

Interim Financial Information

Brisanet Participações S.A.

March 31, 2023

with Independent Auditor's Review Report

Brisanet Participações S.A.

March 31, 2023

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EARNINGS RELEASE 1Q23



brisanet

Brisanet records EBITDA of R\$139.4 million in 1Q23, with profit of R\$25.2 million

Brisanet Participações S.A. (B3: BRIT3), second largest company among independent internet service providers in Brazil¹ and the largest fixed broadband provider in the Northeast region, according to Anatel's ranking, today announces its results for the first quarter of 2023 (1Q23).

The financial information presented herein was prepared in accordance with the International Financial Reporting Standards ("IFRS") and with the accounting standards and practices of the Brazilian Corporate Law and the pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee ("CPC") and approved by the Brazilian Securities and Exchange Commission ("CVM").

Founded 25 years ago, **BRISANET** has a 28,3% market share in fiber in 7² of the 9 states in the region. With a 100% fiber optic product portfolio, the Company has been **one of the regional 5G mobile operators** since December 2021, having won 3 frequencies in the 5G auction promoted by Anatel. The Company will be able to operate in the Northeast and Midwest of the country.

In addition, Brisanet also operates, through the **AGILITY TELECOM** brand, which provides internet services under the franchise model in smaller cities and rural regions of the Northeast. The Company operates in all nine states of the Northeast region, providing fixed broadband services through optical fiber in 155 cities³, under the Brisanet brand alone.

Brisanet	1Q23	4Q22	1Q22
<u>Operating Highlights</u>			
Cities served	155	154	139
Access Ports - '000	4,371	4,231	3,618
HP added- '000	280	252	641
Total HP - '000	6,397	6,117	5,103
HC added- '000	59	60	66
Total HC - '000	1,159	1,100	909
<u>Financial Highlights (R\$ million)</u>			
Net Revenue	292.1	277.5	216.9
Gross Margin (%)	47%	46%	37%
Operating Income	62.0	68.0	17.7
EBITDA	139.4	143.0	77.6
Adjusted EBITDA Margin (%)	48%	52%	36%
Net Income (loss)	25.2	30.5	9.5
Net Debt	761.8	743.8	628.4
Net Debt/EBITDA ltm (x)	1.5	1.7	2.4

¹ Considering the Brisanet and Agility brands (through franchisees) in March/2023.

² CE, RN, PB, PE, AL, SE e PI – Anatel data from Feb/2023.

³ Mar/23 data

MAIN HIGHLIGHTS OF THE PERIOD

- ✓ **Net operating revenue grew 35% in 1Q23**, when compared to 1Q22 and 5% when compared to 4Q22. This result is the result of the Company's organic geographic expansion, which in 1Q23 **added 59 thousand customers to its base organically**, a growth of 5% over the base of December 2023.
- ✓ **EBITDA in 1Q23 was R\$139.4 million with a margin of 47.7%, an increase of 80%** compared to EBITDA in 1Q22, evidencing the improvement in the margin due to actions aimed at reducing costs from April 2022 and the reduction in the pace of expansion, which reduces the initial costs of entering new cities.
- ✓ The Company's **debt level, measured by the ratio of net debt to EBITDA, was 1.5x at the end of 1Q23**. This is the fourth consecutive quarter of debt reduction. The growth in 1Q23 UDM EBITDA, which was R\$497.6 million, and the practically stable net debt account for this low level of leverage.
- ✓ In terms of cash flow, in 1Q23, **the Company generated a volume of operating cash 250% higher than that of the same quarter of the previous year and 25% higher than the generation of 4Q22**. Operating cash generation was R\$137.0 million in this quarter, almost 100% of EBITDA for the period converted into cash.
- ✓ **Net income reached R\$25.2 million in 1Q23**, a growth of 165% compared to 1Q22.

EARNINGS CONFERENCE CALL

Date: 05/11/2023 – Thursday

Time: 09 AM – In Portuguese with simultaneous translation

Brisanet – 1Q23 Earnings Release

To access, [click here](#).

OPERATIONAL RESULTS

Brisanet's mission is to provide a quality internet service to all citizens of the Northeast region, including those who live far from large urban centers. One of the Company's main quality and efficiency differentials comes from its verticalized operation. The Company operates throughout the entire value chain, from mapping potential new areas to receive fiber to providing support and service monitoring for customers.

One of the Company's pillars of quality is its relationship with the customer, which is mainly managed through its proprietary management platform that allows knowing and acting in real time, from the operations center, at the Company's headquarters, on what happens to your infrastructure and your customers. The Company has a state-of-the-art structure of fully integrated data centers with local content, which guarantees quality and stability in Internet access, as well as savings and the ability to increase data speed in the future.

Brisanet also has almost 29,000 km of backbone infrastructure (roads used to distribute the internet to other networks) and more than 61,000 km of FTTH (fiber-to-the-home) cables. The FTTH modality corresponds to the fiber optic transmission network architecture where the network reaches the customer's residence, coming directly from the distribution box of the company providing the service.

In 1Q23, 280 thousand HPs and 59 thousand customers were added. Despite the more challenging scenario, Brisanet remains the company with the highest organic subscriber growth. The expectation for 2023 is to grow around 20 thousand subscribers/month.

The Brazilian economic scenario, especially in the region where we operate, remains challenging. Inflation and the pricing strategy adopted by the competition continue to exert pressure on the telecommunications market. Brisanet continues to advance in the capitals and metropolitan regions, **with market share in fiber between 50 and 65% in Natal, Maceió and João Pessoa, and over 19% in Fortaleza.** In Teresina and Aracaju, where the Company entered the second half of 2021, the share is already above 14% in the Piauí and above 20% in the Sergipe (Mar-23 figures).

	1Q23	4Q22	1Q22	1Q23 x 1Q22	1Q23 x 4Q22
Access Ports	4,370,946	4,231,005	3,618,008	21%	3%
Added HP	279,882	252,460	640,760	-56%	11%
Homes Passed (HP)	6,397,104	6,117,222	5,103,118	25%	5%
Added HC	58,758	60,315	66,192	-11%	-3%
Homes Connected (HC)	1,158,833	1,100,075	909,475	27%	5%
Cities served	155	154	139	12%	0%
Churn	2.35%	2.27%	2.51%	-6%	4%

The increase in competition and the drop in purchasing power, notably of the classes with lower purchasing power, despite not having increased defaults, had an impact on churn compared to history - in 1Q23 it represented a monthly average of 2.35%, compared to 2.27% in 4Q22. The Company has been working to reduce churn and despite this one-off increase, churn in 1Q23 fell by 0.08 p.p. compared to the 2022 average and 0.16 p.p. compared to 1Q22.

Agility Telecom	1Q23	4Q22	1Q22
Homes Passed (HP)	(46,752)	13,128	92,207
Added HP	948,717	995,469	902,040
Homes Connected (HC)	(7,184)	1,294	11,989
Added HC	209,104	216,288	202,038
# of franchisees	83	90	98

FINANCIAL RESULTS

GROSS REVENUE BY PRODUCT

R\$ million	1Q23	4Q22	1Q22	1Q23 x 1Q22	1Q23 x 4Q22
Gross Revenue	328.1	292.4	237.6	38%	12%
Broadband	300.9	289.0	225.9	33.2%	4.1%
B2C	272.6	267.2	213.5	27.7%	2.0%
B2B	28.3	21.8	12.4	128.2%	29.8%
Fixed telephony	10.1	7.4	11.3	-10.6%	36.5%
Others	17.1	11.6	16.2	5.6%	47.4%
ARPU broadband	R\$ 90.91	R\$ 90.20	R\$ 91.41	-0.5%	0.8%

The Company's revenue is made up of fixed broadband internet services, fixed telephone services and others such as: Pay TV and mobile telephony and complementary services, such as music and video streaming, which increase the average ticket purchased per customer and the perception of value of the Company itself.

The average B2C ticket in 1Q23 was R\$90.91. The reduction in purchasing power, a reflection of accumulated inflation since August 2021, has reduced the previous trend of increasing more expensive and faster internet plans. In addition, price competition among providers has made the market more intense, stimulating the promotion of offers and causing this effect on ARPU.

B2B revenue has grown over the quarters, registering a 128% increase between 1Q23 and 1Q22, as a result of the expansion of the presence in larger cities.

Agility Telecom's revenue, in the amount of R\$8.6 million in 1Q23, is in Others.

Comparing 1Q23 and 1Q22, Brisanet's net revenue grew by 35%, from R\$216.9 million in 1Q22 to R\$292.1 million in 1Q23. This was mainly due to the increase in the number of subscribers - which increased by 27% between the periods - and the increase in B2B revenues.

R\$ million	1Q23	4Q22	1Q22	1Q23 x 1Q22	1Q23 x 4Q22
Net Revenue	292.1	277.5	216.9	35%	5%

COSTS OF SERVICES

Costs of Services Rendered (In millions of R\$)	1Q23	4Q22	1Q22	1Q23 x 1Q22	1Q23 x 4Q22
Personnel	(32.7)	(32.9)	(39.2)	-17%	0%
Interconnection	(8.0)	(6.6)	(7.3)	9%	21%
Connectivity	(5.5)	(5.4)	(6.4)	-15%	1%
Right of Passage	(20.3)	(20.0)	(14.7)	39%	2%
Utilities	(2.5)	(2.4)	(2.2)	12%	5%
Materials and maintenance	(3.8)	(4.1)	(4.3)	-11%	-6%
Third-party Services	(2.4)	(2.3)	(2.0)	25%	5%
Others	(4.5)	(6.9)	(5.8)	-22%	-35%
Depreciation and Amortization	(73.8)	(71.5)	(55.3)	33%	3%
Total	(153.5)	(152.0)	(137.2)	12%	1%

The Company's cost of services rendered in 1Q23 amounted to R\$153.5 million compared to R\$137.2 million in 1Q22, representing an increase of 12%. Isolating depreciation, cash costs fell 3%, even with a 27% growth in the customer base. Total cost rose only 1% when compared to 4Q22.

Compared to 1Q22, the variation is mainly due to:

- expenses with renting poles (right of way) increased by R\$5.6 million due to the 25% increase in the number of HPs;
- depreciation and amortization, which grew by R\$18.5 million, given the growth in assets and intangible assets resulting from the expansions carried out;
- increase in productivity that enabled the reduction of personnel costs by 17%, even with salary readjustments and an increase in the customer base; and
- The reduction in costs with materials and maintenance was partly due to the immobilization of renovations with stores (owned and leased).

OPERATIONAL EXPENSES

Operational expenses (In millions of R\$)	1Q23	4Q22	1Q22	1Q23 x 1Q22	1Q23 x 4Q22
Personnel	(28.7)	(26.2)	(26.8)	7%	10%
Third-party Services	(5.5)	(6.1)	(8.6)	-36%	-10%
Marketing expenses	(7.0)	(6.1)	(5.1)	36%	13%
Taxes and contributions	(3.4)	(2.5)	(2.2)	56%	37%
Provision for doubtful accounts	(11.4)	(9.4)	(6.3)	80%	22%
Other Expenses / (revenues)	(17.0)	2.5	(8.4)	102%	-
Depreciation and amortization	(3.6)	(3.5)	(4.6)	-22%	4%
Total	(76.6)	(51.3)	(62.1)	23%	49%

The Company's operating expenses in 1Q23 increased approximately 23% compared to 1Q22 and 49% compared to the previous quarter.

General and Administrative Expenses, excluding depreciation and amortization, fell 3.1% compared to 1Q22 and increased 3.7% compared to 4Q22. The decrease is mainly related to lower expenses with third-party materials and services. The growth in expenses is related to a reversal of profit sharing that occurred in 4Q22, due to non-compliance with 2022 targets.

Selling Expenses, excluding depreciation and amortization, were 21.5% higher in 1Q23 when compared to 1Q22 and 11.6% higher compared to 4Q22, mainly due to the reclassification of PCLD for this item, higher personnel expenses, and marketing, both related to the expansion of the Company's area of operation, which in 2022 added 34 new cities.

The provision for allowance for losses with receivables (PCLD) increased by R\$5.1 million compared to 1Q22. The Company periodically reviews the % of PCLD on gross revenue. As of 1Q23 it will be 3.5%. There was no increase in default. As we see below, accounts receivable overdue for more than 181 days have been falling since 1Q22, despite the Company's revenue having grown by 35% in the last year. The amount of the provision in 1Q23 was R\$11.4 million.

Accounts Receivable (in millions of R\$)	1Q23	4Q22	1Q22	1Q23 x 1Q22	1Q23 x 4Q22
Falling due	59.3	49.6	48.1	23%	20%
Past due under 180 days	66.2	63.7	53.2	25%	4%
Past due over 181 days	30.5	30.7	37.7	-19%	-1%

The Company also updated its contingency policy as of 2023, adopting a more conservative approach. As a result, lawsuits that would only be considered as probable losses from the exhaustion of resources, started to be classified as such from the first instance. This change caused a greater adjustment in the first quarter of 2023, due to the balance of open cases. Provisions for labor, civil and tax contingencies totaled R\$7.0 million in 1Q23 and are included in the 'Other Expenses' line in the table above.

EBITDA

R\$ million	1Q23	4Q22	1Q22	1Q23 x 1Q22	1Q23 x 4Q22
Net Income	25.2	30.5	9.5	165%	-17%
(+) Income tax and social contribution	10.8	21.1	9.4	15%	-49%
(+) Net financial result	26.0	16.4	(1.2)	<i>nm</i>	58%
(+) Depreciation and amortization	77.4	74.9	59.9	29%	3%
EBITDA	139.4	143.0	77.6	80%	-3%
EBITDA margin (%)	47.7%	51.5%	35.8%	-	-

The Company presented an EBITDA margin of 47.7% in 1Q23, compared to 35.8% in 1Q22 and 51.5% in the previous quarter. In the analysis against 1Q22, the margin improvement is due to the dilution of fixed costs by base growth and cost reduction initiatives adopted by the Company from 2Q22 onwards, as well as the reduction in the pace of expansion, since organic expansion has an initial cost structure – poles, sales/repair/inventory/maintenance teams – that burden the Company's total operating costs/expenses.

In relation to the previous quarter, the main factor responsible for the decrease in the margin were provisions for loan losses and provisions for contingencies, in the amount of R\$10.0 million, or 3.6 p.p. bigger. The Company remains confident in the improvement of its cash generation, having presented in this quarter, even with these untimely effects, growth of 80% year on year. Had it not been for the one-off effects of the ICMS increase in the RN in January and February and the review of the provision for contingencies, the EBITDA margin would have been equivalent to that of 4Q22.

FINANCIAL RESULT

In 1Q23, the **financial result was an expense of R\$26.0 million**, 58% higher than the previous quarter and R\$27.2 million higher than 1Q22. Compared to 4Q22, this quarter's result reflects higher interest expenses, lower yields on financial investments and a lower positive effect from exchange rate variation.

In interest expenses, the biggest change occurred in charges on incentivized debentures (annual cost of IPCA + 5.77%), since the IPCA reference was 0.7% for 4Q22 and 2.0% for 1Q23 (IPCA from Dec/22 to Feb/23). Income from financial investments decreased due to the drop in average cash between periods – it was R\$644 million in 4Q22 and R\$531 million in 1Q23.

At the end of December, the Company had R\$24.1 million in international suppliers and R\$84.6 million in financing in foreign currency. The Company adopts the policy of contracting hedging instruments to protect part of its financing and suppliers in foreign currency. Even though the debt in foreign currency is partially hedged against variations by means of exchange rate swap instruments, the reflections of the currency impact the line of exchange variations, being partially offset by the negative or positive result of operations with derivatives. In this quarter, the average balance of suppliers in foreign

currency was lower than in the previous quarter. Added to this, the settlement of some derivative contracts in March – which was very volatile in terms of the exchange rate – ended up reducing the positive impact of the appreciation of the real in the period.

R\$ million	1Q23	4Q22	1Q22	1Q23 x 1Q22	1Q23 x 4Q22
Financial revenue	28.8	35.1	52.0	-45%	-18%
Financial expenses	(54.8)	(51.6)	(50.8)	8%	6%
Net financial result	(26.0)	(16.5)	1.2	nm	58%

Financial income for 1Q23 mainly reflects interest on funds invested in the period, in the amount of R\$17.7 million and R\$9.4 million from exchange variation/derivative operations.

Financial expenses basically consisted of: (i) interest expenses in 1Q23 in the amount of R\$42.9 million, (ii) operations with derivatives in the amount of R\$4.9 million - derivatives are basically swaps for currency hedging of debts in foreign currency, and (ii) passive foreign exchange variations of R\$3.2 million.

INDEBTEDNESS

R\$ million	Mar-23	Dec-22	Var. (%)
Gross Debt	1,228.3	1,338.9	-8.3%
(-) Cash and cash equivalents	156.4	203.5	-23.2%
(-) Short-term investments	310.1	391.5	-20.8%
Net Debt	761.8	743.8	2.4%

Brisanet had a gross debt of R\$1.2 billion in March 2023 allocated to investment in the geographic expansion of its fiber optic network. Gross debt comprises loans and financing, debentures, promissory notes, lease obligations and derivative transactions. Considering Cash and financial investments at the end of the period of R\$466.5 million, the Company had a net debt of R\$761.8 million, compared to a net debt of R\$743.8 million at the end of 2022. Most of this resource is invested in instruments with liquidity of less than 90 days and with average yield in the period of 103.3% CDI.

The reduction in gross debt was mainly due to the amortization of promissory notes due in February and the payment of interest on the two issues of debentures in February and March.

The Company monitors its indebtedness using the net debt/EBITDA ratio. **On March 31, 2023, the debt level was 1.5x**, 0.2x lower than at the end of the previous quarter. This is the fourth consecutive quarter of reduction of this indicator.

The Company adopts the policy of contracting hedging instruments to protect part of the financing carried out in foreign currency. As of December 31, 2022, total foreign currency financing represented less than 7% of total gross debt.

Below is the breakdown of loans and financing:

Type	Weighted average rates	03/31/2023	12/31/2022
Working capital	0.81% a.m. - Fixed	16,021	17,485
Working capital	0.21% a.m. + CDI	124,011	134,998
Working capital	0.28% a.m. + TJLP	481	1,279
Working capital	0.47% a.m. + TLP	3,173	4,114
Working capital (foreign currency)	0.22% a.m. + CDI	57,812	65,095
PPE financing (CDC)	0.80% a.m. - Fixed	10,763	12,583
PPE financing (FINEM)	0.29% a.m. + TJLP	824	2,601
PPE financing (FINEM)	0.45% a.m. + TLP	18,551	36,074
Financing - TR	0.35% a.m. + TR	65,981	50,791
Importing financing (foreign currency)	0.40% a.m. - Fixed	26,842	34,768
		324,459	359,788
Current		137,853	154,618
Non-current		186,606	205,170

On March 15, 2021, the Company issued debentures, non-convertible into shares, in the amount of R\$500 million, which will be settled in semi-annual installments, with initial maturity in March 2025 and final maturity in March 2028. interest/remuneration equivalent to the IPCA + 5.7694%. As of March 31, 2023, the balance was R\$557.9 million.

Considering financing, debentures, and leasing, almost half of the Company's debt matures from 2026 onwards.

On August 25, the Company issued debentures, non-convertible into shares, in the total amount of R\$300 million, with a maturity of 5 (five) years, maturing, therefore, on August 25, 2027. About these debentures interest of CDI +2.0% per year. As of March 31, 2023, the balance was R\$301.3 million.

Also including debentures and promissory notes, the Company's debt is well balanced between IPCA and CDI, the other 17% divided between prepayment, TJLP/TLP and foreign currency.

CAPEX

R\$ million	1Q23	1Q22	Var. (%)
Capex			
Additions to PPE ¹	104.0	481.5	-78.4%
(-) PPE in progress / in Inventory	(55.0)	(57.8)	-4.9%
(-) Advances to Suppliers	34.8	(238.7)	<i>nm</i>
(-) Imported equipment in transit	6.5	29.2	-77.7%
Additions to Intangible Assets	2.7	15.7	-82.7%
Capex Adjusted - 'In Operations'	93.0	229.9	-59.6%

¹See note 8 and 27 of the Interim Accounting Statement of 03.31.2023

In 1Q23, Brisanet invested, when measured by additions to fixed and intangible assets, the amount of R\$106.7 million, compared to R\$497.2 million in 1Q22.

The Company has an inventory of equipment and buildings to activate in the coming months, accounted for in 'fixed assets and imports in progress' (balance of R\$201.1 million) and 'fixed assets in warehouse' (balance of R\$255.1 million).

Of the R\$93.0 million in property, plant and equipment/intangible assets already in operation, R\$9.2 million was maintenance capex, the remainder was used in the Company's organic expansion, mainly in:

- 280,000 HPs,
- 136,000 customer installations – growth and replacement base, and
- R\$5 million in *backbone* and,
- R\$1.5 million in Consortiums – BWM and Conecta Sec.

NOTICES

The Interim Financial Information as of 03/31/2023, reviewed by Ernst & Young Auditores Independentes S.S., are available on our [website](#).

INVESTOR RELATIONS

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LEGAL NOTICE

The consolidated financial and operating information, disclosed in this document, except where otherwise indicated, is presented in accordance with international accounting standards IFRS (International Financial Reporting Standards) and in Reais (R\$), in accordance with the Brazilian Corporation Law, Law 6,404/76 and the pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee ("CPC") and approved by the Securities and Exchange Commission ("CVM").

This document may contain forecasts about future events. Such forecasts do not constitute acts that took place in the past and only reflect the expectations of the Company's managers. The terms "anticipates", "believes", "estimates", "expects", "intends", "plans", "projects", "objectives", as well as other similar terms aim to identify such forecasts which evidently involve risks or uncertainties foreseen or not by the Company. Therefore, the future results of the Company's operations may differ from current expectations and the reader should not rely exclusively on the forecasts made herein. These forecasts only issue opinions on the date they are made, and the Company does not undertake to update them in light of new information or future developments.

NON-ACCOUNTING MEASURES

Consistent with market practice, we disclose non-accounting (non-GAAP) measures that are not recognized under IFRS or other accounting standards, including "Net Debt", "EBITDA", "Adjusted EBITDA". Non-accounting measures provide useful information for their investors, market analysts and the general public to compare their operating performance with that of other companies in the same and other sectors. However, these nonaccounting measures do not have standardized meanings and methodologies and may not be directly comparable with metrics of the same or similar name published by other companies. Potential investors should not base their investment decision on non-accounting information as a substitute for accounting measures such as profitability or liquidity.

Consolidated - In R\$ '000	1Q23	4Q22*	1Q22*
Net operating revenue	292,080	277,461	216,933
Cost of services	(153,515)	(149,013)	(137,171)
Gross profit	138,565	128,448	79,762
<hr/>			
Operating expenses			
Administrative expenses	(27,008)	(26,015)	(28,908)
Selling expenses	(35,728)	(32,060)	(29,355)
Other operating revenue (expenses), net	(13,827)	(2,347)	(3,817)
Earnings before financial result and taxes	62,002	68,026	17,682
Financial revenues	28,765	35,121	52,013
Financial expenses	(54,750)	(51,559)	(50,771)
Net financial result	(25,985)	(16,438)	1,242
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Income (Loss) before income tax and social contribution	36,017	51,588	18,924
Income tax and social contribution	(10,832)	(21,127)	(9,435)
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Income (Loss) for the period	25,185	30,461	9,489
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* Adjusted to reflect the change in allowance for losses with receivables – from Other Net Operating Income (Expenses) to Selling Expenses

Consolidated - In R\$ '000	<u>03.31.2023</u>	<u>12.31.2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	156,400	203,542
Short-term investments	310,077	391,540
Trade accounts receivables	151,874	140,822
Inventories	5,371	5,449
Taxes recoverable	38,765	38,642
Derivative operations	51	95
Prepaid expenses	3,627	1,400
Other assets	2,083	2,911
TOTAL CURRENT ASSETS	<u>668,248</u>	<u>784,401</u>
NON-CURRENT ASSETS		
Taxes recoverable	56,061	59,761
Court-related deposits	5,738	5,467
Derivative operations	2,293	2,364
Prepaid expenses	3,163	2,607
Other assets	38	38
Rights-of-use	38,351	36,493
Property, plant and equipment	1,993,889	1,956,020
Intangible assets	228,411	231,133
TOTAL NON-CURRENT ASSETS	<u>2,327,944</u>	<u>2,293,883</u>
TOTAL ASSETS	<u>2,996,192</u>	<u>3,078,284</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Suppliers	57,983	66,003
Loans and financing	137,853	154,618
Debentures	5,194	95,943
Lease obligations	14,201	14,234
Labor and social obligations	51,745	46,377
Taxes payable	29,231	30,264
Taxes paid in installments	738	749
Derivative operations	4,831	3,382
Proposed Dividends	14,418	14,418
Other accounts payable	19,653	24,122
TOTAL CURRENT LIABILITIES	<u>335,847</u>	<u>450,110</u>
NON-CURRENT		
Loans and financing	186,606	205,170
Debentures	854,001	840,258
Lease obligations	25,036	24,636
Taxes paid in installments	4,213	4,401
Derivative operations	2,918	3,121
Other accounts payable	183,231	171,961
TOTAL NON-CURRENT LIABILITIES	<u>1,256,005</u>	<u>1,249,547</u>
EQUITY		
Capital	1,281,606	1,281,606
Income reserve	132,046	106,775
Treasury shares	(9,758)	(9,758)
	<u>1,403,894</u>	<u>1,378,623</u>
Non-controlling interest	446	4
TOTAL EQUITY	<u>1,404,340</u>	<u>1,378,627</u>
TOTAL LIABILITIES AND EQUITY	<u>2,996,192</u>	<u>3,078,284</u>

Consolidated - In R\$ '000	1Q23	1Q22
Cash flow from operating activities		
Net income (loss) for the period	25,185	9,489
Adjustments to reconcile income (loss) for the period:		
Depreciation and amortization	77,362	59,892
Residual value upon write-off of PPE and intangible assets	1,097	29
Provision for fixed assets losses	4,437	1,849
Allowance for doubtful accounts	11,416	6,327
Provision for contingencies	6,962	195
Monetary and exchange variation	9,399	30,928
Derivative operations	1,361	7,888
Interest on leases	1,202	1,249
Interest on debentures	22,403	7,871
Interest on promissory note	1,271	164
Interest on loan, financing	9,305	27,216
Amortization on issuance costs and negative goodwill	1,430	1,223
Short-term investment income	(17,707)	(19,092)
Income tax and social contribution	10,832	9,435
(Increase) decrease in assets		
Trade accounts receivable	(22,467)	(16,004)
Inventories	78	809
Taxes recoverable	3,577	(10,604)
Prepaid expenses	(2,783)	(1,185)
Court-related deposits	(271)	(631)
Other assets	827	6,276
Increase (decrease) in liabilities		
Suppliers	(8,020)	(93,931)
Labor and social obligations	5,368	8,156
Taxes payable	(4,445)	(8,204)
Taxes paid in installments	(199)	(812)
Provision for contingencies	(622)	
Other accounts payable	(553)	10,990
Cash from (used in) operating activities	136,445	39,523
Interest paid	(57,143)	(43,437)
Income tax and social contribution paid	(6,407)	(1,871)
Net cash from (used in) operating activities	72,895	(5,785)
Cash flows from investing activities		
Short-term investments	99,170	53,599
Additions to Property, plant and equipment	(103,964)	(481,510)
Additions to intangible assets	(2,726)	(15,712)
Intercompany loans received	-	(63)
Net cash from (used in) investing activities	(7,520)	(443,686)

Cash flows from financing activities		
Amortization of principal of loans and financing	(35,681)	(102,368)
Promissory note raised	(64,000)	69,380
Lease paid	(13,364)	(10,927)
Intercompany loans paid		
Acquisition of non-controlling interests	528	-
Treasury shares	-	(1,533)
Net cash from (used in) financing activities	(112,517)	(45,448)
Increase (Decrease) in cash and cash equivalents	(47,142)	(494,919)
Cash and cash equivalents at the beginning of the year	203,542	1,000,792
Cash and cash equivalents at the end of the year	156,400	505,873
Increase (decrease) in cash and cash equivalents	(47,142)	(494,919)



EARNINGS CONFERENCE CALL

May 11, 2023

8 AM (EDT) | 9 AM (BRT)

In Portuguese, with simultaneous translation into English
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A free translation from Portuguese into English of Independent Auditor's Review Report on interim financial information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and with IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB)

Independent auditor's review report on interim financial information

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

Introduction

We have reviewed the accompanying individual and consolidated interim financial information, contained in the Quarterly Information Form (ITR) of Brisanet Participações S.A. (the "Company") for the quarter ended March 31, 2023, which comprises the statement of financial position as at March 31, 2022, and the related statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for three-month period then ended, including explanatory notes.

The executive board is responsible for the preparation of the individual and consolidated interim financial information in accordance with NBC TG 21 - Interim Financial Reporting and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of this financial information in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the individual and consolidated interim financial information included in the Quarterly Information referred to above was not prepared, in all material respects, in accordance with NBC TG 21 and IAS 34 applicable to the preparation of Quarterly Information (ITR) and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Statements of value added

The abovementioned quarterly information includes the individual and consolidated statements of value added (SVA) for the three-month period ended March 31, 2023, prepared under the responsibility of the Company's executive board, and presented as supplementary information by IAS 34. These statements were subject to review procedures performed together with the review of the quarterly information with the objective to conclude whether they are reconciled with the interim financial information and accounting records, as applicable, and whether their form and content are in accordance with the criteria set forth by NBC TG 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, pursuant to such standard and consistently with the individual and consolidated interim financial information taken as a whole.

Fortaleza, May 10, 2023.

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

Nathalia Araújo Domingues

Nathalia Araújo Domingues
Accountant CE-020833/O

Brisanet Participações S.A.

Statements of financial position

March 31, 2023

(In thousands of reais)

	Notas	Individual		Consolidated	
		03/31/2023	12/31/2022	03/31/2023	12/31/2022
Assets					
Current assets					
Cash and cash equivalents	3	39	2,126	156,400	203,542
Short-term investments	3	4,240	12,020	310,077	391,540
Trade accounts receivable	4	-	-	151,874	140,822
Inventories		-	-	5,371	5,449
Taxes recoverable	5	22	18	38,765	38,642
Derivative transactions	25	-	-	51	95
Prepaid expenses		142	-	3,627	1,400
Dividends receivable	6 e 7	-	4,500	-	-
Other assets		-	-	2,083	2,911
Total current assets		4,443	18,664	668,248	784,401
Noncurrent assets					
Long-term receivables					
Financial investments	3	300,000	300,000	-	-
Trade accounts receivable	4	-	-	-	-
Taxes recoverable	5	-	-	56,061	59,761
Transactions with related parties	6	-	-	-	-
Judicial deposits		-	-	5,738	5,467
Derivative transactions	25	-	-	2,293	2,364
Prepaid expenses		-	-	3,163	2,607
Deferred income taxes	23	535	-	-	-
Other assets		-	-	38	38
Investments	7	1,414,925	1,390,100	-	-
Right of use	14	-	-	38,351	36,493
Property, plant and equipment	8	-	-	1,993,889	1,956,020
Intangible assets	9	-	-	228,411	231,133
Total noncurrent assets		1,715,460	1,690,100	2,327,944	2,293,883
Total assets					
		1,719,903	1,708,764	2,996,192	3,078,284

	Notas	Individual		Consolidated	
		03/31/2023	12/31/2022	03/31/2023	12/31/2022
Liabilities and equity					
Current liabilities					
Trade accounts payable	10	55	3	57,983	66,003
Loans and financing	11	-	-	137,853	154,618
Debentures	12	3,643	14,297	5,194	23,593
Promissory note	13	-	-	-	72,350
Lease obligations	14	-	-	14,201	14,234
Labor and social obligations	15	13	-	51,745	46,377
Taxes payable	5	204	3,858	29,231	30,264
Taxes paid in installments		-	-	738	749
Derivative transactions	25	-	-	4,831	3,382
Proposed dividends	6 e 19	14,418	14,418	14,418	14,418
Other accounts payable	17	-	-	19,653	24,122
Total current liabilities		18,333	32,576	335,847	450,110
Noncurrent liabilities					
Loans and financing	11	-	-	186,606	205,170
Debentures	12	297,676	297,565	854,001	840,258
Lease obligations	14	-	-	25,036	24,636
Taxes paid in installments		-	-	4,213	4,401
Deferred income tax	23	-	-	6,724	5,711
Derivative transactions	25	-	-	2,918	3,121
Provision for contingencies	16	-	-	8,223	1,883
Other accounts payable	17	-	-	168,284	164,367
Total noncurrent liabilities		297,676	297,565	1,256,005	1,249,547
Equity					
Capital	19	1,281,606	1,281,606	1,281,606	1,281,606
Treasury shares		(9,758)	(9,758)	(9,758)	(9,758)
Income reserves		132,046	106,775	132,046	106,775
		1,403,894	1,378,623	1,403,894	1,378,623
Noncontrolling interests		-	-	446	4
Total equity		1,403,894	1,378,623	1,404,340	1,378,627
Total liabilities and equity		1,719,903	1,708,764	2,996,192	3,078,284

See accompanying notes.

Brisanet Participações S.A.

Statements of profit or loss

Three-month period ended March 31, 2023

(In thousands of reais, except earnings per share, stated in reais)

		Individual		Consolidated	
	Notas	03/31/2023	03/31/2022	03/31/2023	03/31/2022
Net operating revenue	20	-	-	292,080	216,933
Cost of services	21	-	-	(153,515)	(137,171)
Gross profit		-	-	138,565	79,762
Operating expenses					
Administrative expenses	21	(607)	(752)	(27,008)	(28,908)
Selling expenses	21	-	-	(35,728)	(29,355)
Equity pickup	6	26,310	10,201	-	-
Other operating expenses, net	21	(526)	37	(13,827)	(3,817)
Income before finance result and taxes		25,177	9,486	62,002	17,682
Finance income	22	11,302	6	28,765	52,013
Finance costs	22	(11,743)	(1)	(54,750)	(50,771)
Finance result		(441)	5	(25,985)	1,242
Income before income and social contribution taxes		24,736	9,491	36,017	18,924
Income and social contribution taxes	23	535	-	(10,832)	(9,435)
Net income for the period		25,271	9,491	25,185	9,489
Net income attributable to					
Controlling interests		-	-	25,271	9,491
Noncontrolling interests		-	-	(86)	(2)
Basic earnings per share - R\$	24	0.06	0.02		
Diluted earnings per share - R\$	24	0.06	0.02		

See accompanying notes.

Brisanet Participações S.A.

Statements of comprehensive income
Three-month period ended March 31, 2023
(In thousands of reais)

	Individual		Consolidated	
	03/31/2023	03/31/2022	03/31/2023	03/31/2022
Net income for the period	25,271	9,491	25,185	9,489
Other comprehensive income	-	-	-	-
Comprehensive income for the period	25,271	9,491	25,185	9,489
Net income attributable to				
Controlling interests	-	-	25,271	9,491
Noncontrolling interests	-	-	(86)	(2)

See accompanying notes.

Brisanet Participações S.A.

Statements of changes in equity
 Three-month period ended March 31, 2023
 (In thousands of reais)

	Consolidated								
	Individual					Accumulated losses	Subtotal	Noncontrolling interests	Equity
	Capital social		Reservas de lucros						
Capital	Share issue costs	Treasury shares	Legal Reserve	Retained Profits					
Balances at December 31, 2021	1,321,859	(40,253)	-	1,568	58,918	-	1,342,092	7	1,342,099
Treasury shares	-	-	(1,533)	-	-	-	(1,533)	-	(1,533)
Net income for the period	-	-	-	-	-	9,491	9,491	(2)	9,489
Balances at March 31, 2022	<u>1,321,859</u>	<u>(40,253)</u>	<u>(1,533)</u>	<u>1,568</u>	<u>58,918</u>	<u>9,491</u>	<u>1,350,050</u>	<u>5</u>	<u>1,350,055</u>
Balances at December 31, 2022	1,321,859	(40,253)	(9,758)	4,603	102,172	-	1,378,623	4	1,378,627
Capital increase	-	-	-	-	-	-	-	528	528
Net income for the period	-	-	-	-	-	25,271	25,271	(86)	25,185
Balances at March 31, 2023	<u>1,321,859</u>	<u>(40,253)</u>	<u>(9,758)</u>	<u>4,603</u>	<u>102,172</u>	<u>25,271</u>	<u>1,403,894</u>	<u>446</u>	<u>1,404,340</u>

See accompanying notes.

Brisanet Participações S.A.

Statements of cash flows
Three-month period ended March 31, 2023
(In thousands of reais)

	Individual		Consolidated	
	03/31/2023	03/31/2022	03/31/2023	03/31/2022
Cash flows from operating activities				
Net income for the period	25,271	9,491	25,185	9,489
Adjustments to reconcile net income in the period:				
Depreciation and amortization	-	-	77,362	59,892
Residual value upon write-off of PPE and intangible assets	-	-	1,097	29
Provision for PPE's losses	-	-	4,437	1,849
Allowance for expected credit losses	-	-	11,416	6,327
Set-up (reversal) of provision for contingencies	-	-	6,962	195
Equity pickup	(26,310)	(10,201)	-	-
Monetary variation and exchange differences	1,600	-	9,399	30,928
Derivative transactions	-	-	1,361	7,888
Interest on leases	-	-	1,202	1,249
Interest on debentures	9,936	-	22,403	7,871
Interest on promissory notes	-	-	1,271	164
Interest on loans and financing	-	-	9,305	27,216
Appropriation of funding costs	166	-	1,430	1,223
Short-term investment yield	(11,302)	(6)	(17,707)	(19,092)
Income and social contribution taxes	(535)	-	10,832	9,435
(Increase) decrease in assets				
Trade accounts receivable	-	-	(22,467)	(16,004)
Inventories	-	-	78	809
Taxes recoverable	(4)	-	3,577	(10,604)
Prepaid expenses	(142)	(137)	(2,783)	(1,185)
Judicial deposits	-	-	(271)	(631)
Other assets	-	(3)	827	6,276
Increase (decrease) in liabilities				
Trade accounts payable	52	141	(8,020)	(93,931)
Labor and social obligations	13	1	5,368	8,156
Taxes payable	(2,373)	-	(4,445)	(8,204)
Taxes paid in installments	-	-	(199)	(812)
Provision for contingencies	-	-	(622)	-
Other accounts payable	-	389	(553)	10,990
Cash flows from (used in) operating activities	(3,628)	(325)	136,445	39,523
Interest paid	(22,245)	-	(57,143)	(43,437)
Income and social contribution taxes paid	(1,281)	-	(6,407)	(1,871)
Net cash flows from (used in) operating activities	(27,154)	(325)	72,895	(5,785)
Cash flows from investing activities				
Short-term investments	19,082	(70)	99,170	53,599
Additions to PPE	-	-	(103,964)	(481,510)
Additions to intangible assets	-	-	(2,726)	(15,712)
Intercompany loans received	-	-	-	(63)
Dividends and profits received	5,985	38	-	-
Net cash flows from (used in) investing activities	25,067	(32)	(7,520)	(443,686)

Brisanet Participações S.A.

Statements of cash flows (Continued)
 Three-month period ended March 31, 2023
 (In thousands of reais)

	Individual		Consolidated	
	03/31/2023	03/31/2022	03/31/2023	03/31/2022
Cash flows from financing activities				
Promissory note raised, net	-	-	-	69,380
Payment of principal of loans and financing	-	-	(35,681)	(102,368)
Payment of principal of promissory note	-	-	(64,000)	-
Lease payments	-	-	(13,364)	(10,927)
Intercompany loans paid	-	(1,533)	-	-
Capital increase	-	-	528	-
Treasury shares	-	-	-	(1,533)
Net cash flows from financing activities	-	(1,533)	(112,517)	(45,448)
(Decrease) increase in cash and cash equivalents	(2,087)	(1,890)	(47,142)	(494,919)
Cash and cash equivalents				
At beginning of year	2,126	3,325	203,542	1,000,792
At end of year	39	1,435	156,400	505,873
(Decrease) increase in cash and cash equivalents	(2,087)	(1,890)	(47,142)	(494,919)

See accompanying notes.

Brisanet Participações S.A.

Statements of value added
Three-month period ended March 31, 2023
(In thousands of reais)

	Individual		Consolidated	
	03/31/2023	03/31/2022	03/31/2023	03/31/2022
Revenues	-	40	320,661	247,960
Gross operating income less discounts	-	-	328,137	253,472
Allowance for expected credit losses	-	-	(11,416)	(6,327)
Other revenues	-	40	3,940	815
Inputs acquired from third parties	(607)	(476)	(58,912)	(49,326)
Cost of sales	-	-	(11,368)	(13,964)
Materials, electricity, third-party services and other	(607)	(476)	(33,194)	(32,921)
Loss on/recovery of assets	-	-	(4,583)	(1,860)
Other inputs	-	-	(9,767)	(581)
Gross value added	(607)	(436)	261,749	198,634
Depreciation and amortization	-	-	(77,362)	(59,892)
Net value added generated	(607)	(436)	184,387	138,742
Value added received in transfer	37,612	10,207	28,765	52,013
Equity pickup	26,310	10,201	-	-
Finance income	11,302	6	28,765	52,013
Total value added to be distributed	37,005	9,771	213,152	190,755
Distribution of value added				
Taxes, charges and contributions	(9)	47	60,918	59,311
Federal	(9)	47	35,922	35,365
State	-	-	24,494	23,593
Local	-	-	502	353
Personnel		232	50,788	54,936
Salaries	-	231	39,476	42,011
Unemployment Compensation Fund (FGTS)	-	-	3,515	3,531
Benefits	-	1	7,797	9,394
Debt remuneration	11,743	1	76,261	67,019
Interest, exchange differences and borrowing costs	11,743	1	54,750	50,771
Rents	-	-	21,511	16,248
Equity remuneration	25,271	9,492	25,185	9,492
Dividends/profits distributed	-	-	-	-
Retained profits/losses	25,271	9,492	25,185	9,492
Value added	37,005	9,771	213,152	190,755

See accompanying notes.

Brisanet Participações S.A. and Consolidated

Notes to financial statements
March 31, 2023
(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.

The Company, through its subsidiary Brisanet Serviços de Telecomunicações S.A. (‘Brisanet Serviços’), offers telecommunications services that 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. As well as the tariffs charged, they are also regulated by the body. In this context, the Company and its subsidiaries have the following authorizations:

Company	Grant	Area	Effective period
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

a) Corporate changes during the period

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. the company 4J Serviços de Telecomunicações Ltda. (‘4J Telecomunicações’) main activities are the provision of fiber optic and radio telecommunications services, landline telephony and VOIP services in general.

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) and in same date 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) having as shareholders Brisanet Serviços with 55% share and ADLService Comunicações e Serviços Ltda. With 45% of participation in the capital.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

March 31, 2023

(In thousands of reais)

1. Operations (Continued)

b) 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.

2. Basis of preparation and presentation of the financial statements and summary of significant accounting policies

a) Basis of preparation of the financial statements

This interim financial information was prepared and is presented in accordance with NBC TG 21 – Interim Financial Reporting and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and with accounting practices adopted in Brazil, which comprise the rules issued by the Brazilian Securities and Exchange Commission (CVM) and the Brazilian Accounting Standards (NBC) issued by Brazil's National Association of State Boards of Accountancy (CFC).

Additionally, the Company considered the guidance provided in Technical Guidance OCPC 07 issued by the CPC in November 2014, in the preparation of its interim financial information. As such, management evidences all significant information that is consistent with the information used to manage the Company's operations.

This interim financial information should be read in conjunction with the Company's and its subsidiaries' individual and consolidated financial statements for the year ended December 31, 2022, specifically Notes 2 and 3, which were prepared and presented in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian FASB (CPC) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The presentation of the Statement of Added Value (SVA), although not required by IFRS, is mandatory for publicly-held corporations in Brazil. Consequently, this statement is presented as supplementary information for IFRS purposes, without prejudice to the set of the quarterly information.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
March 31, 2023
(In thousands of reais)

2. Basis of preparation and presentation of the financial statements and summary of significant accounting policies (Continued)

a) Basis of preparation of the financial statements (Continued)

The interim financial information is presented in reais, the functional and presentation currency, and all amounts are expressed in thousands of reais, unless otherwise stated.

b) Basis of consolidation

As at March 31, 2023 and December 31, 2022, the Company maintains investments by means of direct subsidiaries, all of which are located in Brazil, as follows:

	<u>Interest held - %</u>
Brisanet Serviços de Telecomunicações S.A.	99.99%
RPS – Prestação de Serviços de Informática Ltda.	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.

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 interim financial information of the parent company, investments in subsidiaries are recorded under the equity method.

Management of the Company and its subsidiaries authorized the completion of the individual and consolidated financial statements on May 10, 2023.

c) Information by segment

The Company operates in the telecommunications segment. The operating units of the Company and its jointly controlled subsidiaries are part of a single production process. In this way, it is concluded on the existence of a single cash-generating unit and consequently on the existence of a single operating segment.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
March 31, 2023
(In thousands of reais)

2. Basis of preparation and presentation of the financial statements and summary of significant accounting policies (Continued)

d) Amended standards and interpretations

The following amended standards and interpretations are effective since January 1st, 2023:

- Amendments to NBC TG 23 (R2) / IAS 8: Definition of accounting estimates;
- Amendments to NBC TG 26 (R5) and IFRS Practice Statement 2: Disclosure of accounting policies;
- Amendments to NBC TG 32 (R4) / IAS 12: Taxes on profit.

These changes did not impact the interim information of the Company and its subsidiaries. Additionally, in the period ended March 31, 2023, no new standards or pronouncements were published which are expected to impact the Company's quarterly information. Finally, the Company did not opt for early adoption of standards or pronouncements.

3. Cash and cash equivalents and short-term investments

	Individual		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Checking accounts and other	26	8	2,211	940
Short-term investments:				
Sweep accounts	13	2,118	1,040	6,828
Bank Deposit Certificates (CDB)	-	-	152,918	195,683
Debit cards	-	-	231	91
	39	2,126	156,400	203,542

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 102.61% at March 31, 2023 (103.04% in 2022) and are available for use in the operations of the Company and its subsidiaries, i.e., are highly-liquid financial assets.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

March 31, 2023

(In thousands of reais)

3. Cash and cash equivalents and short-term investments (Continued)

Short-term investments

	Individual		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Investment funds (a)	-	-	57	56
Certificate accounts with lottery prizes (b)	-	-	3,600	3,600
CDB (c)	-	-	306,420	387,884
Debentures (d)	304,240	312,020	-	-
	304,240	312,020	310,077	391,540
Current	4,240	12,020	310,077	391,540
Noncurrent	300,000	300,000	-	-

(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 equivalent of 103.29% 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)

March 31, 2023

(In thousands of reais)

4. Trade accounts receivable (Consolidated)

	<u>03/31/2023</u>	<u>12/31/2022</u>
Trade accounts receivable	155,981	143,987
Allowance for expected credit losses	(4,107)	(3,165)
Accounts receivable, net	<u>151,874</u>	<u>140,822</u>
Current	151,874	140,822
Noncurrent	-	-

The aging list of trade accounts receivable is as follows:

	<u>03/31/2023</u>	<u>12/31/2022</u>
Falling due	59,308	49,575
Past due:		
1 to 30 days	37,177	36,598
31 to 60 days	7,956	5,950
61 to 180 days	21,065	21,145
Over 181 days	30,475	30,719
	<u>155,981</u>	<u>143,987</u>
(-) Allowance for expected credit losses	(4,107)	(3,165)
Accounts receivable, net	<u>151,874</u>	<u>140,822</u>

At March 31, 2023, DSO was of 42 days (45 days in 2022).

Changes in allowance for expected credit losses are as follows:

	<u>03/31/2023</u>	<u>12/31/2022</u>
Opening balance	(3,165)	(19,293)
Set-up	(11,513)	(6,368)
Reversal	97	40
Write-off	10,474	4,982
Closing balance	<u>(4,107)</u>	<u>(20,639)</u>

No individual customer represents more than 10% of total accounts receivable.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

March 31, 2023

(In thousands of reais)

5. Taxes recoverable and payable

	Individual		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Assets				
State VAT (ICMS) recoverable	-	-	11,195	11,328
ICMS recoverable on fixed assets	-	-	79,873	82,955
PIS and COFINS recoverable	-	-	66	472
Corporate Income Tax (IRPJ) and Social Contribution on Net Profit (CSLL) recoverable	22	18	3,005	2,998
Other taxes recoverable	-	-	687	650
	22	18	94,826	98,403
Current	22	18	38,765	38,642
Noncurrent	-	-	56,061	59,761
Current liabilities				
ICMS payable	-	-	12,932	12,285
IRPJ payable	-	2,704	3,070	4,666
CSLL payable	-	1,138	3,272	4,302
PIS and COFINS payable	190	-	2,895	2,563
ISS payable	-	-	120	111
Taxes on revenue to be invoiced (a)	-	-	4,715	3,994
Other taxes payable	14	16	2,227	2,343
	204	3,858	29,231	30,264

- (a) Taxes accrued as a result of the recognition of revenue to be billed, considering the accrual period of the services provided, and the billing period for the customer.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

March 31, 2023

(In thousands of reais)

6. Transactions with related parties

Outstanding balances on the reporting dates are as follows:

	Individual		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Current assets				
Right of use	-	-	2,742	-
Dividends receivable	-	4,500	-	-
		4,500	2,742	-
Current liabilities				
Lease obligations	-	-	2,796	-
Proposed dividends	14,418	14,418	14,418	14,418
	14,418	14,418	17,214	14,418

	Individual		Consolidated	
	03/31/2023	03/31/2022	03/31/2023	03/31/2022
Statement of profit or loss				
AGILITY Segurança Eletronic	-	-	(487)	(427)
Imobiliária Pau D'arco Ltda.	-	-	-	(7)
JPMF Imobiliária Ltda.	-	-	-	(31)
S&L Locadora de Veículos Ltda.	-	-	(11,162)	(8,606)
Nosso Atacarejo Comércio de Gêneros Alimentícios Ltda.	-	-	(774)	(626)
Nossa Fruta Brasil Indústria de Alimentos Ltda.	-	-	(72)	(42)
	-	-	(12,495)	(9,739)

	Operations with consortiums	
	03/31/2023	03/31/2022
Resulte from operations with consortiums		
Net operating revenue	96	-
Cost of services		
Interconnection and means of connection	(448)	(383)
Labor	(59)	(38)
Third-party services	(65)	(12)
Depreciation and amortization	(57)	(20)
General costs and expenses	(20)	(27)
	(553)	(480)
Finance income (costs)		
Late-payment interest and fines	(1)	-
Other finance income	-	(1)
	(1)	(1)
Net income (loss) for the period	(554)	(481)

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
March 31, 2023
(In thousands of reais)

6. Transactions with related parties (Continued)

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
JPMF Imobiliária Ltda	Real property rental agreement
S&L Locadora de Veículos Ltda.	Vehicle rental agreement, (IFRS 16)
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%

Operating with consortiums, refers 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 Consórcio BWM. On October 27, 2022, the Consórcio Conecta Sec was constituted referring to the contract for the provision of services to the Department of Education and Culture of the city of João Pessoa, where the company protects 34% of the stake.

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.

Related party	Nature of transaction
Nossa Fruta Brasil Indústria de Alimentos Ltda.	Guarantees for loans and financing totaling R\$7,282.

Key management personnel compensation – Company and subsidiaries

Compensation of the key management personnel of the Company and its subsidiaries totaled R\$825 in the period ended March 31, 2023 (R\$503 as of March 31, 2022).

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

March 31, 2023

(In thousands of reais)

7. Investments (Individual)

a) Breakdown

	<u>03/31/2023</u>	<u>12/31/2022</u>
Interests held in subsidiaries		
Brisanet Serviços de Telecomunicações S.A.	1,388,848	1,360,910
RPS - Prestação de Serviços de Informática Ltda.	26,077	29,190
	<u>1,414,925</u>	<u>1,390,100</u>

b) Changes in investments

	Brisanet Serviços de Telecomunicações S.A.	RPS - Prestação de Serviços de Informática Ltda.	03/31/2023	03/31/2022
Opening balance	1,360,910	29,190	1,390,100	1,339,405
Dividends receivable (i)	-	-	-	-
Dividends received (ii)	(1,485)	-	(1,485)	38
Equity pick-up	29,423	(3,113)	26,310	10,201
Closing balance	<u>1,388,848</u>	<u>26,077</u>	<u>1,414,925</u>	<u>1,349,644</u>

(i) Refers to amounts already provisioned in 2022 and paid R\$:4,290 in February 2023 and R\$:210 in March 2023.

(ii) Refers to the receipt of dividends from the subsidiary Brisanet Serviços de Telecomunicações S.A. in the amount of R\$ 1,485 in March 2023.

c) Information on investments in subsidiaries

	<u>03/31/2023</u>					
	<u>Capital</u>	<u>Equity (capital deficiency)</u>	<u>Net income (loss) for the period</u>	<u>Interest held - %</u>	<u>Investment balance</u>	<u>Equity pickup</u>
Brisanet Serviços de Telecomunicações S.A.	1,311,176	1,388,848	29,423	99.99	1,388,848	29,423
RPS - Prestação de Serviços de Informática Ltda.	32,070	26,079	(3,113)	99.99	26,077	(3,113)
					<u>1,414,925</u>	<u>26,310</u>

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

March 31, 2023

(In thousands of reais)

7. Investments (Individual) (Continued)

c) Information on investments in subsidiaries (Continued)

	12/31/2022					
	Capital	Equity (capital deficiency)	Net income (loss) for the period	Interest held - %	Investment balance	Equity pickup
Brisanet Serviços de Telecomunicações S.A.	1,311,176	1,360,910	67,938	99.99	1,360,910	67,937
RPS - Prestação de Serviços de Informática Ltda.	32,070	29,193	1,067	99.99	29,190	1,067
					<u>1,390,100</u>	<u>69,004</u>

8. Property, plant and equipment (Consolidated)

a) Breakdown

	Annual average depreciation rate - %	03/31/2023		12/31/2022	
		Cost	Accumulated depreciation	Net	Net
Land	-	24,652	-	24,652	24,054
Buildings	4%	3,925	(51)	3,874	-
Optical fiber cables	5%	328,407	(36,525)	291,882	272,086
Network construction	10%	345,540	(39,989)	305,551	309,234
Machinery and equipment	10%	87,440	(27,601)	59,839	57,325
Furniture and fixtures	10%	5,251	(1,280)	3,971	3,811
Sundry facilities	10%	269,215	(53,671)	215,544	210,986
Planes and aircraft	10%	1,800	(230)	1,570	1,611
Leasehold improvements	15%	1,764	(102)	1,662	687
Computers and peripherals	20%	26,113	(14,818)	11,295	11,891
Vehicles	20%	81,969	(26,579)	55,390	58,067
Software	20%	177,947	(111,010)	66,937	74,183
Electronic equipment	20%	540,903	(237,566)	303,337	304,202
Facilities (customer activation)	25%	109,567	(26,838)	82,729	75,923
Advances to suppliers	-	109,423	-	109,423	144,200
Imports in progress	-	7,660	-	7,660	14,180
PPE in progress	-	193,450	-	193,450	145,799
PPE in supplies room	-	255,123	-	255,123	247,781
		<u>2,570,149</u>	<u>(576,260)</u>	<u>1,993,889</u>	<u>1,956,020</u>

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

March 31, 2023

(In thousands of reais)

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

b) Changes in balances

	03/31/2022	Additions	Write-offs	Transfers	Provision for loss	Depreciation	03/31/2023
Land	24,054	71	-	527	-	-	24,652
Buildings	-	-	-	3,925	-	(51)	3,874
Optical fiber cables	272,086	10,302	-	13,604	-	(4,110)	291,882
Network construction	309,234	6,426	-	(2,063)	-	(8,046)	305,551
Machinery and equipment	57,325	2,476	-	1,976	-	(1,938)	59,839
Furniture and fixtures	3,811	113	-	175	-	(128)	3,971
Sundry facilities	210,986	4,388	-	6,714	-	(6,544)	215,544
Planes and aircraft	1,611	-	-	-	-	(41)	1,570
Leasehold improvements	687	121	-	864	-	(10)	1,662
Computers and peripherals	11,891	348	-	149	-	(1,093)	11,295
Vehicles	58,067	510	(61)	-	-	(3,126)	55,390
Software	74,183	-	-	-	-	(7,246)	66,937
Electronic equipment	304,202	25,494	-	4,039	(4,437)	(25,961)	303,337
Facilities (customer activation)	75,923	14,463	-	-	-	(7,657)	82,729
Advances to suppliers	144,200	-	-	(34,777)	-	-	109,423
Imports in progress	14,180	59	-	(6,579)	-	-	7,660
PPE in progress	145,799	39,180	-	8,471	-	-	193,450
PPE in supplies room	247,781	4,367	-	2,975	-	-	255,123
	1,956,020	108,318	(61)	-	(4,437)	(65,951)	1,993,889

	12/31/2021	Additions	Write-offs	Transfers	Provision for loss	Depreciation	03/31/2022
Land	12.338	5.042	-	3.942	-	-	21.322
Optical fiber cables	203.862	4.106	-	36.800	-	(3.110)	241.658
Network construction	139.576	7.718	-	12.459	-	(4.044)	155.709
Machinery and equipment	44.131	2.053	-	49.184	-	(1.369)	93.999
Furniture and fixtures	3.608	161	-	-	-	(110)	3.659
Sundry facilities	150.950	11.858	(16)	24.563	-	(4.824)	182.531
Leasehold improvements	1.773	-	-	-	-	(41)	1.732
Computers and peripherals	704	-	-	-	-	(8)	696
Vehicles	13.580	757	-	-	-	(1.081)	13.256
Trucks and truck bodies	11.591	36.746	(9)	-	-	(1.498)	46.830
Software	104.969	24	-	-	-	(8.556)	96.437
Electronic equipment	287.266	1.330	(4)	957	(1.849)	(21.822)	265.878
Facilities (customer activation)	24.498	-	-	19.529	-	(3.050)	40.977
Advances to suppliers	30.484	238.711	-	-	-	-	269.195
Imports in progress	52.227	25.573	-	(54.737)	-	-	23.063
PPE in progress	227.919	66.957	-	(76.530)	-	-	218.346
PPE in supplies room	36.800	83.510	-	(16.167)	-	-	104.143
	1.346.276	484.546	(29)	-	(1.849)	(49.513)	1.779.431

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
March 31, 2023
(In thousands of reais)

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

Interest capitalization

In the year ended March 31, 2023, the Company and its subsidiaries capitalized interest on loans and financing amounting to R\$7,028 (R\$9,070 in March 31, 2022).

Depreciation capitalization

In the year ended March 31, 2023, the Company and its subsidiaries capitalized depreciation on PPE used in facilities, infrastructure and network expansions, in the amount of R\$4,354 (R\$3,036 in March 31, 2022).

Guarantees

At March 31, 2023, the Company recorded PPE items given in guarantee amounting to R\$123,070 (R\$95,892 in March 31, 2022).

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 the possibility of the existence of indications that certain assets could be recognized in the accounting at amounts above the recoverable amount. After internal analysis, Management concluded that there were no indications of impairment on property, plant and equipment and intangible assets of the Company and its subsidiaries, for March 31, 2023 and December 31, 2022.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

March 31, 2023

(In thousands of reais)

9. Intangible assets (Consolidated)

a) Changes in balances

	Annual average amortizati on (%)	12/31/22	Additions	Write-offs	Transfers	03/31/23
Cost						
Radiofrequency license - GHZ	20%	1,336	-	-	-	1,336
Software and system licenses	20%	17,824	-	-	-	17,824
ADM projects	20%	3,247	212	-	-	3,459
Customer portfolio and relationship with the franchisee (a)	7%	47,008	-	(1,100)	-	45,908
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	2,514	-	-	3,848
Trademarks and patents	-	3	-	-	-	3
Total cost		250,208	2,726	(1,100)	-	251,834
Accumulated amortization						
Radiofrequency license - GHZ	20%	(810)	(67)	-	-	(877)
Software and system licenses	20%	(4,970)	(891)	-	-	(5,861)
ADM projects	20%	(1,167)	(162)	-	-	(1,329)
Customer portfolio and relationship with the franchisee (a)	7%	(2,795)	(722)	64	-	(3,453)
Radiofrequency license 4G (b)	7%	(361)	(56)	-	-	(417)
Radiofrequency license 5G (b)	5%	(8,423)	(2,103)	-	-	(10,526)
Software development and API (c)	5%	(549)	(411)	-	-	(960)
Total accumulated amortization		(19,075)	(4,412)	64	-	(23,423)
Intangible assets, net		231,133	(1,686)	(1,036)	-	228,411

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

March 31, 2023

(In thousands of reais)

9. Intangible assets (Consolidated) (Continued)

a) Changes in balances (Continued)

	Annual average amortization rate (%)	12/31/2021	Additions	Write- offs	Transfers	03/31/2022
Cost						
Radiofrequency license - GHZ	20%	171,235	-	-	-	171,235
Software and system licenses	20%	15,717	695	-	-	16,412
ADM projects	20%	2,476	213	-	-	2,689
Customer portfolio and relationship with the franchisee (a)	7%	32,463	14,804	-	-	47,267
Trademarks and patents	-	3	-	-	-	3
Total cost		221,894	15,712	-	-	237,606
Accumulated amortization						
Radiofrequency license - GHZ	20%	(136)	(2,160)	-	-	(2,296)
Software and system licenses	20%	(2,451)	(773)	-	-	(3,224)
ADM projects	20%	(596)	(130)	-	-	(726)
Customer portfolio and relationship with the franchisee (a)	7%	-	(516)	-	-	(516)
Trademarks and patents	-	-	-	-	-	-
Total amortization		(3,183)	(3,579)	-	-	(6,762)
Intangible assets, net		218,711	12,133	-	-	230,844

(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) 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)

March 31, 2023

(In thousands of reais)

10. Trade accounts payable (Consolidated)

At March 31, 2023 and December 31, 2022, trade accounts payable is broken down as follows:

	Individual		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Domestic suppliers	55	3	33,912	23,608
Foreign suppliers	-	-	24,071	42,395
	55	3	57,983	66,003

11. Loans and financing (Consolidated)

	Interest rate	03/31/2023	12/31/2022
Working capital	0.81% pm.	16,021	17,485
Working capital	0.21% pm. + CDI	124,011	134,998
Working capital	0.28% pm. + TJLP	481	1,279
Working capital	0.47% pm. + TLP	3,173	4,114
Working capital (Loan 4131)	0.22% pm. + CDI	57,812	65,095
PPE financing (CDC)	0.80% pm.	10,763	12,583
PPE financing (FINEM)	0.29% pm. + TJLP	824	2,601
PPE financing (FINEM)	0.45% pm. + TLP	18,551	36,074
Financing - TR	0.35% pm. + TR	65,981	50,791
Import financing (foreign currency)	0.40% pm	26,842	34,768
		324,459	359,788
Current		137,853	154,618
Noncurrent		186,606	205,170

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:

	03/31/2023	12/31/2022
Sureties and disposals	324,459	358,342
Assets and credit rights given in guarantee	123,070	149,738
	447,529	508,080

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
March 31, 2023
(In thousands of reais)

11. Loans and financing (Consolidated) (Continued)

Changes in loans and financing are as follows:

	<u>03/31/2023</u>	<u>03/31/2022</u>
Opening balance	359,788	570,848
Funds raised	-	-
Interest recognized	9,305	27,216
Monetary variation and exchange differences	(911)	16,084
Repayment of principal	(35,682)	(102,368)
Interest paid	(8,041)	(27,216)
Closing balance	<u>324,459</u>	<u>484,564</u>

Noncurrent portions mature as follows:

	<u>03/31/2023</u>	<u>12/31/2022</u>
2024	74,732	93,464
2025	62,122	62,079
2026	12,549	12,515
2027	7,279	7,251
2028	7,279	7,251
2029 onwards	22,645	22,610
	<u>186,606</u>	<u>205,170</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 March 31, 2023 and December 31, 2022 and concluded that all requirements have been legally met.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

March 31, 2023

(In thousands of reais)

12. Debentures (Consolidated)

a) Breakdown

	Charges (a.a.)	Individual	
		03/31/2022	12/31/2022
First issue (ii)	2.00% pa + CDI	304,252	314,961
(-) Issue costs to be recorded		(2,122)	(2,242)
(-) Negative goodwill		(811)	(857)
		301,319	311,862
Current		3,643	14,297
Noncurrent		297,676	297,565

	Charges (a.a.)	Consolidated	
		12/31/2022	12/31/2021
Nonconvertible debentures			
First issue (i)	5.77% pa.+ IPCA	581,531	576,810
First issue Brisanet Participações (ii)	2.00% pa + CDI	304,252	314,961
(-) Issue costs to be recorded		(25,777)	(27,063)
(-) Negative goodwill		(811)	(857)
		859,195	863,851
Current		5,194	23,593
Noncurrent		854,001	840,258

b) Changes in balances

	Individual		Consolidated	
	03/31/2023	03/31/2022	03/31/2023	03/31/2022
Opening balance	311,862	515,850	863,851	515,850
Debentures raised	-	-	-	-
Monetary restatement	1,600	14,196	10,019	14,196
Interest	9,936	7,871	22,403	7,871
Amortization of interest	(22,245)	(15,307)	(38,410)	(15,307)
Debenture costs	-	-	-	-
Amortization of issuance cost	120	1,166	1,286	1,166
Discount	-	-	-	-
Amortization of discount	46	-	46	-
Closing balance	301,319	523,776	859,195	523,776

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

March 31, 2023

(In thousands of reais)

12. Debentures (Continued)

b) Changes in balances (Continued)

Noncurrent portions mature as follows:

	Individual		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
2025	100,000	100,000	259,252	262,183
2026	100,000	100,000	260,366	262,132
2027	100,000	100,000	260,583	262,128
2028 em diante	-	-	99,779	81,071
	300,000	300,000	879,980	867,514
(-) Issuance cost	(1,681)	(1,761)	(25,336)	(26,582)
(-) Discount	(643)	(674)	(643)	(674)
	297,676	297,565	854,001	840,258

c) Issue of debentures

The main information regarding the issue of debentures by the Company and its subsidiaries are detailed below:

Issuer	Title	Modal	Units	Issue	Final maturity	Average charges	Value
Brisanet Serv. Tel. S.A	BRST 11	1° Emissão – 1° série	500,000	03/15/2021	03/15/2028	5.77% pa.+ IPCA	R\$:500,000
Brisanet Part. S.A	BRIT1 1	1° Emissão – 1° série	300,000	08/25/2022	08/25/2027	2.00% pa.+ CDI	R\$:300,000

d) Guarantees

The first series debentures issued by the subsidiary Brisanet Serviços de Telecomunicações S.A., have a guarantee consisting of guarantees from the partners and companies that are part of the economic group and flow of credit rights from accounts receivable, in the minimum amount of R\$40,000 or 40% of the flow of collection.

The first series debentures issued by the Company are unsecured, without additional guarantees.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

March 31, 2023

(In thousands of reais)

12. Debentures (Continued)

e) Restrictive clauses

The debentures have restrictive clauses related to early maturity, including compliance with “financial indicators”, default with creditors, declaration of bankruptcy, corporate type transformation or any corporate reorganization involving the issuer, declaration of early maturity of any debt and/or obligations of a financial nature where the amount exceeds 3% of the Company's shareholders' equity, judicial or extrajudicial measures that compromise payment capacity, constitution of mortgage, pledge, fiduciary alienation, fiduciary assignment, usufruct, trust, promise of sale, option (except for the option to purchase shares issued by the issuer within the scope of incentive plans instituted in favor of managers and employees).

On March 31, 2023, the Company and its subsidiaries concluded that all requirements were legally met.

13. Promissory note (Consolidated)

a) Breakdown

	<u>Charges (p.a.)</u>	<u>03/31/2023</u>	<u>12/31/2022</u>
First issue (i)			
Promissory note not convertible into shares	2.60% pm + CDI	-	72,448
(-) Issuance costs to be recorded		-	(98)
		<u>-</u>	<u>72,350</u>
Current		-	72,350
Noncurrent		-	-

Changes in promissory notes are as follows:

b) Changes

	<u>03/31/2023</u>	<u>03/31/2022</u>
Opening balance	<u>72,350</u>	-
Raising of promissory notes	-	70,000
Monetary restatement	291	648
Interest	1,271	164
Principal amortization	(64,000)	-
Interest amortization	(10,010)	-
Cost on promissory notes	-	(620)
Amortization of issuance costs	98	57
Closing balance	<u>-</u>	<u>70,249</u>

The final maturity of the 1st issue of promissory notes occurred on February 25, 2023.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

March 31, 2023

(In thousands of reais)

14. Rights of use and lease obligations (Consolidated)

Agreements per period and discount rate

Prazos contratos	Rate % a.a.	
	03/31/2023	12/31/2022
2 anos	10.94%	10.94%
3 anos	10.94%	10.94%
4 anos	10.94%	10.94%
5 anos	10.94%	10.94%
10 anos	10.94%	10.94%

Changes in lease obligations are as follows:

	03/31/2023	03/31/2022
Opening balance	38,870	35,490
Interest recognized	1,202	1,249
Additions due to new agreements	13,211	35,718
Consideration paid	(13,364)	(10,927)
Interest paid	(682)	(914)
Closing balance	39,237	60,616
Current	14,201	33,941
Noncurrent	25,036	26,675

Agreement maturity and undiscounted installments, reconciled to the balances at March 31, 2023 and December 31, 2022 are as follows:

	03/31/2023	12/31/2022
Installment maturity		
2023	11,458	16,021
2024	9,060	10,321
2025	5,575	5,767
2026	3,973	3,895
2027 onwards	14,720	7,904
Undiscounted amounts	44,786	43,908
Embedded interest	(5,549)	(5,038)
Lease obligation balance	39,237	38,870

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

March 31, 2023

(In thousands of reais)

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

Changes in rights of use are as follows:

	<u>03/31/2023</u>	<u>12/31/2022</u>
Opening balance	36,493	35,928
Additions due to new agreements	13,211	35,718
Amortization expenses	<u>(11,353)</u>	<u>(10,922)</u>
Closing balance	<u>38,351</u>	<u>60,724</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	44,786	39,237
Potential PIS/COFINS (9,25%)	(4,143)	(3,629)

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 March 31, 2023 and December 31, 2022 are presented below:

	<u>03/31/2023</u>	<u>12/31/2022</u>
Rights of use, net		
NBC TG06(R3) / IFRS 16	38,351	36,493
Amounts including future inflation	40,499	38,606
Variation	<u>2,148</u>	<u>2,113</u>
Lease obligations		
NBC TG06(R3) / IFRS 16	39,237	38,870
Amounts including future inflation	41,434	41,121
Variation	<u>2,197</u>	<u>2,251</u>

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

March 31, 2023

(In thousands of reais)

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

	<u>03/31/2023</u>	<u>12/31/2022</u>
Finance costs		
NBC TG06(R3) / IFRS 16	(1,202)	(4,012)
Amounts including future inflation	<u>(1,269)</u>	<u>(4,244)</u>
Variation	<u>(67)</u>	<u>(232)</u>
Depreciation expenses		
NBC TG06(R3) / IFRS 16	(11,353)	(44,301)
Amounts including future inflation	<u>(11,989)</u>	<u>(46,866)</u>
Variation	<u>(636)</u>	<u>(2,565)</u>

15. Labor and social obligations

	<u>Individual</u>		<u>Consolidated</u>	
	<u>03/31/2023</u>	<u>12/31/2022</u>	<u>03/31/2023</u>	<u>12/31/2022</u>
Salaries and wages	-	-	12,387	12,649
Social charges on salaries and wages	13	-	6,730	7,588
Accrued vacation pay	-	-	23,853	19,205
Social charges on accrued vacation pay and 13 th monthly salary	-	-	8,695	6,853
Other	-	-	80	82
	<u>13</u>	<u>-</u>	<u>51,745</u>	<u>46,377</u>

16. Provision for contingencies (Consolidated)

The Company updated its contingency policy as of 2023, adopting a more conservative approach. As a result, lawsuits that would only be considered as probable losses from the exhaustion of resources, began to be classified as such from the first instance. This change in estimate caused an increase in the provision for contingencies in the period ended March 31, 2023, due to the balance of open civil, tax and labor lawsuits, for which provisions for contingencies were set up in the amount of R\$ 8,223 (R\$: 1,833 on December 31, 2022). There are no contingencies whose individual values are relevant. The Company maintains amounts in judicial deposits in the amount of R\$5,738 (R\$5,466 on December 31, 2022).

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
March 31, 2023
(In thousands of reais)

16. Provision for contingencies (Consolidated) (Continued)

Changes in provision for contingencies are as follows:

	Labor	Tax	Civil	Total
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 December 31, 2022	1,410	422	51	1,883
Provision	8,171	364	854	9,389
Reversal	(1,681)	(284)	(462)	(2,427)
Write-off	(622)	-	-	(622)
Balance at March 30, 2023	7,278	502	443	8,223

With the update of the contingency policy mentioned above, the Company adopted a more conservative view on tax proceedings, starting to consider the loss as possible from the assessment notice. This change caused an increase in possible contingencies in the period ended March 31, 2023, due to the balance of open tax, civil and labor lawsuits for which an amount of R\$57,204 was considered as a possible loss (R\$8,818 on December 31 of 2022).

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

On February 8, 2023, unanimously, the Federal Supreme Court (STF) considered that a final and unappealable decision on the constitutionality of taxes collected on a continuous basis (successive treatment tax relationship) loses its effects automatically if the STF subsequently pronounces in the opposite direction. This means, in practice, that decisions handed down in direct action (ADI or ADC) or in an extraordinary appeal with general repercussion interrupt the effects of previous decisions, in the context of successive treatment tax relations, even if they have already become final. The decision of the STF determined that, in cases where a res judicata is withdrawn and the respective tax is considered due, the irretroactivity, the annual precedence and the ninety or ninety-year precedence must be respected, depending on the nature of the tribute (Decision Relativization Thing Judged).

The Company assessed the referred decision of the STF and did not identify any impact on the result, also without the need for disclosure, as it considers the impact on the referred processes to be remote.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

March 31, 2023

(In thousands of reais)

17. Other accounts payable

	Consolidated	
	03/31/2023	12/31/2022
Authorization for use of radiofrequency (5G) (a)	173,978	169,188
Radiofrequency license - LTE (4G) (b)	2,485	2,441
(-) Amount adjusted to present value	(480)	(719)
Other obligations payable (c)	11,954	17,579
	187,937	188,489
Current	19,653	24,122
Noncurrent	168,284	164,367

(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.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

March 31, 2023

(In thousands of reais)

18. Government grants (Consolidated)

Government grants	Benefit	Effective period	Note	Recorded income tax benefit	
				03/31/2023	03/31/2022
Federal Government - SUDENE	Decrease of 75% in non-refundable income tax and surtax.	01/01/2018 until 31/12/2027	Note 23	2,240	-
Federal Government - Workers' Meal Program (PAT)	Direct deduction in Income Tax, limited to 4% of the tax due (without the surcharge) in each calculation base period. The calculated value must be the lesser between 15% of the sum of the costing expenses incurred with the PAT and 15% of R\$1.99 (in reais) multiplied by the number of meals provided in the period.	Undetermined	Note 23	146	-
Federal Government - Reinvest - Banco do Nordeste	Reinvest in its own projects to modernize and complement equipment, 30% of Income tax due.	01/01/2022 until 31/12/2023	Note 23	135	-
Federal Government - Law Rouanet	Deduction of amounts destined to cultural incentive projects through donation or limited sponsorship up to 4% of the tax due.	Undetermined	Note 23	30	-
Estadual Government – Paraíba (PB), Ceará (CE), Pernambuco (PE)	Reduction by 75% of the value of ICMS in the internal revenues of each state.	PB de 01/06/2020 until 01/06/2030 CE de 01/09/2020 until undetermined (annual renewal) PE de 01/04/2022 until undetermined (semester renewal)	Note 20	16,296	18,793

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
March 31, 2023
(In thousands of reais)

19. Equity (Individual)

a) Capital

At March 31, 2023 and December 31, 2022, subscribed and paid-in capital amounts to R\$1,321,859, represented by 449,094,916 common shares.

	<u>Composition of equity</u>
Number of shares	449,094,916
Number of treasury shares	3,350,000
Capital	1,321,859
Cost of issuing shares	(40,253)
Treasury shares	(9,758)
Total	<u><u>1,271,848</u></u>

As of March 31, 2023 and December 31, 2022, capital authorized for increase by the Board of Directors, regardless of statutory amendment, is of up to 150,000,000 additional common shares.

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:

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

March 31, 2023

(In thousands of reais)

19. Equity (Individual) (Continued)

c) Profit distribution (Continued)

Changes in dividends payable are as follows:

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

20. Net operating revenue (Consolidated)

	03/31/2023	03/31/2022
Gross sales revenue		
Services provided	328,015	253,313
Products resold	122	159
	<u>328,137</u>	<u>253,472</u>
Deductions from gross revenue		
(-) Taxes on revenue	(52,353)	(55,332)
Tax benefits (Note 19)	16,296	18,793
	<u>(36,057)</u>	<u>(36,539)</u>
Net operating revenue	<u>292,080</u>	<u>216,933</u>

21. Operating costs and expenses by nature and function

	Individual					
	03/31/2023			03/31/2022		
	Administrative expenses	Other operating income (expenses), net	Total	Administrative expenses	Other operating income (expenses), net	Total
	(607)	(526)	(1,133)	(752)	37	(715)
By nature:						
Salaries and wages	-	-	-	(277)	-	(277)
Third-party services	(468)	-	(468)	(399)	-	(399)
General expenses	(139)	-	(139)	(75)	-	(75)
Other personnel expenses	-	(526)	(526)	-	-	-
Provision for contingencies	-	-	-	(1)	-	(1)
Other	-	-	-	-	37	37

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

March 31, 2023

(In thousands of reais)

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

	Consolidated									
	03/31/2023					03/31/2022				
	Cost of services	Administrative expenses	Selling expenses	Other operating expenses, net	Total	Cost of services	Administrative expenses	Selling expenses	Other operating expenses, net	Total
	(153,515)	(27,008)	(35,728)	(13,827)	(230,078)	(137,171)	(28,908)	(29,355)	(3,817)	(199,251)
By nature:										
Interconnection and means of connection	(7,954)	-	-	-	(7,954)	(7,743)	-	-	-	(7,743)
Direct connectivity costs (Link)	(5,453)	-	-	-	(5,453)	(6,407)	-	-	-	(6,407)
Indirect costs of right of way (utility poles)	(20,344)	-	-	-	(20,344)	(14,684)	-	-	-	(14,684)
Salaries and wages	(28,355)	(13,122)	(12,147)	-	(53,624)	(34,228)	(12,554)	(9,908)	-	(56,690)
Third-party services	(2,440)	(3,092)	(2,360)	-	(7,892)	(1,957)	(3,817)	(4,744)	-	(10,518)
Advertising and promotion	-	-	(6,953)	-	(6,953)	-	-	(5,130)	-	(5,130)
Depreciation and amortization	(73,764)	(3,061)	(537)	-	(77,362)	(55,294)	(4,208)	(390)	-	(59,892)
Taxes, charges and contributions	-	-	-	(3,416)	(3,416)	-	-	-	(2,188)	(2,188)
Electric power and water	(2,500)	(542)	(4)	-	(3,046)	(2,231)	(634)	(3)	-	(2,868)
Materials and maintenance	(3,842)	(440)	(176)	-	(4,458)	(4,313)	(1,327)	(33)	-	(5,673)
Other personnel expenses	(4,377)	(1,756)	(1,704)	-	(7,837)	(5,015)	(2,585)	(1,794)	-	(9,394)
Allowance for expected credit losses	-	-	(11,416)	-	(11,416)	-	-	(6,327)	-	(6,327)
Provision for contingencies	-	-	-	(6,962)	(6,962)	-	-	-	(195)	(195)
Maintenance services of software	(1,779)	(1,980)	(201)	-	(3,960)	(1,505)	(682)	(122)	-	(2,309)
Other	(2,707)	(3,015)	(230)	(3,449)	(9,401)	(3,794)	(3,101)	(904)	(1,434)	(9,233)

22. Finance income (costs)

	Individual		Consolidated	
	03/31/2023	03/31/2022	03/31/2023	03/31/2022
Finance costs				
Interest on loans and financing, and debentures	(11,703)	-	(42,899)	(36.251)
Late-payment interest and fines	(38)	-	(109)	(557)
Exchange losses	-	-	(3,231)	(3.437)
Bank charges	(2)	(1)	(1,377)	(1.879)
Interest on leases	-	-	(1,372)	(914)
Tax on Financial Transactions (IOF)	-	-	(99)	(174)
Collection fees	-	-	(418)	(452)
Interest on installment payments	-	-	(85)	(149)
Derivative transactions – swap	-	-	(4,919)	(6.958)
Other	-	-	(241)	-
	(11,743)	(1)	(54,750)	(50.771)
Finance income				
Interest income received	-	-	3,431	2.566
Short-term investment yield	11,302	6	17,707	19.092
Exchange gains	-	-	4,901	28.607
Derivative transactions – swap	-	-	2,435	-
Other finance income	-	-	291	1.748
	11,302	6	28,765	52.013
Finance income (costs)	(441)	5	(25,985)	1,242

23. Income and social contribution taxes

On March 31, 2023, income tax and social contribution were calculated in accordance with the “Lucro Real” systematics (on March 31, 2022 “Lucro Presumido” and “Lucro Real”), and the tax Income tax was calculated at the rate of 15%, plus an additional 10% for profits that exceed R\$60 in a 3-month period, while the social contribution was calculated at the rate of 9%.

23. Income and social contribution taxes (Continued)

Current income and social contribution tax expense is as follows:

	Individual		Consolidated	
	03/31/2023	03/31/2022	03/31/2023	03/31/2022
Taxable profit computed on accounting records: (a)				
Current income tax	-	-	(9,094)	(3,634)
Current social contribution tax	-	-	(3,276)	(1,310)
Tax benefit - income tax reduction (Note 18)	-	-	2,240	-
Tax incentive - PAT (Note 18)	-	-	146	-
Tax incentive - Reinvestment (Note 18)	-	-	165	-
Deferred income and social contribution taxes	535	-	(1,013)	(2,387)
	535	-	(10,832)	(7,331)
Taxable profit computed as a percentage of gross revenue: (b)				
Income tax	-	-	-	(1,544)
Social contribution tax	-	-	-	(560)
	-	-	-	(2,104)
Total income and social contribution tax expenses:				
Current income and social contribution taxes	-	-	(12,370)	(7,048)
Deferred income and social contribution taxes	535	-	(1,013)	(2,387)
Tax benefit - income tax reduction (Note 18)	-	-	2,240	-
Tax incentive - Reinvestment (Note 18)	-	-	146	-
Tax incentive - PAT (Note 18)	-	-	165	-
	535	-	(10,832)	(9,435)

(a) The Company and its subsidiaries adopt the taxable income tax regime;

(b) The Company and its subsidiaries, except Brisanet Serviços de Telecomunicações S.A., adopted the presumed profit taxation regime until December 31, 2022.

23. Income and social contribution taxes (Consolidated) (Continued)

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

	Individual		Individual	
	03/31/2023	03/31/2022	03/31/2023	03/31/2022
Assets				
Income and social contribution tax losses	535	-	9,788	12,380
Temporary differences on allowance for expected credit losses	-	-	1,385	987
Temporary differences on provision for contingencies	-	-	2,690	495
Temporary differences on derivative transactions	-	-	1,542	1,125
Temporary differences on provision for profit sharing	-	-	1,522	-
Temporary differences on lease payable	-	-	305	750
Temporary differences on provision for losses in assets	-	-	4,172	2,468
	535	-	21,404	18,205
Liabilities				
Temporary differences on installation and activation of customers	-	-	(28,128)	(23,916)
	-	-	(28,128)	(23,916)
Deferred income and social contribution taxes, net	535	-	(6,724)	(5,711)

23. Income and social contribution taxes (Consolidated) (Continued)

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

	Individual		Consolidated	
	03/31/2023	03/31/2022	03/31/2023	03/31/2022
Income (loss) before income and social contribution taxes	24,736	9,491	36,017	18,924
Combined statutory rate - 34%	34%	34%	34%	34%
Income and social contribution taxes at statutory rates	(8,410)	(3,226)	(12,246)	(6,434)
Permanent differences				
Tax benefit – income tax reduction (Note 18)	-	-	2,240	-
Tax incentive - PAT (Note 18)	-	-	146	-
Tax incentive - Reinvestment (Note 18)	-	-	165	-
Equity pickup	8,945	-	-	-
Write-off of fixed assets	-	-	(1,508)	(630)
Effect on taxes of entities taxed computed as a percentage of gross revenue	-	3,226	-	(2,031)
Writ-off of allowance for expected credit losses	-	-	(353)	(854)
Others additions (exclusions), net	-	-	724	514
	535	-	(10,832)	(9,435)
Income and social contribution tax expenses – Current	-	-	(9,819)	(7,048)
Income and social contribution tax expenses - Deferred	535	-	(1,013)	(2,387)
	535	-	(10,832)	(9,435)
Effective rate (%)	2%	0%	-30%	-49%

24. 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>03/31/2023</u>	<u>03/31/2022</u>
Profit attributable to Company shareholders	25,271	9,491
Weighted average number of common shares issued	<u>449,094,916</u>	<u>449,094,916</u>
Basic and diluted earnings (loss) per share – in (R\$)	<u>0.06</u>	<u>0.02</u>

25. 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.

25. 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 March 31, 2023 and December 31, 2022, debt ratios are summarized as follows:

	Note	Consolidated	
		03/31/2023	12/31/2022
Total loans and financing	11	324,459	359,788
Total debentures	12	859,195	863,851
Total promissory notes	13	-	72,350
Total lease obligations	14	39,237	38,870
Total derivatives	25	7,749	6,503
Less: cash and cash equivalents	3	(156,400)	(203,542)
Less: short-term investments	3	(310,077)	(391,540)
Less: derivatives	25	(2,344)	(2,459)
Net debt	A	761,819	743,821
Total equity		1,404,340	1,378,627
Equity plus net debt	B	2,166,159	2,122,448
Financial leverage ratio	A / B	35.17%	35.05%

25. Financial instruments and risk management (Continued)

b) Category of financial instruments

	Consolidated	
	03/31/2023	12/31/2022
Financial assets at amortized cost:		
Cash and cash equivalents	156,400	203,542
Short-term investments	310,077	391,540
Trade accounts receivable	151,874	140,822
Financial assets at fair value through profit or loss		
Derivative transactions	2,344	2,459
	620,695	738,363
Financial liabilities at amortized cost:		
Trade accounts payable	57,983	66,003
Loans and financing	324,459	359,788
Debentures	859,195	863,851
Promissory notes	-	72,350
Lease obligations	39,237	38,870
Financial liabilities at fair value through profit or loss		
Derivative transactions	7,749	6,503
	1,288,623	1,407,365

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.

c) Credit risk

Trade accounts receivable subject to credit risk are presented in Note 4. At March 31, 2023, Company subsidiaries recorded a balance for expected credit losses of R\$4,107 (R\$3,165 in 2022), 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.

d) 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.

25. Financial instruments and risk management (Continued)

e) 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 03/31/2023	Within 6 months	From 6 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years
Trade accounts payable	57,983	49,101	8,882	-	-	-
Loans and financing	324,459	77,943	59,910	143,043	15,458	28,105
Derivatives	7,749	1,278	3,553	2,918	-	-
Debentures	859,195	3,975	1,219	333,219	520,782	-
Promissory note	39,237	11,651	2,550	8,558	11,087	5,391
Lease obligations	57,983	49,101	8,882	-	-	-
	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
Lease obligations	72,350	72,350	-	-	-	-

f) 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.

g) 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.

25. 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	03/31/2023	12/31/2022
Derivative transactions receivable – Swap	2,344	2,459
	2,344	2,459
Current	51	95
Noncurrent	2,293	2,364
	2,344	2,459

Maturity of swap transactions:

	03/31/2022	12/31/2022
2023	32	93
2024	314	-
2025	393	84
2026	574	91
2027 onwards	1,031	2,191
	2,344	2,459

	03/31/2023	12/31/2022
Outstanding swap transactions:		
Loans and financing – book value	41,368	56,921
Loans and financing – fair value	(39,024)	(54,462)
Gain adjustments from financial instruments – swap	2,344	2,459

25. Financial instruments and risk management (Continued)

h) Currency risk (Continued)

Breakdown of financial instruments (Continued)

Subsidiaries Brisagnet Serviços and RPS Prestação de Serviços engage in instruments for financial transactions in foreign currency aimed at fundraising and import financing. At March 31, 2023 and December 31, 2022, hedging transactions represented 12.74% (R\$41,368 / R\$324,459) and 15.82% (R\$56,921 / R\$359,788), respectively, of these subsidiaries' bank debt.

For the current period, 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 March 31, 2023, derivative financial instruments amounted to R\$2,344 (R\$2,459 in 2022). 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 March 31, 2023, net realized and unrealized gains (losses) deriving from these contracts were recorded in finance income (costs), and represented consolidated net gains of R\$2,484 (R\$6,767 in March 31, 2022).

h) 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).

25. 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

<u>03/31/2023</u>		<u>Consolidated</u>			
<u>Instrument/transaction</u>	<u>Probable scenario</u>	<u>Risk</u>	<u>Current scenario</u>	<u>Scenario II</u>	<u>Scenario III</u>
Working capital	15.90%	CDI increase	(28,907)	(36,134)	(43,360)
Working capital	7.46%	TJLP increase	(36)	(45)	(54)
Working capital	7.50%	TLP increase	(238)	(297)	(357)
PPE financing (FINEM)	7.46%	TJLP increase	(61)	(77)	(92)
PPE financing (FINEM)	7.50%	TLP increase	(1,386)	(1,733)	(2,079)
Financing – TR	2.46%	TR increase	(1,622)	(2,027)	(2,433)
Short-term investments	15.90%	CDI decrease	49,297	36,973	24,649
Projected income (loss)			17,047	(3,340)	(23,726)

<u>12/31/2023</u>		<u>Consolidated</u>			
<u>Instrument/transaction</u>	<u>Probable scenario</u>	<u>Risk</u>	<u>Current scenario</u>	<u>Scenario II</u>	<u>Scenario III</u>
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)
Financial investments	12.39%	CDI decrease	48,512	36,384	24,256
Projected income (loss)			27,695	10,364	(6,970)

25. Financial instruments and risk management (Continued)

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

Currency risk

<u>12/31/2023</u>	Probable US dollar rate	Risk	<u>Consolidated</u>		
Instrument/transaction			Current scenario	Scenario II	Scenario III
Trade accounts payable	5.24	Dollar increase	-	(6,018)	(12,036)
Loans and financing	5.24	Dollar increase	-	(6,711)	(13,421)
			-	(12,729)	(25,457)
Projected income (loss)			-	(6,018)	(12,036)

<u>12/31/2022</u>	Probable US dollar rate	Risk	<u>Consolidated</u>		
Instrument/transaction			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)
			-	(35,565)	(71,130)
Projected income (loss)			-	(10,599)	(21,198)

i) 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.

25. Financial instruments and risk management (Continued)

j) Fair value hierarchy (Continued)

	Consolidated				
	Book Value	Fair Value	Level 1	Level 2	Level 3
Financial assets at amortized cost:					
Cash and cash equivalents	156,400	156,400	-	156,400	-
Short-term investments	310,077	310,077	-	310,077	-
Trade accounts receivable	151,874	151,874	-	-	151,874
Financial assets at fair value through profit or loss:					
Derivative transactions	2,344	2,344	-	2,344	-
	620,695	620,695	-	468,821	151,874
Financial liabilities at amortized cost:					
Trade accounts payable	57,983	57,983	-	57,983	-
Loans and financing	324,459	324,459	-	324,459	-
Debentures	859,195	859,195	-	859,195	-
Promissory notes	-	-	-	-	-
Lease obligations	39,237	39,237	-	39,237	-
Financial liabilities at fair value through profit or loss:					
Derivative transactions	7,749	7,749	-	7,749	-
	1,288,623	1,288,623	-	1,288,623	-

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.

25. Financial instruments and risk management (Continued)

j) Hierarquia de valor justo--Continuação

Changes in liabilities arising from financing activities

The changes for the period ended March 31, 2023 in the liabilities of the financing activities of the Company and its subsidiaries are shown below:

	Individual						
	03/31/2023						
	Cash flow			Adjustments to reconcile net income in the period			
Opening balance	Net cash flows from financing activities	Net cash flows from (used in) operating activities	Monetary variation and exchange differences	Interest on leases, debentures, promissory notes e loans and financing	Appropriation of funding costs	Ending balance	
Debentures	311,862	-	(22,245)	1,600	9,936	166	301,319
	Consolidated						
	03/31/2023						
	Cash flow			Non-cash transaction	Adjustments to reconcile net income in the period		
Opening balance	Net cash flows from financing activities	Net cash flows from (used in) operating activities	Acquisition of new right of use contracts	Monetary variation and exchange differences	Interest on leases, debentures, promissory notes e loans and financing	Appropriation of funding costs	Ending balance
Loans and financing	359,788	(35,681)	(8,041)	-	(911)	9,305	324,459
Debentures	863,851	-	(38,410)	-	10,019	22,403	859,195
Promissory note	72,350	(64,000)	(10,010)	-	291	1,271	-
Lease obligations	38,870	(13,364)	(682)	13,211	-	1,202	39,237

26. 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:

	<u>03/31/2023</u>	<u>03/31/2022</u>
PPE – civil liability risk	US\$ 26,800	US\$ 26,800
PPE – operational risk (Dólar)	US\$ 13,069	US\$ 13,069
PPE – operational risk (Real)	R\$ 1,571	R\$ 1,571
D&O	R\$ 50,000	R\$ 50,000
Other items – operational risk	R\$ 281,478	R\$ 292,371

27. Non-cash transactions

	<u>Consolidated</u>	
	<u>03/31/2023</u>	<u>03/31/2022</u>
Capitalization of Interest (Note 8)	7,028	9,070
Capitalization of depreciation (Note 8)	4,354	3,036

28. Subsequent events

Decision to use the exclusion of tax benefits related to ICMS from the federal tax calculation base (IRPJ, CSLL, PIS and COFINS).

The subsidiary Brisanet Serviços de Telecomunicações S.A has 4 lawsuits in which the possibility of excluding tax and/or financial benefits – tax related as ICMS from the federal tax calculation base (IRPJ, CSLL, PIS and COFINS) is discussed. In all cases, partially valid decisions were handed down in the sense of excluding ICMS subsidies granted by the States from the calculation basis of federal taxes (IRPJ, CSLL, PIS and COFINS), but expressly determined that the Company continues to comply with the ancillary obligations prescribed by Law 12,973/2014. After demonstrating the scenarios, given the low impact of possible charges, the Company unanimously decided to exclude tax benefits from the IRPJ, CSLL, PIS and COFINS calculation base, in accordance with the favorable position presented in the last Legal Opinion issued on the 17th. of April 2023 on STJ Theme 1,182.

29. Subsequent events (Continued)

Merger of the direct subsidiary RPS Prestação de Serviços de Informática Ltda., by Brisanet Serviços de Telecomunicações S.A..

On April 30, 2023, the shareholders, through an Extraordinary General Meeting (AGE), approved the merger of the net assets, in the amount of R\$26,079, of its direct subsidiary RPS Prestação de Serviços de Informática Ltda., by Brisanet Serviços de Telecomunicações S.A.

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