inside and outside its fundamental areas of activity. The idea is to think of innovation as a managed process with appropriate methods and tools. This approach creates the necessary conditions for innovation to occur in an intentional and controlled manner, resulting in a series of technological and business advances.

For the future, Padtec's plans include expanding its leadership in the Brazilian market, expanding its presence in the international market (with a focus on Latin America, the United States, and Europe), developing new products and solutions that follow the evolution trends for Software Defined Networks (SDN) and more intelligence capabilities with cost-effective Reconfigurable Optical Add-Drop Multiplexer (ROADMs). Solutions for controlling and managing telecommunications infrastructures and optimizing network operations, such as the Smart Site, make up the main lines to be followed when launching new services.

• Income Statement – Consolidated

(in thousand of Brazilian Reais)	CONSOLIDATED									
	1Q21	2Q21	3Q21	4Q21	9M2021	2021	1Q22	2Q22	3Q22	9M2022
Gross operating revenues	86.133	119.554	120.427	122.658	326.114	448.772	93.748	103.470	121.398	318.616
Sales taxes	(19.854)	(30.185)	(29.956)	(25.037)	(79.995)	(105.032)	(20.991)	(18.578)	(18.302)	(57.871)
Net operating revenues	66.279	89.369	90.471	97.621	246.119	343.740	72.757	84.892	103.096	260.745
Cost of products sold and services rendered	(42.938)	(57.411)	(57.654)	(63.128)	(158.003)	(221.131)	(52.092)	(56.740)	(69.806)	(178.638)
Gross profit	23.341	31.958	32.817	34.493	88.116	122.609	20.665	28.152	33.290	82.107
Operational income (expenses)										
Administrative expenses	(6.462)	(6.535)	(6.016)	(8.756)	(19.013)	(27.769)	(6.889)	(8.247)	(7.643)	(22.779)
Commercial expenses	(7.769)	(7.101)	(7.517)	(9.175)	(22.387)	(31.562)	(8.028)	(8.754)	(7.884)	(24.666)
Research and development expenses	(5.591)	(7.854)	(9.160)	(10.889)	(22.605)	(33.494)	(8.438)	(9.235)	(8.941)	(26.614)
Other operational expenses (income)	888	956	(1.289)	(402)	555	153	2.473	(877)	5.302	6.898
	(18.934)	(20.534)	(23.982)	(29.222)	(63.450)	(92.672)	(20.882)	(27.113)	(19.166)	(67.161)
Profit/(losses) before financial income (expenses)	4.407	11.424	8.835	5.271	24.666	29.937	(217)	1.039	14.124	14.946
Financial income	(5.332)	(3.787)	(7.501)	(9.088)	(16.620)	(25.708)	(10.158)	(10.691)	(7.580)	(28.429)
Financial expenses	5.500	4.115	2.871	4.318	12.486	16.804	5.899	5.773	5.674	17.346
Profit/(losses) income tax and social contribution	4.575	11.752	4.205	501	20.532	21.033	(4.476)	(3.879)	12.218	3.863
Income tax and social contribution										
Current	(5.613)	(1.247)	331	(2.235)	(6.529)	(8.764)	(1)	92	-	91
Deferred	-	-	-	-	-	-	-	-	-	-
Profit in the period from continuing operations	(1.038)	10.505	4.536	(1.734)	14.003	12.269	(4.477)	(3.787)	12.218	3.954
Discontinued operations										
Net income from discontinued operations	12.759	398	124	-	13.281	13.281	-	-	-	-
Net income from discontinued operations	12.759	398	124	-	13.281	13.281	(4.477)	(3.787)	-	-
Net profit in the period	11.721	10.903	4.660	(1.734)	27.284	25.550	(4.477)	(3.787)	12.218	3.954

• Balance Sheet – Consolidated

(in thousand of Brazilian Reais)	Consolidated		Consolidated	
	09/30/2022	12/31/2021	09/30/2022	12/31/2021
Assets				
Current				
Cash and cash equivalents	41.742	87.468		
Marketable securities	5.480	-		
Accounts receivable	107.709	95.121		
Inventories	103.285	81.442		
Recoverable taxes	34.860	25.226		
Sales financing operation	45.826	32.770		
Other credits	7.266	4.873		
Total current assets	346.168	326.900		
Non-current				
Accounts receivable	14.659	-		
Restricted financial investments	1.374	11.737		
Sales financing operation	41.682	13.225		
Judicial deposits	892	1.373		
Other credits	398	69		
Fixed assets	37.770	38.702		
Intangible assets	41.736	37.985		
Total non-current assets	138.511	103.091		
Total assets	484.679	429.991		
Liability				
Current				
Loans and financing			8.745	10.087
Debentures			10.530	10.546
Commercial leasing operations			5.698	4.086
Suppliers			60.188	62.497
Forfeiting			10.005	1.110
Related parties			45.826	6
Payable taxes and contributions			373	9.107
Payable taxes and contributions in installment			7.246	7.129
Social contributions			2.410	24.660
General provisions			25.839	2.450
Sales financing operation			2.728	32.770
Advances from customers			1.758	6.865
Other accounts payable			1.007	766
Total current liabilities			182.353	172.079
Non-current				
Provisions for labor and tax risks			22.556	30.985
Loans and financing			60.791	42.206
Debentures			13.045	20.859
Suppliers			676	1.101
Commercial leasing operations			19.269	20.023
Sales financing operation			41.682	13.225
Payable taxes and contributions in installment			2.289	1.176
Liabilities - FIDC Senior Shares			10.547	-
Other accounts payable			875	-
Total non-current liabilities			171.730	129.575
Total liabilities			354.083	301.654
Equity				
Capital stock			199.211	199.211
Accumulated losses			(66.580)	(70.534)
Currency translation adjustments			599	599
Other comprehensive income			(2.634)	(939)
Total of shareholders' equity			130.596	128.337
Total of liabilities and shareholders' equity			484.679	429.991

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.