

Individual and Consolidated Financial Statements

Brisanet Participações S.A.

December 31, 2022
with Independent Auditor's Report

Brisanet Participações S.A.

December 31, 2022

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MANAGEMENT REPORT – Fiscal year ended on 12/31/2022

MESSAGE FROM MANAGEMENT

When looking at the history of our Company, we realize an aspect that has always stayed with us for all these years: the ability to connect people regardless of where they are. The ability to innovate even in the face of difficulties has always accompanied us and this has enabled us to promote a true technological revolution in the Brazilian Northeast. During these almost 25 years of existence, we have promoted initiatives that put the Brisanet Group at the forefront of the telecommunications market. Now, being about to debut as a mobile operator, we understand that we are on the right path.

In terms of expansion of the area of operations, 2022 was a crucial year in the strategy of expanding our network and infrastructure. We activated a total of 34 new cities, highlighting our entry into two important metropolitan regions in the Northeast: Recife and its metropolitan region and the North of Bahia. With this, we continue to guarantee leadership in fixed broadband market share in the region and increasingly consolidate our leading role in the national telecom market.

As we expand our infrastructure in a more mature and efficient way, we continue to stand out among ISPs. We ended last year with a positive balance and posted the highest organic growth in the fixed broadband market. With Brisanet, we conquered 256,800 customers in a completely organic way and we obtained another 26,200 customers through the Agility Telecom brand, totaling a significant growth of 283,000 new customers added to our portfolio in 2022.

The last year was also one of overcoming difficulties for our Company. Although we faced a scenario of great competition and challenges, we reduced costs, improved our performance and financial health, realigned prices and optimized our investments. The EBITDA margin started at 35.8% in 1Q22 and grew by almost 16 percentage points, reaching 51.5% in 4Q22 and 44.2% in the year. Our profit also grew by around 2,600% in 2022, reaching R\$60.7 million.

Now, our biggest challenge is to start the mobile service directing our efforts towards the commercialization and coverage strategy. To this end, we project continued growth in our FTTH base, understanding that we have to raise take up rates in the 54 cities added in the last 18 months. In all, we invested more than R\$850 million in 2022 and projected an amount of R\$700 million for 2023, cautiously considering the challenging Brazilian and global macroeconomic scenario. However, we started 2023 with a positive balance and without the need to raise additional funds, with a cash balance of almost R\$600 million and an optimistic perspective of even more operating cash generation in 2023.

As we expand our operations, we are valuing human and organizational development. In the last year, we launched the internal engagement platform, Universo Brisa, aiming to connect our employees to the Company's culture; we carried out several internal marketing actions and promoted Health and Safety at Work initiatives, maintaining our commitment to quality of life. Our brand also continues to promote many opportunities centered on young workers looking for their first job. Today, approximately 70% of our workforce entered the job market through Brisanet, which evidences a strong characteristic of our DNA: providing the insertion and development of young people in the labor market, thus generating employment and income.

The Company also continues to make progress in planning strategies aligned with ESG practices. In 2022, we launched the first annual sustainability report, which presented the Group's operations,

initiatives, achievements and challenges. This year, in addition to continuing existing social campaigns, we will begin to implement new initiatives such as: creation of an inventory of CO2 emissions; transition of part of the energy matrix to renewable energy; creation of the Brisagnet Institute and training actions for the community. We understand that sustainability is a journey and in this sense, we are committed to progressing our business practices to ensure greater socio-environmental responsibility.

The year 2023 arrives full of challenges, goals and opportunities that will drive the Brisagnet Group to go further and further in its expansion. We are building an infrastructure that is the tool that facilitates the dissemination of knowledge in a uniform manner, which historically only reaches small municipalities years after reaching large urban centers. Our history proves that we can democratically enable high-performance connectivity, whether in the interior or in the capitals. We did it when we pioneered fiber optic technology in 2011, and we'll do it again this year when we start commercializing 5G. In this way, we are committed to being, once again, a fundamental instrument for connecting people, regardless of where they are.

José Roberto Nogueira
CEO

HIGHLIGHTS

Brisanet	2022	2021
<u>Operating Highlights</u>		
Cities served	154	120
Access Ports - '000	4,231	3,234
HP added- '000	1,655	1,900
Total HP - '000	6,117	4,462
HC added- '000	257	53
Total HC - '000	1,100	843
<u>Financial Highlights (R\$ million)</u>		
Net Revenue	985.2	728.8
Gross Margin (%)	42%	45%
Operating Income	166.6	79.8
EBITDA ¹	435.8	237.4
Adjusted EBITDA	435.8	271.4
Adjusted EBITDA Margin (%)	44%	37%
Net Income (loss)	60.7	2.2
Net Debt	743.8	74.6
Net Debt/LTM EBITDA (x)	1.7	0.3

¹ EBITDA conciliation to Net Income:

(in million of R\$)	2022	2021
Net Income	60.7	2.2
(+) Depreciation and amortization	269.2	157.6
(+) Financial Result	61.0	67.5
(+) Taxes (IR and CSSL)	44.9	10.1
EBITDA	435.8	237.4
(+) Installation costs	-	24.5
(+) Non-recurring expenses	-	9.5
Adjusted EBITDA	435.8	271.4

OPERATIONAL PERFORMANCE

Brisanet ended 2022 with fixed broadband service through optical fiber in 154 cities, in all 9 states of the Northeast region.

The Company added 257,000 new customers in 2022, ending the year with 1,100,000 customers and showing the highest growth among all Brazilian operators, as published by the National Telecommunications Agency – Anatel.

The year 2022 was marked by a first semester of intense geographic expansion with the arrival in 29 new cities, including the entry into the last state of the NE, Bahia. In the second half, in view of the more complex macroeconomic scenario with the maintenance of basic interest rates in the economy at a high level, the Company opted to reduce the pace of expansion and entered only 5 new cities. In the year, 1.7 million HPs (households) were added and on December 31, 2022 it had 6,117 thousand HPs, a growth of 37%.

Brisanet	2022	2021
<u>Operating Highlights</u>		
Cities served	154	120
Access Ports - '000	4,231	3,234
HP added- '000	1,655	1,900
Total HP - '000	6,117	4,462
HC added- '000	257	53
Total HC - '000	1,100	843

Given this expansion, we are already in 7 state capitals and their metropolitan regions. In the capitals where the service started more than 2 years ago, such as João Pessoa, Natal and Maceió, Brisanet has a market share in optical fiber between 50% and 70%, even with the presence of national players and regional providers.

In 2023, the focus is on occupying the infrastructure that was built over the last eighteen months, with an estimated growth in the customer base of around 20,000 customers per month.

Brisanet also operates through its franchisor, Agility Telecom. The Agility Telecom brand is represented by 90 franchisees that operate in smaller cities or rural districts in the Northeastern states – Ceará, Rio Grande do Norte, Paraíba, Pernambuco and Alagoas – serving 216.3 thousand customers.

FINANCIAL PERFORMANCE

Net Revenue

In 2022, Brisanet presented consolidated net revenue of R\$985.2 million, a 35% growth compared to 2021. This growth is basically explained by the 30% growth in the customer base, a 2% increase in ARPU (average gross ticket) from B2C customers and the increase in revenue from B2B customers.

The Company offers a range of products and services, with fixed broadband being the main one, representing more than 91% of revenue.

Revenue from franchisees represented 3% of gross revenue.

Gross Margin

The Company posted gross profit of R\$412.4 million, with a margin on net revenue of 42% in 2022, compared to R\$324.3 million and a margin of 45% in 2021. The entry into 34 new cities brought a cost growth – notably right of way and depreciation – which was partially offset by the improvement in the productivity of teams with growth below the increase in infrastructure, causing personnel costs to grow less than revenue.

Operational Expenses

Operating expenses totaled R\$245.8 million in 2022, compared to R\$244.5 million in 2021.

Commercial expenses were R\$89.9 million in 2022, compared to R\$69.2 million in 2021, an increase of 30%, mainly related to the increase in commercial headcount and marketing expenses given the greater number of cities and the growth of the customer base in the period, having grown proportionally to the broadband base.

General and administrative expenses totaled R\$110.3 million in 2022, down 27% when compared to 2021. The Company implemented a series of initiatives to reduce costs during 2022, in addition, some areas were reclassified from administrative expenses to costs.

Expenses with allowance for losses with receivables were R\$9.7 million higher in 2022, following the increase in revenue, and totaled R\$30.7 million.

Other operating expenses, including tax expenses, amounted to R\$14.9 million in 2022, compared to R\$4.3 million in 2021. The increase is due to higher tax expenses in the amount of R\$2.9 million and higher provision for write-off of property, plant and equipment in the amount of R\$7.8 million.

EBITDA

Brisanet's EBITDA was R\$435.8 million in 2022, growing 61% in relation to the Adjusted EBITDA registered in 2021. incidence of fixed expenses prior to the full occupation of new areas, in addition to initiatives to reduce costs and increase productivity, both from May/June 2022.

EBITDA margin was 44.2% in 2022, 7 p.p. higher than the 37.2% registered in 2021.

Financial Result

Net financial result was a negative R\$61.0 million in 2022, 10% less than the negative R\$67.5 million registered in 2021. Despite the gross debt having risen 20% and the debt indexes - CDI and IPCA - also having increased, leading interest expenses to register an amount R\$54.7 million higher in 2022, these impacts were offset by higher income from financial investments (R\$34.8 million) and lower result from exchange variation (R\$23.8 million). The result of exchange exposure, measured by asset and liability exchange variations and the result of derivative operations, was negative by R\$17.5 million in 2021 and positive by R\$6.3 million in 2022. This was both a reflection of the behavior of the dollar in relation to the real, with appreciation in 2021 and devaluation in 2022, as well as the Company's lower foreign exchange exposure since in 1Q22, when the R\$/US\$ parity was lower than R\$5.00, a significant portion of the balance of international suppliers was settled.

Net Income

As a result, the Company posted net income in the 2022 fiscal year in the amount of R\$60.7 million, compared to a net income of R\$2.2 million in the 2021 fiscal year.

Indebtedness

Brisanet had gross debt of R\$1,338.9 million on December 31, 2022, compared to R\$1,122.1 million at the end of 2021. This increase reflects the issue of R\$300 million of long-term debentures in August 2022 to face the investments planned for 2023.

Considering a cash position at the end of 2022 of R\$595.1 million, the Company's net debt totaled R\$743.8 million, compared to R\$74.6 million at the end of 2021.

The Company monitors the net debt/EBITDA indicator as a reference for its level of indebtedness. This is the same metric used for the financial limits imposed by the debentures, where this indicator cannot be greater than 3.5x in the year. In 2022, net debt/EBITDA was 1.7x.

Management has established a maximum internal limit of 2.5x and intends to carry out its investments in an adequate manner so as not to exceed this limit.

Investments

In 2022, Brisanet invested, when measured by additions to fixed and intangible assets, the amount of R\$857.0 million, compared to R\$883.7 million in 2021.

Of this amount, approximately R\$230 million corresponds to the purchase of equipment for the assembly of ERBs (radio base stations) for 5G. This purchase is recorded in Advances to suppliers (R\$144.2 million in Dec/22) and Fixed Assets in warehouse and aims to enable the implementation of 5G. In addition, we have approximately R\$49 million in Fixed Assets in Progress also referring to 5G, totaling R\$279 million disbursed with the mobile business in 2022.

The Company has an inventory of equipment and buildings to activate in 2023, accounted for in 'fixed assets and imports in progress' (balance of R\$160.0 million) and 'fixed assets in warehouse' (balance of R\$247.8).

Of the R\$652.5 million in property, plant and equipment/intangible assets already in operation, R\$20 million was maintenance capex – which we started accounting for as capex in 2H22 -, the remainder was applied to the Company's organic expansion, mainly in:

- 1.84 million HPs,
- 533,000 customer installations – base growth and replacement,
- R\$30 million in backbone DWDM (backbone lighting),
- R\$57 million in vehicles for expansion,
- R\$28 million in Agility Telecom and lands, and
- R\$13 million in R&D and systems development.

Relationship with Independent Auditors

Ernst & Young Auditores Independentes S.S. Ltda. is the company responsible for the external audit services related to the examination of the financial statements of Brisanet Participações SA. The Company informs that its external auditors, during 2022, did not provide any additional services other than auditing.



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A free translation from Portuguese into English of Independent Auditor’s Report on individual and consolidated financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB)

Independent auditor’s report on individual and consolidated financial statements

To the
Shareholders, Board of Directors and Officers
Brisanet Participações S.A.
Pereiro – CE

Opinion

We have audited the individual and consolidated financial statements of Brisanet Participações S.A. (the “Company”), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2022, and the statements of profit or loss, of comprehensive income, of changes in equity, and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Brisanet Participações S.A. as at December 31, 2022, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of individual and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants and the professional standards issued by Brazil’s National Association of State Boards of Accountancy (CFC), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Key audit matter

A key audit matter is one that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not express a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue recognition

The Company's revenue recognition involves a high degree of information technology control to ensure that all revenues from services rendered and from resale of goods have been correctly measured and duly recorded within the appropriate accounting period, including unbilled revenues from services rendered.

Ensuring the integrity of the information extracted from the billing systems is an essential element in the calculation of estimated unbilled revenues and, therefore, the proper recognition of revenue. Given the complexity of this revenue recognition process, including the involvement of the information technology infrastructure, this was considered a key audit matter.

How our audit addressed this matter

Our audit procedures included the following, among others: (i) understanding of the significant internal controls implemented by the executive board regarding revenue recognition and measurement; (ii) documentary examination of billed revenue for a sample of transactions incurred; (iii) examination of the calculation of the estimated unbilled service revenue; (iv) testing of the reports extracted from the system used to calculate unbilled service revenue; and (v) review of the disclosures made by the Company in the individual and consolidated financial statements.

Based on the results of audit procedures performed on revenue recognition and measurement, which are consistent with the executive board's assessment, we consider the revenue recognition and measurement criteria to be acceptable, as well as the respective disclosures in Notes 3.a and 21, in the context financial statements taken as a whole.



Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2022, prepared under the responsibility of the Company's executive board, and presented as supplementary information for IFRS purposes, were submitted to audit procedures conducted jointly with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by Accounting Pronouncement NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in the abovementioned accounting pronouncement, and are consistent in relation to the individual and consolidated financial statements taken as a whole.

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

The executive board is responsible for such other information, which comprises the Management Report.

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

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

Responsibilities of the executive board and those charged with governance for the individual and consolidated financial statements

The executive board is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



Those charged with governance are responsible for overseeing the Company's and the subsidiaries' financial reporting process.

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

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

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

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

We communicate with those charged with governance regarding, among other things, the planned scope, timing of the audit and significant audit findings, including eventual significant deficiencies in internal controls that we identified during our works.



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

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

Fortaleza, March 20, 2023.

ERNST & YOUNG
Auditores Independentes S.S. Ltda.
CRC-CE001042/F

Nathalia Araújo Domingues
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A free translation from Portuguese into English of individual and consolidated financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB)

Brisanet Participações S.A.

Statements of financial position
December 31, 2022
(In thousands of reais)

	Notas	Individual		Consolidated	
		12/31/2022	12/31/2021	12/31/2022	12/31/2021
Assets					
Current assets					
Cash and cash equivalents	4	2,126	3,325	203,542	1,000,792
Short-term investments	4	12,020	-	391,540	46,693
Trade accounts receivable	5	-	-	140,822	107,873
Inventories		-	-	5,449	3,713
Taxes recoverable	6	18	18	38,642	42,807
Derivative transactions	26	-	-	95	297
Prepaid expenses		-	-	1,400	1,851
Dividends receivable	7 e 8	4,500	-	-	-
Other assets		-	-	2,911	12,913
Total current assets		18,664	3,343	784,401	1,216,939
Noncurrent assets					
Long-term receivables					
Financial investments	4	300,000	-	-	3,600
Trade accounts receivable	5	-	-	-	843
Taxes recoverable	6	-	-	59,761	54,671
Transactions with related parties	7	-	-	-	1,181
Judicial deposits		-	-	5,467	2,142
Derivative transactions	26	-	-	2,364	1,011
Prepaid expenses		-	-	2,607	2,462
Deferred income and social contribution taxes	24	-	-	-	8,559
Other assets		-	-	38	38
Investments	8	1,390,100	1,342,780	-	-
Right of use	15	-	-	36,493	35,928
Property, plant and equipment	9	-	-	1,956,020	1,346,276
Intangible assets	10	-	-	231,133	218,711
Total noncurrent assets		1,690,100	1,342,780	2,293,883	1,675,422
Total assets		1,708,764	1,346,123	3,078,284	2,892,361

	Notas	Individual		Consolidated	
		12/31/2022	12/31/2021	12/31/2022	12/31/2021
Liabilities and equity					
Current liabilities					
Trade accounts payable	11	3	-	66,003	186,032
Loans and financing	12	-	-	154,618	236,917
Debentures	13	14,297	-	23,593	8,909
Promissory note	14	-	-	72,350	-
Lease obligations	15	-	-	14,234	7,958
Labor and social obligations	16	-	86	46,377	41,782
Taxes payable	6	3,858	34	30,264	24,912
Taxes paid in installments		-	-	749	1,771
Derivative transactions	26	-	-	3,382	983
Proposed dividends	7 e 20	14,418	533	14,418	533
Other accounts payable	18	-	3	24,122	4,190
Total current liabilities		32,576	656	450,110	513,987
Noncurrent liabilities					
Loans and financing	12	-	-	205,170	333,931
Debentures	13	297,565	-	840,258	506,941
Lease obligations	15	-	-	24,636	27,532
Taxes paid in installments		-	-	4,401	5,099
Provision for losses on investments	8	-	3,375	-	-
Deferred income tax	24	-	-	5,711	-
Derivative transactions	26	-	-	3,121	218
Provision for contingencies	17	-	-	1,883	929
Other accounts payable	18	-	-	164,367	161,625
Total noncurrent liabilities		297,565	3,375	1,249,547	1,036,275
Equity					
Capital	20	1,281,606	1,281,606	1,281,606	1,281,606
Treasury shares		(9,758)	-	(9,758)	-
Income reserves		106,775	60,486	106,775	60,486
		1,378,623	1,342,092	1,378,623	1,342,092
Noncontrolling interests		-	-	4	7
Total equity		1,378,623	1,342,092	1,378,627	1,342,099
Total liabilities and equity					
		1,708,764	1,346,123	3,078,284	2,892,361

See accompanying notes.

Brisanet Participações S.A.

Statements of profit or loss

Year ended December 31, 2022

(In thousands of Brazilian reais, except earnings per share)

	Notas	Individual		Consolidated	
		12/31/2022	12/31/2021	12/31/2022	12/31/2021
Net operating revenue	21	-	-	985,244	728,755
Cost of services	22	-	-	(572,834)	(404,429)
Gross profit		-	-	412,410	324,326
Operating expenses					
Administrative expenses	22	(3,110)	(2,985)	(110,263)	(149,973)
Selling expenses	22	-	-	(89,920)	(69,231)
Tax expenses	22	-	-	(8,810)	(5,880)
Equity pickup	8	69,004	5,230	-	-
Other operating expenses, net	22	1	(6)	(36,809)	(19,407)
Income (loss) before finance income (costs) and taxes		65,895	2,239	166,608	79,835
Finance income	23	15,144	9	148,609	109,242
Finance costs	23	(15,196)	(4)	(209,625)	(176,729)
Finance income (costs)		(52)	5	(61,016)	(67,487)
Income before income and social contribution taxes		65,843	2,244	105,592	12,348
Income and social contribution taxes	24	(5,136)	(2)	(44,888)	(10,105)
Net income for the year		60,707	2,242	60,704	2,243
Net income attributable to					
Controlling interests		-	-	60,707	2,242
Noncontrolling interests		-	-	(3)	1
Basic earnings per share – R\$	25	0.135	0.006	-	-
Diluted earnings per share – R\$	25	0.135	0.006	-	-

See accompanying notes.

Brisanet Participações S.A.

Statements of comprehensive income
Year ended December 31, 2022
(In thousands of reais)

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Net income for the year	60,707	2,242	60,704	2,243
Other comprehensive income	-	-	-	-
Comprehensive income for the year	60,707	2,242	60,704	2,243
Net income attributable to				
Controlling interests	-	-	60,707	2,242
Noncontrolling interests	-	-	(3)	1

See accompanying notes.

Brisanet Participações S.A.

Statements of changes in equity
Year ended December 31, 2022
(In thousands of reais)

	Consolidated								Equity
	Individual				Retained earnings	Subtotal	Noncontrolling interests		
	Capital		Income reserves						
Capital	Share issue costs	Treasury shares	Legal reserve	Retained profits					
Balances at December 31, 2020	66,209	-	-	1,456	59,526	-	127,191	6	127,197
Capital increase (Note 20)	1,255,650	-	-	-	-	-	1,255,650	-	1,255,650
Share issue costs (Note 20)	-	(40,253)	-	-	-	-	(40,253)	-	(40,253)
Net income for the year	-	-	-	-	-	2,242	2,242	1	(2,243)
Profit allocation (Note 20):									
Legal reserve	-	-	-	112	-	(112)	-	-	-
Mandatory minimum dividends	-	-	-	-	-	(533)	(533)	-	(533)
Additional dividends	-	-	-	-	(2,205)	-	(2,205)	-	(2,205)
Retained profits	-	-	-	-	1,597	(1,597)	-	-	-
Balances at December 31, 2021	1,321,859	(40,253)	-	1,568	58,918	-	1,342,092	7	1,342,099
Treasury shares (Nota 20)	-	-	(9,758)	-	-	-	(9,758)	-	(9,758)
Net income for the year	-	-	-	-	-	60,707	60,707	(3)	60,704
Profit allocation (Note 20):									
Legal reserve	-	-	-	3,035	-	(3,035)	-	-	-
Mandatory minimum dividends	-	-	-	-	-	(14,418)	(14,418)	-	(14,418)
Retained profits	-	-	-	-	43,254	(43,254)	-	-	-
Balances at December 31, 2022	1,321,859	(40,253)	(9,758)	4,603	102,172	-	1,378,623	4	1,378,627

See accompanying notes.

Brisanet Participações S.A.

Statements of cash flows Year ended December 31, 2022 (In thousands of reais)

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Cash flows from operating activities				
Net income for the year	60,707	2,242	60,704	2,243
Adjustments to reconcile net income in the year:				
Depreciation and amortization	-	-	269,151	157,575
Residual value upon write-off of PPE and intangible assets	-	-	2,194	2,152
Provision for loss of property, plant and equipment	-	-	7,833	-
Allowance for expected credit losses	-	-	30,667	21,039
Provision (reserval) for contingencies	-	(7)	1,604	(1,800)
Equity pickup	(69,004)	(5,230)	-	-
Monetary variation and exchange differences	12,913	-	78,787	44,085
Derivative transactions	-	-	4,151	11,660
Interest on leases	-	-	4,012	2,515
Interest on debentures	2,048	-	29,807	20,313
Interest on promissory note	-	-	1,627	-
Interest on loans and financing	-	-	52,851	59,346
Amortization of funding costs	222	-	5,408	3,161
Short-term investment yield	(3,123)	-	(69,122)	(34,297)
Deferred income and social contribution taxes	-	-	14,270	(6,415)
(Increase) decrease in assets				
Trade accounts receivable	-	-	(62,773)	(60,200)
Inventories	-	-	(1,736)	(3,188)
Taxes recoverable	-	(18)	(926)	(55,888)
Prepaid expenses	-	-	306	(2,137)
Judicial deposits	-	-	(3,325)	(1,237)
Other assets	-	-	10,020	(286)
Increase (decrease) in liabilities				
Trade accounts payable	3	-	(120,029)	48,803
Labor and social obligations	(86)	86	4,595	14,682
Taxes payable	4,443	34	18,375	24,868
Taxes paid in installments	-	-	(1,722)	(993)
Provision for contingencies	-	-	(650)	-
Other accounts payable	(3)	2	22,676	165,316
Cash flows from (used in) operating activities	8,120	(2,891)	358,755	411,317
Interest paid	-	-	(90,046)	(70,012)
Income and social contribution taxes paid	(619)	-	(13,023)	(18,056)
Net cash flows from (used in) operating activities	7,501	(2,891)	255,686	323,249
Cash flows from investing activities				
Short-term investments	(308,897)	-	(272,125)	149
Additions to PPE	-	-	(828,723)	(827,688)
Additions to intangible assets	-	-	(28,337)	(215,975)
Capital increase at subsidiaries	-	(1,245,418)	-	-
Intercompany loans granted	-	-	-	(28)
Operations in consortium	-	-	1,181	-
Dividends and profits received	13,809	38,767	-	-
Net cash flows from (used in) investing activities	(295,088)	(1,206,651)	(1,128,004)	(1,043,542)

Brisanet Participações S.A.

Statements of cash flows (Continued)
Year ended December 31, 2022
(In thousands of reais)

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Cash flows from financing activities				
Loans and financing raised	-	-	18,212	216,797
Debentures raised, net	296,679	-	296,679	467,354
Promissory note raised, net	-	-	69,380	-
Payment of principal of loans and financing	-	-	(250,783)	(308,197)
Payment of principal of promissory note	-	-	(6,000)	-
Lease payments	-	-	(42,129)	(27,004)
Intercompany loans paid	-	(330)	-	(12,161)
Capital increase	-	1,255,650	-	1,255,650
Share issue costs	-	(40,253)	-	(40,253)
Treasury shares	(9,758)	-	(9,758)	-
Dividends/Profits distributed	(533)	(2,205)	(533)	(2,205)
Net cash flows from (used in) financing activities	286,388	1,212,862	75,068	1,549,981
(Decrease) increase in cash and cash equivalents	(1,199)	3,320	(797,250)	829,688
Cash and cash equivalents				
At beginning of year	3,325	5	1,000,792	171,104
At end of year	2,126	3,325	203,542	1,000,792
(Decrease) increase in cash and cash equivalents	(1,199)	3,320	(797,250)	829,688

See accompanying notes.

Brisanet Participações S.A.

Statements of value added
Year ended December 31, 2022
(In thousands of reais)

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Revenues	1	5	1,104,184	825,428
Gross operating income less discounts	-	-	1,127,193	841,567
Allowance for expected credit losses	-	-	(30,667)	(21,039)
Other revenues	1	5	7,658	4,900
Inputs acquired from third parties	(2,092)	(1,981)	(191,321)	(191,492)
Cost of sales	-	-	(43,160)	(52,817)
Materials, electricity, third-party services and other	(2,092)	(1,967)	(134,361)	(135,406)
Loss on/recovery of assets	-	(14)	(8,011)	(106)
Other inputs	-	-	(5,789)	(3,163)
Gross value added	(2,091)	(1,976)	912,863	633,936
Depreciation and amortization	-	-	(269,151)	(157,575)
Net value added generated	(2,091)	(1,976)	643,712	476,361
Value added received in transfer	84,148	5,239	148,609	109,242
Equity pickup	69,004	5,230	-	-
Finance income	15,144	9	148,609	109,242
Total value added to be distributed	82,057	3,263	792,321	585,603
Distribution of value added				
Taxes, charges and contributions	5,305	171	238,791	169,442
Federal	5,305	171	144,909	95,998
State	-	-	92,545	72,137
Local	-	-	1,337	1,304
Other taxes, charges and contributions	-	-	-	3
Personnel	849	848	211,905	196,939
Salaries	847	847	164,154	144,406
Unemployment Compensation Fund (FGTS)	-	-	14,656	12,505
Benefits	2	1	33,095	40,028
Debt remuneration	15,196	4	280,921	216,981
Interest, exchange differences and borrowing costs	15,196	4	209,625	176,729
Rentals	-	-	71,296	40,252
Equity remuneration	60,707	2,240	60,704	2,241
Dividends/profits distributed	14,418	2,738	14,418	2,738
Retained profits	46,289	(498)	46,286	(497)
Value added	82,057	3,263	792,321	585,603

See accompanying notes,

Brisanet Participações S.A. and Consolidated

Notes to financial statements
December 31, 2022
(In thousands of reais)

1. Operations

Brisanet Participações S.A. (the “Company”) is a publicly-held corporation, established on February 19, 2014, located in Pereiro, state of Ceará. The Company is primarily engaged in holding equity interests in other companies.

On July 28, 2021, the public offering of the Company’s shares on the stock market of B3 S.A. - Brasil, Bolsa e Balcão, denominated “Novo Mercado” was approved at the Board of Directors’ Meeting, under ticker symbol “BRIT3”, completed upon settlement of the shares on July 30, 2021 in the amount of R\$1,255,650, Share issue costs totaled R\$40,253.

a) Subsidiaries

Currently, the Company has the following subsidiaries:

i) *Brisanet Serviços de Telecomunicações S.A. (“Brisanet Serviços”)*

Provision of telecommunication services - MCS (Multimedia Communication Service); equipment rental; IT services; radio and optical fiber network installation services; wholesale, retail and import of telecommunications and IT equipment; pay television; pay cable television; provision of monitoring services; wholesale, retail, import and rental of electronic monitoring equipment; electronic equipment maintenance; wholesale, retail and import of monitoring cameras and materials; manufacture of pre-cast concrete structures, in series or by order; electronic equipment installation and assembly; fixed switched telephone services (STFC); licensing or assignment of rights-of-use relating to computer programs; customizable computer system development; non-customizable computer system development; IT technical support, maintenance and services; provision, with no definitive assignment, of audio, video, image and text content through the internet, in compliance with the tax immunity of books, newspapers and periodicals (except for distribution of content by Conditioned Access Service providers, referred to in Federal Law No. 12485, of September 12, 2011, subject to State VAT - ICMS); value added services; and administrative support and office services.

Acquisition and incorporation of investments

On March 11, 2021, Brisanet Serviços acquired 100% of the units of interest of Agility Serviços de Telecomunicações Ltda. (“Agility”), a company that belongs to Brisanet Group shareholders, for the amount of R\$10.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

1. Operations (Continued)

a) Subsidiaries (Continued)

i) *Brisanet Serviços de Telecomunicações S.A. ("Brisanet Serviços")* (Continued)

Merger of indirect subsidiary Agility Serviços de Telecomunicações Ltda., into Brisanet Serviços de Telecomunicações S.A.

On January 31, 2022, the shareholders, by means of a Special General Meeting (SGM) held at the in controlling company Brisanet Serviços de Telecomunicações S.A. approved the merged of net assets in the amount of R\$ 81,479 of its indirect subsidiary Agility Serviços de Telecomunicações Ltda. ("Agility") into controlling company Brisanet Serviços de Telecomunicações S.A..

The statement of the merged net assets, in the controlling company Brisanet Serviços de Telecomunicações S.A., appraised by external specialists at book value, with base date of December 31, 2021, is presented below:

	<u>12/31/2021</u>
Current assets	<u>43,886</u>
Cash and cash equivalents	38,417
Short-term investments	1,903
Trade accounts receivable	3,530
Taxes recoverable	1
Other assets short term	35
Noncurrent assets	<u>37,593</u>
Trade accounts receivable	843
Taxes recoverable	1
Property, plant and equipment	10,777
Intangible assets	<u>25,972</u>
Total assets	<u>81,479</u>
Merged net assets	<u>81,479</u>

Establishment of company

On November 16, 2021, Brisanet Serviços established the company 4J Serviços de Telecomunicações Ltda., holding 100% of its units of interest, with capital totaling R\$50.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

1. Operations (Continued)

a) Subsidiaries (Continued)

i) *Brisanet Serviços de Telecomunicações S.A. (“Brisanet Serviços”)* (Continued)

Establishment of company (Continued)

4J Serviços de Telecomunicações Ltda. (‘4J Telecomunicações’)

Provision of MCS Telecommunications services; fixed switched telephone services (STFC); Voice over Internet Protocol (VOIP) providers; equipment rental; computer services; fiber optic and radio network installation services; specialized retail trade of telephony and communication equipment; specialized retail trade of telephony and communication equipment; wholesale, retail and import of computer and telecommunication equipment; pay television; cable pay-television operators; provision of monitoring service; wholesale, retail, import and rental of equipment for electronic monitoring; maintenance of electronic monitoring equipment; wholesale, retail and import of cameras and monitoring materials; manufacture of pre-molded reinforced concrete structures, in series and to order; installation and assembly of electronic equipment; intermediation and agency of services and business in general; licensing or assignment of the right to use computer programs; customizable computer system and development; non-customizable computer system and development; technical support, maintenance and services in information technology; availability, without definitive assignment, of audio, video, image and text content via the internet, respecting the immunity of books, newspapers and periodicals (except for the distribution of content by the providers of Conditional Access Service, addressed by Federal Law No. 12485, of September 12, 2011, subject to ICMS); added value services; data processing, application service providers and internet hosting services; office services and administrative support.

ii) *Brisanet Gerenciadora de Ativos Ltda. (“Brisanet Gerenciadora de Ativos”)*

Merger of direct subsidiary Brisanet Gerenciadora de Ativos Ltda., into Brisanet Serviços de Telecomunicações S.A.,

On November 01, 2022, the shareholders, by means of a Special General Meeting (SGM) held at the in controlling company Brisanet Serviços de Telecomunicações S.A. approved the merged of net assets in the amount of R\$ 133 of its direct subsidiary Brisanet Gerenciadora de Ativos Ltda. into controlling company Brisanet Serviços de Telecomunicações S.A..

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

1. Operations (Continued)

a) Subsidiaries (Continued)

ii) *Brisanet Gerenciadora de Ativos Ltda. (“Brisanet Gerenciadora de Ativos”)* (Continued)

The statement of the merged net assets, in the controlling company Brisanet Serviços, appraised by external specialists at book value, with base date of October 31, 2022, is presented below:

	<u>10/31/2022</u>
Current assets	133
Cash and cash equivalents	8
Taxes recoverable	125
Total assets	<u>133</u>
Merged net assets	<u>133</u>

iii) *RPS – Prestação de Serviços de Informática Ltda. (“RPS”)*

IT technical support, including installation, configuration and maintenance of databank and computer programs, as well as technical support services for IT equipment in general; rental of chattel properties and IT equipment; IT equipment installation services, and image and data equipment monitoring services; sale of electronic equipment; import of electronic material; import of IT and telecommunications equipment and of consumption material; and rental of self-driving vehicles, including buses.

iv) *Interservice – Serviços de Elaboração de Dados Ltda. - ME (“Interservice”)*

Merger of direct subsidiary Interservice Serviços de Elaboração de Dados Ltda., into RPS Prestação de Serviços de Informática Ltda.

On November 01, 2022, the shareholders, by means of a Special General Meeting (SGM) held at the in controlling company RPS Prestação de Serviços de Informática Ltda., approved the merged of net assets in the amount of R\$ 6,156 of its direct subsidiary Interservice Serviços de Elaboração de Dados Ltda. into controlling company RPS Prestação de Serviços de Informática Ltda..

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

1. Operations (Continued)

a) Subsidiaries (Continued)

iv) *Interservice – Serviços de Elaboração de Dados Ltda. - ME (“Interservice”)* (Continued)

The statement of the merged net assets, in the controlling company Brisanet Serviços, appraised by external specialists at book value, with base date of October 31, 2022, is presented below:

	<u>10/31/2022</u>
Current assets	6,097
Cash and cash equivalents	5
Trade accounts receivable	3,422
Taxes recoverable	400
Prepaid expenses	1
Other assets short term	2,269
Noncurrent assets	59
Judicial deposits	57
Property, plant and equipment	2
Total assets	<u>6,156</u>
Merged net assets	<u>6,156</u>

v) *Universo Serviços de Telecomunicações Ltda. - ME (“Universo Serviços”)*

Merger of direct subsidiary Universo Serviços de Telecomunicações Ltda., into Brisanet Serviços de Telecomunicações S.A.

On January 01, 2022, the shareholders, by means of a Special General Meeting (SGM) held at the in controlling company RPS Prestação de Serviços de Informática Ltda., approved the merged of net assets in the amount of R\$ 28,419 of its direct subsidiary Universo Serviços de Telecomunicações Ltda. into Brisanet Serviços de Telecomunicações S.A.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2022

(In thousands of reais)

1. Operations (Continued)

a) Subsidiaries (Continued)

v) *Universo Serviços de Telecomunicações Ltda. - ME (“Universo Serviços”)* (Continued)

The statement of the merged net assets, in the controlling company Brisanet Serviços, appraised by external specialists at book value, with base date of January 31, 2022, is presented below:

	<u>01/31/2022</u>
Current assets	24,403
Cash and cash equivalents	784
Trade accounts receivable	22,973
Taxes recoverable	619
Prepaid expenses	14
Other assets short term	13
Noncurrent assets	4,016
Taxes recoverable	61
Deferred tax	329
Property, plant and equipment	2,736
Intangible assets	771
Right of use	119
Total assets	<u>28,419</u>
Merged net assets	<u>28,419</u>

b) Authorizations

The services offered by the Company and its subsidiaries, as well as tariffs charged, are authorized by the National Telecommunications Agency (Anatel), which is responsible for regulating the telecommunications sector in Brazil in accordance with the General Telecommunications Law and respective regulations. In this context, the Company and its subsidiaries have the following authorizations:

<u>Company</u>	<u>Grant</u>	<u>Area</u>	<u>Effective period</u>
Brisanet Serviços	Authorization to provide international long-distance STFC	For region 1 STFC	Indefinite
Brisanet Serviços	Authorization to provide Multimedia Communication Services (MCS)	All regions in Brazil	Indefinite
Brisanet Serviços	Authorization to provide Conditioned Access Services (SeAC)	All regions in Brazil	Indefinite

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

1. Operations (Continued)

c) Operations with franchisees and other transactions

In 2021, Agility Serviços de Telecomunicações ("Agility Telecom"), an indirect subsidiary of the Company, carried out 15 operations to purchase fixed and intangible assets from small providers, within its planning, as a franchisor, aiming to expand its telecommunications services and remaining with the optical fiber network infrastructure. With the migration of these operations to franchisees, Agility now charges 25% of the franchisee's billing, while Brisanet Serviços, which also acquired fixed and intangible assets from small providers, charges 5% for providing a link to its franchisees. During current year no new operations occurred.

d) Outcome of the 5G Auction

On November 4, 2021, Brisanet Serviços de Telecomunicações S.A., a wholly-owned subsidiary of the Company, won 3 Lots in the 5G Auction conducted by Brazil's National Telecommunications Agency ("Anatel") to obtain the right to use radio frequencies, primarily of 2 regional blocks of 80 MHz in the 3,5 GHz range - 1 block in the Northeast and 1 in the Midwest - as well as 1 lot of 50MHz in the Northeast region in the 2,3 GHz range, all for a period of 20 (twenty) years, extendable against valuable consideration, in accordance with the regulations in force on the expiration date. The total amount offered for the 3 lots was R\$1,466,386, of which only R\$168,360 will be disbursed, updated by IPCA. The remaining balance will be covered by commitments with offer of the service in certain areas until 2030,

e) Approval of the financial statements

Management of the Company and its subsidiaries authorized the completion of the individual and consolidated financial statements on March 20, 2023,

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

2. Basis of preparation and presentation of the financial statements

2.1. Basis of preparation of the financial statements

The individual and consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil, which comprise the rules issued by the Brazilian Securities and Exchange Commission (CVM), Brazilian Accounting Standards – General (NBC TG), and the pronouncements issued by the Brazilian FASB (CPC), and are in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The individual and consolidated financial statements were prepared in accordance with several measurement bases used in accounting estimates. Accounting estimates involved in the preparation of the financial statements were based on both objective and subjective factors and use of professional judgment by management to determine the adequate amount to be recorded in the financial statements. Significant items subject to these estimates and assumptions include the selection of useful lives of property, plant and equipment and intangible assets, analyses of their recoverability in operations, assessment of the fair value of financial assets and liabilities, as well as other risk analyses to determine other provisions, including provision for contingencies.

Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to uncertainties inherent in the estimation process. Company management reviews its accounting estimates and assumptions at least on an annual basis.

The presentation of the Statement of Value Added (DVA), individual and consolidated, is required by the Brazilian corporation law and the accounting practices adopted in Brazil applicable to publicly-held companies. Its presentation is not required under IFRS. Consequently, under IFRS, this statement is presented as supplementary information, without prejudice to the set of financial statements.

2.2. Statement of relevance

All information relevant to the financial statements, and only such information, is being disclosed and corresponds to the information used in management of the Company's and its subsidiaries activities, according to Accounting Guidance OCPC 07.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

2. Basis of preparation and presentation of the financial statements (Continued)

2.3. Going-concern statement

Management has evaluated the ability of the Company and its subsidiaries to continue as a going concern and is convinced that they have the resources to continue their business in the future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt as to the ability to continue as a going concern. Accordingly, these financial statements were prepared on a going concern basis of the operating activities of the Company and its subsidiaries.

2.4. Measurement basis

The individual and consolidated financial statements were prepared on a historical cost basis, except where otherwise indicated.

2.5. Functional and presentation currencies

The individual and consolidated financial statements are presented in Brazilian reais, which is also the functional currency of the Company and its subsidiaries. In all individual and consolidated financial statements presented in reais, the amounts were rounded to the nearest thousand, unless otherwise stated.

2.6. Basis of consolidation

As at December 31, 2021 and 2020, the Company maintains investments by means of direct subsidiaries, all of which are located in Brazil, as follows:

	<u>2022</u>	<u>2021</u>
Brisanet Serviços de Telecomunicações S.A.	99,99%	99,99%
Brisanet Gerenciadora de Ativos Ltda.	-	99,98%
RPS – Prestação de Serviços de Informática Ltda.	99,99%	99,99%
Interservice – Serviços de Elaboração de Dados Ltda. - ME	-	99,99%
Universo Serviços de Telecomunicações Ltda. - ME	-	99,99%

Subsidiaries are all entities over which the Company holds control. The Company controls an entity when the Company is exposed or entitled to variable returns based on its involvement with the entity and can affect these returns through the power used in the investee. The subsidiaries are fully included in the consolidation as from the date when control is transferred to the Company. Consolidation is interrupted as from the date when the Company ceases to have control.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

2. Basis of preparation and presentation of the financial statements (Continued)

2.6. Basis of consolidation (Continued)

Transactions between entities, balances and unrealized gains in transactions between the Company and its subsidiaries are eliminated. Unrealized gains and losses are only eliminated if the operation provides evidence of impairment of transferred assets. The subsidiaries' accounting policies are changed when necessary to ensure consistency with the policies adopted by the Company.

In the individual financial statements of the parent company, investments in subsidiaries are recorded under the equity method.

3. Summary of significant accounting practices

a) Revenue recognition

NBC TG 47 – Revenue from Contracts with Customers establishes a model that evidences if the recognition criteria have been met, observing the following steps: (i) identification of the contract with the customer; (ii) identification of performance obligations; (iii) determination of the transaction price; (iv) allocation of the transaction price; and (v) recognition of revenue upon fulfillment of the performance obligation.

Considering the aspects above, revenues are recorded at the amount that reflects the expectation of the consideration to be received for the services offered to the customers. Gross revenue is stated net of taxes, rebates and discounts.

As certain billing cut-offs occur in intermediate dates within the months of the year, at the end of each month there are revenues already accrued by the Company and its subsidiaries, but not effectively billed to its customers. These unbilled revenues are recorded based on estimates, which take into account consumption data, number of days elapsed since the last billing date, among others.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

a) Revenue recognition (Continued)

Income or loss from operations of the Company and its subsidiaries is recorded on an accrual basis. All services are recognized as the performance obligation in transferring the promised good or service to the customer is satisfied. Unbilled revenue is also recognized, taking into account the accrual period of the services provided, and the billing period for the customer. This consumption data base of unbilled customers is estimated based on the number of days that have elapsed since the last billing date, according to the chosen plan, for accounting recognition and allocation to the appropriate revenue components.

Multimedia Communication Services (MCS)

Revenues related to multimedia communication services (MCS) are recorded at the amount of the telecommunication service that permits the provision of transmission, emission and reception capacity of multimedia information, using any means, to subscribers within a service provision area.

IT services

All revenues from IT services are recognized as the performance obligation in transferring the promised good or service to the customer is satisfied.

Value added services

Revenues from value added services are recorded at the amount of the self-support and replay services provided for pay TV and caller ID in telephony.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

a) Revenue recognition (Continued)

Equipment rental services

Revenues from equipment rental services are recorded at the equipment rental amount.

Pay TV service operation - SeAC

Revenues from the pay TV service - SeAC are accounted for at the amount of the audiovisual content distribution service organized into sets of channel and programming packages, in addition to provision of other services related to this offer.

Sale of fixed switched telephone services (STFC)

Revenues from telephony services are recorded at the amount of installation, operation and provision of fixed switched telephone services (STFC) to subscribers, in the Local, National Long Distance and International Long Distance modes. All services are billed monthly based on the measurement made by the billing or tariff systems that identify information for accounting recognition and allocation to the respective revenue components. The services rendered between the billing date and the end of each month are calculated and accounted for as revenue in the month the service is rendered.

Sale of goods/products

Revenue from the sale of goods is accounted for by transactions carried out with a single product, chips for mobile data. All revenues are recognized when the product is sold and transferred to the customer.

The sale of goods/products that are part of the ordinary activities of the Company and its subsidiaries is measured at the fair value of the amounts received or receivable, net of returns, commercial discounts and monetary rebates on certain types of transactions. Revenue is recognized when: (i) there is compelling evidence of the existence, usually in the form of sales contracts already entered into between the parties, in which (ii) the risks and rewards of ownership of the item have been transferred to the buyer, (iii) the associated costs may be measured reliably as well as (iv) the possible returns of these products, (v) when there is no longer any involvement of the management of the Parent Company and its subsidiaries with the products sold, and (vi) the amount of revenue can be measured reliably.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

b) Finance income and costs

Finance income comprises interest on investments made by the Company and its subsidiaries, including short-term investment yield, present value adjustment of financial assets, and gains on the disposal of financial assets.

Finance costs comprise expenses with interest on loans and financing, monetary restatement of taxes in installments and provisions, changes in the fair value of financial assets at fair value through profit or loss, and finance costs recognized on an accrual basis.

Gains or losses from exchange differences are shown separately in P&L for the year, segregated between finance income and costs.

c) Cash and cash equivalents

These include cash balances, demand deposits, and short-term investments considered to be highly liquid, convertible into a known amount of cash, subject to an insignificant risk of change in fair value, and which are redeemable within 90 days of the investment date.

d) Trade accounts receivable

Trade accounts receivable are recorded at the billed amount, including applicable direct taxes. When applicable and necessary, an allowance for expected credit losses is set up for an amount considered sufficient by management to cover any losses on realization of receivables.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

e) Transactions in foreign currency

Transactions in foreign currency are translated into the functional currency of the Company and its subsidiaries at the exchange rate prevailing on the transaction dates. Monetary assets and liabilities denominated and calculated in foreign currency on the reporting date are translated into the functional currency at the exchange rate effective on such date. Exchange gain or loss on monetary items is the difference between amortized cost of the functional currency at the beginning of the year, adjusted by the effective rate and payments during the year, and the amount of amortized cost in foreign currency, translated at the rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated into the functional currency of the entity at the rate corresponding to the closing of the year in which the fair value was determined. Differences in foreign currencies resulting from translation are recognized directly in profit or loss for the year. Non-monetary items that are measured at historical cost in a foreign currency are translated using the rate in force on the transaction date.

The individual and consolidated financial statements are presented in reais (R\$), which is also the functional currency of the Company and its subsidiaries.

f) Investments

Investments in subsidiaries and affiliates in which the Company and its subsidiaries have significant administrative influence, as well as investments in companies of the same group or that are under common control, are measured by the equity pickup method.

Other investments that do not fall under the above category are valued at acquisition cost, less provision for loss, when applicable.

g) Property, plant and equipment

Recognition and measurement

Property, plant and equipment items are measured at acquisition or build-up cost, less recoverable taxes, accumulated depreciation, and impairment, where applicable.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

g) Property, plant and equipment (Continued)

Recognition and measurement (Continued)

The costs of property, plant and equipment items include those that are directly attributable to their acquisition or build-up. The costs of assets built up internally include the cost of materials and salaries of employees directly involved in the asset construction or build-up projects. They also include any other costs directly attributable to the asset until it is in condition to be used for the purposes intended by the entity, in addition to costs of decommissioning asset items and recovering the sites where such assets are installed, and borrowing costs related to qualifying assets.

When parts of a property, plant and equipment item have significantly different useful lives, these parts are considered individual items, and are accounted for and controlled separately, including for depreciation purposes.

Gains and losses on the disposal of an asset arise from the difference between the disposal value and the net value resulting from the cost value less residual value and accumulated depreciation of this asset, and are recognized directly in P&L for the year.

Subsequent costs

Subsequent expenses are capitalized to the extent that future benefits associated with such expenses are likely to flow to the Company and its subsidiaries. Recurring maintenance and repair costs are posted to profit or loss.

Depreciation

Depreciation is recognized in profit or loss by the straight-line method based on the estimated useful life of each component. Depreciation of PP&E items begin when they are installed and available for use or, for assets internally built, when the construction is completed and the assets are available for use. Depreciation rates are presented in Note 9.

Depreciation methods, useful lives and residual values are reviewed at each year end and any adjustments are recognized as change in accounting estimates.

The residual value and useful life of assets, as well as the depreciation methods used, are reviewed at the year end and adjusted prospectively, as applicable.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

g) Property, plant and equipment (Continued)

Interest capitalization

Interest on loans directly attributable to acquisition, build-up or production of an asset, which require a substantial period to be finalized for the intended use or sale (qualifying assets), is capitalized as part of the cost of the respective assets during construction phase. From the date when the corresponding asset becomes operational, capitalized costs are depreciated over the estimated useful life of the asset.

h) Intangible assets

Intangible assets refer substantially to goodwill, software development and improvement, and licenses. Upon initial recognition, intangible assets acquired separately are measured at acquisition cost and subsequently stated net of accumulated amortization and impairment, if applicable.

The useful life of intangible assets is assessed as finite or indefinite. Finite-lived intangible assets are amortized over their economic useful lives and are tested for impairment whenever there is any indication of loss in the item's economic value. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at each year end. Changes in the estimated useful life or in the expected consumption of economic benefits of these assets are recorded by means of changes in the period or under the amortization method, as applicable, and treated as changes in accounting estimates.

Intangible assets with indefinite life are not amortized, but are tested annually for impairment, individually or at the cash-generating unit level. Indefinite useful life is reviewed annually to determine whether such assessment is still justifiable. Otherwise, useful life is changed from indefinite to finite on a prospective basis.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the statement of profit or loss when the asset is derecognized.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

i) Leases

Leases are recognized as a right to use the asset, in assets, and as an obligation to pay the lease, in liabilities, at the lower of the present value of the mandatory minimum installments of the agreement or the fair value of the asset. The amounts recorded as property, plant and equipment are depreciated over the lower of the estimated economic useful life of the item or the duration determined in the lease agreement. The interest implicit in the right-of-use liability payable recognized is allocated to P&L according to the duration of the agreement using the nominal interest rate method.

j) Impairment of non-financial assets

Property, plant and equipment items, finite-lived intangible assets and, when applicable, other non-financial assets are reviewed at least annually to identify evidence of impairment or whenever events or significant events or changes in circumstances indicate that their carrying amount may not be recoverable.

Where applicable, if loss derives from situations in which the carrying amount of the asset exceeds its recoverable amount, defined as the higher of value in use or net sales value, such loss is recognized in P&L for the year.

For impairment testing purposes, assets are grouped at the lowest level of detail for which there are individualized cash flow estimates.

Intangible assets with indefinite useful lives are tested for impairment annually, individually or at the CGU level, as appropriate, or when circumstances indicate that the carrying amount may be impaired.

k) Other current and noncurrent assets and liabilities

An asset is recognized in the statement of financial position when it refers to a resource controlled by the Company and its subsidiaries arising from past events and from which future economic benefits are expected, and its cost or value can be reliably measured. Contingent assets are not recognized. A liability is recognized in the statement of financial position when the Company and its subsidiaries have a legal or constructive obligation as a result of a past event, the settlement of which is likely to require an outflow of economic benefits. Assets and liabilities are classified as current whenever their realization or settlement is likely to occur within the next twelve months. Otherwise, they are stated as noncurrent.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

3, Summary of significant accounting practices (Continued)

l) Taxation

Current income and social contribution taxes

Current tax assets and liabilities for the prior year and previous years are measured at the estimated amount recoverable from or payable to tax authorities, respectively. The tax rates and tax laws used to calculate the amounts are those effective or substantially effective at the statement of financial position date.

Income and social contribution taxes for the current year were calculated in accordance with the related taxation regime. The taxation regime of the Company and its subsidiaries is presented below:

<u>Company</u>	<u>Taxation regime</u>
Brisanet Serviços Telecomunicações S.A.	Taxable profit based on quarterly accounting records
RPS – Prestação de Serviços de Informática Ltda.	Taxable profit based on a percentage of gross revenue
4J Serviços de Telecomunicações Ltda.	Taxable profit based on a percentage of gross revenue

Deferred income and social contribution taxes

Deferred taxes arise from income and social contribution tax losses and temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets, when applicable, are recognized on income and social contribution tax losses, as well as for all temporary differences, only to the extent that taxable profit is likely to be available for future realization.

Sales taxes

Revenues, expenses and assets are recognized net of sales taxes, except when: (i) sales taxes incurred on the purchase of goods or services are not recoverable, in which case sales taxes are recognized as part of the asset acquisition cost or of the expense item, as applicable; and (ii) amounts receivable and payable are presented jointly with sales taxes.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

m) Provisions

Provisions are recorded when the Company and its subsidiaries have a present (legal or constructive) obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits and that can be reliably estimated.

When the Company and its subsidiaries expect some or all of a provision to be reimbursed, for example, under an insurance contract, reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is stated in the statement of profit or loss, net of any reimbursement.

n) Critical accounting estimates and judgments

Accounting estimates and judgments are continuously assessed and are based on experience and other factors, including expected future events considered reasonable in the circumstances.

Management makes estimates concerning the future based on assumptions. By definition, accounting estimates seldom correspond to actual results. Estimates and assumptions subject to significant risk and likely to cause a significant adjustment to the carrying amounts of assets and liabilities for the next year are presented below.

i) Provision for tax, civil and labor contingencies

The Company and its subsidiaries are parties to legal and administrative proceedings (Note 17). Provisions are recorded for all legal proceedings whose likelihood of loss is estimated as probable with a certain degree of reliability. Assessment of the likelihood of loss includes an evaluation of available evidence, the hierarchy of laws, available case law, recent court decisions and their relevance in the legal system, as well as the opinion of external legal advisors.

Management believes that the provisions for tax, civil and labor contingencies are fairly presented in the financial statements and are sufficient to cover possible losses.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

n) Critical accounting estimates and judgments (Continued)

ii) Current and deferred taxes

There are uncertainties regarding the interpretation of complex tax regulations and the amount and timing of future taxable profits, The Company and its subsidiaries set up provisions at amounts deemed sufficient to cover any risks relating to interpretation of certain legal matters. Deferred tax assets are calculated based on a study on the expected realization of future taxable profit, This study is annually reviewed and approved by management, Projections of future profits take into consideration the main performance variables of the Brazilian economy, sales volume and contribution margin, and tax rates.

iii) Fair value of derivatives and other financial instruments

Fair value of financial instruments not traded in an active market is determined by using valuation techniques. The Company and its subsidiaries exercise their best judgment to select various methods and define assumptions mainly based on the market conditions at the statement of financial position date.

iv) Useful life of intangible assets and PP&E

Depreciation or amortization of PP&E and intangible assets takes into consideration management's best estimate on the use of these assets in the Company's operations. Changes in the economic scenario and/or consumer market may require a revision of these useful life estimates.

o) Present value adjustment of assets and liabilities

Noncurrent monetary assets and liabilities are monetarily restated and, therefore, adjusted to their present value. Present value adjustment to current monetary assets and liabilities is calculated and only recorded if considered significant in relation to the individual and consolidated financial statements taken as a whole, For purposes of recording and determining significance, the present value adjustment is calculated considering contractual cash flows and the explicit, and sometimes implicit, interest rates of the respective assets and liabilities. Based on analyses and on management's best estimate, the Company and its subsidiaries concluded that the present value adjustment of current monetary assets and liabilities is not significant in relation to the individual and consolidated financial statements taken as a whole, as such, no adjustments were accounted for.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

p) Operating segment

Operating segments are defined as components of a business for which separate financial information is available and is assessed regularly by the operating decision-maker so that funds may be allocated to a given segment and its performance may be evaluated. Given that all decisions are made based on the consolidated reports, that there are no managers responsible for a particular segment, and that all strategic planning, financial, purchase, and investment decisions are made on a consolidated basis, the Company management concluded that there is only one reportable segment.

q) Financial assets and liabilities

i) *Financial assets*

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

Classification of financial assets upon initial recognition depends on the characteristics of the contractual cash flows of the financial asset and the business model adopted by the Company and its subsidiaries for managing these financial assets. All financial assets are recognized at fair value plus, in the case of financial assets not recognized at fair value through profit or loss, transaction costs directly attributable to their acquisition.

Subsequent measurement

For subsequent measurement purposes, financial assets are classified into four categories:

- Financial assets at amortized cost;
- Financial assets at fair value through other comprehensive income, with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
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3. Summary of significant accounting practices (Continued)

q) Financial assets and liabilities (Continued)

i) *Financial assets* (Continued)

The Company and its subsidiaries have no financial assets classified as financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments) or financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments).

Financial assets at amortized cost

The Company and its subsidiaries measure financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets for the purpose of receiving contractual cash flows; and
- The contractual terms of the financial asset originate, at specified dates, cash flows that constitute solely payments of principal and interest on the outstanding amount,

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recorded in P&L when the asset is derecognized, modified or impaired.

Financial assets of the Company and its subsidiaries include cash and cash equivalents, trade accounts cash and cash equivalents, short-term investments, receivable, and judicial deposits.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets initially recognized at fair value through profit or loss, or financial assets to be necessarily measured at fair value. Financial assets are classified as held for trading if acquired to be sold or repurchased in the short term.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
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3. Summary of significant accounting practices (Continued)

q) Financial assets and liabilities (Continued)

i) *Financial assets* (Continued)

Financial assets at fair value through profit or loss (Continued)

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value, with the net changes in fair value recognized in the statement of profit or loss.

The Company's and its subsidiaries' financial assets classified at fair value through profit or loss include bonds, securities and derivative transactions.

Derecognition (write-off)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is written off when: the rights to receive cash flows from the asset have expired; the Company and its subsidiaries have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without significant delay to a third party under a pass-through arrangement; and either (i) the Company and its subsidiaries have transferred substantially all risks and rewards of the asset, or (b) the Company and its subsidiaries have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

Impairment of financial assets (including allowance for expected losses on trade accounts receivable)

A financial asset is derecognized when recovery of the contractual cash flows is not reasonably expected.

i) *Financial liabilities*

Upon initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss, financial liabilities at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

q) Financial assets and liabilities (Continued)

ii) *Financial liabilities* (Continued)

Financial liabilities are initially recognized at fair value and, in the case of loans and financing and accounts payable, include directly attributable transaction costs.

Financial liabilities of the Company and its subsidiaries include trade accounts payable, debentures, promissory note, derivative, lease obligations, and loans and financing.

Subsequent measurement

After initial recognition, loans and financing subject to interest are subsequently measured at amortized cost by the effective interest rate method. Gains and losses are recognized in the statement of profit or loss through the amortization process by the effective interest rate method.

Derecognition (write-off)

A financial liability is written off when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, The difference in the respective carrying amounts is recognized in P&L.

ii) *Derivative financial instruments*

The Company and its subsidiaries use derivative financial instruments such as interest rate swaps and currency forwards to hedge against interest rate and currency risks. These derivative financial instruments are initially recognized at fair value on the date when a derivative agreement is entered into and are subsequently measured at fair value. Variations in fair value of derivative instruments of the Company and its subsidiaries are immediately recorded in the statement of profit or loss under Finance income (costs).

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
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(In thousands of reais)

3. Summary of significant accounting practices (Continued)

r) Government grants

Government grants are recognized when there is reasonable certainty that the benefit will be received and that all the related conditions will be met. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to offset, are expensed. When the grant relates to an asset, it is recognized as deferred revenue and posted to P&L in equal amounts throughout the expected useful life of the related asset.

s) Statements of cash flows

The statement of cash flow was prepared by the indirect method and is presented according to NBCT 3.8 – Statement of Cash Flows (equivalent to CPC 03 (R2) issued by Brazil's National Association of State Boards of Accountancy (CFC)).

t) New or revised pronouncements with first-time adoption in 2022

Certain standards and amendments adopted for the first time are effective for annual periods beginning on or after January 1, 2022. The Company and its subsidiaries decided against the early adoption of any other standard, interpretation or amendment issued that is not already in force.

u) Standards issued but not yet effective

The new and amended standards and interpretations issued but not yet in effect until the date of issue of the individual and consolidated financial statements of the Company and its subsidiaries are described below. The Company and its subsidiaries intend to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

u) Standards issued but not yet effective (Continued)

Amendments to NBC TG 26/IAS 1: Classification of liabilities as current or noncurrent:

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1, correlated with NBC TG 26 (R5), to specify the requirements for classifying liabilities as current or noncurrent. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting years beginning on or after January 1, 2023 and must be applied retrospectively. The Company and its subsidiaries are currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation,

Amendments to NBC TG 23 (R2) / IAS 8: Definition of accounting estimates

In February 2021, the IASB issued amendments to IAS 8 (correlated with NBC TG 23 (R2)), in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting year beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that year. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the financial statements of the Company and its subsidiaries.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

u) Standards issued but not yet effective (Continued)

Amendments to NBC TG 26 (R5) and IFRS Practice Statement 2: Disclosure of accounting policies

In February 2021, the IASB issued amendments to IAS 1 (correlated with NBC TG 26 (R5)) and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual year beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company and its subsidiaries are currently assessing the impact of the amendments on the accounting policy disclosures.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2022

(In thousands of reais)

4. Cash and cash equivalents and short-term investments

	Individual		Consolidated	
	12/31/22	12/31/21	12/31/22	12/31/21
Cash	-	-	-	5
Checking accounts and other	8	79	940	4,701
Short-term investments:				
Sweep accounts	2,118	6	6,828	16,617
Bank Deposit Certificates (CDB)	-	3,240	195,683	974,727
Debit cards	-	-	91	4,742
	2,126	3,325	203,542	1,000,792

Cash equivalents correspond to transactions with financial institutions in the Brazilian financial market and subject to low credit risk. These transactions are remunerated by the Interbank Deposit Certificates (CDI) variation at the average rate of 103,04% at December 31, 2022 (105,84% in 2021) and are available for use in the operations of the Company and its subsidiaries, i.e, are highly-liquid financial assets.

Short-term investments

	Controladora		Consolidado	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Investment funds (a)	-	-	56	21,491
Certificate accounts with lottery prizes (b)	-	-	3,600	9,820
CDB (c)	-	-	387,884	18,982
Debentures (d)	312,020	-	-	-
	312,020	-	391,540	50,293
Current	12,020	-	391,540	46,693
Noncurrent	300,000	-	-	3,600

- (a) Investment funds have variable income (fixed income and multimarket funds), with an average of 93,91% of the CDI of the year;
- (b) Certificate accounts with lottery prizes, with an average yield of 0.5% p.m. plus the reference rate (TR), were acquired in previous years and have a grace period for redemption, usually proportional to repayment of the loans, to which they are collateral;
- (c) CDBs had an average yield of 103.59% of the CDI on the current year, with liquidity above 90 days, and
- (d) Refers to the second private issuance through the subsidiary Brisanet Serviços Telecomunicações S.A. where the yield will be 2.00% p.a. + CDI, The 2nd Issue Debentures have a term of 60 months from the issue date, with payments in 3 annual and consecutive installments during the term of the agreement, on August 25 of each year, as of August 25, 2025, with final maturity on August 25, 2027, remuneration will be paid semi-annually from the first payment on February 25, 2027, with maturities always on the 25th of August and February of each year.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2022

(In thousands of reais)

5. Trade accounts receivable (Consolidated)

	<u>12/31/22</u>	<u>12/31/21</u>
Trade accounts receivable	143,987	128,009
Allowance for expected credit losses	(3,165)	(19,293)
Accounts receivable, net	140,822	108,716
Current	140,822	107,873
Noncurrent	-	843

The aging list of trade accounts receivable is as follows:

	<u>12/31/22</u>	<u>12/31/21</u>
Falling due	49,575	41,136
Past due:		
1 to 30 days	36,598	28,898
31 to 60 days	5,950	5,524
61 to 180 days	21,145	16,767
181 to 360 days	30,719	17,538
Over 360 days	-	18,146
	143,987	128,009
(-) Allowance for expected credit losses	(3,165)	(19,293)
Accounts receivable, net	140,822	108,716

At December 31, 2022, DSO was of 45 days (46 days in 2021).

Changes in allowance for expected credit losses are as follows:

	<u>12/31/22</u>	<u>12/31/21</u>
Opening balance	(19,293)	(20,791)
Set-up	(30,782)	(24,229)
Reversal	115	3,190
Write-off	46,795	22,537
Closing balance	(3,165)	(19,293)

No individual customer represents more than 10% of total accounts receivable. In accordance with IFRS 9/NBC TG 48, allowance for expected credit losses is set up based on analysis of customer portfolio, in an amount considered sufficient by management to cover expected losses on realization of receivables, as well as of sales returns and customer discounts.

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Notes to financial statements (Continued)

December 31, 2022

(In thousands of reais)

6. Taxes recoverable and payable

	Individual		Consolidated	
	12/31/22	12/31/21	12/31/22	12/31/21
Assets				
State VAT (ICMS) recoverable	-	-	11,328	10,092
ICMS recoverable on fixed assets	-	-	82,955	80,939
PIS and COFINS recoverable	-	-	472	151
Corporate Income Tax (IRPJ) and Social Contribution on Net Profit (CSLL) recoverable	18	18	2,998	5,557
Other taxes recoverable	-	-	650	739
	18	18	98,403	97,478
Current				
	18	18	38,642	42,807
Noncurrent				
	-	-	59,761	54,671
Current liabilities				
ICMS payable	-	-	12,285	9,963
IRPJ payable	2,704	-	4,666	2,917
CSLL payable	1,138	-	4,302	1,199
PIS and COFINS payable	-	-	2,563	3,094
ISS payable	-	-	111	129
Other taxes payable	16	34	6,337	7,610
	3,858	34	30,264	24,912

ICMS statutory taxation for communication services is of approximately 18% in the states of Pernambuco, Paraíba, Sergipe, Alagoas, Maranhão, Bahia, Piauí, Rio Grande do Norte e Ceará. ICMS is paid to suppliers at the following rates in each state: São Paulo-18%, Rio de Janeiro-18% e Ceará-20%.

7. Transactions with related parties

At December 31, 2022 and 2021, outstanding balances were as follows:

	Controladora		Consolidado	
	12/31/22	12/31/21	12/31/22	12/31/21
Current assets				
Dividends Receivable	4,500	-	-	-
	4,500	-	-	-
Noncurrent assets				
Operations with consortiums (a)	-	-	-	1,181
	-	-	-	1,181
Current liabilities				
Dividends payable	14,418	533	14,418	533
	14,418	533	14,418	533

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2022

(In thousands of reais)

7. Transactions with related parties (Continued)

	Controladora		Consolidado	
	12/31/22	12/31/21	12/31/22	12/31/21
Statement of profit or loss				
AGILITY Segurança Eletronic (b)	-	-	(1,546)	(1,547)
Imobiliária Pau D'arco Ltda. (c)	-	-	(22)	(35)
JPMF Imobiliária Ltda (c)	-	-	(31)	(413)
S&L Locadora de Veículos Ltda (d)	-	-	(33,502)	(20,408)
Nosso Atacarejo Comércio de Gêneros Alimentícios Ltda. (e)	-	-	(2,817)	(2,377)
Nossa Fruta Brasil Indústria de Alimentos Ltda. (f)	-	-	(222)	(165)
Agritech Semiárido Agricultura Ltda (f)	-	-	(3)	-
	-	-	(38,143)	(26,820)

	Operation with consortiums	
	12/31/22	12/31/21
Operations with consortiums		
Cost and expenses		
Interconnections	(1,819)	(1,453)
Payroll	(159)	(151)
Third parties services	(62)	(106)
Depreciation and amortization	(86)	(70)
General cost and expenses	(52)	(73)
	(2,178)	(1,853)
Finance results		
Interest	(17)	(11)
Other finance results, net	2	(1)
	(15)	(12)
(Loss) gain, net	(2,193)	(1,865)

(a) Operations with consortiums, refer to the concession granted by the government of the state of Ceará for the use of the Cinturão Digital do Ceará (CDC) project, in which the company holds a 50% stake in the BWM Consortium. On October 10, 2022 Consórcio Conecta Sec was constituted referring to the contract for the provision of services to the Secretary of Education and Culture of the city of João Pessoa, where the company holds a 34% stake. Expenses with software rental and licensing;

(b) Software leasing and licensing expenses;

(c) Expenses with real property rental;

(d) S&L Locadora de Veículos Ltda., company under common control, engaged in rental of vehicles. All rental contracts undergo a quotation process and the best technical (service level) and commercial proposal is chosen. The Company approved a contract for the provision of rental services for 1,918 vehicles, in the total estimated amount of R\$2,769 and term of 1 (one) year. The prices of the services are established according to the market quotation and vary according to the quantity and categories, namely light, medium and heavy vehicles.

(e) Expenses with food, cleaning and consumption products.

(f) Food product expenses.

The nature of transactions with related parties is as follows:

Related party	Nature of transaction
AGILITY Segurança Eletrônica Ltda.	Software rental and licensing
BWM Consortium	Cinturão Digital project
SEC Consortium	Equipment leasing services
Imobiliária Pau D'arco Ltda.	Real property rental agreement

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2022

(In thousands of reais)

JPMF Imobiliária Ltda	Real property rental agreement
S&L Locadora de Veículos Ltda.	Vehicle rental agreement
Nosso Atacarejo Comércio de Gêneros Alimentícios Ltda.	Supply of food, cleaning and consumption products
Nossa Fruta Brasil Indústria de Alimentos Ltda.	Food product supply
Agritech Semiárido Agricultura Ltda	Food product supply

Operations with consortiums	Participation
Consórcio BWM	50%
Consórcio Conecta Sec	34%

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

7, Transactions with related parties (Continued)

Guarantees in financial contracts of related parties

The Company and its subsidiaries are guarantors of certain loans and financing held with financial institutions for the benefit of the parties listed below. The related parties are under common control of the shareholders of the Company and its subsidiaries.

<u>Related party</u>	<u>Nature of transaction</u>
Nossa Fruta Brasil Indústria de Alimentos Ltda.	Guarantees for loans and financing totaling R\$7,935

Key management personnel compensation – Company and subsidiaries

Compensation of the key management personnel of the Company and its subsidiaries totaled R\$2,687 in the period ended December 31, 2022 (R\$1,810 as of December 31, 2021).

8. Investments (Individual)

a) Breakdown

	<u>12/31/22</u>	<u>12/31/21</u>
Interests held in subsidiaries		
Brisanet Serviços de Telecomunicações S.A.	1,360,910	1,283,471
Brisanet Gerenciadora de Ativos Ltda.	-	(3,375)
RPS - Prestação de Serviços de Informática Ltda.	29,190	40,979
Interservice - Serviços de Elaboração de Dados Ltda. - ME	-	5,453
Universo Serviços de Telecomunicações Ltda. - ME	-	12,877
	1,390,100	1,339,405
Classified as:		
Investments	1,390,100	1,342,780
Provision for losses on investments	-	(3,375)
	1,390,100	1,339,405

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2022

(In thousands of reais)

8, Investments (Individual) (Continued)

b) Changes in investments

	Brisanet Serviços de Telecomunica- ções S.A.	Brisanet Gerenciadora de Ativos Ltda.	RPS - Prestação de Serviços de Informática Ltda.	Interservice - Serviços de Elaboração de Dados Ltda - ME	Universo Serviços de Telecomuni- cações Ltda - ME	12/31/22	12/31/21
Opening balance	1,283,471	(3,375)	40,979	5,453	12,877	1,339,405	127,524
Capital increase	-	-	-	-	-	-	1,245,418
Merger (i)	9,502	3,375	5,453	(5,453)	(12,877)	-	-
Dividends receivable	-	-	(4,500)	-	-	(4,500)	(37,744)
Dividends received (ii)	-	-	(13,809)	-	-	(13,809)	(1,023)
Equity pick-up	67,937	-	1,067	-	-	69,004	5,230
Closing balance	1,360,910	-	29,190	-	-	1,390,100	1,339,405

(i) Refers to the merger of Universo Serviços de Telecomunicações Ltda. on January 31, 2022, into controlling company Brisanet Serviços de Telecomunicações S.A. On October 31, 2022, the controlling company Brisanet Gerenciadora de Ativos Ltda., was merged into Brisanet Serviços de Telecomunicações S.A. and Interservice Serviços de Elaboração de Dados Ltda – ME, was merged into RPS – Prestação de Serviços de Informática Ltda.; and

(ii) Refers to the receipt of dividends from the subsidiary RPS Prestação de Serviços in the amount of R\$ 4,050 in May 2022, R\$ 1,500 in July 2022, R\$ 505 in August 2022 and R\$ 3,105 in September 2022, BRL 4,649 in October 2022.

c) Information on investments in subsidiaries

	12/31/22					
	Capital social	Patrimônio líquido (passivo a descoberto)	Lucro líquido (prejuízo) do exercício	% de participação	Saldo do investimento	Equivalência patrimonial
Brisanet Serviços de Telecomunicações S.A.	1,311,176	1,326,666	67,938	99,99	1,360,910	67,937
RPS - Prestação de Serviços de Informática Ltda.	32,070	36,760	1,067	99,99	29,190	1,067
					1,390,100	69,004
	12/31/22					
	Capital social	Patrimônio líquido (passivo a descoberto)	Lucro líquido (prejuízo) do exercício	% de participação	Saldo do investimento	Equivalência patrimonial
Brisanet Serviços de Telecomunicações S.A.	1,311,000	1,283,471	(33,967)	99,99%	1,283,471	(33,967)
Brisanet Gerenciadora de Ativos Ltda.	5	(3,375)	(93)	99,98%	(3,375)	(93)
RPS - Prestação de Serviços de Informática Ltda.	32,000	40,979	17,859	99,99%	40,979	17,859
Interservice - Serviços de Elaboração de Dados Ltda. - ME	70	5,453	4,378	99,99%	5,453	4,378
Universo Serviços de Telecomunicações Ltda. - ME	170	12,877	17,053	99,99%	12,877	17,053
					1,339,405	5,230

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2022

(In thousands of reais)

9. Property, plant and equipment (Consolidated)

a) Breakdown

	Annual average depreciation rate - %	12/31/22		12/31/21
		Cost	Accumulated depreciation	Net
Land	-	24,054	-	12,338
Optical fiber cables	5%	304,501	(32,415)	203,862
Network construction	10%	341,177	(31,943)	139,576
Machinery and equipment	10%	81,988	(25,663)	44,131
Furniture and fixtures	10%	4,963	(1,152)	3,608
Sundry facilities (i)	10%	258,113	(47,127)	150,950
Planes and aircraft	10%	1,800	(189)	1,773
Leasehold improvements	15%	779	(92)	704
Computers and peripherals	20%	25,616	(13,725)	13,580
Vehicles	20%	81,520	(23,453)	11,591
Software	20%	177,947	(103,764)	104,969
Electronic equipment	20%	515,807	(211,605)	287,266
Facilities (customer activation) (ii)	20%	95,104	(19,181)	24,498
Advances to suppliers (iii)	-	144,200	-	30,484
Imports in progress (iv)	-	14,180	-	52,227
PPE in progress (v)	-	145,799	-	227,919
PPE in supplies room (vi)	-	247,781	-	36,800
		2,465,329	(510,309)	1,346,276

b) Changes in balances

	12/31/21	Additions	Write-offs	Transfers	Provision for impairment	Depreciation	12/31/22
Land	12,338	8,786	-	2,930	-	-	24,054
Optical fiber cables	203,862	41,878	-	40,790	-	(14,444)	272,086
Network construction	139,576	11,578	-	179,063	-	(20,983)	309,234
Machinery and equipment	44,131	15,165	-	4,383	-	(6,354)	57,325
Furniture and fixtures	3,608	587	-	97	-	(481)	3,811
Sundry facilities (i)	150,950	19,402	(16)	63,422	-	(22,772)	210,986
Planes and aircraft	1,773	-	-	-	-	(162)	1,611
Leasehold improvements	704	14	-	-	-	(31)	687
Computers and peripherals	13,580	2,385	-	360	-	(4,434)	11,891
Vehicles	11,591	57,441	(1,052)	-	-	(9,913)	58,067
Software	104,969	24	(1)	1,804	-	(32,613)	74,183
Electronic equipment	287,266	113,436	(21)	6,734	(7,833)	(95,380)	304,202
Facilities (customer activation) (ii)	24,498	-	-	69,171	-	(17,746)	75,923
Advances to suppliers (iii)	30,484	250,695	-	(136,979)	-	-	144,200
Imports in progress (iv)	52,227	83,887	(1,104)	(120,830)	-	-	14,180
PPE in progress (v)	227,919	16,340	-	(98,460)	-	-	145,799
PPE in supplies room (vi)	36,800	223,466	-	(12,485)	-	-	247,781
	1,346,276	845,084	(2,194)	-	(7,833)	(225,313)	1,956,020

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2022

(In thousands of reais)

9. Property, plant and equipment (Consolidated) (Continued)

b) Changes in balances (Continued)

	12/31/20	Additions	Write-offs	Transfers	Depreciation	12/31/21
Land	3,014	9,217	-	107	-	12,338
Optical fiber cables	108,512	12,567	-	91,040	(8,257)	203,862
Network construction	54,141	474	-	92,031	(7,070)	139,576
Machinery and equipment	18,866	26,443	-	3,048	(4,226)	44,131
Furniture and fixtures	2,115	1,840	(9)	-	(338)	3,608
Sundry facilities (i)	77,840	19,690	(62)	65,023	(11,541)	150,950
Leasehold improvements	-	1,800	-	-	(27)	1,773
Computers and peripherals	765	-	-	-	(61)	704
Vehicles	10,810	6,560	-	-	(3,790)	13,580
Trucks and truck bodies	6,695	7,965	(6)	-	(3,063)	11,591
Software	108,611	1,283	-	27,794	(32,719)	104,969
Electronic equipment	165,448	25,952	(8)	157,966	(62,092)	287,266
Facilities (customer activation)						
(ii)	-	-	-	25,933	(1,435)	24,498
Advances to suppliers (iii)	5,035	25,449	-	-	-	30,484
Imports in progress (iv)	35,426	312,056	-	(295,255)	-	52,227
PPE in progress (v)	50,254	382,136	-	(204,471)	-	227,919
PPE in supplies room (vi)	-	16	-	36,784	-	36,800
	<u>647,532</u>	<u>833,448</u>	<u>(85)</u>	<u>-</u>	<u>(134,619)</u>	<u>1,346,276</u>

(i) Sundry facilities

This refers to materials used in infrastructure of external networks.

(ii) Facilities (customer activation)

Since July 2021, the Company and its subsidiaries are recording expenses incurred with activation of new customers in assets.

(iii) Advances to suppliers

These refer basically to advances for import of equipment. In March 2022, the Company recorded the advance amount for the purchase of 5G - R\$229,000.

(iv) Imports in transit

Refers to shipping of equipment and costs incurred in transit.

(v) PPE in progress

This balance refers to civil works, network infrastructure, machinery and equipment, and market equipment being installed so that they begin to be used.

(vi) PPE in supplies room

The balance of PPE in supplies room refers to ONU equipment, routers, drop cables, and fiber cables that are not yet in use.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

9. Property, plant and equipment (Consolidated) (Continued)

Interest capitalization

In the year ended December 31, 2022, the Company and its subsidiaries capitalized interest on loans and financing amounting to R\$27,033 (R\$24,285 in 2021).

Depreciation capitalization

In the year ended December 31, 2022, the Company and its subsidiaries capitalized depreciation on PPE used in facilities, infrastructure and network expansions, in the amount of R\$16,361 (R\$5,760 in 2021).

Guarantees

At December 31, 2022, the Company recorded PPE items given in guarantee amounting to R\$149,738 (R\$136,121 in 2021).

Software

Software relating specifically to operation of Company modems, which are jointly controlled and meet the PPE classification criteria, in accordance with NBC TG 04 (R4).

Impairment

The Company and its subsidiaries periodically analyze whether there are indications that certain assets could be recorded in accounting for amounts that exceed the recoverable amount. After internal analysis, management concluded that there was no need to set up a provision for impairment on PPE and intangible assets of the Company and its subsidiaries as of December 31, 2022 and 2021.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2022

(In thousands of reais)

10. Intangible assets (Consolidated)

a) Changes in balances

	Annual average amortization (%)	12/31/21	Adições	Baixas	Transferência	12/31/22
Cost						
Radiofrequency license - GHZ	20%	171,235	-	-	(169,899)	1,336
Software and system licenses	20%	15,717	3,443	-	(1,336)	17,824
ADM projects	20%	2,476	794	-	(23)	3,247
Customer portfolio and relationship with the franchisee (a)	7%	32,463	14,545	-	-	47,008
Radiofrequency license 4G (b)	7%	-	-	-	2,804	2,804
Radiofrequency license 5G (b)	5%	-	-	-	168,431	168,431
Software development and API (c)	5%	-	8,221	-	-	8,221
Intangibles under development (d)	-	-	1,334	-	-	1,334
Trademarks and patents	-	3	-	-	-	3
Total cost		221,894	28,337	-	(23)	250,208
Amortização acumulada						
Radiofrequency license - GHZ	20%	(136)	(267)	-	(407)	(810)
Software and system licenses	20%	(2,451)	(3,062)	-	543	(4,970)
ADM projects	20%	(596)	(594)	-	23	(1,167)
Customer portfolio and relationship with the franchisee (a)	7%	-	(2,795)	-	-	(2,795)
Radiofrequency license 4G (b)	7%	-	(225)	-	(136)	(361)
Radiofrequency license 5G (b)	5%	-	(8,423)	-	-	(8,423)
Software development and API (c)	5%	-	(549)	-	-	(549)
Total accumulated amortization		(3,183)	(15,915)	-	23	(19,075)
Intangible assets, net		218,711	12,422	-	-	231,133

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2022

(In thousands of reais)

10. Intangible assets (Consolidated) (Continued)

a) Changes in balances (Continued)

	Annual average amortization rate (%)	12/31/20	Adições	Baixas	Transferência	12/31/21
Cost						
Radiofrequency license - GHZ	20%	205	171,030	-	-	171,235
Software and system licenses	20%	6,326	9,391	-	-	15,717
ADM projects	20%	1,455	1,021	-	-	2,476
Customer portfolio and relationship with the franchisee (a)	7%	-	34,530	(2,067)	-	32,463
Trademarks and patents	-	-	3	-	-	3
Total cost		7,986	215,975	(2,067)	-	221,894
Cost						
Radiofrequency license - GHZ						
Software and system licenses	20%	(27)	(109)	-	-	(136)
ADM projects	20%	(929)	(1,522)	-	-	(2,451)
Customer portfolio and relationship with the franchisee (a)	20%	(309)	(287)	-	-	(596)
Trademarks and patents		(1,265)	(1,918)	-	-	(3,183)
Total cost		6,721	214,057	(2,067)	-	218,711

(a) As disclosed in Note 1, in line with the expansion strategy of the Company and its subsidiaries, intangible assets were acquired from small providers. These contracts will be amortized over 15 to 16 years.

(b) These are radiofrequency licenses, amortized over a concession period of 15 years for 4G frequency and 20 years for 5G.

(c) These are projects developed and carried out by the Company of software and APIs, new and existing.

(d) Refers to expenses with software development projects and APIs prepared by the Company itself from the configuration period until the moment they come into operation.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2022

(In thousands of reais)

11. Trade accounts payable (Consolidated)

At December 31, 2022 and 2021, trade accounts payable is broken down as follows:

	Individual		Consolidated	
	12/31/22	12/31/21	12/31/22	12/31/21
Domestic suppliers	3	-	23,608	79,724
Foreign suppliers	-	-	42,395	106,308
	3	-	66,003	186,032

12. Loans and financing (Consolidated)

	Interest rate	12/31/2022	12/31/2021
Working capital	0.79% a.m. - Pré	17,485	48,240
Working capital	0.21% a.m. + CDI	134,998	251,867
Working capital	0.28% a.m. + TJLP	1,279	7,933
Working capital	0.47% a.m. + TLP	4,114	6,348
Working capital (foreign currency)	0.20% a.m. + CDI	65,095	46,934
PPE financing (CDC)	0.80% a.m. - Pré	12,583	20,528
PPE financing (FINEM)	0.29% a.m. + TJLP	2,601	7,744
PPE financing (FINEM)	0.45% a.m. + TLP	36,074	26,088
Financing - TR	0.35% a.m. + TR	50,791	53,934
Import financing	0.40% a.m - Pré	34,768	101,232
		359,788	570,848
Current		154,618	236,917
Noncurrent		205,170	333,931

The guarantees for loans and financing include shareholder sureties, disposal of assets, financial investments and credit rights on accounts receivable, as described in the table below:

	12/31/2022	12/31/2021
Short-term investments	-	37,768
Sureties and disposals	358,342	570,847
Assets and credit rights given in guarantee	149,738	136,121
	508,080	744,736

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

12. Loans and financing (Consolidated) (Continued)

Changes in loans and financing are as follows:

	<u>12/31/2022</u>	<u>12/31/2021</u>
Opening balance	570,848	651,747
Funds raised	18,212	216,797
Interest recognized	52,851	59,346
Monetary variation and exchange differences	23,349	7,659
Repayment of principal	(250,783)	(308,197)
Interest paid	(54,689)	(56,504)
Closing balance	<u>359,788</u>	<u>570,848</u>

Noncurrent portions mature as follows:

	<u>12/31/2022</u>	<u>12/31/2021</u>
2023	-	135,988
2024	93,464	109,186
2025	62,079	54,986
2026	12,515	9,994
2027	7,251	4,755
2028 onwards	29,861	19,022
	<u>205,170</u>	<u>333,931</u>

Covenants

Loan and financing covenants substantially refer to annual financial ratios, default with creditors, in-court or out-of-court measures that compromise payment capacity, insolvency and commitment of guarantees offered. The Company and its subsidiaries analyzed covenants for the year ended December 31, 2022 and 2021 and concluded that all requirements have been legally met.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2022

(In thousands of reais)

13. Debentures (Consolidated)

a) Breakdown

	Charges (a.a.)	Individual	
		12/31/2022	12/31/2021
First issue (ii)	2.00% a.a + CDI	314,961	-
(-) Issue costs to be recorded		(2,242)	-
(-) Negative goodwill		(857)	-
		311,862	-
Current		14,297	-
Noncurrent		297,565	-

	Charges (a.a.)	Consolidated	
		12/31/2022	12/31/2021
Nonconvertible debentures			
First issue (i)	5.77% a.a. + IPCA	576,810	545,335
First issue Brisanet Participações (ii)	2.00% a.a + CDI	314,961	-
(-) Issue costs to be recorded		(27,063)	(29,485)
(-) Negative goodwill		(857)	-
		863,851	515,850
Current		23,593	8,909
Noncurrent		840,258	506,941

Changes in debentures are as follows:

b) Changes

	Individual		Consolidated	
	12/31/22	12/31/21	12/31/22	12/31/21
Opening balance	-	-	515,850	-
Debentures raised	300,000	-	300,000	500,000
Monetary restatement	12,913	-	48,185	36,426
Interest	2,048	-	29,807	20,313
Amortization of interest	-	-	(31,556)	(11,404)
Debenture costs	(2,402)	-	(2,402)	(32,646)
Amortization of issuance cost	160	-	4,824	3,161
Discount	(919)	-	(919)	-
Amortization of discount	62	-	62	-
Closing balance	311,862	-	863,851	515,850

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
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13. Debentures (Continued)

Noncurrent portions mature as follows:

	Individual		Consolidated	
	12/31/22	12/31/21	12/31/22	12/31/21
2025	100,000	-	262,183	153,299
2026	100,000	-	262,132	153,250
2027	100,000	-	262,128	153,258
2028 em diante	-	-	81,071	76,619
	300,000	-	867,514	536,426
(-) Issuance cost	(1,761)	-	(26,582)	(29,485)
(-) Discount	(674)	-	(674)	-
	297,565	-	840,258	506,941

i) *First issue Brisanet Serviços*

On March 15, 2021, Brisanet Serviços issued 500,000 junior nonconvertible debentures, in a single series, secured, and with additional personal guarantee, at unit value of R\$1,000,00 (one thousand reais), amounting to R\$500,000 (“Debentures – 1st issue”), for public distribution with restricted placement efforts.

The debt balance relating to the unit value of Debentures – 1st issue is subject to interest corresponding to 100% of IPCA plus 5.77% p.a..

Interest is paid on a semi-annual basis in March and September as from date of issue of the Debentures – 1st issue. The first payment is due on September 15, 2021, and each March 15 and September 15 henceforth. The last payment matures on March 15, 2028.

The term of the Debentures – 1st issue is of 84 months as from issue date, and payments are due in seven semi-annual consecutive installments over the contract period, every March 15 and September 15, beginning on March 15, 2025, and final maturity on March 15, 2028.

Debenture issuance costs are amortized in P&L using the effective cost method, and presented in “Debentures” as a reduction of debt, as established by NBC TG 08 – Transaction Costs and Premiums upon Issue of Securities.

Debentures are guaranteed by surety from shareholders and companies that are part of the economic group and the flow of credit rights from accounts receivable, in the amount of R\$40,000 or 40% of the collection flow.

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Notes to financial statements (Continued)
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13. Debentures (Continued)

b) Changes (Continued)

i) *First issue Brisanet Serviços* (Continued)

Covenants

The debenture covenants substantially refer to annual financial ratios, default with creditors, bankruptcy, transformation of the corporation type or any corporate reorganization involving the issuer, settlement of any financial debt where the amount is greater than 3% of the equity of the Brisanet group, in-court or out-of-court measures that compromise payment capacity, constitution of mortgage, pledge, chattel mortgage, assignment in trust, usufruct, trust, promise of sale, purchase option (except option to purchase shares issued by the issuer within the scope of incentive plans established in favor of administrators and employees) and commitment of guarantees offered. The Company and its subsidiaries analyzed covenants for the year ended December 31, 2022 and 2021 and concluded that all requirements have been legally met.

ii) *First issue Brisanet Participações*

On August 25, 2022, Brisanet Participações S.A. issued 300,000 single-series nonprivileged unsecured nonconvertible debentures for public distribution, with restricted distribution efforts, in the unit value of R\$1,000,00 (one thousand reais).

The debt balance relating to the unit value of the 1st issue Debentures is subject to interest corresponding to 100% of the CDI rate plus 2.00% p.a.

Interest is paid on a semi-annual basis in February and August as from the issue date of the 1st Issue Debentures. The first payment is due on February 25, 2023, and the other payments on February and August 25 henceforth, The last payment shall matures on August 25, 2027.

The term of the 1st Issue Debentures is of 60 months as from the issue date, and payments are due in 3 annual consecutive installments over the contract period, every year in August 15, beginning August 15, 2025, and final maturity on August 25, 2027.

Debenture issue costs and discount are amortized in P&L using the effective cost method, and presented in "Debentures" as a reduction of debt, as established by NBC TG 08 - Transaction Costs and Premiums upon Issue of Marketable Securities.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
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13. Debentures (Continued)

b) Changes (Continued)

ii) *First issue Brisanet Participações* (Continued)

The surety for debentures consist of the surety from Brisanet Participações S.A., without additional security interest.

The debenture covenants substantially refer to annual financial ratios, default with creditors, bankruptcy, transformation of the corporation type or any corporate reorganization involving the issuer, early maturity of any financial debt and/or obligations where the amount is greater than 3% of the Company's equity, in-court or out-of-court measures that compromise payment capacity, constitution of mortgage, pledge, chattel mortgage, assignment in trust, usufruct, trust, promise of sale, purchase option (except option to purchase shares issued by the issuer within the scope of incentive plans established in favor of managing officers and employees). The Company and its subsidiaries analyzed covenants for the year ended December 31, 2022 and 2021 and concluded that all requirements have been legally met.

14. Promissory note (Consolidated)

a) Breakdown

	<u>Charges (p.a.)</u>	<u>12/31/2022</u>
First issue (i)		
Promissory note not convertible into shares	2.60% p.m. + CDI	72,448
(-) Issuance costs to be recorded		(98)
		<u>72,350</u>
Current		72,350
Noncurrent		-

Changes in promissory notes are as follows:

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
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14. Promissory note (Consolidated) (Continued)

b) Changes

	<u>12/31/2022</u>
Opening balance	-
Raising of promissory notes	70,000
Monetary restatement	7,253
Interest	1,627
Principal amortization	(6,000)
Interest amortization	(432)
Cost on promissory notes	(620)
Amortization of issuance costs	522
Closing balance	<u>72,350</u>

i) *First issue*

On February 25, 2022, Brisanet Serviços de Telecomunicações S.A. issued its 1st promissory note, in 4 series, with 5 promissory notes, in the total amount of R\$70,000, for public distribution and restricted placement efforts, aimed at professional investors, with no security interest and with guarantee of companies belonging to the Brisanet Participações group.

The unit face value of this promissory notes is not monetarily restated, and is subject to payment of interest corresponding to 100,00% of the accumulated DI over extra group variation, plus a surcharge of 2,60% per year, calculated exponentially and cumulatively on a pro rata temporis basis.

The 1st issue of promissory notes has a 12-month term from the issue date, with quarterly payments in 5 series, with maturity of the 1st series on May 25, 2022 in the amount of R\$2,000, of the 2nd series on August 25, 2022 in the amount of R\$2,000, of the 3rd series on November 24, 2022 in the amount of R\$2,000, and final maturity of the 4th and 5th series on February 25, 2023 in the amount of R\$32,000 each.

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Notes to financial statements (Continued)

December 31, 2022

(In thousands of reais)

15. Rights of use and lease obligations (Consolidated)

Company subsidiaries are parties to lease agreements and used discount rates based on risk-free interest rates observable in the Brazilian market, for their agreement periods, adjusted to these subsidiaries' reality (credit spread). These spreads were obtained based on the debt profile presented by Company subsidiaries at December 31, 2022 and 2021 and adjusted at each date when new capitalizations relating to new lease agreements are recognized. The table below shows the nominal rates adopted as of December 31, 2022 and 2021:

Agreements per period and discount rate

Prazos contratos	Rate % a.a.	
	12/31/2022	12/31/2021
2 anos	10.94%	9.54%
3 anos	10.94%	9.54%
4 anos	10.94%	9.54%
5 anos	10.94%	9.54%
10 anos	10.94%	9.54%

Changes in lease obligations are as follows:

	12/31/2022	12/31/2021
Opening balance	35,490	33,474
Interest recognized	4,012	2,515
Additions due to new agreements	44,866	28,609
Consideration paid	(42,129)	(27,004)
Interest paid	(3,369)	(2,104)
Closing balance	38,870	35,490
Current	14,234	7,958
Noncurrent	24,636	27,532

Agreement maturity and undiscounted installments, reconciled to the balances at December 31, 2022 and 2021 are as follows:

	12/31/2022	12/31/2021
Installment maturity		
2022	-	10,035
2023	16,021	9,227
2024	10,321	7,068
2025	5,767	6,448
2026 onwards	11,799	16,336
Undiscounted amounts	43,908	49,114
Embedded interest	(5,038)	(13,624)
Lease obligation balance	38,870	35,490

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
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14. Rights of use and lease obligations (Consolidated) (Continued)

Changes in rights of use are as follows:

	<u>12/31/2022</u>	<u>12/31/2021</u>
Opening balance	35,928	34,117
Additions due to new agreements	44,866	28,609
Amortization expenses	<u>(44,301)</u>	<u>(26,798)</u>
Closing balance	<u>36,493</u>	<u>35,928</u>

Potential PIS/COFINS recoverable embedded in lease/rental consideration amounts, based on payment periods is as follows. Undiscounted balances and balances discounted to present value:

<u>Cash flows</u>	<u>Nominal amount</u>	<u>Amount adjusted to present value</u>
Lease consideration	43,908	38,870
Potential PIS/COFINS (9,25%)	(4,061)	(3,595)

Misleading information due to application of NBC TG 06 (R3)

In compliance with NBC TG 06 (R3), in measuring and remeasuring their lease obligations and rights of use, Company subsidiaries used the cash flow method without considering future inflation projected in the flows to be discounted, as barred by NBC TG 06 (R3). This barring may cause significant misstatements in the information provided, given the current reality of long-term interest rates in the Brazilian economic scenario.

As such, for the purposes of safeguarding reliability of the information and complying with the guidance provided by CVM by means of CVM/SNC/SEP Memorandum Circular No. 02/2019, as well as preserving Brazilian market investors, the comparative balances of lease obligations and right-of-use assets, finance costs and depreciation expenses at December 31, 2022 and 2021 are presented below:

	<u>12/31/2022</u>	<u>12/31/2021</u>
Rights of use, net		
NBC TG06(R3) / IFRS 16	36,493	35,928
Amounts including future inflation	<u>38,606</u>	<u>39,672</u>
Variation	<u>2,113</u>	<u>3,744</u>
Lease obligations		
NBC TG06(R3) / IFRS 16	38,870	35,490
Amounts including future inflation	<u>41,121</u>	<u>39,188</u>
Variation	<u>2,251</u>	<u>3,698</u>

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Notes to financial statements (Continued)

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(In thousands of reais)

14. Rights of use and lease obligations (Consolidated) (Continued)

	12/31/2022	12/31/2021
Finance costs		
NBC TG06(R3) / IFRS 16	(4,012)	(2,515)
Amounts including future inflation	(4,244)	(2,777)
Variation	(232)	(262)
Depreciation expenses		
NBC TG06(R3) / IFRS 16	(44,301)	(26,798)
Amounts including future inflation	(46,866)	(29,590)
Variation	(2,565)	(2,792)

16. Labor and social obligations

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Salaries and wages	-	57	12,649	14,653
Social charges on salaries and wages	-	29	7,588	7,590
Accrued vacation pay	-	-	19,205	13,753
Social charges on accrued vacation pay and 13 th monthly salary	-	-	6,853	5,714
Other	-	-	82	72
	-	86	46,377	41,782

17. Provision for contingencies (Consolidated)

As at December 31, 2022, the Company and its subsidiaries are parties to proceedings of civil, tax and labor natures whose likelihood of an unfavorable outcome was considered probable, for which provision for contingencies was set up in the amount of R\$1,883 (R\$929 at December 31, 2021). There are no contingencies whose individual amounts are significant.

Changes in provision for contingencies are as follows:

	Labor	Tax	Civil	Total
Balance at December 31, 2020	1,777	950	2	2,729
Provision	892	-	47	939
Reversal	(1,780)	(948)	(11)	(2,739)
Balance at December 31, 2021	889	2	38	929
Provision	2,748	1,012	230	3,990
Reversal	(1,588)	(592)	(206)	(2,386)
Write-off	(639)	-	(11)	(650)
Balance at September 30, 2022	1,410	422	51	1,883

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Notes to financial statements (Continued)
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17. Provision for contingencies (Consolidated) (Continued)

Additionally, at December 31, 2022, the Company and its subsidiaries recorded civil and labor lawsuits assessed as possible loss in the amount of R\$8,818 (R\$3,040 at December 31, 2021).

18. Other accounts payable

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Authorization for use of radiofrequency (5G) (a)	-	-	169,188	160,010
Radiofrequency license - LTE (4G) (b)	-	-	2,441	1,866
(-) Amount adjusted to present value	-	-	(719)	(251)
Other obligations payable (c)	-	3	17,579	4,190
	-	3	188,489	165,815
Current	-	3	24,122	4,190
Noncurrent	-	-	164,367	161,625

- (a) Obligation payable referring to the right to use radio frequencies (5G), acquired through the 5G radio frequency auction. Further details are presented in Note 1, item "d".
- (b) Obligation to pay referring to the right to use radio frequencies (4G), acquired in 2018 with an effective term of 15 years.
- (c) In the consolidated statements, these refer to advances from customers, obligations with plans (health and dental), and other provisions.

19. Government grants (Consolidated)

a) Federal Government

Subsidiary Brisanet Serviços de Telecomunicações S.A. was granted a tax benefit by means of the Superintendency for the Development of the Northeast (SUDENE), pursuant to Certificate of Income Tax Reduction No. 0214/2017:

Benefit: Decrease of 75% in non-refundable income tax and surtax
Effective period: 10 years
Entitlement period (calendar year): 01/01/2018 to 12/31/2027

The subsidiaries Brisanet Serviços de Telecomunicações S.A. recorded income tax benefit of R\$5,161 for the year ended December 31, 2022 (R\$1,319 in 2021), recognized as reduction of income tax expenses.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

19. Government grants (Consolidated) (Continued)

a) Federal Government (Continued)

Subsidiary Brisanet Serviços de Telecomunicações S.A. adhered to the tax incentive related to the Workers' Meal Program (PAT), established by Law No. 6321/76.

Benefit: Direct deduction on Income Tax, limited to 4% of the tax due (without surtax) in each calculation base period.

The PAT incentive, deducted directly from the IRPJ, shall correspond to the lower of the following amounts:

- 1) Application of the 15% rate on the sum of costing expenses incurred with PAT;
- 2) 15% of R\$1.99 (in reais) multiplied by the number of meals provided for in the period.

The subsidiaries Brisanet Serviços de Telecomunicações S.A. recorded tax incentive related to the Workers' Meal Program (PAT) in income tax of R\$241 for the year ended December 31, 2022 (there was no record in 2021).

Subsidiary Brisanet Serviços de Telecomunicações S.A. it has a tax incentive for Income Tax Reinvestment, through the Superintendency for the Development of the Northeast – SUDENE.

Benefit: instituted by the federal government and operated by Banco do Nordeste, it allows companies in the sectors benefited by Decree No. 4213/2002, which operate in SUDENE area of operation, the opportunity to reinvest in their own projects for modernizing and complementing equipment, 30% of the Income Tax due, during the calculation periods that follow until the Calendar Year of 2023.

- When submitting the Income Statement, the company must formalize its condition of opting for the IRPJ Reinvestment benefit.

- Upon payment of the tax, the company opting for the Reinvestment must normally pay 70% of the tax due to the Federal Government, via DARF.

- On that occasion, you must deposit at Banco do Nordeste, through your own Collection Guide, the corresponding to the remainder of the tax due (30% of the IR), plus 50% of this amount, as Own Resources.

Effective period: until 12/31/2023

Entitlement period (calendar year): 01/01/2022 to 12/31/2023

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Notes to financial statements (Continued)
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19. Subvenções governamentais (Consolidado)--Continuação

a) Federal Government (Continued)

The subsidiaries Brisanet Serviços de Telecomunicações S.A. registered income tax reinvestment tax benefit of R\$314 for the year ended December 31, 2022 (there was no record in 2021).

b) State Government

Subsidiary Brisanet Serviços de Telecomunicações S.A. was granted tax benefit by means of an agreement in the states of Ceará and Paraíba. This benefit reduces by 75% the ICMS amounts on intrastate revenues.

Agreement No. 202001782-2 – State of Paraíba Finance Office (Sefaz-PB), effective from 06/2020, Agreement No. 00556/2020 – State of Ceará Finance Office (Sefaz-CE), effective from 09/2020 (renewal).

As of April 2022, the subsidiary Brisanet Serviços de Telecomunicações S.A. obtained accreditation from the state of Pernambuco, through DPC Notice No. 46/2022, published in the Official Gazette of the State of Pernambuco, of March 29, 2022, for use of a tax benefit for a 75% ICMS tax base reduction, according to ICMS Agreement No. 19/18.

In the year ended December 31, 2022, subsidiary Brisanet Serviços de Telecomunicações S.A. recorded ICMS benefits amounting to R\$74,864 (R\$61,963 in 2021), as a reduction of ICMS expenses.

20. Equity (Individual)

a) Capital

At December 31, 2022 and December 31, 2021, subscribed and paid-in capital amounts to R\$1,321,859, represented by 449,094,916 common shares.

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Notes to financial statements (Continued)
December 31, 2022
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20. Equity (Individual) (Continued)

a) Capital (Continued)

Shareholders	Shares		Percentage - %	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Jose Roberto Nogueira	148,185,781	148,185,781	33,00%	33,00%
Paulo Estevam da Silva	35,316,878	35,282,878	7,86%	7,86%
João Paulo Estevam	35,312,878	35,312,878	7,86%	7,86%
Jordão Estevam Nogueira	35,282,878	35,316,878	7,86%	7,86%
Miguel Estevam Parente	21,169,728	21,169,728	4,71%	4,71%
Ana Paula Nogueira	17,641,436	17,641,436	3,93%	3,93%
Jordania Karina Nogueira Estevam	17,641,436	17,641,436	3,93%	3,93%
Francisco Estevam Sobrinho	15,877,173	15,877,173	3,54%	3,54%
Francisco de França Reis	10,584,864	10,584,864	2,36%	2,36%
Pedro Sales Queiroz Estevam	7,938,593	7,938,593	1,77%	1,77%
Gabriela Queiroz Estevam	7,938,593	7,938,593	1,77%	1,77%
Shares - offering	92,854,678	96,204,678	20,66%	15,99%
Treasury shares	3,250,000	-	0,72%	-
Total	449,094,916	449,094,916	100%	100%

All shares are registered and with no par value, and capital may be increased subject to no statutory reform, through decision of the Board of Directors, by means of reserve capitalization, with or without change in the number of shares.

As of September 30, 2022 and December 31, 2021, capital authorized for increase by the Board of Directors, regardless of statutory amendment, is of up to 150,000,000 additional common shares.

On June 21, 2021, the Company carried out a capital increase in the amount of R\$R\$5,650, distributed proportionally among shareholders. Subscribed and paid-in capital increased to R\$71,859, represented by 71,859,213 shares with a par value of R\$1.00 (one real) each.

At the Special Meeting held on July 6, 2021, the shareholders approved the proposal for the split of all common shares representing the Company's capital, in the proportion of 5 shares for each share held by each shareholder, and capital is now represented by 359,296,065 common registered shares with no par value. Also at this meeting, an increase in the capital limit was approved, which may be increased by the Board of Directors, regardless of statutory amendment, up to the limit of 900,000,000 additional common shares.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2022

(In thousands of reais)

20. Equity (Individual) (Continued)

a) Capital (Continued)

On July 28, 2021, the Company's capital increase was approved in the amount of R\$1,250,000, from R\$71,859 to R\$1,321,859, upon issue of 89,798,851 common shares within the scope of the public offering of shares, with increase in the Company's capital from 359,296,065 to 449,094,916 common shares. Share issuance costs totaled R\$40,253, which were recorded in a contra account of capital.

On October 19, 2021, Brisanet Participações ("Company"), listed on B3's Novo Mercado under ticker symbol BRIT3, disclosed, in compliance with article 12 of CVM Resolution No. 44/21, that it had been informed on October 18, 2021 by VERDE ASSET MANAGEMENT S.A. ("Verde") that investment funds managed by that company ("Fundos Verde") had increased equity interest in the Company's capital, now holding 24,351,500 common shares issued by the Company, corresponding to 5,42% of the share capital and the total issued in this type of share. At September 30, 2022, the number of shares increased to 25,622,100, corresponding to 5,71% of the capital and of the total issued in this type of share.

On February 2, 2022, the shareholders approved at the Special General Meeting the creation of a Buyback Program of shares issued by the Company, to be held in treasury, canceled or subsequently sold in the market, through B3 trading. The Share Buyback Program is limited to the repurchase of up to 9,500,000 shares issued by the Company, with investment of the Company's available resources, without reducing capital. At September 30, 2022, the Company recorded the amount of R\$9,405 referring to the treasury shares.

On May 10, 2022, the allocation of net income for the year ended December 31, 2021, in the amount of R\$2,240, was approved as follows: 5% of net income, equivalent to R\$112, allocated to legal reserve, 25% of net income, equivalent to R\$532, fully settled by the date set out at the SGM held on May 31, 2022, the remaining balance of R\$1,596, in accordance with the terms of article 196 of the Brazilian Corporation Law, was allocated to the retained profit reserve, as provided for in the capital budget for the year ending December 31, 2022.

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Notes to financial statements (Continued)
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20. Equity (Individual) (Continued)

b) Income reserves

Legal reserve: recorded based on 5% of net income for the year, capped at 20% of capital, pursuant to Brazilian Corporation Law in force.

Retained profits: The Company's management submits for approval by the Annual General Meeting ("AGM") the allocation of the remaining retained profit for the year to the capital budget of the Company's business.

c) Profit distribution

The accumulated losses, if any, and the provision for income and social contribution taxes, will be deducted from profit or loss for the year, before any profit sharing. The loss for the year will be mandatorily absorbed by retained earnings, by the income reserves and by the legal reserve, thus after recognition of the legal reserve, 25% (twenty-five percent), at least, will be allocated to the payment of the mandatory minimum dividend due to shareholders. Mandatory minimum dividends are calculated as follows:

	<u>12/31/2022</u>	<u>12/31/2021</u>
Net income for the year	60,707	2,242
(-) Legal reserve	(3,035)	(112)
Distribution base	57,672	2,130
Minimum %	25%	25%
Mandatory minimum dividends	14,418	533

Changes in dividends payable are as follows:

	<u>12/31/2022</u>	<u>12/31/2021</u>
Opening balance	533	-
Mandatory minimum dividends	14,418	533
Dividends approved	-	2,205
Dividends paid	(533)	(2,205)
Closing balance	14,418	533

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Notes to financial statements (Continued)

December 31, 2022

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21. Net operating revenue (Consolidated)

	<u>12/31/2022</u>	<u>12/31/2021</u>
Gross sales revenue		
Services provided	1,126,406	841,137
Products resold	787	431
	<u>1,127,193</u>	<u>841,568</u>
Deductions from gross revenue		
(-) Taxes on revenue	(216,813)	(174,776)
Tax benefits (Note 19)	74,864	61,963
	<u>(141,949)</u>	<u>(112,813)</u>
Net operating revenue	<u>985,244</u>	<u>728,755</u>

22. Operating costs and expenses by nature and function

	Individual					
	<u>12/31/2022</u>			<u>12/31/2021</u>		
	Administrative expenses	Other operating income (expenses), net	Total	Administrative expenses	Other operating income (expenses), net	Total
	(3,110)	1	(3,109)	(2,985)	(6)	(2,991)
By nature:						
Salaries and wages	(1,016)	-	(1,016)	(1,016)	-	(1,016)
Third-party services	(1,595)	-	(1,595)	(1,030)	-	(1,030)
General expenses	(497)	-	(497)	(938)	-	(938)
Other personnel expenses	(2)	-	(2)	(1)	-	(1)
Provision for contingencies	-	-	-	-	7	7
Other	-	1	1	-	(13)	(13)

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2022

(In thousands of reais)

22, Operating costs and expenses by nature and function (Continued)

	Consolidated						Consolidated					
	12/31/2022			12/31/2021			12/31/2022			12/31/2021		
	Custos dos serviços vendidos	Despesas administrativas	Despesas comerciais	Despesas tributárias	Outras despesas e receitas operacionais líquidas	Total	Custos dos serviços vendidos	Despesas administrativas	Despesas comerciais	Despesas tributárias	Outras despesas e receitas operacionais líquidas	Total
	(572,834)	(110,263)	(89,920)	(8,810)	(36,809)	(818,636)	(404,429)	(149,973)	(69,231)	(5,880)	(19,407)	(648,920)
By nature:												
Interconnection and means of connection	(28,925)	-	-	-	-	(28,925)	(21,272)	-	-	-	-	(21,272)
Direct connectivity costs (Link)	(23,859)	-	-	-	-	(23,859)	(20,815)	-	-	-	-	(20,815)
Indirect costs of right of way (utility poles)	(65,906)	-	-	-	-	(65,906)	(34,729)	-	-	-	-	(34,729)
Indirect costs of customer activation (a)	-	-	-	-	-	-	(4,312)	-	-	-	-	(4,312)
Salaries and wages	(128,205)	(52,345)	(41,403)	-	-	(221,953)	(96,575)	(54,341)	(30,706)	-	-	(181,622)
Salaries and wages of customer activation (a)	-	-	-	-	-	-	(20,189)	-	-	-	-	(20,189)
Third-party services	(8,774)	(13,734)	(13,317)	-	-	(35,825)	(13,903)	(21,325)	(10,441)	-	-	(45,669)
Advertising and promotion	-	-	(22,352)	-	-	(22,352)	-	-	(19,504)	-	-	(19,504)
Depreciation and amortization	(254,287)	(12,811)	(2,053)	-	-	(269,151)	(131,540)	(25,240)	(795)	-	-	(157,575)
General expenses	-	(12,571)	(2,949)	-	-	(15,520)	-	(19,104)	(2,029)	-	-	(21,133)
Taxes, charges and contributions	-	-	-	(8,810)	-	(8,810)	-	-	-	(5,880)	-	(5,880)
Electric power and water	(9,222)	(2,010)	(18)	-	-	(11,250)	(9,837)	(703)	(425)	-	-	(10,965)
Materials and maintenance	(16,706)	(2,908)	(642)	-	-	(20,256)	(23,177)	(11,971)	(180)	-	-	(35,328)
Other personnel expenses	(17,890)	(8,655)	(6,550)	-	-	(33,095)	(16,541)	(15,002)	(4,229)	-	-	(35,772)
Allowance for expected credit losses	-	-	-	-	(30,667)	(30,667)	-	-	-	-	(21,039)	(21,039)
Provision for contingencies	-	-	-	-	(1,604)	(1,604)	-	-	-	-	1,800	1,800
Maintenance services of software	(6,040)	(5,229)	(636)	-	-	(11,905)	(3,361)	(2,287)	(922)	-	-	(6,570)
Other	(13,020)	-	-	-	(4,538)	(17,558)	(8,178)	-	-	-	(168)	(8,346)

(a) Expenses with activation of services to customers - As of July 2021, these activation expenses are being recorded in property, plant and equipment as installation costs. The amounts recorded up to the first half of the year were included as salaries and wages and other personnel expenses.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2022

(In thousands of reais)

23. Finance income (costs)

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Finance costs				
Interest on loans and financing, and debentures	(15,183)	-	(137,919)	(83,246)
Late-payment interest and fines	(1)	(1)	(572)	(1,325)
Exchange losses	-	-	(37,205)	(61,986)
Bank charges	(8)	(3)	(7,305)	(8,365)
Interest on leases	-	-	(3,941)	(2,105)
Tax on Financial Transactions (IOF)	(4)	-	(414)	(2,273)
Collection fees	-	-	(1,699)	(1,513)
Interest on installment payments	-	-	(443)	(571)
Derivative transactions – swap	-	-	(19,680)	(14,965)
Other	-	-	(447)	(380)
	(15,196)	(4)	(209,625)	(176,729)
Finance income				
Interest income received	12,020	-	13,074	8,920
Short-term investment yield	3,123	9	69,122	34,297
Exchange gains	1	-	50,286	48,026
Derivative transactions – swap	-	-	12,912	11,390
Other finance income	-	-	3,215	6,609
	15,144	9	148,609	109,242
Finance income (costs)	(52)	5	(61,016)	(67,487)

24. Income and social contribution taxes

At December 31, 2022 and 2021, income and social contribution taxes were calculated on taxable profit computed as a percentage of gross revenue (“Lucro Presumido”) and on taxable profit based on accounting records of the Company (“Lucro real”), at the rate of 15% for income tax, and surtax of 10% for profits exceeding R\$240 over 12 months, and at 9% for social contribution tax.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

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(In thousands of reais)

24. Income and social contribution taxes (Continued)

Current income and social contribution tax expense is as follows:

	Individual		Consolidated	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Taxable profit computed on accounting records: (a)				
Current income tax	-	-	(19,590)	(5,988)
Current social contribution tax	-	-	(7,059)	(2,165)
Tax benefit - income tax reduction (Note 19)	-	-	5,161	1,319
Tax incentive - PAT (Note 19)	-	-	241	-
Tax incentive - Reinvestment (Note 19)	-	-	314	-
Deferred income and social contribution taxes	-	-	(14,270)	6,415
	-	-	(35,203)	(419)
Taxable profit computed as a percentage of gross revenue: (b)				
Income tax	(3,773)	(1)	(7,108)	(7,122)
Social contribution tax	(1,363)	(1)	(2,577)	(2,564)
	(5,136)	(2)	(9,685)	(9,686)
Total income and social contribution tax expenses:				
Current income and social contribution taxes	(5,136)	(2)	(36,334)	(17,839)
Deferred income and social contribution taxes	-	-	(14,270)	6,415
Tax benefit - income tax reduction (Note 19)	-	-	5,161	1,319
Tax incentive - Reinvestment (Note 19)	-	-	314	-
Tax incentive - PAT (Note 19)	-	-	241	-
	(5,136)	(2)	(44,888)	(10,105)

(a) Subsidiaries Brisanet Serviços de Telecomunicações S.A. compute taxable profit on their accounting records ('lucro real'),

(b) The Company and the other subsidiaries compute taxable profit as a percentage of gross revenue ('lucro presumido').

Breakdown of deferred income and social contributions taxes is as follows:

	12/31/2022	12/31/2021
Assets		
Income and social contribution tax losses	12,380	10,582
Temporary differences on allowance for expected credit losses	987	4,397
Temporary differences on provision for contingencies	495	235
Temporary differences on derivative transactions	1,125	9,405
Temporary differences on lease payable	750	-
Temporary differences on provision for losses in assets	2,468	-
	18,205	24,619
Liabilities		
Temporary differences on derivative transactions	-	(28)
Temporary differences on installation and activation of customers	(23,916)	(6,511)
Lease payable	-	(9,521)
	(23,916)	(16,060)
Deferred income and social contribution taxes, net	(5,711)	8,559

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
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24, Income and social contribution taxes (Consolidated) (Continued)

Reconciliation of income and social contribution tax expenses is as follows:

a) Subsidiaries that adopt the 'lucro real' regime

	Consolidated	
	12/31/2022	12/31/2021
Income (loss) before income and social contribution taxes	102,750	(16,497)
Combined statutory rate - 34%	34%	34%
Income and social contribution taxes at statutory rates	(34,935)	5,609
Permanent differences		
Tax benefit – income tax reduction (Note 19)	5,161	1,319
Offset - tax loss carryforward	11,412	1,929
Tax incentive - Reinvestment (Note 19)	241	-
Tax incentive - PAT (Note 19)	314	-
(Additions) exclusions, net	(3,126)	(17,010)
Income and social contribution tax expenses	(20,933)	(8,153)
Effective rate (%)	20%	-

b) Company and subsidiaries that adopt the 'lucro presumido' regime

	Individual		Consolidated	
	12/31/2022		12/31/2021	
	IRPJ	CSLL	IRPJ	CSLL
Finance income	15,144	15,144	9	9
Deducted portion	(240)	-	-	-
Gross revenue base	14,904	15,144	9	9
	(3,773)	(1,363)	(1)	(1)
Effective rate (%)	25%	9%	11%	11%
	Consolidated			
	12/31/2022		12/31/2021	
	IRPJ	CSLL	IRPJ	CSLL
Gross revenue	28,197	28,197	75,795	75,795
Gross revenue percentage	32%	32%	32%	32%
	9,023	9,023	24,254	24,254
Finance income	19,478	19,478	4,013	4,013
	28,501	28,501	28,267	28,267
Deducted portion	(240)	-	(240)	-
Gross revenue base	28,261	28,501	28,027	28,267
	(7,108)	(2,577)	(7,122)	(2,564)
Effective rate (%)	25%	9%	25%	9%

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
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25. Earnings (loss) per share

a) Basic and diluted

Basic earnings per share is calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of common shares issued in the period, excluding common shares purchased by the Company and held as treasury shares,

Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potentially dilutive common shares, The Company has no potentially dilutive common shares,

	<u>12/31/2022</u>	<u>12/31/2021</u>
Profit attributable to Company shareholders	60,707	2,242
Weighted average number of common shares issued	449,094,916	384,363,519
Basic and diluted earnings (loss) per share – in (R\$)	<u>0,135</u>	<u>0,006</u>

26. Financial instruments and risk management

a) Capital management

Company management administers Company funds to ensure business continuity, maximize application of these funds for expanding services, new technologies, as well as for working capital financing and providing return to shareholders.

The Company's capital structure consists of contracting financial liabilities with financial institutions, and applying funds in cash and cash equivalents, marketable securities and equity.

Management periodically reviews the Company's capital structure and its ability to settle liabilities, monitors on a timely basis the average term of trade accounts payable and takes the necessary measures to ensure the Company's financial balance.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

26. Financial instruments and risk management (Continued)

a) Capital management (Continued)

The Company monitors its financial position based on the financial leverage ratio, similarly to other companies in the same industry, this ratio corresponds to net debt divided by total capital. Net debt corresponds to total loans less cash and cash equivalents. Total capital is determined by adding equity and net debt.

At December 31, 2022 and 2021, debt ratios are summarized as follows:

	Note	Consolidated	
		12/31/2022	12/31/2021
Total loans and financing	12	359,788	570,848
Total debentures	13	863,851	515,850
Total promissory notes	14	72,350	-
Total lease obligations	15	38,870	35,490
Total derivatives	26	6,503	1,201
Less: cash and cash equivalents	4	(203,542)	(1,000,792)
Less: short-term investments	4	(391,540)	(46,693)
Less: derivatives	26	(2,459)	(1,308)
Net debt	A	743,821	74,596
Total equity		1,378,627	1,342,099
Equity plus net debt	B	2,122,448	1,416,695
Financial leverage ratio	A / B	35,05%	5,27%

b) Significant accounting policies

Detailed information on significant accounting policies and methods adopted, including criteria for recognition and basis of measurement of revenues and expenses for each class of financial assets and liabilities, in addition to equity, is presented in Note 2.

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Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

26. Financial instruments and risk management (Continued)

c) Category of financial instruments

	Consolidated	
	12/31/2022	12/31/2022
Financial assets at amortized cost:		
Cash and cash equivalents	203,542	1,000,792
Short-term investments	391,540	46,693
Trade accounts receivable	140,822	108,716
Financial assets at fair value through profit or loss		
Derivative transactions	2,459	1,308
	<u>738,363</u>	<u>1,157,509</u>
Financial liabilities at amortized cost:		
Trade accounts payable	66,003	186,032
Loans and financing	359,788	570,848
Debentures	863,851	515,850
Promissory notes	72,350	-
Lease obligations	38,870	35,490
Financial liabilities at fair value through profit or loss		
Derivative transactions	6,503	1,201
	<u>1,407,365</u>	<u>1,309,421</u>

Management conducted an analysis and is of the opinion that the Company's financial instruments, which are recorded at book value, do not present significant variations as compared with respective market values. Fair value of financial instruments is the amount for which an asset or a liability may be exchanged or settled, between known parties willing to carry out a fair market transaction, rather than in a sale or distressed liquidation. The methods and assumptions used for estimating any changes in relation to fair value of the Company's and its subsidiaries' financial assets and liabilities include:

- *Cash and cash equivalents*: presented at market value, which equals book value. Short-term investments included in cash and cash equivalents are classified as available for sale. Market value is reflected in the amounts recorded in the statements of financial position.
- *Short-term investments*: presented at fair value adjusted by the rates in effect on investment date.
- *Trade accounts receivable*: classified as receivables and recorded at their original amounts, subject to allowance for expected credit losses, when applicable.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

26. Financial instruments and risk management (Continued)

c) Category of financial instruments (Continued)

- *Trade accounts payable*: derive from transactions with third parties for purchase of assets and materials necessary for company operation, at market prices.
- *Loans and financing*: measured at amortized cost under the effective interest rate method.

d) Credit risk

This is the risk of financial loss due to a counterparty's failure to perform an obligation under a financial instrument or customer contract. The Company is exposed to credit risk in its operating and financing activities, including deposits in banks and financial institutions, and other financial instruments.

Trade accounts receivable subject to credit risk are presented in Note 4. At December 31, 2022, Company subsidiaries recorded a balance for expected credit losses of R\$3,165 (R\$19,293 in 2021), considered sufficient by management to cover expected losses on realization of trade receivables. As disclosed in Note 4, no individual customer represents more than 10% of total accounts receivable.

Credit risk to which balances with banks and financial institutions are subject is managed by the finance area according to the policy established by the Company. Surplus funds are invested only in approved counterparties and within the limit established for each counterparty. Credit limit is reviewed annually by Company management and may be adjusted during the year. These limits are established with a view to minimizing risk concentration, therefore mitigating financial risk in cases of counterparty bankruptcy. Cash and cash equivalents, and marketable securities subject to credit risk are presented in Note 3.

e) Market risk

This is the risk that the fair value of the future cash flows of a financial instrument will fluctuate due to changes in market prices. Market price includes interest rate risk. Financial instruments affected by market risk include loans and financing payable and deposits measured at fair value through profit or loss.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2022

(In thousands of reais)

26. Financial instruments and risk management (Continued)

f) Liquidity risk

Management analyzes the continuous forecasts of Company liquidity requirements to ensure that cash is sufficient for Company operation. Management is of the understanding that the Company is fully able to honor its financial commitments. Management analyzed the Company's current and projected cash position and believes that it has sufficient liquidity to continue fulfilling its obligations.

Financial liabilities, by maturity bracket, corresponding to the period remaining between the reporting date and contractual maturity date are as follows:

	Total at 12/31/2022	Within 6 months	From 6 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years
Trade accounts payable	66,003	55,892	10,111	-	-	-
Loans and financing	359,788	84,224	70,394	155,650	26,988	22,532
Derivatives	6,503	1,461	1,921	3,121	-	-
Debentures	863,851	23,593	-	246,864	513,826	79,568
Promissory note	72,350	-	72,350	-	-	-
Lease obligations	38,870	11,651	2,583	8,558	11,087	4,991
	Total at 12/31/2021	Within 6 months	From 6 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years
Trade accounts payable	186,032	150,701	35,331	-	-	-
Loans and financing	570,848	90,911	146,006	245,174	69,735	19,022
Derivatives	1,201	61	922	218	-	-
Debentures	515,850	8,908	-	-	459,798	47,144
Lease obligations	35,490	4,060	3,898	12,972	9,235	5,325

g) Financial risk factors

The Company manages liquidity risk based on cash flow management and seeks to maintain cash and cash equivalents at a level that is sufficient to meet its short-term needs.

h) Currency risk

This risk refers to exchange rate fluctuations on commitments in foreign currency. The Company subsidiaries use derivatives (fx forward contracts and swaps) recorded as financial instruments to mitigate risks of exchange losses due to fluctuations of the Brazilian real (R\$), in consonance with the Company's currency risk management policy.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
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26. Financial instruments and risk management (Continued)

h) Currency risk (Continued)

Derivative financial instruments

The derivatives and fx forward contracts have as counterparty a financial institution and were contracted to cover potential risks involved in the purchase of PPE items abroad. The essential terms of the fx forward contracts were negotiated so as to be in line with the existing sale commitments contracted in foreign currency. At December 31, 2022, Company subsidiaries present a consolidated balance receivable of R\$2,302 (R\$1,308 in 2021) equivalent to the estimated positive adjustment to be received financially upon contract maturity, based on their market value on the respective date.

Breakdown of financial instruments

Description	12/31/2022	12/31/2022
Derivative transactions receivable – Swap	2,459	1,308
	2,459	1,308
Current	95	297
Noncurrent	2,364	1,011
	2,459	1,308

Maturity of swap transactions:

	12/31/2022	12/31/2022
2022	-	297
2023	93	1,011
2024	-	-
2025	84	-
2026 onwards	2,282	-
	2,459	1,308

	12/31/2022	12/31/2022
Outstanding swap transactions:		
Loans and financing – book value	56,921	46,935
Loans and financing – fair value	(54,462)	(45,627)
Gain adjustments from financial instruments – swap	2,459	1,308
	2,459	1,308

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2022
(In thousands of reais)

26. Financial instruments and risk management (Continued)

h) Currency risk (Continued)

Breakdown of financial instruments (Continued)

Subsidiaries Brisanet Serviços and RPS Prestação de Serviços engage in instruments for financial transactions in foreign currency aimed at fundraising and import financing. At December 31, 2022 and 2021, hedging transactions represented 15,82% (R\$56,921 / R\$359,788) and 8,22% (R\$46,935 / R\$570,848), respectively, of these subsidiaries' bank debt.

For the current year, the Company engaged in hedging instruments to protect financial transactions denominated in foreign currency. These transactions were performed using the same credit operations in order to prevent any position mismatch.

At December 31, 2022, derivative financial instruments amounted to R\$2,459 (R\$1,308 in 2021). The Company measures its foreign-currency loan liabilities at amortized cost and hedges such items by means of derivative financial instruments (swaps). In order to prevent accounting mismatches between measurement of financial liabilities (amortized cost and fair value), the Company classified referred to instruments as financial liabilities measured at fair value.

In the period ended December 31, 2022, net realized and unrealized gains (losses) deriving from these contracts were recorded in finance income (costs), and represented consolidated net gains of R\$6,767 (R\$721 in 2021).

i) Sensitivity analysis of CDI and USD variations

Management administers any exposure to interest rate variations by managing cash flow. Currency rate fluctuation has an impact on loans and financing, and on commitments to foreign suppliers, which are hedged by derivative financial instruments, in consonance with the Company' risk management policy (item g).

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2022

(In thousands of reais)

26. Financial instruments and risk management (Continued)

i) Sensitivity analysis of CDI and USD variations (Continued)

Three scenarios are considered below, to wit: (i) current scenario (probable), which is adopted by the Company, (ii) the scenario with decrease of 25% of the risk variable considered, and (iii) the scenario with decrease of 50% of the risk variable considered. These scenarios were defined based on hypotheses of changes in key variables at the date of termination of the respective agreements subject to these risks. Worth mentioning, the scenarios presented are subject to significant adjustments due to variations in the Company's operating performance, which may affect debt and liquidity level.

Interest rate risk

2022		Consolidated			
Instrument/transaction	Probable scenario	Risk	Current scenario	Scenario II	Scenario III
Working capital	12.39%	CDI increase	(17,004)	(21,255)	(25,506)
Working capital	7.37%	TJLP increase	(98)	(122)	(147)
Working capital	5.79%	TLP increase	(257)	(321)	(386)
PPE financing (FINEM)	7.37%	TJLP increase	(199)	(249)	(299)
PPE financing (FINEM)	5.79%	TLP increase	(2,255)	(2,818)	(3,382)
Financing – TR	1.63%	TR increase	(1,004)	(1,255)	(1,506)
Short-term investments	12.39%	CDI decrease	48,512	36,384	24,256
Projected income (loss)			27,695	10,364	(6,970)

2021		Consolidated			
Instrument/transaction	Probable scenario	Risk	Current scenario	Scenario II	Scenario III
Working capital	9.80%	CDI increase	(29.790)	(37.238)	(44.685)
Working capital	5.57%	TJLP increase	(462)	(577)	(693)
Working capital	11.01%	TLP increase	(716)	(895)	(1.074)
PPE financing (FINEM)	5.61%	TJLP increase	(457)	(571)	(685)
PPE financing (FINEM)	10.97%	TLP increase	(2.922)	(3.652)	(4.383)
Financing - TR	0.33%	TR increase	(178)	(222)	(267)
Financial investments	1.23%	CDI decrease	11.610	8.708	5.805
Projected income (loss)			(22.915)	(34.447)	(45.982)

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Notes to financial statements (Continued)
December 31, 2022
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26. Financial instruments and risk management (Continued)

i) Sensitivity analysis of CDI and USD variations (Continued)

Currency risk

12/31/2022	Probable US dollar rate	Risk	Consolidated		
			Current scenario	Scenario II	Scenario III
Trade accounts payable	5.41	Dollar increase	-	(10,599)	(21,198)
Loans and financing	5.41	Dollar increase	-	(24,966)	(49,932)
Projected income (loss)			-	(35,565)	(71,130)
			-	(10,599)	(21,198)

12/31/2021	Probable US dollar rate	Risk	Consolidated		
			Current scenario	Scenario II	Scenario III
Trade accounts payable	5.58	Dollar increase	-	(26,402)	(52,803)
Loans and financing	5.58	Dollar increase	-	(26,577)	(53,154)
Projected income (loss)			-	(52,979)	(105,957)
			-	(26,402)	(52,803)

j) Fair value hierarchy

The Company classifies and discloses the fair value of financial instruments based on measurement techniques:

- Level 1: prices (without adjustments) quoted in active markets for identical assets or liabilities;
- Level 2: other techniques for which all data that has a significant impact on fair value recorded may be observed, either directly or indirectly; and
- Level 3: techniques that use data that has a significant impact on fair value recorded that are not based on data that may be observed in the active market.

	Consolidated			
	12/31/2022	Level 1	Level 2	Level 3
Financial assets				
Derivative transactions	2,459	-	2,459	-
Financial liabilities				
Derivative transactions	6,503	-	6,503	-

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Notes to financial statements (Continued)
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26. Financial instruments and risk management (Continued)

j) Fair value hierarchy (Continued)

	Consolidated			
	12/31/2021	Level 1	Level 2	Level 3
Financial assets				
Derivative transactions	1,308	-	1,308	-
Financial liabilities				
Derivative transactions	1,201	-	1,201	-

Financial assets and liabilities recorded at amortized cost approximate their fair value, since these amounts are adjusted for provisions, to present value and/or at floating market rates.

27. Insurance coverage (Consolidated)

Management of the Company and its subsidiaries take out various types of insurance, whose amounts are considered sufficient by management and insurance brokers to cover any claims.

Insurance coverage in effect is as follows:

	12/31/2022	12/31/2021
PPE – civil liability risk	US\$ 26,800	US\$ 40,000
PPE – operational risk (Dólar)	US\$ 13,069	US\$ 10,400
PPE – operational risk (Real)	R\$ 1,571	-
D&O	R\$ 50,000	-
Other items – operational risk	R\$ 292,371	R\$10,604

28. Non-cash transactions

	Consolidated	
	12/31/2022	12/31/2021
Capitalization of Interest (Note 9)	27,033	24,285
Capitalization of depreciation (Note 9)	16,361	5,760
Allowance for expected credit losses write-off (Note 5)	46,795	22,537

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Notes to financial statements (Continued)
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(In thousands of reais)

29. Events after the reporting period

New partner in the indirect subsidiary 4J Serviços de Telecomunicações Ltda. and AFAC subscription of Brisanet Serviços de Telecomunicação S.A..

On February 1, 2023, the new partner ADLService Comunicações e Serviços Ltda. in the indirect subsidiary 4J Serviços de Telecomunicações Ltda. which subscribed 528,534 new quotas with a unit value of R\$1,00 (one real), having referred a new partner 45% of participation.

The direct subsidiary Brisanet Serviços de Telecomunicações S.A. subscribes to 595,986 new shares with a unit value of R\$1,00 paying them in full through the capitalization of advances for future capital increases (AFAC), holding a 55% stake in the indirect subsidiary 4J Serviços de Telecomunicações Ltda..

The subscribed and paid-in capital of the indirect subsidiary 4J Serviços de Telecomunicações Ltda. updated changes to R\$ 1,174 represented by 1,174,520 shares, with a unit value of R\$ 1.00 (one real).

Decision of the Federal Supreme Court (“STF”) on “res judicata” (“coisa julgada”) in tax matters

On February 8, 2023, the plenary of the STF concluded and finalized the judgment of themes 881 and 885, unanimously deciding that a final decision, the so-called “res judicata” (“coisa julgada”), on taxes collected on a continuous basis, automatically loses its effects of final and unappealable decisions if there is a divergent and contrary pronouncement, when it occurs in concentrated control or under a general repercussion regime.

The Company and its subsidiaries evaluated the reflex effects of this decision and did not identify legal proceedings impacted by the aforementioned decision of the Supreme Court, as there are no judicial decisions that result in the suppression of its taxes, whose matter has subsequently been ruled against by the Supreme Court in concentrated control action or under general repercussion regime. Additionally, the Company understands that the decision is not directly or reflexively applicable to Brisanet Participações S.A. or its subsidiaries for the base date of December 31, 2022 and continues to monitor the evolution of the matter.

* * *

Proposed Fiscal Budget for fiscal year to end on December 31, 2023

The management of Brisagnet Participações S.A. (“**Company**”) submits to the Annual General Meeting to be held on April 20, 2023 (“**AGM**”) the following capital budget proposal for the fiscal year end on December 31, 2023, in accordance with article 196 of Law No, 6,404, of December 15, 1976, as amended (“**Corporate Law**”).

The Company's budget, approved by the Board of Directors, considers, for the fiscal year ending on December 31, 2022, expenses of R\$500,000,000,00 (five hundred million reais), with the objective of meeting the business growth, as detailed below::

Use of funds	In R\$
Fiber Optics Infrastructure	100,000,000,00
Client Base expansion	100,000,000,00
Maintenance of client base	200,000,000,00
Total	500,000,000,00

Sources of funds	In R\$
Retention of portion of net income for the fiscal year ended December 31, 2022	43.254.022,13
Equity	456.745.977,87
Total	500.000.000,00

Thus, in order to comply with article 196 of the Brazilian Corporation Law, the Company's management proposes to the AGM the approval of the amount of R\$500,000,000,00 (six hundred million reais), corresponding to the budgeted expenses for the fiscal year to end on December 31, 2023 in order to meet the Company's business growth project.

**ANNUAL REPORT FROM THE AUDIT COMMITTEE
 BRISANET PARTICIPAÇÕES S.A.
 FYE 2022**

About the Audit Committee (“Audit Committee” or “CAE”):

The Audit Committee of Bris Janet Participações S.A. (“Company”) is an advisory body linked directly to the Board of Directors of the Company, on a permanent basis, subject to these Internal Regulations (“Regulations”), the provisions of the Company’s Bylaws (“Bylaws”) and the legislation and applicable regulations. The Audit Committee aims to strengthen the Company’s best corporate governance practices, its installation was approved by the Company’s Board of Directors at a meeting held on May 31, 2021 and is available on its IR page.

Composition:

According to the Internal Rules of the Audit Committee of Bris Janet Participações S.A, the CAE will function on a permanent basis and will report to the Company’s Board of Directors, acting independently from the Executive Board. The Audit Committee is composed of at least 3 (three) members, elected and dismissed by the Board of Directors for a term of 2 (two) years. Currently, the CAE is composed of 3 (three) independent members, as follows:

Name	Function	Independent
Geraldo Luciano Mattos Júnior	Audit Committee Coordinator and Member of the Board of Directors	Yes
Eliardo Araújo Lopes Viera	Member	Yes
Eduardo Luiz Rota	Member	Yes

*2022 Meetings were all virtual**

Attributions and Responsibilities:

The powers of the Audit Committee of Bris Janet Participações S.A are listed in its Bylaws and are carried out in strict compliance with the requirements set forth in CVM Normative Instruction no. 480, in the Novo Mercado Regulations, in the recommendations of the Manual of Best Corporate Governance Practices of the Brazilian Institute of Corporate Governance (“IBGC”), in the Company’s Bylaws and those defined in its Bylaws, namely:

- (i) giving an opinion on the hiring and dismissal of independent auditing services;
- (ii) evaluate the quarterly information, interim statements and annual financial statements;
- (iii) evaluate, monitor and recommend to management the correction or improvement of internal policies, as well as having means for receiving and processing information about non-compliance with applicable legal and regulatory provisions;
- (iv) review, prior to any relevant external disclosure in the financial statements in its explanatory notes, management reports, audit report (opinion) or any document to the public, relating to the Company and its controlled companies;
- (v) request clarifications as to the points that generated any changes in the issuance of the opinion of the independent audit report;
- (vi) monitor the resolution, by the Company’s Board of Executive Officers, of the recommendations made by the independent audit or internal audit;
- (vii) monitor the evolution and update of risk mapping;
- (viii) monitor all stages of the risk management process;
- (ix) monitor and ensure the application and reliability of the internal audit and internal controls;

- (x) evaluate, monitor and recommend the correction or improvement of the Company's internal policies, including the Related Party Transactions Policy;
- (xi) have means for receiving and processing information about non-compliance with legal and regulatory provisions applicable to the Company, in addition to internal regulations and codes, including provisions for specific procedures to protect the provider and the confidentiality of information;
- (xii) ensure the Company's clarity and adherence to its mission, vision, values, strategic guidelines, the Company's Code of Ethics, internal policies, procedures and processes;
- (xiii) check and monitor transactions with related parties;
- (xiv) identify conflicts of interest;
- (xv) identify opportunities and continuous improvement;
- (xvi) coordinate and monitor the Company's whistleblowing and ombudsman channel, ensuring its proper operation with independence, secrecy, confidentiality and free of retaliation;
- (xvii) investigate and monitor events that put the Company's internal controls or compliance at risk;
- (xviii) ensure that the personnel's training and qualification schedule is in place, enabling them to identify, anticipate, measure, monitor and, if applicable, mitigate risks, pursuant to the Company's Risk Management Policy; and
- (xix) ensure that the structure is dimensioned to fulfill the role of good corporate governance.

Meetings Held and Main Subjects Discussed:

The Audit Committee of Bris Janet Participações S.A. met ordinarily and extraordinarily 14 (fourteen) times in the period between January 1, 2022 and December 31, 2022, of which among the activities carried out during the year, the following should be highlighted aspects:

- a) approval of the annual calendar of meetings for the 2022 financial year.
- b) presentation of the Work Plan for the Controls and Risks, Compliance and Internal Audit areas for fiscal year 2022.
- c) follow-up of the preparation and review process of the financial statements of Bris Janet Participações S.A., through meetings with the managers and external auditors to discuss the quarterly information and financial statements of the Company and its subsidiaries, related to the year ended on 31 December 2022;
- d) Discuss with the External Auditors the Planning and Completion of the quarterly and annual work, results obtained and mitigating actions, when necessary, which include the points of attention and recommendations arising from the work of the External Audit, as well as the monitoring of the measures adopted (action plans) by Management;
- e) monitoring of the most relevant reports received by the ethics channel, receipt and treatment of complaints received, as well as knowledge and monitoring of actions taken by the Company, when applicable;
- f) monitoring of the Compliance program, the proposed plan and activities carried out throughout the year at Bris Janet Participações S.A. in space with regard to interactions with public agents;
- g) Follow-up of an external consultant hired to map the Company's strategic risks;
- h) monitoring of the internal control system regarding its effectiveness and improvement processes, evaluation of the year's work plan and the respective policies related to the theme.
- i) evaluation and application of the policy for transactions between related parties, as well as transactions carried out during the year, which were reported at periodic meetings;
- j) follow-up of schedules related to the Company's asset management, as well as monitoring of practices and methodologies related to the Supply Chain of Bris Janet Participações S.A.;
- k)
- l) Monitoring of the main actions carried out by the Company to improve relations with related parties

All meetings were recorded in minutes and signed by its members, being duly filed at the Company's headquarters, em atas e assinadas por seus membros, sendo devidamente arquivadas na sede social da Companhia.

Report to Board of Directors:

The Audit Committee reports to the Board of Directors and operates with operational autonomy and its own budget in the exercise of its functions, functioning as an auxiliary, advisory and advisory body to the Company's Board of Directors with regard to control over the quality of financial statements, financial and internal controls, aiming at the reliability and integrity of the information. The function of its members cannot be delegated, and must be exercised exclusively by the elected members.

The Committee reported on all the Board of Directors' Meetings regarding the activities carried out during the year, including the work carried out and the discussions at the meetings held in the year 2022.

Conclusion:

The members of the Audit Committee of Brisanet Participações S.A., in the exercise of their attributions and legal responsibilities, as provided for in the Internal Regulations of the committee itself, reviewed and analyzed the financial statements, accompanied by the report of the independent auditors for the fiscal year ended on 31 December 2022 ("2022 Annual Financial Statements") and, considering the information provided by the Company's Management and by Ernst & Young Auditores Independentes S.S., considering that these adequately reflect, in all material aspects, the equity and financial position of the Company and its subsidiaries, unanimously recommend the approval of said documents by the Company's Board of Directors and subsequent submission to the Ordinary General Meeting of Shareholders.

Pereiro/CE, March 18, 2023.

Geraldo Luciano Mattos Júnior

Committee Coordinator

Eliardo Araújo Lopes Viera

Member

Eduardo Luiz Rota

Member