

Earnings Release

2022



Padtec Holding S.A.

March 22nd, 2023



Results Webcast

March 23, Thursday, 09:30 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

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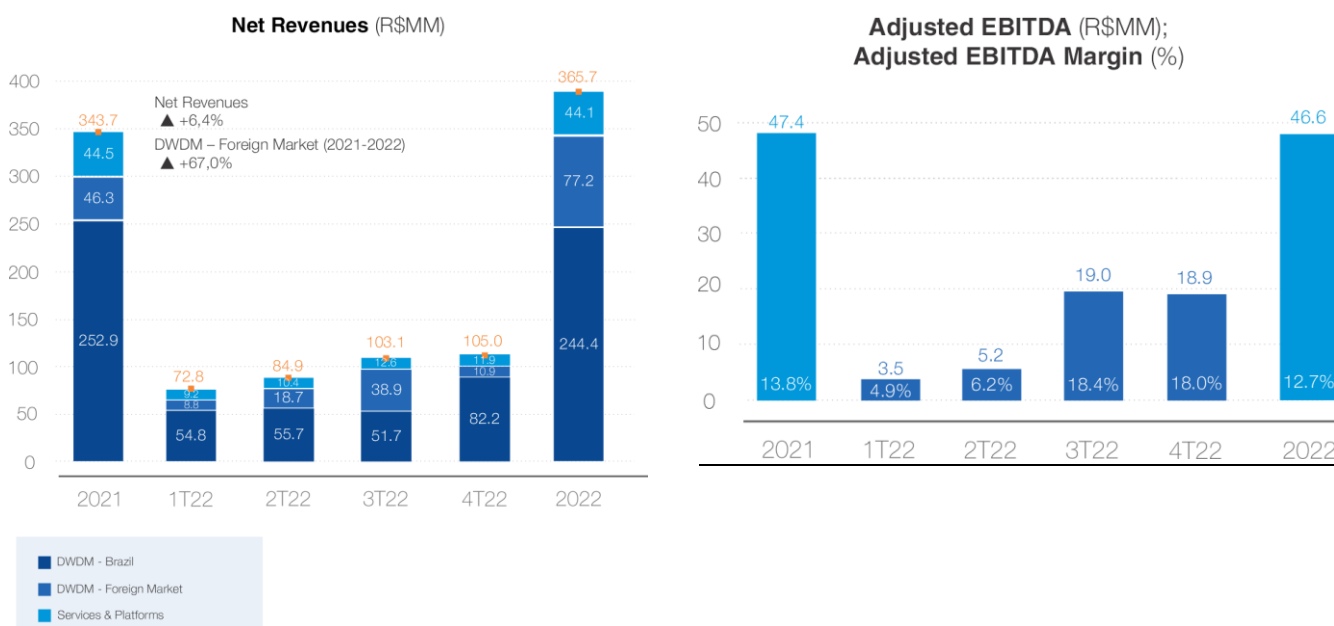
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Earnings Release 2022

Campinas, SP, March 22nd, 2023. 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, 2022 (and the fourth quarter of 2022, "4Q22"), 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.

- **2022 Highlights:**



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

Strong demand for new Padtec solutions in domestic and international environments

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

Company's own financing structures help maintain sales growth in local and international markets

Proximity and partnership with customers

- Excellent results obtained in 2022.
- Record net revenue in 4Q22: R\$105.0 million, 7.5% higher than in 4Q21. Of this amount, R\$82.2 million come from optical transport systems in Brazil, R\$10.9 million from sales of optical transport systems in the foreign market and R\$11.9 million from Services and Platforms.
- In 2022: record net revenue of R\$365.7 million in the year, 6.4% higher than in 2021.
- Net revenue from optical transport systems (DWDM equipment) in Brazil of R\$244.4 million in 2022.
- Annual record in net revenues from the foreign market: R\$77.2 million, +67.0% over 2021.
- Net revenue from Services and Platforms of R\$44.1 million in 2022, in line with the previous year. In addition to the revenues already accounted for in the annual result, a further R\$130 million in monthly recurring revenues (MRRs) already generated for the 2023-2025 fiscal years.
- Gross profit of R\$34.8 million in 4Q22, gross margin of 33.1%.

- Gross profit of R\$116.9 million in 2022, gross margin of 32.0%.
- EBITDA in 4Q22 of R\$16.9 million. Adjusted EBITDA, discounting non-recurring effects, of R\$18.9 million (increase of 40.4% over 4Q21), with an Adjusted EBITDA margin of 18.0%.
- EBITDA in 2022 of R\$44.6 million and Adjusted EBITDA of R\$46.6 million (Adjusted EBITDA margin of 12.7%), in line with the Adjusted EBITDA recorded in 2021, R\$47.4 million.
- Net income of R\$5.8 million in 4Q22. Adjusted net income, discounting non-recurring effects, of R\$8.0 million.
- Net income of R\$9.8 million in 2022. Adjusted net income, discounting non-recurring effects, of R\$12.0 million, against R\$14.4 million in the previous year.
- Investments of R\$41.7 million in R&D in 2022 (corresponding to 11% of revenue in the period).
- Net debt of R\$63.5 million, consisting of debt of R\$113.3 million and cash and cash equivalents and financial investments in guarantee of R\$49.8 million.
- Launch of new products in response to the demands presented by the telecommunications ecosystem.
- Launch of Smart Site, a platform for remote management of telecom sites that is already being installed at customers in Brazil.
- Creation of the Platforms and Solutions Department, focused on offering services and softwares as a resource to ensure quality in communication networks and increasingly replicable and scalable solutions.

R\$ thousand	Selected Financial Indicators									
	1Q21	2Q21	3Q21	4Q21	2021	1Q22	2Q22	3Q22	4Q22	2022
Gross Operating Revenues	86.133	119.554	120.427	122.658	448.772	93.748	103.470	121.398	136.674	455.290
Net Revenues	66.279	89.369	90.471	97.621	343.740	72.757	84.892	103.096	104.980	365.725
Gross Profit	23.341	31.958	32.817	34.493	122.609	20.665	28.152	33.290	34.762	116.869
Net Results	11.721	10.903	4.660	(1.734)	25.550	(4.477)	(3.787)	12.218	5.800	9.754
Adjusted Net Results	(2.774)	10.505	4.536	2.156	14.423	(4.477)	(3.787)	12.218	8.064	12.018
Adjusted EBITDA	5.816	15.323	12.837	13.418	47.392	3.533	5.224	18.976	18.845	46.578
Adjusted EBITDA Margin	8,8%	17,1%	14,2%	13,7%	13,8%	4,9%	6,2%	18,4%	18,0%	12,7%
Gross Debt	81.071	79.502	88.212	83.698	83.698	78.334	93.857	93.111	113.321	113.321
Net Debt	11.823	3.981	(8.567)	(15.525)	(15.507)	1.709	20.650	49.995	63.489	63.489

- **Padtec: 21 years making an intelligently connected world**

Every day, Padtec builds the future in the present and contributes to accelerating socioeconomic and technological development in all regions and countries where it is present. We support the critical mission of ensuring the continuity of internet services and data transmission in various sectors of the economy and, increasingly, we are expanding our presence throughout Brazil, in the Americas and also in Europe and Africa.

Since the beginning of our trajectory, Padtec has focused on the continuous improvement of its products and services, always attentive to the demands of the telecommunications and technology segments, mainly to the needs presented by its diverse types of customers. All products and services offered by the Company, developed internally or through partnerships, have a prominent level of technological content, great flexibility and high levels of robustness, quality and reliability.

In order to reach our goals, Padtec continuously analyzes growth options - organic and inorganic - that contribute to accelerate economic growth, through more sales in the domestic, Latin American and other geographic borders, in addition to developing complements to the lines of products and services that are already offered. An example of this was the launch of Smart Site in October 2022: a cloud platform aimed at remote and real-time management of network environments (websites) of operators and internet providers. With Smart Site, Padtec provides a complete and effective tool to deal with the complexities inherent in the management of these environments, minimizing the risks of interruption of critical operations.

With regard to DWDM solutions, we started 2022 with the launch of a new generation of transponders: linecards with transmission rates of 400 Gb/s per optical channel, compatible with the three shelf models of the LightPad Platform (with 2, 4 and 14U in height), ensuring suitable applications for nodes of different capacities in optical networks. New features were also introduced for Padtec NMS+ management and encryption features and OTU4 support in TM800G and TM1200G equipment.

A few weeks ago, already in January 2023, the Company launched a disaggregated dual transponder (or standalone), with SDN management (Software Defined Network), which offers high data transmission capacity – up to 400 Gb/s per optical channel, or 800 Gb/s in total – over short and medium distances, with quick and simplified installation and low power consumption, in a chassis only 1U high. This new DWDM solution meets the needs presented by ISPs for the improvement of their networks: the combination of increased operational performance with availability and flexibility for rapid expansion at a more affordable cost.

Also, in 1Q23, Padtec announced an important milestone in its trajectory: the thousand units sold of the 800 Gb/s transponder, launched in October 2020. This product offers very high data transmission rates over short, medium or long distances, which makes it possible to meet the ever-increasing increase in traffic and demand for bandwidth, not only in the networks – terrestrial and underwater – of communication operators, but also in the interconnections between data centers. The TM800G has already been sold to 70 customers in seven countries in the Americas (including Brazil and the United States of America) and has been registering sales records for companies in different segments – more than 20% of the units sold were destined for the foreign market. Recently, the product was approved in countries in Europe and Africa and of the total units sold so far, 25% were destined to new customers who became part of Padtec's portfolio.

More than 300 thousand kilometers of networks have already been lit by Padtec throughout the Latin American region, where we are present in 80% of the countries. We recently announced the opening of a commercial office in Peru, which will further accelerate our international expansion plan. Our new base in Lima will guarantee greater proximity to local customers, in a region with a strong market in the optical transmission area, mainly driven by the growing demand for broadband. Also, we have partnerships established with Televés, a Spanish-based multinational that is a reference in telecommunications infrastructure solutions, with a view to expanding operations in Europe, the Middle East and Africa (EMEA), and with Zanecom, an Angolan consultancy that acts as an integrator of information and communication technology solutions in sub-Saharan Africa.

In Brazil, the deployment of 5G networks is a journey that requires investments on several fronts, such as building communication networks across the country that will support the infrastructure for the next

generation of applications and new broadband services. New investments in high-capacity optical networks will translate into greater demand for solutions that allow greater connectivity and better quality in data services. There is no doubt that Padtec is well positioned to meet this demand, originated by the various players in the telecommunications ecosystem, such as neutral network companies, private networks focused on the industry, increasingly powerful data centers and new ISPs.

- **Retrospective of the 2022 ESG agenda**

Padtec is ESG in essence, as we are an important connection tool that goes beyond geographic borders and since 2001 we have contributed to building an increasingly digitized and even more active society in all social classes and age groups. Below we present our highlights for 2022 in the Environmental, Social and Governance pillars:

- 116 new professionals were hired, and six employees boosted their careers through the internal selection program: Padtec ended 2022 with 690 employees, including statutory and non-statutory directors, employees, interns and apprentices;
- Launch of the Technical Mentoring Program, with the aim of developing our professionals through mentoring more experienced employees;
- In an independent climate survey conducted annually among employees, we again recorded an Engagement Index above 80%;
- In an independent survey carried out with customers, the Net Promoter Score Index (NPS) reached the mark of 55.7%, maintaining the same level of loyalty reported in 2021. The same survey recorded that the General Satisfaction Level with the Company grew for the 5th consecutive year;
- We obtained the registration of four new invention patents with the INPI (the Brazilian National Institute of Intellectual Property): we now hold seven registered patents out of a total of more than 15 deposited;
- In partnership with several companies in the telecommunications sector, we participated in tests with a 5G intelligent light fixture in Campina Grande city, in the state of Paraíba, Brazil;
- Within the scope of the Padtec Iluminar program, we promoted campaigns for the donation of amounts in cash by our employees to Mobiliza Campinas (FEAC Foundation) (with a counterpart by the Company in the same amount raised), we made donations of cell phones and computers of no corporate use to the Institute Padre Haroldo and we support Gadecamp, a basketball team in wheelchairs, through the allocation of tax incentives;
- We held another edition of Pad Technology Day, which consists of an entire day of debates and lectures to exchange knowledge about technology with the participation of several customers;
- We participated in the Sustainable Spaces project, which included the revitalization of a square at Unicamp;
- We held the 3rd edition of the free event for women software testers, “Mulheres em Tec”;
- We completed the launch of the Company's official profile on Instagram, @padtec;
- We were ranked 1st in the DWDM item of the survey Outstanding Brands in Internet Providers (“As Marcas de Destaque nos Provedores de Internet”) carried out by RTI magazine;
- We implemented the Environmental Management System according to ISO 14001:2015;
- We received the recertification of the Quality Management System according to ISO 9001 for the 6th consecutive time;

- We launched our Policy for the Donation of Scrapped Materials with the definition of guidelines for the donation of already discarded materials, whose residues do not require specific treatment to mitigate significant environmental impacts, if they are handled in a non-environmentally appropriate manner;
- We held the 2nd edition of Compliance Week, aimed at all employees of the Company;
- In September, Carlos Raimar Schoeninger, Padtec's Chief Executive Officer, was elected Investor Relations Officer and Ramon Cabral Pereira (who had been the Financial Manager since July 2021), Chief Financial Officer;
- Creation of the Platform and Solutions Department in November, with the aim of making the services unit even more strategic and dedicated to the development of platforms and complete solutions for the telecommunications sector, in order to monitor – and even anticipate – the evolution from the market. Alexandre Piovesan, who since 2016 has been managing the field services area, leading the team responsible for carrying out installation, operation and maintenance services for telecommunications networks in Brazil and abroad, has assumed this new position.

- **Padtec's business model**

Padtec's revenues are obtained through the DWDM Systems business unit and the Services and Platforms business unit. For the DWDM Systems business unit, Padtec has two customer delivery models in summary:

In the first model, the customer buys a “turn key” project, in which Padtec will be responsible not only for the manufacture and delivery of the equipment, but also for its installation, commissioning and all the project's functioning tests, providing the customer with an optical network fully ready to go into operation. In this model, the accounts receivable process is usually divided into two components:

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

The following diagram illustrates in a simplified way the supply model “turn key”:



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



It should be noted, therefore, that the Company's sales cycle is relatively extensive and any changes in this cycle may take more than 45 days to be accounted for in the billing.

With the creation of the Platforms and Solutions Department, Padtec seeks to increase its offer of increasingly replicable and scalable services and solutions, which will enable an increase in the recurrence of its revenues.

- **The Company's result in 2022**

2022 was surrounded by uncertainties and quite challenging for the vast majority of companies, regardless of the sector in which they operate or geographical reach. The challenges faced on several fronts - macroeconomic (higher financing costs, increase in interest rates and inflation, etc.), local politics, geopolitics, imbalance in the supply of inputs for microelectronics, pressure on logistical costs, lockdowns and stoppages in manufacturing activities in China – were significant and left marks in all segments.

Over the past twelve months, Padtec has been focused on its customers' needs and well positioned to serve the telecommunications ecosystem with quality, agility, speed, proximity and proactivity. Thus, the Company continued to offer, in a competitive manner, innovative and state-of-the-art technology solutions and services and recorded excellent results, both in 4Q22 and in the year.

For the near future, Padtec plans to maintain its focus on international growth, strengthening its commercial and financial partnerships. New product lines are also being studied, software platforms, special services and RAN solutions in 4G and 5G – which can be developed organically (in house) or inorganically (through partnerships and/or acquisitions).

In addition to the result recorded in 2022, the Company ended last year with a backlog of gross revenue for the coming years in the amount of R\$167 million, with approximately 22% of this amount referring to sales of DWDM optical transport systems and 78% to monthly recurring revenues from services and platforms (monthly recurring revenue or MRRs) for the years 2023 to 2025.

Operating income

In 2022, gross operating revenue reached a new annual record: R\$455.3 million, 1.5% above the previous year, R\$448.8 million. In 4Q22, gross operating revenue was also a record: R\$136.7 million, growth of 12.6% over 3Q22 and 11.4% compared to 4Q21.

Net revenue reached R\$365.7 million in the year, an increase of 6.4% compared to 2021, an annual record. Of this amount, 67% corresponds to revenues from optical transport systems in Brazil, 21% to revenues from optical transport systems in the foreign market and 12% to revenues from Services and Platforms, which includes high technology services that help in the operation and development of the Company's customer data networks.

The expansions, improvements and investments made by local customers throughout 2020 and 2021, a period with a substantial increase in data traffic over fiber optic networks due to greater demand by internet end users in the critical moments of the Covid 19 pandemic, reflect on the slowdown in domestic market demand observed in the first months of last year. However, as of the third quarter, operators resumed their projects to increase capacity, contributing to the net revenue obtained from DWDM systems in Brazil in 2022: R\$244.4

million. Of this amount, around 43% (or R\$104.3 million, a growth of 122% over 2021) came from the robust investments in infrastructure reinforcement carried out by ISPs in Brazil.

The strong investments in infrastructure reinforcement carried out in recent years have also been taking place in other Latin American countries. The Company's sales in the foreign market were a major highlight of last year with the generation of R\$77.2 million in net revenue, 67% higher than that recorded in 2021. Padtec continues with its internationalization plan and the opening of the commercial office in Peru announced in February reinforces this strategy.

Sales in the foreign market also benefited from the forfait discount operations that began in 1Q22 and are intended to facilitate access to the financial resources necessary for the acquisition of the Company's products by customers located outside Brazil. And to facilitate the access of customers in the domestic market to the financial resources necessary for the acquisition of its products, Padtec makes available vendor financial operations and credit rights investment funds (FIDC Sifra and FIDC Funttel Padtec).

Net revenues from Services and Platforms totaled R\$44.1 million in 2022, unchanged compared to 2021.

In 4Q22, net revenues amounted to R\$105.0 million, a quarterly record, 1.8% higher than 3Q22 and 7.5% higher than 4Q21.

R\$ thousand	NET REVENUES										4Q2022 x	4Q2022 x	2022 x
	1Q2021	2Q2021	3Q2021	4Q2021	2021	1Q2022	2Q2022	3Q2022	4Q22	2022	4Q2021	3Q2022	2021
DWDM Brazil	44.022	70.383	72.003	66.535	252.943	54.770	55.738	51.656	82.240	244.403	23,6%	59,2%	-3,4%
DWDM Foreign Market	10.304	7.236	8.386	20.330	46.256	8.782	18.707	38.869	10.856	77.213	-46,6%	-72,1%	66,9%
Services & Platforms	11.952	11.749	10.085	10.754	44.540	9.205	10.447	12.571	11.886	44.109	10,5%	-5,5%	-1,0%
Total Revenues	66.278	89.368	90.474	97.619	343.740	72.757	84.892	103.095	104.982	365.725	7,5%	1,8%	6,4%

Gross profit

Gross profit in 2022 reached R\$116.9 million, with a gross margin of 32.0%, compared to R\$122.6 million, and a gross margin of 35.7%, in the previous year. The gross margin remained above 30% (as in recent years) despite the pressure imposed by the cost of components and coordination chains. Increases in labor and travel expenses also impacted the cost of goods sold and services provided and justify the 4.7% reduction in gross profit compared to 2021.

In 4Q22, gross profit totaled R\$34.8 million (gross margin of 33.1%), an increase of 4.4% compared to 3Q22, R\$33.3 million, and in line with 4Q21, R\$ 34.5 million.

Operating Expenses / Revenues

The readjustment in employee salaries approved in 2022, the increase in corporate travel and higher inflation rates contributed to the growth in operating expenses.

In 2022, administrative expenses were R\$29.2 million, 5.0% above the previous year, R\$27.8 million. In 4Q22, R\$6.4 million were spent, 16.5% below 3Q22 (R\$7.6 million) and 27.1% less than in 4Q21 (R\$8.8 million).

Selling expenses totaled R\$32.6 million in twelve months, growth of 3.1% over the previous year, R\$31.6 million. In 4Q22, these expenses amounted to R\$7.9 million, unchanged over 3Q22 (also R\$7.9 million) and 14.0% lower than in 4Q21, R\$9.2 million.

In 2022, R\$41.7 million were invested in research and development (R&D), against R\$43.6 million in 2021. As the amount recorded in the Income Statement shows the effect of deferrals, in that report these expenses add up to R\$34.7 million in 2022, compared to R\$33.5 million in the previous year. R&D investments totaled R\$11.3 million in 4Q22, R\$9.5 million in 3Q22 and R\$13 million in 4Q21.

Other operating revenues amounted to R\$6.7 million in 2022. Changes made in the classification of provisions for contingencies, reversal of provisions for doubtful accounts and payments of indemnities in labor and civil claims make up this amount. In 2021, other operating income of R\$0.1 million was recorded.

Financial result

The financial result in 2022 resulted in a loss of R\$17.0 million, consisting of financial income of R\$19.0 million and financial expenses of R\$36.0 million.

In 4Q22, the net financial result was negative by R\$6.0 million, compared to a loss of R\$1.9 million in 3Q22 and a loss of R\$4.8 million in 4Q21.

Results from the period

Net income obtained in 2022 was R\$9.8 million, compared to R\$25.6 million in the previous year. The result for 2021 was impacted by the inflow of R\$13.3 million from discontinued operations: R\$12 million from the receipt of the third and final installment related to the sale of the Subsea Systems division and R\$1.3 million from the sale of the remaining equity interest in Batanga, an investee company of the then Ideiasnet S.A..

In 4Q22, net income was R\$5.8 million, compared to R\$12.2 million in 3Q22 and a loss of R\$1.7 million in 4Q21.

In addition to the accounting result, the Company presents its adjusted net result below, disregarding, as it does in Adjusted EBITDA, the non-recurring effects. In 4Q22, the Company wrote off credit receivables in the amount of R\$2.3 million (R\$0.3 million of which refers to financial income) arising from a financial transaction carried out in 2018. Padtec regularly performs a risk assessment of its receivables and in the analysis carried out last year did not identify expectations for the recovery of this amount. In 2021 the following adjustments were discounted: (i) the third milestone related to the divestment of the Subsea Systems business division carried out in 2019 (net income from tax effects), (ii) the sale of the remaining equity interest in Batanga, (iii) tax credits eligible for offset, resulting from a final favorable decision in a proceeding regarding the exclusion of ICMS from the PIS/Cofins calculation base and (iv) the write-off of expenses related to a possible public offering of the Company's shares not carried out in that year.

Adjusted Net Result										
R\$ thousand	1Q21	2Q21	3Q21	4Q21	2021	1Q22	2Q22	3Q22	4T22	2022
From Net Result to Adjusted Net Result										
Net Result	11.721	10.903	4.660	(1.734)	25.550	(4.477)	(3.787)	12.218	5.800	9.754
Fiscal Credits (PIS/Cofins)	(1.736)	-	-	-	(1.736)	-	-	-	-	-
Write-Offs of Other Credits	-	-	-	-	-	-	-	-	2.264	2.264
Net Income from Discontinued Operations and Others	(12.759)	(398)	(124)	-	(13.281)	-	-	-	-	-
Public Offering of Shares Not Carried Out	-	-	-	3.890	3.890	-	-	-	-	-
Adjusted Net Result	(2.774)	10.505	4.536	2.156	14.423	(4.477)	(3.787)	12.218	8.064	12.018

Adjusted EBITDA

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

Adjusted EBITDA										
R\$ thousand	1Q21	2Q21	3Q21	4Q21	2021	1Q22	2Q22	3Q22	4Q22	2022
From EBITDA to Net Income										
Net Income	11.721	10.903	4.660	(1.734)	25.550	(4.477)	(3.787)	12.218	5.800	9.754
Depreciation & Amortization	3.143	3.899	4.002	4.257	15.301	3.750	4.185	4.852	4.651	17.438
Net Financial Results	(168)	(328)	4.630	4.770	8.904	4.259	4.918	1.906	5.956	17.038
Income tax and social contribution	5.613	1.247	(331)	2.235	8.764	1	(92)	-	459	368
EBITDA	20.309	15.721	12.961	9.528	58.519	3.533	5.224	18.976	16.866	44.598
Fiscal Credits (PIS/Cofins)	(1.736)	-	-	-	(1.736)	-	-	-	-	-
Write-Offs of Other Credits	-	-	-	-	-	-	-	-	1.979	1.979
Net Income from Discontinued Operations and Others	(12.759)	(398)	(124)	-	(13.281)	-	-	-	-	-
Public Offering of Shares Not Carried Out	-	-	-	3.890	3.890	-	-	-	-	-
Adjusted EBITDA	5.814	15.323	12.837	13.418	47.392	3.533	5.224	18.976	18.845	46.577
Adjusted EBITDA Margin	8,8%	17,1%	14,2%	13,7%	13,8%	4,9%	6,2%	18,4%	18,0%	12,7%

In 2022, EBITDA reached R\$44.6 million. For the calculation of Adjusted EBITDA, the non-recurring effect of the write-off of credits receivable in the net amount of R\$2.0 million mentioned above was discounted. Therefore, Adjusted EBITDA was R\$46.6 million (and Adjusted EBITDA margin was 12.2%), in line with the Adjusted EBITDA recorded in 2021.

In 4Q22, EBITDA reached R\$16.9 million. Adjusted EBITDA in the quarter was R\$18.9 million (Adjusted EBITDA margin of 18.0%), in line with 3Q22 (R\$19.0 million) but 40.4% higher than 4Q21 (R\$13.4 million).

Debt, cash and capital structure

Loans and financing at the end of 2022 were R\$92.4 million (compared to R\$52.3 million in December 2021), consisting of credit lines for working capital raised from Banco Safra, Banco ABC Brasil and Banco Daycoval, funds taken from FINEP and funds raised in a FINIMP transaction carried out in 4Q22.

In addition to the FINIMP transaction, new releases of credit lines granted by FINEP, which are part of contracts signed in the last three years and whose resources are destined to investments in new products and technologies and released according to the disbursements and proof of execution of the strategic innovation plan of the subsidiary Padtec S.A., contributed to the increase in the Company's debt in 2022.

In addition to the instruments above, in December 2020, Padtec S.A. issued R\$40.0 million in simple non-convertible debentures due in December 2024. The balance of debentures at the end of 4Q22 totaled R\$21.0 million (compared to R\$31.4 million at the end of 2021).

Total debt at the end of 2022, adding loans, financing and debentures, was R\$113.3 million, 35.4% higher than in December 2021, R\$83.7 million. The average funding cost was 8.6% per year (compared to 9.9% per year in 2021) and around 30% of obligations were short-term, demonstrating the good profile of the Company's debt.

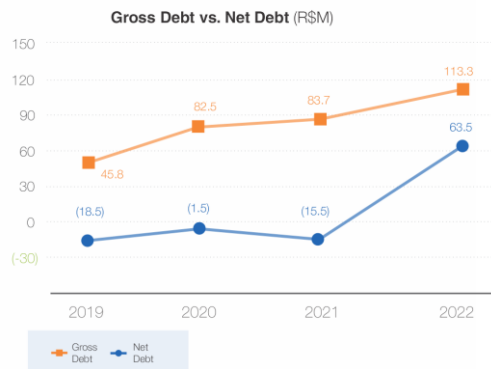
Modality	Agreed Rate	Annual Average Effective Rate	Due Date (Maturity)	Guarantee	Dec 31, 2021	Dec 31, 2022
Working Capital - Safra	CDI + 5,53% p.a.	19,33%	10/22/20 until 09/23/25	-	8.602	6.752
Working Capital - Daycoval	CDI + 5,9% p.a.	19,72%	10/29/20 until 09/30/24	Receivables	7.646	3.007
Working Capital - ABC Brasil	CDI + 4,38% p.a.	18,13%	12/23/20 until 05/23/24	Receivables	7.801	5.130
FINIMP - credit letter	10,14% p.a.	10,14%	03/20/23	Credit Letter	-	14.687
FINEP	TR + 2,30% and 2,80% p.a.	3,98%	02/15/20 until 03/15/42	Bank Guarantee	28.244	62.788
					52.293	92.364
Padtec S.A. debentures	CDI + 3,80% p.a.	16,60%	03/21/21 until 12/21/24		31.405	20.957
					83.698	113.321
Current liabilities					20.633	34.112
					0,25	0,30
Non-current liabilities					63.065	79.209
					0,75	0,70
					83.698	113.321

Repayment Schedule by Year of Maturity - R\$ thousand							
	2023	2024	2025	2026	2027	2028 onwards	total
Loan and financing	23.595	11.704	3.983	3.983	3.983	45.116	92.364
Debentures	10.517	10.440	-	-	-	-	20.957
Total	34.112	22.144	3.983	3.983	3.983	45.116	113.321

The amounts available in cash and cash equivalents at the end of 2022 totaled R\$49.6 million (compared to R\$87.5 million at the end of 2021) and financial investments in guarantee, R\$0.2 million (compared to R\$11.8 million in December 2021), totaling R\$49.8 million. The increase in customer financing with own cash, leading to a longer financial cycle and reflecting the 56.0% increase in the amounts recorded in Accounts Receivable from the Company's customers in this period, explain the reduction of R\$49.4 million in the year from 2022.

In December 2022, net debt was R\$63.5 million, with a net debt/LTM Adjusted EBITDA ratio¹ of 1.36 and a net debt/equity ratio of 0.47. The Company considers that its capital structure allows it to conduct its operations in a safe and sustainable manner, keeping current financing operations available for its customers.

¹ LTM Adjusted EBITDA corresponds to the sum of Adjusted EBITDA registered in the last twelve months.



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 2022, the Company's balance sheet had transactions of this nature in the amount of R\$77.2 million, given as guarantee for financing taken out by some of its customers. Around 53% of these obligations are short-term (47% long-term) and the counterpart of these entries is recorded in current assets and non-current assets. The 68.0% increase compared to the amount recorded at the end of 2021 is mainly due to the start of the offer of forfait discounts in 1Q22.

Financial Transactions - Co-obligations		
R\$ thousand	2021	2022
Vendor	44.792	50.371
FIDC Sifra	1.203	31
Forfait	-	26.835
Total	45.995	77.237
Short Term	32.770	41.125
	71,2%	53,2%
Long Term	13.225	36.112
	28,8%	46,8%
Total	45.995	77.237

These transactions have been carried out by the Company for about five years and credits have already been granted to more than 30 customers. The fact that the portfolio is highly dispersed contributes to the proper management of financial risk and maintenance of default close to zero. Padtec performs a rigorous follow-up with each of its clients, aiming at mitigating the credit risk of its counterparties.

FIDC Funttel Padtec

In addition to the aforementioned instruments, at the end of 2021, the Company structured an investment fund in credit rights together with BNDES Participações S.A. – BNDESPAR (BNDESPAR) and for the payment of its quotas, funds raised from the Fund for the Technological Development of Telecommunications (FUNTTEL) are used. FIDC Funttel Padtec has BNDESPAR as a senior shareholder and subsidiary Padtec S.A. as a subordinate shareholder, in the proportion of 80%/20% respectively. The fund started in 2Q22 and its objective is to, through the granting of credit to Padtec's customers, stimulate the process of technological

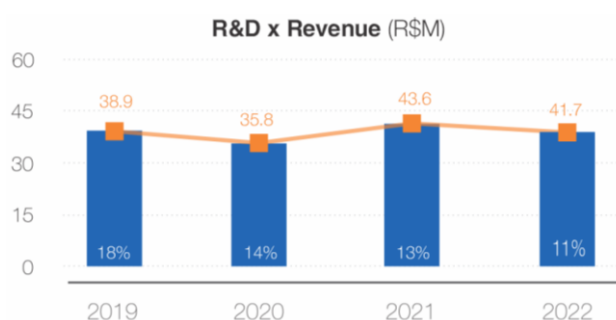
innovation, encourage the training of human resources, foster job creation and promote access for small and medium-sized companies to capital resources, in order to increase the competitiveness of the Brazilian telecommunications industry. In 2022, the fund's shareholders provided R\$12.5 million and credits in the amount of R\$9.7 million were granted to ten Padtec customers (and of this amount, around 92% remain outstanding).

The FIDC Funttel Padtec is consolidated in the Company in accordance with the rules of Technical Pronouncement CPC 36 (R3) Consolidated Statements, correlated to International Accounting Standards – IFRS 10 (IASB - BV 2012). However, for the purposes of this Earnings Release, the values of the FIDC Funttel Padtec are not considered for the calculations and analyzes presented in the section “Debt, cash and capital structure”.

Investments

In 2022, Padtec invested R\$41.7 million, including expenses with research and development (R&D) and amounts allocated to intangible assets, against R\$43.6 million in the previous year. In 4Q22, R\$11.3 million was invested, including R&D expenses and amounts allocated to intangible assets, compared to R\$9.5 million in 3Q22 and R\$13.0 million in 4Q21.

On average, the Company invests 12% of its annual revenue in R&D. These investments aim to allow Padtec to continue providing solutions capable of adapting to the constant changes and evolution of the market. Additionally, the partnerships developed with universities and research centers allow Padtec to increase and diversify the set of technological innovations offered, always being at the frontier of knowledge in its area of activity and, consequently, maintaining its competitiveness. In 2022, Padtec obtained the registration of four new invention patents at the Brazilian National Institute of Intellectual Property - INPI, reaching the milestone of seven patents granted out of a total of more than 15 filed.



The Company regularly launches new products and solutions on the market, in order to meet the demands presented by its customers and other players in the telecommunications ecosystem. For the coming years, Padtec plans to increase its leadership in the Brazilian market, maintain its growth in the international market, the development of new products, solutions and software platforms to meet the evolution towards SDN networks (Software Defined Networks) and in more resources of intelligence, with low-cost ROADMs (Reconfigurable Optical Add-Drop Multiplexer).

- Income Statement – Consolidated

(in thousand of Brazilian Reals)	CONSOLIDATED									
	1Q21	2Q21	3Q21	4Q21	2021	1Q22	2Q22	3Q22	4Q22	2022
Gross operating revenues	86.133	119.554	120.427	122.658	448.772	93.748	103.470	121.398	136.674	455.290
Sales taxes	(19.854)	(30.185)	(29.956)	(25.037)	(105.032)	(20.991)	(18.578)	(18.302)	(31.694)	(89.566)
Net operating revenues	66.279	89.369	90.471	97.621	343.740	72.757	84.892	103.096	104.980	365.725
Cost of products sold and services rendered	(42.938)	(57.411)	(57.654)	(63.128)	(221.131)	(52.092)	(56.740)	(69.806)	(70.218)	(248.856)
Gross profit	23.341	31.958	32.817	34.493	122.609	20.665	28.152	33.290	34.762	116.869
Operational income (expenses)										
Administrative expenses	(6.462)	(6.535)	(6.016)	(8.756)	(27.769)	(6.889)	(8.247)	(7.643)	(6.383)	(29.162)
Commercial expenses	(7.769)	(7.101)	(7.517)	(9.175)	(31.562)	(8.028)	(8.754)	(7.884)	(7.890)	(32.556)
Research and development expenses	(5.691)	(7.854)	(9.180)	(10.889)	(33.494)	(8.438)	(9.235)	(8.941)	(8.065)	(34.679)
Other operational expenses (income)	888	956	(1.289)	(402)	153	2.473	(877)	5.302	(210)	6.688
	(18.934)	(20.534)	(23.982)	(29.222)	(92.672)	(20.882)	(27.113)	(19.166)	(22.548)	(89.709)
Profit/(losses) before financial income (expenses)	4.407	11.424	8.835	5.271	29.937	(217)	1.039	14.124	12.215	27.161
Financial income	(5.332)	(3.787)	(7.501)	(9.088)	(25.708)	(10.158)	(10.691)	(7.580)	(7.587)	(36.016)
Financial expenses	5.500	4.115	2.871	4.318	16.804	5.899	5.773	5.674	1.631	18.977
Profit/(losses) income tax and social contribution	4.575	11.752	4.205	501	21.033	(4.476)	(3.879)	12.218	6.259	10.122
Income tax and social contribution						-				-
Current	(5.613)	(1.247)	331	(2.235)	(8.784)	(1)	92	-	(459)	(388)
Deferred	-	-	-	-	-	-	-	-	-	-
Profit in the period from continuing operations	(1.038)	10.505	4.536	(1.734)	12.269	(4.477)	(3.787)	12.218	5.800	9.754
Discontinued operations										
Net income from discontinued operations	12.759	398	124	-	13.281	-	-	-	-	-
Net income from discontinued operations	12.759	398	124	-	13.281	-	-	-	-	-
Net profit in the period	11.721	10.903	4.660	(1.734)	25.550	(4.477)	(3.787)	12.218	5.800	9.754

- **Balance Sheet – Consolidated**

(in thousand of Brazilian Reals)	Consolidated		Consolidated	
	12/31/2021	12/31/2022	12/31/2021	12/31/2022
Assets				
Current				
Cash and cash equivalents	87.468	49.620		
Marketable securities	-	3.703		
Accounts receivable	95.121	134.999		
Inventories	81.442	93.435		
Recoverable taxes	25.226	34.330		
Sales financing operation	32.770	41.125		
Other credits	4.873	5.494		
Total current assets	326.900	362.706		
Non-current				
Accounts receivable	-	13.267		
Restricted financial investments	11.737	212		
Sales financing operation	13.225	36.112		
Judicial deposits	1.373	1.167		
Other credits	69	409		
Fixed assets	38.702	37.571		
Intangible assets	37.985	45.175		
Total non-current assets	103.091	133.913		
Total assets	429.991	496.619		
Liability				
Current				
Loans and financing			10.087	23.595
Debentures			10.546	10.517
Commercial leasing operations			4.086	6.044
Suppliers			62.497	68.223
Forfeiting			1.110	-
Related parties			6	344
Payable taxes and contributions			9.107	14.541
Payable taxes and contributions in installment			7.129	1.931
Social contributions			24.660	22.774
General provisions			2.450	2.689
Sales financing operation			32.770	41.125
Advances from customers			6.865	1.458
Other accounts payable			766	355
Total current liabilities			172.079	193.596
Non-current				
Loans and financing			42.206	68.769
Debentures			20.859	10.440
Suppliers			1.101	522
Provisions for labor and tax risks			30.985	19.308
Commercial leasing operations			20.023	18.909
Payable taxes and contributions in installment			1.176	2.016
Sales financing operation			13.225	36.112
Liabilities - FIDC Senior Shares			-	10.393
Other accounts payable			-	875
Total non-current liabilities			129.575	167.344
Total liabilities			301.654	360.940
Equity				
Capital stock			199.211	199.211
Accumulated losses			(70.534)	(60.780)
Currency translation adjustments			599	599
Other comprehensive income			(939)	(3.351)
Total of shareholders' equity			128.337	135.679
Total of liabilities and shareholders' equity			429.991	496.619

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.