

Individual and Consolidated Financial Statements

**Livotech da Bahia Indústria e Comércio
S.A.**

December 31, 2023
with Independent Auditor's Report

Livetech da Bahia Indústria e Comércio S.A.

Individual and consolidated financial statements

December 31, 2023

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Independent auditor's report on individual and consolidated financial statements

To the Management and Shareholders
Livetech da Bahia Indústria e Comércio S.A.
São Paulo - SP

Opinion

We have audited the individual and consolidated financial statements of Livetech da Bahia Indústria e Comércio S.A. ("Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2023, and the statements of income, of comprehensive income, of changes in equity, and of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other financial information.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of the Company as at December 31, 2023, and its individual and consolidated financial performance and cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), currently referred to by the IFRS Foundation as IFRS accounting standards.

Basis for opinion

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

Key audit matters

Key audit matters are those that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide an individual opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

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

Revenue recognition

During the year ended December 31, 2023, the Company recognized net revenues in the amount of R\$873,358 and R\$900,717, in the individual and consolidated financial statements, respectively, as disclosed in Note 22.

The Company's operating revenues derive mainly from: (i) sales of goods, which must be recognized when the Company satisfies a performance obligation by transferring a promised good or service to a customer. The Company recognizes revenue at the time items are delivered to customers and the performance obligation is fulfilled; and (ii) equipment rental, recognized on a straight-line basis over the term of the lease agreement.

Revenue is an important indicator of the Company's and its management's performance, which may create an incentive for recognition of revenue before the fulfillment of performance obligations, whether through the actual delivery of goods or the recognition of lease income, particularly in the period preceding the closing of the fiscal year ("sales cutoff").

The monitoring of this matter was considered significant for our audit, given the risks that revenue might be recognized before the transfer of goods and services to the customer, and consequently, before the fulfillment of the performance obligation.

How our audit addressed this matter

Our audit procedures related to revenue recognition included the following, among others:

- we analyzed the appropriateness of the accounting policies adopted by the Company for revenue recognition;
- we carried out revenue "cutoff" testing, on a sampling basis;
- we analyzed the amounts invoiced and the respective outflows of goods in the Company's inventory;
- we recalculated, on a sampling basis, of the revenue for the period from lease agreements;
- we analyzed a sample of contracts to verify the data used in the measurement of revenue;
- we evaluated the adequacy of the disclosures of the Company regarding revenue included in Note 22 to the financial statements.

Based on the result of the audit procedures carried out on the revenue recognition, which is consistent with the assessment of management, we consider that the criteria used by management are acceptable in the context of the financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2023, prepared under the responsibility of Company's executive board and presented as supplementary information for IFRS purposes, were subject to audit procedures performed in conjunction with the audit of the Company's individual and consolidated financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by Accounting Pronouncement NBC TG 09 - Statements of Value Added. In our opinion, these individual and consolidated statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned Accounting Pronouncement, and are consistent in relation to the individual and consolidated financial statements taken as a whole.

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

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

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

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

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

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

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

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

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit work and significant audit findings, including any significant deficiencies in internal control that may have been identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements, including those regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

São Paulo, March 6, 2024.

ERNST & YOUNG
Independent Auditors S.S Ltda.
CRC SP-034519/O

Carlos Augusto Amado Junior
Accountant CRC SP-292320/O

Livotech da Bahia Indústria e Comércio S.A.

Statements of financial position
December 31, 2023 and 2022
(In thousands of reais)

	Note	Parent company		Consolidated	
		2023	2022	2023	2022
Assets					
Current					
Cash and cash equivalents	4.1	92,343	147,413	101,959	152,470
Short-term investments	4.2	-	152,170	-	152,170
Trade receivables	5	208,435	189,035	220,153	195,944
Taxes recoverable	6.1	18,393	63,519	19,763	64,470
Inventories	7	157,823	298,564	179,428	310,034
Advances to suppliers	11	17,850	49,537	21,410	53,104
Related parties	21	866	12,382	-	-
Prepaid expenses		506	927	506	927
Total current assets		496,216	913,547	543,219	929,119
Non-current					
Trade receivables, net	5	209,818	155,312	209,818	155,312
Judicial deposits		109	109	109	109
Derivative financial instruments	26	-	581	-	581
Taxes recoverable	6.1	34,259	-	34,259	-
Deferred taxes	6.2	32,641	26,330	32,861	26,635
Right-of-use assets	16	11,517	1,832	11,517	1,832
Investment	8	25,251	9,945	-	-
Property, plant and equipment, net	9	412,483	444,740	412,858	444,839
Intangible assets, net	10	108,408	80,194	108,410	80,196
Total non-current assets		834,486	719,043	809,832	709,504
Total assets		1,330,702	1,632,590	1,353,051	1,638,623

	Note	Parent Company		Consolidated	
		2023	2022	2023	2022
Liabilities					
Current					
Trade payables	12	83,810	137,000	96,099	142,112
Personnel, social charges and benefits	13	3,496	4,617	3,734	4,825
Taxes payable	14	4,227	6,317	5,444	6,435
Loans, borrowings and debentures	15	63,633	218,820	63,633	218,820
Dividends payable	19.4	-	862	-	862
Derivative financial instruments	26	4,698	7,674	4,698	7,674
Lease liabilities	16	2,650	969	2,650	969
Related parties	21	16	125	16	125
Other obligations	17	13,013	39,554	22,153	40,149
		175,543	415,938	198,427	421,971
Non-current					
Loans, borrowings and debentures	15	509,913	567,067	509,913	567,067
Provisions for lawsuits	26	576	507	576	507
Derivative financial instruments	18	144	378	144	378
Lease liabilities	16	8,880	906	8,880	906
Provision for losses on investments	8	535	-	-	-
		520,048	568,858	519,513	568,858
Equity					
Share capital					
Treasury stock	19.1	301,397	301,397	301,397	301,397
Capital reserves	19.2	(8,536)	(7,044)	(8,536)	(7,044)
Retained earnings	19	236,632	236,632	236,632	236,632
Other comprehensive results	19.6	104,858	116,734	104,858	116,734
	19	760	75	760	75
		635,111	647,794	635,111	647,794
Total liabilities and equity		1,330,702	1,632,590	1,353,051	1,638,623

The accompanying notes are an integral part of the individual and consolidated financial statements.

Livotech da Bahia Indústria e Comércio S.A.

Statements of income

Fiscal years ended December 31, 2023 and 2022

(In thousands of reais)

	Note	Parent Company		Consolidated	
		2023	2022	2023	2022
Revenue from goods and services, net	22	873,358	1,042,018	900,717	1,070,905
Cost of sales and services	23	(696,067)	(800,437)	(712,455)	(823,248)
Gross income		177,291	241,581	188,262	247,657
Operating revenue (expenses)					
Personnel expenses	24	(51,753)	(50,695)	(53,919)	(52,933)
Selling expenses	24	(62,178)	(79,205)	(67,023)	(81,271)
General and administrative expenses	24	(9,916)	(16,454)	(10,601)	(17,459)
Other operating income (expenses), net	24	(18,880)	(6,904)	(20,333)	(7,206)
Equity accounting result	8	1,902	(609)	-	-
		(140,825)	(153,867)	(151,876)	(158,869)
Profit before financial income, income taxes and social contribution		36,466	87,714	36,386	88,788
Financial income		86,446	164,078	88,388	164,590
Financial expenses		(140,152)	(243,615)	(140,886)	(245,484)
Financial result	25	(53,706)	(79,537)	(52,498)	(80,894)
Profit (loss) before income tax and social security contribution		(17,240)	8,177	(16,112)	7,894
Current income tax and social security contribution	20	(948)	6,102	(2,076)	6,187
Deferred income tax and social security contribution	20	6,312	8,890	6,312	9,088
Profit (loss) for the period		(11,876)	23,169	(11,876)	23,169
Attributable to:					
Owners of the parent				(11,876)	23,169
Non-controlling interests				-	-
Earnings (loss) per share attributable to owners of the parent (expressed in R\$ per share)					
Basic and diluted earnings (loss) per share o	19.7			(0.1850)	0.3602

The accompanying notes are an integral part of the individual and consolidated financial statements.

Livetech da Bahia Indústria e Comércio S.A.

Statements of comprehensive income
Fiscal years ended December 31, 2023 and 2022
(In thousands of reais)

	Parent Company		Consolidated	
	2023	2022	2023	2022
Net income (loss) for the year	(11,876)	23,169	(11,876)	23,169
Other comprehensive income (loss) to be reclassified to income				
Cumulative translation adjustment	685	(745)	685	(745)
Comprehensive income (loss) for the year	(11,191)	22,424	(11,191)	22,424
Attributable to:				
Holders of the parent			(11,191)	22,424
Non-controlling interests			-	-

The accompanying notes are an integral part of the individual and consolidated financial statements.

Livotech da Bahia Indústria e Comércio S.A.

Statements of changes in equity
Fiscal years ended December 31, 2023 and 2022
(In thousands of reais)

	Note	Share capital			Capital reserve	Retained earnings			Other comprehensive results	Retained earnings (accumulated losses)	Total equity
		Share capital	Share issue costs	Treasury stock	Share premium	Legal reserve	Investment subsidy	Profit retention reserve			
At December 31, 2021		313,298	(15,707)	-	236,632	9,986	35,786	48,655	820	-	629,470
Capital increase		4,593	-	-	-	-	-	-	-	-	4,593
Share issue costs		-	(787)	-	-	-	-	-	-	-	(787)
Treasury stock	19.2	-	-	(7,044)	-	-	-	-	-	-	(7,044)
Legal reserve	19.3	-	-	-	-	1,158	-	-	-	(1,158)	-
Investment subsidy	19.5	-	-	-	-	-	54,826	(36,262)	-	(18,564)	-
Minimum mandatory dividend	19.4	-	-	-	-	-	-	-	-	(862)	(862)
Allocation to profit retention reserve	19.6	-	-	-	-	-	-	2,585	-	(2,585)	-
Profit for the period		-	-	-	-	-	-	-	-	23,169	23,169
Cumulative translation adjustment		-	-	-	-	-	-	-	(745)	-	(745)
At December 31, 2022		317,891	(16,494)	(7,044)	236,632	11,144	90,612	14,978	75	-	647,794
Treasury stock	19.2	-	-	(1,492)	-	-	-	-	-	-	(1,492)
Investment subsidy	19.5	-	-	-	-	-	3,102	(14,978)	-	11,876	-
Loss for the period		-	-	-	-	-	-	-	-	(11,876)	(11,876)
Cumulative translation adjustment	-	-	-	-	-	-	-	-	685	-	685
At December 31, 2023		317,891	(16,494)	(8,536)	236,632	11,144	93,714	-	760	-	635,111

The accompanying notes are an integral part of the individual and consolidated financial statements.

Livotech da Bahia Indústria e Comércio S.A.

Statement of cash flows

Fiscal years ended December 31, 2023 and 2022

(In thousands of reais)

	Parent Company		Consolidated	
	2023	2022	2023	2022
Cash flow from operating activities				
Net income (loss) for the period	(11,876)	23,169	(11,876)	23,169
Depreciation and amortization	195,180	168,463	195,223	168,507
Expected loss on allowance for doubtful accounts	16,099	27,599	20,457	27,642
Provision for inventory obsolescence	(2,358)	1,868	(2,346)	1,846
Provision for lawsuits and others, net	(234)	16	(234)	16
Mark-to-market of derivatives	9,671	28,397	9,671	28,397
Equity accounting result	(1,902)	609	-	-
Financial income from short-term investments	-	(23,618)	-	(23,618)
Interest and foreign exchange variation expenses	91,199	99,502	90,235	100,324
Expenses for present value adjustment	(2,540)	15,069	(2,540)	15,069
Write-off of property, plant and equipment and intangible assets	3,741	1,543	3,760	1,554
Current income tax and social contribution	948	(6,102)	2,076	(6,187)
Deferred income tax and social contribution	(6,312)	(8,890)	(6,312)	(9,088)
<u>Assets decrease (increase)</u>				
Trade receivables	(86,545)	(130,419)	(95,712)	(134,968)
Taxes recoverable	10,867	(15,055)	10,448	(15,460)
Inventories	143,358	(53,121)	133,211	(49,603)
Advances to suppliers and legal deposits	31,918	20,742	31,925	17,387
Prepaid expenses	421	186	421	186
Liabilities increase (decrease)				
Trade payables	(54,378)	(69,268)	(46,237)	(71,465)
Taxes payable	(3,038)	15,433	(2,982)	15,034
Personnel, social charges and benefits	(1,121)	(3,603)	(1,091)	(3,493)
Deferred revenue	-	(437)	-	(437)
Related parties	(109)	(107)	(109)	(107)
Other liabilities	(26,541)	6,045	(17,996)	6,661
Payment of interest	(106,132)	(84,972)	(106,132)	(84,972)
Payment of income tax and social contribution	-	(4,513)	-	(4,513)
Net cash generated by operating activities	200,316	8,536	203,860	1,881

Livotech da Bahia Indústria e Comércio S.A.

Statement of cash flows--Continued
Fiscal years ended December 31, 2023 and 2022
(In thousands of reais)

	Parent Company		Consolidated	
	2023	2022	2023	2022
Investing activities				
Related-party loans - Assets	11,516	(2,016)	-	-
Acquisition of property, plant and equipment and intangible assets	(192,544)	(216,506)	(192,882)	(216,513)
Capital increase in investee	(16,419)	(4,586)	-	-
Capital reduction in investee	4,235	-	-	-
Short-term investment	-	(863,250)	-	(863,250)
Transfers of short-term investments (Note 4.2)	152,170	1,033,220	152,170	1,033,220
Net cash provided by (used in) investing activities:	(41,042)	(53,138)	(40,712)	(46,543)
Financing activities				
New borrowings and debentures	-	488,008	-	488,008
Payment of loans and borrowings (principal)	(214,130)	(299,126)	(214,130)	(299,126)
Vendor operations	16,827	-	16,827	-
Derivatives settlement	(11,997)	(12,401)	(11,997)	(12,401)
Payment of lease liabilities	(2,690)	(2,579)	(2,690)	(2,579)
Dividends and interest on equity paid	(862)	(11,252)	(862)	(11,252)
Initial public offering - IPO	-	-	-	-
Capital increase and reserves - Follow-on 400 - Note (19.4)	-	3,806	-	3,806
Share buyback – (Note 19.2)	(1,492)	(7,044)	(1,492)	(7,044)
Net cash provided by (used in) financing activities	(214,344)	159,412	(214,344)	159,412
	(55,070)	114,810	(51,196)	114,750
Effect of foreign exchange variation on cash and cash equivalents	-	-	685	(745)
Change in the Company's net cash	(55,070)	114,810	(50,511)	114,005
Cash and cash equivalents at the beginning of the period	147,413	32,603	152,470	38,465
Cash and cash equivalents at the end of the period	92,343	147,413	101,959	152,470

The accompanying notes are an integral part of the individual and consolidated financial statements.

Livotech da Bahia Indústria e Comércio S.A.

Statements of value added

Fiscal years ended December 31, 2023 and 2022

(In thousands of reais)

	Parent Company		Consolidated	
	2023	2022	2023	2022
Revenues				
Sale of goods, products and services	1,005,890	1,192,889	1,033,515	1,222,016
Other revenues	-	-	-	199
Allowance for doubtful accounts – Reversal (Recognition)	(16,099)	(27,599)	(20,457)	(27,642)
Inputs acquired from third parties	989,791	1,165,290	1,013,058	1,194,573
Cost of products, goods and services sold	(492,912)	(604,202)	(509,241)	(627,012)
Materials, energy, outsourced services and other	(79,046)	(86,241)	(81,231)	(91,007)
Impairment/ recovery of assets	2,358	(1,868)	2,346	(1,846)
Other	(569)	(2,445)	(1,474)	(2,852)
	(570,169)	(694,756)	(589,600)	(722,717)
Gross value added	419,622	470,534	423,458	471,856
Retentions				
Depreciation and amortization	(195,180)	(168,463)	(195,223)	(168,507)
Net value added generated	224,442	302,071	228,235	303,349
Value added received in transfer				
Equity accounting result	1,902	(609)	-	-
Financial income	86,446	164,078	88,388	164,590
Other	5,671	2,489	5,672	2,489
Total value added to distribute	318,461	468,029	322,295	470,428
Distribution of value added				
Personnel				
Direct compensation	34,550	35,262	35,366	36,302
Employees' profit sharing	-	91	-	91
Benefits	7,964	6,377	9,240	7,482
Severance Pay Fund (FGTS)	3,085	2,548	3,085	2,548
Other	1,123	1,198	1,220	1,297
	46,722	45,476	48,911	47,720
Taxes, fees and contributions				
Federal	110,116	126,049	111,527	126,082
State	14,464	8,358	14,464	8,358
Municipal	23,083	25,181	23,084	25,195
	147,663	159,588	149,075	159,635
Third-party capital remuneration				
Interest and foreign exchange variation	135,842	239,700	135,875	239,736
Rentals	110	96	310	168
Other	-	-	-	-
	135,952	239,796	136,185	239,904
Equity remuneration				
Dividends and interest on equity	-	862	-	862
Retained earnings (losses) for the period	(11,876)	22,307	(11,876)	22,307
	(11,876)	23,169	(11,876)	23,169
Distribution of value added	318,461	468,029	322,295	470,428

The accompanying notes are an integral part of the individual and consolidated financial statements.

Livetech da Bahia Indústria e Comércio S.A.

Notes to the individual and consolidated financial statements

December 31, 2023

(In thousands of reais)

1. Operational context

Livetech da Bahia Indústria e Comércio S.A. ("Company") or WDC Networks, listed on the Novo Mercado segment of B3 S.A under the ticker symbol LVTC3, headquartered in the city of Ilhéus, State of Bahia, at Rodovia BA-262, Ilhéus x Uruçuca, s/nº, Km 2.8, Quadra A, Bairro Iguape, Polo de Informática de Ilhéus, CEP 45658-335, inscribed in the roll of corporate taxpayers (CNPJ/MF) under no. 05.917.486/0001-40, is a technology company that imports, manufactures and markets products of Telecommunications (fiber optic, FTTH), Data Center, Professional Audio and Video, Electronic Security, Unified Communications, Information Security, Solar Power Photovoltaic Systems, among others.

The Company has been operating in Brazil since 2004, specializing in the sale of products within high-growth market niches, having pioneered the innovative Technology as a Service (TaaS) business model, which involves offering any of its technologies through an OPEX-based leasing structure.

In addition to its headquarters in the city of Ilhéus, Bahia, the Company maintains a distribution center in Salvador (BA), a commercial office in São Paulo and international operations in Bogotá (Colombia), Panama City (Panama) and Miami (USA).

2. Basis for preparation and presentation of financial statements

The individual and consolidated financial statements of the Company have been and are being presented in accordance with accounting practices adopted in Brazil, including the pronouncements, interpretations and guidelines issued by the Brazilian Accounting Pronouncements Committee (CPC), and approved by the Federal Accounting Council (CFC) and the Securities and Exchange Commission of Brazil (CVM), and are in conformity with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

The Company took into consideration the guidelines included in Technical Guidance OCPC 07 in the preparation of its financial statements. Therefore, all relevant information from the financial statements is being evidenced in the explanatory notes and corresponds to that used by the Company's management in the performance of its duties.

The individual and consolidated financial statements are presented in thousands of reais (except when otherwise mentioned), which is the Company's functional currency.

The financial statements were prepared under the historical cost basis (except when a different criterion is required) and adjusted to reflect the measurement of assets and liabilities at fair value.

Livotech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements--Continued
December 31, 2023
(In thousands of reais)

2. Basis for preparation and presentation of financial statements--Continued

The financial statements were prepared based on various valuation bases underlying the accounting estimates. The accounting estimates involved in the preparation of the financial statements were supported by objective and subjective factors, based on Management's judgment to determine the appropriate amount to be recorded in the financial statements.

Management evaluated the Company's and its subsidiaries' ability to continue as a going concern and concluded that they have the resources to proceed with their business in the future. Additionally, Management is not aware of any material uncertainty that could cast significant doubts as to its ability to continue as a going concern. Accordingly, these individual and consolidated financial statements were prepared on a going concern basis.

The presentation of the individual and consolidated Statement of Value Added (DVA) is required by Brazilian corporate law and the accounting practices adopted in Brazil. The IFRS do not require the presentation of such a statement. As a consequence, according to IFRS, this statement is presented as supplementary information.

The Company's Management authorized the issuance of these individual and consolidated financial statements on March 6, 2024.

The accounting practices were applied uniformly in the current year, are consistent with the previous years presented and are common to the parent company and subsidiaries. When necessary, the financial statements of the subsidiaries are adjusted to meet this criterion.

2.1. Consolidation basis

Subsidiaries are all entities over which the Company has the power to determine the financial and operating policies, generally accompanying a shareholding of more than half of the voting rights. The existence and effect of possible voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The individual and consolidated financial statements comprise the financial information of the Company and its subsidiaries at December 31, 2023.

Livetech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements
December 31, 2023
(In thousands of reais)

2. Basis for preparation and presentation of financial statements--Continued

2.1. Consolidation basis--Continued

In the parent company individual financial statements, the financial information of the subsidiaries is recognized under the equity accounting method.

The fiscal year of the subsidiaries coincides with that of the parent company, and the accounting practices were applied uniformly by all consolidated entities.

The consolidated financial statements include the operations of the Company and its subsidiaries, as follows:

Subsidiaries	2023	2022
Livetech Colombia, S.A.S ("WDC Colombia")	100%	100%
Wdnet Usa, Corp ("WDC US")	100%	100%
Livetech Panamá, S.A. ("WDC Panama")	100%	100%
Livetech Franchising Administração Ltda. ("Livetech Franchising")	100%	100%

The main consolidation procedures are:

- Elimination of intercompany assets and liabilities;
- Elimination of the interest in capital, reserves and retained earnings of consolidated companies; and
- Elimination of intercompany revenues and expenses, as well as of unrealized profits from intercompany transactions.

2.2. Standards issued but not yet in force

Standards issued but not yet in force

The new and amended rules and interpretations issued, but not yet in force as of the date of issuance of the Company's individual and consolidated financial statements, are described below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they come into effect.

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Notes to the individual and consolidated financial statements
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2. Basis for preparation and presentation of financial statements--Continued

2.2. Standards issued but not yet in force--Continued

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 (equivalent to CPC 06 – Leases) to specify the requirements that a seller-lessee uses in measuring lease liability arising from a sale and leaseback transaction, in order to ensure that the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual financial statement periods beginning on or after January 1, 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the initial date of application of IFRS 16 (CPC 06). Earlier application is permitted and this fact must be disclosed.

It is not expected that the changes will have a material impact on the Company's financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 (equivalent to CPC 26 (R1) - Presentation of Financial Statements) to specify the requirements for classification of liabilities as current or non-current. The amendments clarify:

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

Additionally, a disclosure requirement was introduced when a liability arising from a loan agreement is classified as non-current, and the entity's right to defer settlement depends on the fulfillment of future covenants within twelve months.

The amendments are effective for annual financial statement periods beginning on or after January 1, 2024 and shall be applied retrospectively.

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Notes to the individual and consolidated financial statements
December 31, 2023
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2. Basis for preparation and presentation of financial statements--Continued

2.2. Standards issued but not yet in force--Continued

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current--Continued

The Company is currently evaluating the impact the changes will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 (equivalent to CPC 03 (R2) - Statement of Cash Flows) and IFRS 7 (equivalent to CPC 40 (R1) - Financial Instruments: Disclosures) to clarify the characteristics of supplier finance arrangements and require additional disclosures regarding these arrangements.

The disclosure requirements in the amendments aim to assist users of the financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows, and exposure to liquidity risk.

The amendments are effective for annual financial statement periods beginning on or after January 1, 2024. Earlier adoption is permitted, but must be disclosed.

It is not expected that the changes will have a material impact on the Company's financial statements.

3. Summary of significant accounting policies

3.1 Current vs. non-current classification

The Company presents assets and liabilities in the statement of financial position based on their classification as current or non-current. Assets are classified as current when:

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Notes to the individual and consolidated financial statements
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3. Summary of significant accounting policies --Continued

3.1. Current vs. non-current classification--Continued

- They are expected to be realized, or intended to be sold or consumed, in the normal course of the entity's operating cycle;
- They are held essentially for the purpose of being sold;
- They are expected to be realized within 12 months after the reporting date; and
- They constitute cash or cash equivalents (as defined in Technical Pronouncement CPC 03 - Statement of Cash Flows), unless their exchange or use for the settlement of liabilities is restricted for at least 12 months after the reporting date.

All other assets are classified as non-current. Liabilities are classified as current when:

- They are expected to be settled in the ordinary course of the entity's operating cycle;
- They are held essentially for the purpose of being sold;
- They must be settled within 12 months after the reporting date; and
- The entity does not have an unconditional right to defer settlement of the liabilities for at least 12 months after the reporting date.

The terms of a liability that may, at the counterparty's discretion, result in its settlement through the issuance of equity instruments do not affect their classification. The Group classifies all other liabilities as non-current.

Deferred assets and liabilities are recorded in non-current assets and liabilities.

3.2 Segment information

Operating segments are defined as business activities: (i) which can earn revenues and incur expenses; (ii) whose operating results are regularly reviewed by the Company's chief operating decision maker on funds to be allocated to the segment and for the evaluation of its performance; and (iii) for which individual financial information is available.

The Company's management has structured its strategic business model around the Telecom, Solar Power and Enterprise segments. Operating segment reporting is aligned with the internal reports provided to key operational decision makers.

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Notes to the individual and consolidated financial statements
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3. Summary of significant accounting policies--Continued

3.3. Financial instruments

Financial assets - initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, at fair value through other comprehensive results, and at fair value through profit or loss. Financial assets are initially recognized at fair value, plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. The Company's financial assets comprise "Cash and cash equivalents," "Trade receivables" and "Other receivables."

For a financial asset to be classified and measured at amortized cost or at fair value through other comprehensive results, it must generate cash flows that are "solely payments of principal and interest" (also known as the "SPPI" test) on the outstanding principal amount. This assessment is performed at the instrument level. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, regardless of the business model adopted.

The Company's business model for managing financial assets pertains to how it oversees its assets to generate cash flows. The business model determines whether cash flows will result from the collection of contractual cash flows, the sale of financial assets, or a combination of both.

Any purchases or sales of financial assets that require the delivery of assets within a timeframe established by a market regulation or convention are recognized on the trade date, that is, the date on which the Company commits to purchase or sell the asset.

Subsequent measurement

For the purposes of subsequent measurement, financial assets may be classified as follows:

- Financial assets at amortized cost (debt instruments);
- Financial assets measured at fair value through other comprehensive results, with reclassification of accumulated gains and losses (debt instruments);
- Financial assets designated at fair value through other comprehensive results, without reclassification of accumulated gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

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Notes to the individual and consolidated financial statements
December 31, 2023
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3. Summary of significant accounting policies--Continued

3.3. Financial instruments--Continued

Financial assets - initial recognition and measurement--Continued

Subsequent measurement--Continued

Financial assets at amortized cost

The Company records most of its financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows;
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the outstanding principal amount.

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

The Company's financial assets measured at amortized cost include trade receivables, short-term investments, and cash and cash equivalents (see Note 26).

Financial assets at fair value

Financial assets measured at fair value through profit or loss are presented on the statement of financial position at fair value, with corresponding gains or losses recognized in the statement of income.

This category includes derivative instruments and listed equity investments that the Company has not irrevocably designated at fair value through other comprehensive results. Dividends from listed equity investments are also recognized as other income in the statement of income when the right to receive payment has been established.

An embedded derivative in a hybrid contract with a financial liability is separated from the liability and accounted for as a separate derivative if:

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Notes to the individual and consolidated financial statements
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3. Summary of significant accounting policies--Continued

3.3. Financial instruments--Continued

Financial assets - initial recognition and measurement--Continued

Subsequent measurement--Continued

Financial assets at fair value--Continued

- (a) If the characteristics and economic risks are not directly associated with those of the main contract;
- (b) The separate instrument, with the same terms as the embedded derivative, meets the definition of a derivative; and
- (c) The hybrid contract is not measured at fair value, with changes recognized in profit or loss.

Embedded derivatives are measured at fair value, with changes in fair value recognized in profit or loss.

A reassessment is only performed if there is a change in the contract terms that significantly alters the expected cash flows, or if a financial asset is reclassified out of the fair value through profit or loss category.

Derecognition

A financial asset (or, where applicable, a portion of a financial asset or a portion of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to transfer the cash flows received in full, without significant delay, to a third party under a transfer agreement and (a) the Company has substantially transferred all risks and benefits associated with the asset, or (b) the Company has neither substantially transferred nor retained all risks and benefits of the asset, but has transferred control over it.

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Notes to the individual and consolidated financial statements
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3. Summary of significant accounting policies--Continued

3.3. Financial instruments--Continued

Financial assets - initial recognition and measurement--Continued

Derecognition--Continued

When the Company transfers its rights to receive cash flows from an asset or enters into a transfer agreement, it assesses whether, and to what extent, it has retained the ownership risks and benefits. If the Company has neither substantially transferred nor retained all the risks and benefits of the asset, nor transferred control over it, it continues to recognize the transferred asset to the extent of its continuing involvement. In this case, the Company also recognizes a corresponding liability. The transferred asset and its corresponding liability are measured according to the Company's related rights and obligations.

Ongoing involvement in the form of a guarantee over the transferred asset is measured at the lower of: (i) the asset's carrying amount, and (ii) the maximum consideration received that the entity may be required to repay (guarantee amount).

Impairment of financial assets

Additional disclosures regarding the impairment of financial assets are also provided in the following notes:

- Disclosure of significant assumptions – Note 3.24.
- Trade receivables, including contract assets - Note 5.

The Company recognizes a provision for expected credit losses on all debt instruments not measured at fair value through profit or loss. Expected credit losses are determined as the difference between the contractual cash flows due under the agreement and all cash flows the Company expects to receive, discounted at an effective interest rate that closely matches the original rate of the transaction. Expected cash flows include those arising from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses are recognized in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, expected credit losses are provisioned based on possible default events that may occur within the next 12 months (12-month expected credit loss).

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Notes to the individual and consolidated financial statements
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3. Summary of significant accounting policies--Continued

3.3. Financial instruments--Continued

Financial assets - initial recognition and measurement--Continued

Derecognition--Continued

Impairment of financial assets--Continued

For credit exposures, for which there has been a significant increase in credit risk since initial recognition, a provision is required for expected credit losses over the remaining life of the exposure, regardless of the time of default (a lifetime expected credit loss).

For trade receivables and contract assets, the Company adopts a simplified approach in calculating expected credit losses. Consequently, the Company does not monitor changes in credit risk, but instead recognizes a provision based on lifetime expected credit losses at each reporting date.

The Company has established a provision matrix grounded in its historical experience of credit losses, adjusted for forward-looking factors related to debtors and the prevailing economic environment.

The Company considers a financial asset to be in default when contractual payments are more than 180 days past due. However, in certain circumstances, the Company may also deem a financial asset to be in default if internal or external information indicates that it is unlikely the Company will recover the outstanding contractual amounts in full, prior to considering any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities - recognition and measurement

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

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Notes to the individual and consolidated financial statements
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3. Summary of significant accounting policies--Continued

3.3. Financial instruments--Continued

Financial liabilities - recognition and measurement--Continued

All financial liabilities are initially measured at their fair value. For financial liabilities not measured at fair value through profit or loss, transaction costs directly attributable to the issuance of the financial liability are added or deducted as appropriate. The Company's financial liabilities include loans and borrowings, trade payables, and other payables.

The measurement of financial liabilities depends on their classification, as outlined below:

- Financial liabilities at fair value through profit or loss; and
- Liabilities at amortized cost.

The measurement of financial liabilities depends on their classification, as outlined below:

Liabilities at amortized cost

This is the most relevant category for the Company. After initial recognition, interest-bearing loans and borrowings contracted and granted are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization of the effective interest rate.

Amortized cost is determined by taking into account any discount or premium on acquisition, along with fees or costs that are integral to the effective interest rate method. Amortization under the effective interest rate method is presented as a financial expense in the statement of income.

This category applies to trade payables, as well as loans and borrowings contracted and granted. For further details, refer to Note 26.

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Notes to the individual and consolidated financial statements
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3. Summary of significant accounting policies--Continued

3.3. Financial instruments--Continued

Derecognition

A financial liability is derecognized when the underlying obligation is discharged, that is, when the contractual obligation is settled, canceled or expires. When an existing financial liability is replaced by another liability from the same lender with substantially different terms, or when the terms of an existing liability are substantially modified, such an exchange or modification is accounted for as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of income.

Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount presented in the individual and consolidated statement of financial position, when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, realize the asset and settle the liability simultaneously.

Derivative financial instruments

Recognition and measurement

The Company employs derivative financial instruments, such as forward exchange contracts and interest rate swaps, to hedge against its exposure to foreign exchange and interest rate risks, respectively. These derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are, subsequently, remeasured at fair value. Derivatives are presented as financial assets when the fair value of the instrument is positive and as financial liabilities when the fair value is negative.

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Notes to the individual and consolidated financial statements
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3. Summary of significant accounting policies--Continued

3.4. Cash and cash equivalents

Cash equivalents are held for the purpose of meeting short-term cash commitments, and not for investment or other purposes. The Company considers cash equivalents to be a financial investment of immediate convertibility into a known amount of cash and subject to an insignificant risk of a change in value. Therefore, an investment typically qualifies as a cash equivalent when it has a short-term maturity, for example, three months or less, from the date of contracting.

Cash equivalents are measured, after initial recognition, at amortized cost, plus income earned up to the reporting dates.

3.5. Inventories

Inventories are stated at the average cost of acquisition, net of recoverable taxes, which does not exceed their realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

3.6. Other current and non-current assets and liabilities

An asset is recognized in the statement of financial position when it is probable that its future economic benefits will flow to the Company and its cost or value can be reliably measured. A liability is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of funds will be required to settle it. They are recorded including, when applicable, related charges and foreign exchange and monetary variations are incurred. The provisions are recorded based on the best estimates of the risk involved.

Assets and liabilities are classified as current when their realization or settlement is likely to occur in the next 12 months. Otherwise, they are presented as non-current.

3.7. Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and/or accumulated impairment losses, if any. Cost includes the replacement amount of equipment and the costs of borrowing for long-term construction projects, if the recognition criteria are met. When significant components of property, plant and equipment are replaced, such components are recognized as individual assets, with specific useful lives

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Notes to the individual and consolidated financial statements
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3. Summary of significant accounting policies--Continued

3.6. Property, plant and equipment--Continued

and depreciation. Likewise, when the Company replaces a significant part, its cost is recognized in the carrying amount of equipment as replacement, provided that the recognition criteria are met. All other repair and maintenance costs are recognized in profit or loss for the year as incurred.

Depreciation is calculated based on the straight-line method over the estimated useful lives of the assets. A fixed asset is derecognized when it is sold or when no future economic benefit is expected from its use or sale. Any gain or loss resulting from the disposal of the asset (calculated as the difference between the net sales value and the carrying amount of the asset) is included in the income statement in the fiscal year in which the asset is disposed.

Net book value and useful lives of assets as well as the depreciation methods are reviewed at each year end, and adjusted prospectively, when applicable.

3.8. Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost, less any accumulated amortization and accumulated impairment losses.

The useful life of an intangible asset is assessed as finite or indefinite. Intangible assets with finite lives are amortized over their economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization periods and methods for intangible assets with finite useful lives are reviewed at least at the end of each fiscal year. Changes in the estimated useful lives or the estimated pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortization period or method, as appropriate, and these are treated as changes in accounting estimates. The amortization of intangible assets with finite lives is recognized in the income statement in the expense category consistent with the use of the intangible asset.

Intangible assets with an indefinite useful life are not amortized, but are tested annually for impairment losses, either individually or at the cash-generating unit level. The evaluation of the indefinite useful life is reviewed annually in order to determine if it is still justifiable. If not, the change from indefinite to definite useful life is made prospectively.

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Notes to the individual and consolidated financial statements
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3. Summary of significant accounting policies--Continued

An intangible asset is derecognized upon its sale (i.e., the date on which the beneficiary obtains control of the related asset) or when no future economic benefits are expected from its use or sale. Any gain or loss resulting from the derecognition of the asset (the difference between the net sales value and the carrying amount of the asset) is recognized in the income statement for the fiscal year.

3.9. Investments in subsidiaries (in the Parent Company)

Investments in subsidiaries are accounted for using the equity method for the purposes of the parent company's financial statements.

After applying the equity method of accounting for the purposes of the parent company's financial statements, the Company determines whether it is necessary to recognize an additional impairment loss on the Company's investment in each of its subsidiaries. The Company determines, at each reporting date, whether there is objective evidence that investments in subsidiaries have suffered impairment losses.

3.10. Distribution of profits

The mandatory minimum dividends required by law are shown in the statements of financial position as dividends payable. According to the current corporate legislation, a distribution is authorized when approved by the shareholders and the corresponding amount is directly recognized in equity. Dividends exceeding this minimum, which have not yet been approved for payment by the shareholders' meeting, are presented as proposed additional dividends within equity. After approval by the shareholders' meeting, dividends exceeding the minimum are transferred to current liabilities.

3.11. Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

The Company and its subsidiaries are parties to various legal and administrative proceedings. Provisions are recognized for all contingencies related to legal proceedings for which it is probable that an outflow of resources will be made to settle the contingency/obligation and a reasonable estimate can be made. The assessment of the likelihood of a loss includes the evaluation of existing evidence, the hierarchy of laws, the available case law, the most recent court decisions and their relevance in the legal system, as well as the evaluation of outside legal advisors. Provisions are reviewed and adjusted to take into account changes in circumstances, such as applicable statute of limitations,

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Notes to the individual and consolidated financial statements
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3. Summary of significant accounting policies--Continued

conclusions of tax audits, or additional exposures identified based on new matters or court decisions.

3.12. Taxes and contributions

Income tax and social contribution - current

Current income tax and social contribution assets and liabilities for the current and previous years are measured at the expected amount to be recovered or paid to the tax authorities, using the tax rates enacted at the end of the reporting period in the countries where the Company operates and generates taxable profit.

Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) are calculated based on the current rates (15% for IRPJ, 10% for the additional IRPJ on taxable profit exceeding R\$240 per year, and 9% for CSLL) and take into account the offsetting of income tax and social contribution losses to determine the amounts payable, when applicable. Therefore, the inclusions in the book profit of expenses, which are temporarily non-deductible, or exclusions of revenues, which are temporarily non-taxable, considered for the determination of the current taxable profit generate deferred tax assets or liabilities.

Deferred taxes

Deferred tax is generated from temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized for all temporary tax differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction other than a business combination and, at the transaction date, it does not affect the book profit or the taxable profit or loss; and
- On temporary tax differences related to investments in subsidiaries, where the period of the reversal of the temporary differences can be controlled and it is likely that the temporary differences will not be reversed in the near future.

Deferred tax assets are recognized for all deductible temporary differences, unused tax credits and losses, to the extent that it is likely that taxable income will be available against which the deductible temporary differences may be realized, and any unused tax credits and losses may be used, except:

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Notes to the individual and consolidated financial statements
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3. Summary of significant accounting policies--Continued

3.12. Taxes and contributions--Continued

Deferred Taxes--Continued

- When the deferred tax asset related to the deductible temporary difference is generated at the initial recognition of the asset or liability in a transaction other than a business combination and, on the transaction date, it does not affect either the book profit or the tax profit (or tax loss); and
- Regarding deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is likely that the temporary differences will be reversed in the near future and taxable profit will be available for the temporary differences to be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and written down to the extent that it is no longer probable that taxable profits will be available to permit the use of all or part of the deferred tax assets. Deferred tax assets derecognized are reviewed at each reporting date and recognized to the extent that future taxable profits will likely allow the deferred tax assets to be recovered.

Sales tax

Revenues from the provision of services are subject to the following taxes and contributions, at the following basic rates:

- Social Integration Program (PIS) - 1.65%
- Tax for Social Security Financing (COFINS) - 7.6%.

3.13. Government grants and assistance

Government grants are recognized when there is reasonable assurance that the entity will fulfill all the conditions established in relation to the grant and that the grant will be received. When the benefit refers to an expense item, it is recognized as revenue throughout the benefit period in a systematic way in relation to the respective expenses whose benefit it intends to offset.

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3. Summary of significant accounting policies--Continued

3.13. Government grants and assistance--Continued

ICMS Presumed Credit

The Company has a tax incentive of Presumed Credit of 100% of the State Goods and Services Tax (ICMS) due on sales of manufactured products at its headquarters, located in the Ilhéus/BA Information Technology Center, which may be extended until 2032.

On imported products for resale (without manufacturing), the tax burden will be 3.5% of ICMS for sales within the State of Bahia, and 1% for interstate operations, which may be extended until 2032.

Conditions:

- Annual renewal of the incentive qualification;
- Approval of industrial projects by the Council of the Program for the Promotion of the Development of Bahia - PROBAHIA
- Proof of production revenue in the unit equivalent to at least 5% of the company's total, starting from the 6th year of effective production;
- Have made an investment of at least 70% of their industrial project;
- Ensure tax compliance with the Sefaz/BA;
- Hold "ISO 9000" Certificate or later;
- Contribute annually, until March 31 of the following year, with 0.5% (at least) of the sales value of manufactured products achieved by the benefit, to the INOVATEC Program;
- Carry out, as of January 2009, in Bahian territory, the customs clearance of at least fifteen percent (15%) of the imports it conducts;

Sudene

The Company also benefits from a tax incentive for the reduction of the principal IRPJ (15%) and an additional 75% (10% of the portion exceeding R\$240,000 annually) calculated based on the Operating Profit.

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Notes to the individual and consolidated financial statements
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3. Summary of significant accounting policies--Continued

3.13. Government grants and assistance--Continued

Sudene--Continued

Conditions:

- Compliance with labor, social, and environmental legislation;
- Annual presentation of income statements showing the reductions;
- Prohibition of distribution to partners or shareholders of the amount of the tax related to the reduction;
- Provide annual information in the annual survey of SUDENE Incentives;
- Annual presentation to SUDENE (until December 31 of each fiscal year) of Certificate of Good Standing of Federal Taxes and Social Security;
- Documentary proof of the accounting of the amount resulting from the reduction granted, in accordance with current legislation.
- Annual approval by the Brazilian Federal Revenue Service (RFB) of the SUDENE Incentive Report.

The hourly reserve constituted may be used for: i) absorption of losses, provided that all other retained earnings have already been fully absorbed, except for the legal reserve; ii) increase of share capital.

3.14. Present value adjustment

Monetary assets and liabilities are evaluated and, when necessary and relevant, are adjusted to their present value, which considers cash flows and explicit or implicit interest rates. For purposes of recording and determining relevance, the present value adjustment is calculated taking into account the contractual cash flows and the explicit, and in certain cases implicit, interest rate of the respective assets and liabilities. Based on the analyses made and the Management's best estimate, the Company concluded that the present value adjustment of current monetary assets and liabilities is relevant in relation to the financial statements taken as a whole and, therefore, recorded present value adjustments on the Trade receivables and Suppliers.

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3. Summary of significant accounting policies--Continued

3.15 Foreign currency transactions

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies on the presentation date are translated into the functional currency using the exchange rate on that date. Foreign exchange gains or losses on monetary items represent the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for interest and effective payments during the period, and the amortized cost in foreign currency at the foreign exchange rate prevailing at the end of the reporting period.

Subsidiaries

The functional currencies of the subsidiaries are pesos in Colombia and dollars in Panama and the USA.

The assets and liabilities of foreign subsidiaries are converted to Brazilian Real at the closing exchange rate on the respective statement of financial position, and the corresponding income statements are converted at average rates. Exchange differences resulting from the said conversion are accounted for in other comprehensive results.

3.16. Revenue from contracts with customers

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the normal course of the activities of the Company and its subsidiaries. Revenue is shown net of taxes, returns, rebates and discounts, when applicable, as well as the eliminations of sales between the Company's subsidiaries.

The Company applies CPC 47/IFRS 15 model to measure and account for revenue from contracts with customers, which establishes that revenue is recognized at an amount that reflects the consideration that the Company expects to receive in exchange for the transfer of goods or services to a customer. The model is based on five steps: i) identification of contracts with customers; ii) identification of the performance obligations in the contracts; iii) determination of the transaction price; iv) allocation of the transaction price to the performance obligations in the contracts; and v) recognition of revenue when the performance obligation is satisfied.

Livotech da Bahia Industria e Comércio S.A.

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3. Summary of significant accounting policies--Continued

3.16. Revenue from contracts with customers--Continued

a) Sale of products

Revenue from the sale of goods is recognized when the control of the asset is transferred to the customer, usually upon delivery of the equipment to the physical location specified by the customer, according to the agreed terms of sale.

b) Rental

The Company and its subsidiaries earn sales revenue from the rental of equipment and software (TaaS) over the duration of each contract, with the performance obligation being met throughout the contract term.

3.17. Lease

The Company and its subsidiaries evaluate, on the date of commencement of the agreement, whether the agreement is or contains a lease. In other words, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

Company as lessee

The Company applies a single approach to recognition and measurement for all leases, except for short-term and low-value asset leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets that represent the right to use the underlying assets.

Right-of-use assets

The Company recognizes the right-of-use assets on the lease start date (i.e., the date on which the underlying asset is available for use). The right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liabilities. The right-of-use assets cost includes the value of the recognized lease liabilities, initial direct costs incurred, and lease payments made up to the start date, less any lease incentives received. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the assets.

Livotech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements
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3. Summary of significant accounting policies--Continued

3.17. Lease--Continued

Lease liabilities

On the lease start date, the Company recognizes the lease liabilities measured at present value of the lease payments to be made over the lease term. Lease payments consist of fixed payments (including, to a large extent, fixed payments) minus any lease incentives receivable, variable lease payments that depend on an index or rate, and expected amounts to be paid under residual value guarantees.

When calculating the present value of lease payments, the Company uses its incremental borrowing rate at the start date because the implied interest rate on the lease is not easily determinable. After the commencement date, the lease liability is increased to reflect the accrual of interest and is reduced for the lease payments made. Furthermore, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, an alteration in lease payments (for example, changes in future payments resulting from a change in the index or rate used to determine such lease payments) or an alteration in the assessment of a purchase option of the underlying asset.

Short-term leases and low-value assets

The Company applies the short-term lease recognition exemption (i.e., leases whose lease term is equal to or less than 12 months from the commencement date and which do not contain a purchase option). It also applies to the exemption from recognizing low-value assets. Payments for short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Company as lessor

Leases for which the Company does not substantially transfer all the risks and rewards of ownership of the asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the income statement due to its operational nature. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Livotech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements
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3. Summary of significant accounting policies--Continued

3.17. Lease--Continued

Company as lessor--Continued

For lease agreements in which the payment term is shorter than the contract duration, the Company recognizes deferred income within liabilities that represents the amount of advance receipts, which are recognized in the income statement over the lease term.

3.18. Earnings per share

The calculation of basic earnings per share is made by dividing the net income for the period attributable to holders of the common shares of the parent company, by the weighted average number of common shares outstanding during the period.

3.19. Fair value measurement

The Company measures financial instruments accounted for at fair value on each reporting period closing date. In addition, the fair values of financial instruments measured at amortized cost are disclosed in Note 26.

Fair value is the price that would be received for the sale of an assets or that would be paid for the transfer of a liability in an arm's length transaction on the measurement date. The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability will occur:

- In the main market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or the liability.

The main or most advantageous market must be accessible by the Company. The fair value of an asset or liability is measured based on the assumptions that market participants would use when pricing an asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the ability of a market participant to generate economic benefits through the optimal use of the asset or by selling it to another market participant who would also use the asset optimally.

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3. Summary of significant accounting policies--Continued

3.19. Fair value measurement--Continued

The Company uses valuation techniques appropriate in the circumstances and for which there is sufficient data to measure fair value, maximizing the use of relevant available information and minimizing the use of unavailable information.

All assets and liabilities for which fair value is measured in the financial statements are categorized within the fair value hierarchy described below, based on the lowest level inputs that are significant for the fair value measurement as a whole:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques for which the lowest level and most significant input for measuring fair value is directly or indirectly observable;
- Level 3 - valuation techniques for which the lowest level and most significant input for measuring fair value is not available.

3.20. Impairment of non-financial assets

Management annually tests the recoverable amount of assets with a view to determining whether there are any events or changes in economic, operating or technological circumstances that may indicate an impairment loss. If such evidence is identified and the net book value exceeds the recoverable amount, a provision for impairment is set up, adjusting the net book value to the recoverable amount. The recoverable value of an asset or a cash-generating unit is defined as the higher of the asset's value in use or net selling price.

In estimating an asset's value in use, estimated future cash flows are discounted to present value, using a pre-tax discount rate reflecting the weighted average cost of capital for the industry in which the cash-generating unit operates. The fair value net of selling expenses is determined, whenever possible, based on recent market transactions between knowledgeable and interested parties with similar assets. In the absence of observable transactions in this regard, an appropriate valuation methodology is used. The calculations set out in this model are corroborated by available fair value indicators, such as quoted prices for listed entities, among other available indicators.

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3. Summary of significant accounting policies--Continued

3.20. Impairment of non-financial assets--Continued

The Company's impairment assessment is based on the most recent financial forecasts and budgets, which are prepared separately by the Management for each cash-generating unit to which the assets are allocated. Projections based on these forecasts and budgets generally cover the five-year period. An average long-term growth rate is calculated and applied to future cash flows after the fifth year.

The impairment loss of the asset is recognized in the income statement in a manner consistent with the function of the impaired asset.

For assets that are not goodwill, an assessment is made at each reporting date to determine whether there is an indication that the impairment losses recognized previously no longer exist or have decreased. If such an indication exists, the Company estimates the recoverable amount of the asset or the cash-generating unit. An impairment loss of an asset previously recognized is reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset since the last impairment loss that was recognized. The reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined (net of depreciation, amortization, or depletion) had no impairment loss been recognized for the asset in previous years.

This reversal is recognized in the result. The impairment test of goodwill is carried out annually at December 31 or whenever circumstances indicate a possible impairment loss.

The impairment loss is recognized for a cash-generating unit to which the goodwill is related. When the recoverable amount of the unit is less than the carrying amount of the unit, the loss is recognized and allocated to reduce the carrying amount of the assets of the unit in the following order: (a) reducing the carrying amount of the goodwill allocated to the cash-generating unit; and (b) to the other assets of the unit on a pro rata basis to the carrying amount of each asset.

3.21. Treasury stock

The Company's own equity instruments that are repurchased (treasury stock) are recorded at cost, as a reduction of equity. No gain or loss recognized in the income statement on the purchase, sale, issuance or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is received on sale is recognized in other capital reserves.

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Notes to the individual and consolidated financial statements
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3. Summary of significant accounting policies--Continued

3.22. New accounting pronouncements

The Company applied certain standards and amendments for the first time, which are valid for annual periods beginning on or after January 1, 2023 (unless otherwise indicated). The Company has decided not to adopt in advance any other standards, interpretations, or amendments that have been issued but are not yet in effect.

IFRS 17 - Insurance Contracts

IFRS 17 (equivalent to CPC 50 Insurance Contracts) is a new accounting standard that applies to insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 (CPC 50) replaces IFRS 4 - Insurance Contracts (equivalent to CPC 11). IFRS 17 (CPC 50) applies to all types of insurance contracts (such as life, property and casualty, direct insurance and reinsurance), regardless of the type of entities issuing them, as well as to certain guarantees and financial instruments with discretionary participation features; some scope exceptions will apply. The overall objective of IFRS 17 (CPC 50) is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 (CPC 50) is based on a general model, complemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) primarily for short-term contracts.

The new standard had no impact on the Company's individual and consolidated financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 (equivalent to CPC 23 - accounting policies, changes in accounting estimates and errors) clarify the distinction between changes in accounting estimates, changes in accounting policies and correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The changes had no impact on the Company's individual and consolidated financial statements.

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Notes to the individual and consolidated financial statements
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3. Summary of significant accounting policies--Continued

3.22. New accounting pronouncements--Continued

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 (equivalent to CPC 26 (R1) - Presentation of financial statements) and IFRS Practice Statement 2 provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality when making decisions about accounting policy disclosures.

The changes had an impact on the Company's disclosure of accounting policies, but not on the measurement, recognition or presentation of items in the Company's individual and consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The amendments to IAS 12 Income Taxes (equivalent to CPC 32 - Income Taxes) narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations.

The changes did not impact the Company's individual and consolidated financial statements.

International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12

The amendments to IAS 12 (equivalent to CPC 32 - Income Taxes) were introduced in response to the OECD Pillar Two rules on BEPS and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from this legislation, especially before its effective date.

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Notes to the individual and consolidated financial statements
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3. Summary of significant accounting policies--Continued

3.22. New accounting pronouncements--Continued

International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12--Continued

The mandatory temporary exception - the use of which must be disclosed - applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim periods ending on or before December 31, 2023.

The changes had no impact on the Company's individual and consolidated financial statements, as the Company is not subject to the rules of the Pillar Two model, since its revenue is less than 750 million Euros per year.

3.23. Material judgments, estimates and accounting assumptions

Judgments

The preparation of individual and consolidated financial statements requires that the Management makes judgments, estimates, and adopt assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the respective disclosures, as well as the disclosures of contingent liabilities. In the process of applying the accounting policies, Management made the following judgments that have an effect on the amounts recognized in the individual and consolidated financial statements:

Determination of the lease term of contracts that have renewal or termination option clauses (Company as lessee)

The Company determines the term of the lease as the non-cancellable contractual term, including the periods included in any renewal option to the extent that such renewal is assessed as reasonably certain, and with the periods covered by a termination option to the extent that it is also assessed as reasonably certain. The Company has several lease agreements that include renewal and termination options. The Company exercises judgment in determining whether it is reasonably certain to exercise or not the option to renew or terminate the lease. In this assessment, all relevant factors that create an economic incentive for renewal or termination are considered. After the initial measurement, the Company reassesses the lease term if there is a significant event or change in circumstances that is under its control and will affect its ability to exercise or not the option to renew or terminate (for example, carrying out improvements or significant customizations to the leased assets).

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Notes to the individual and consolidated financial statements
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3. Summary of significant accounting policies--Continued

3.22. Material accounting judgments, estimates and assumptions

Estimates and assumptions

The individual and consolidated financial statements were prepared based on various valuation bases underlying the accounting estimates. The accounting estimates involved in the preparation of the financial statements were supported by objective and subjective factors, based on Management's judgment to determine the appropriate amount to be recorded in the financial statements.

The settlement of transactions involving these estimates could result in amounts significantly different from those recorded in the financial statements due to the uncertainties inherent in the process of their determination. The Company review its estimates at least annually.

The main assumptions, related to sources of uncertainty in future estimates and other important factors of uncertainty in estimates at the reporting date involving a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year, are addressed below:

a) Impairment of non-financial assets

An impairment loss is recognized when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value net of selling expenses and its value in use. The calculation of fair value net of selling expenses is based on information available on transactions involving the sale of similar assets or market prices less the selling expenses. The calculation of the value in use is based on the discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities to which the Company is not yet committed or significant future investments that will enhance the performance of the cash generating unit being tested. The recoverable amount is influenced by the discount rate used under the discounted cash flow method, as well as the expected future cash receipts and growth rate used for extrapolation purposes.

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Notes to the individual and consolidated financial statements
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3. Summary of significant accounting policies--Continued

3.22. Material accounting judgments, estimates and assumptions --Continued

Estimates and assumptions--Continued

b) *Provision for expected losses on trade receivables and contract assets*

The Company utilizes a provision matrix to calculate the expected credit losses to trade receivables and contract assets. The provision rates applied are determined based on days past due for groupings of several customer segments that exhibit similar loss patterns (such as product type, customer type, and credit risk, among others). The provision matrix is initially based on the historical loss rates observed by the Company over the preceding 24 months. The Company reviews the matrix prospectively to adjust it according to the historical experience of credit loss.

On all reporting dates, observed historical loss rates are updated and changes in forward-looking estimates are analyzed. The assessment of the correlation between observed historical loss rates, projected economic conditions, and expected credit losses constitutes a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and projected economic conditions. The Company's historical credit loss experience and projections of economic conditions may not accurately reflect the actual future customer performance.

c) *Leases - Incremental Borrowing Rate Estimate*

The Company cannot readily determine the interest rate implicit in the lease, therefore, considers its incremental borrowing rate to measure the lease liabilities. The incremental rate is the interest rate that the Company would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. As such, this assessment requires Management to consider estimates when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the incremental rate using observable inputs (such as market interest rates).

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Notes to the individual and consolidated financial statements
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3. Summary of significant accounting policies--Continued

3.23. Material accounting judgments, estimates and assumptions --Continued

Estimates and assumptions--Continued

d) *Provisions for civil, tax, and labor risks*

The Company recognizes a provision for civil, tax, and labor claims. The assessment of the likelihood of a loss includes the evaluation of existing evidence, the hierarchy of laws, the available case law, the most recent court decisions and their relevance in the legal system, as well as the evaluation of outside legal advisors. Provisions are reviewed and adjusted. To take into account changes in circumstances, such as applicable statutes of limitation, the conclusions of tax audits, or any additional exposures identified based on new matters or court decisions.

e) *Recoverability of deferred taxes*

Deferred tax assets are recognized for all temporary differences to the extent that it is probable that there will be taxable profit available to realize the deferred tax assets. Significant judgment by Management is required to determine the amount of the deferred tax assets that can be recognized based on the probable timing and level of future taxable profits, along with future tax planning strategies. For more details on deferred taxes, see Note 6.2.

4. Cash and cash equivalents

4.1. Cash and cash equivalents

	Parent Company		Consolidated	
	2023	2022	2023	2022
Cash and cash equivalent	20,021	16,962	29,637	22,019
Financial investments (a)	72,322	130,451	72,322	130,451
Total	92,343	147,413	101,959	152,470

(a) At December 31, 2023, financial investments in Bank Deposit Certificates (CDBs) yielded 92% of the Interbank Deposit Certificate (CDI) rate (103% of the CDI at December 31, 2022) with daily liquidity redeemable directly from the issuer, without significant loss in value.

Livotech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements

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4. Cash and cash equivalents--Continued

4.2. Short-term investments

	Parent Company		Consolidated	
	2023	2022	2023	2022
Bank Deposit Certificates (a)	-	152,170	-	152,170
Total	-	152,170	-	152,170

(a) At December 31, 2022, financial investments in Bank Deposit Certificates (CDBs) were remunerated at an average rate of 103% of the CDI with an average redemption term of 6 months.

5. Trade receivables, net

	Parent Company		Consolidated	
	2024	2023	2024	2023
Trade receivables - sale of goods	316,860	302,125	332,979	309,077
Trade receivables - rental	182,616	122,325	182,616	122,325
Trade receivables - vendor (a)	14,979	-	14,979	-
Trade receivables - gross	514,455	424,450	530,574	431,402
Provision for expected credit losses	(96,202)	(80,103)	(100,603)	(80,146)
Total	418,253	344,347	429,971	351,256
Current	208,435	189,035	220,153	195,944
Non-current	209,818	155,312	209,818	155,312

(a) Characteristics and other conditions described in explanatory note 15(d).

Change in provisions for expected credit losses:

	Parent company	Consolidated
At December 31, 2021	(52,504)	(52,504)
Additions	(27,599)	(27,642)
Reductions	-	-
At December 31, 2022	(80,103)	(80,146)
Additions	(26,586)	(30,944)
Reductions	10,487	10,487
At December 31, 2023	(96,202)	(100,603)

(b) In the last quarter of 2023, one of our clients filed for court-supervised reorganization. In accordance with accounting standards and internal policies, all outstanding or overdue securities from this client were fully provisioned through profit or loss. At December 31, securities represented R\$2,923 (national) and R\$4,004 (international).

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5. Trade receivables, net--Continued

The following are the amounts receivable by aging list at December 31, 2023 and 2022:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Securities to mature	377,925	306,386	394,044	313,338
Securities overdue from - 0 to 30 days	11,215	26,366	11,215	26,366
Securities overdue from - 31 to 90 days	14,971	9,838	14,971	9,838
Securities overdue from - 91 to 180 days	13,340	7,877	13,340	7,877
Securities overdue from - 181 to 270 days	11,988	6,135	11,988	6,135
Securities overdue from - 271 to 365 days	10,552	6,737	10,552	6,737
Securities overdue over 365 days	74,464	61,111	74,464	61,111
Total	514,455	424,450	530,574	431,402

The Company's line of business is equipment rental. Such rents have an average term of 60 months and the minimum rents are fixed, subject to annual adjustment according to the inflation index.

The minimum future receipts from such rents, which will be recognized in profit or loss for future periods over the term of the contracts, are shown below:

Parent Company and Consolidated	
Minimum lease receipts	
2024	318,887
2025	260,113
2026	177,559
2027	96,725
2028	21,511
Total	874,795

Such lease agreements generated revenues in the year ended December 31, 2023 in the amount of R\$335,263 (R\$293,447 at December 31, 2022), and are disclosed in Note 22.

Livotech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements

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6. Recoverable and deferred taxes

6.1. Recoverable taxes

	Parent company		Consolidated	
	2023	2022	2023	2022
Withholding Income Tax (IRRF) to be recovered	6,273	5,228	6,273	5,228
IRPJ and CSLL to be offset	25,082	21,549	25,082	21,549
Social Integration Program (PIS) and COFINS to be offset	1,170	10,254	1,170	10,254
ICMS to be offset (b)	18,844	22,900	18,844	22,900
Tax on Industrialized Products (IPI) to be offset	737	2,933	737	2,933
Other (a)	546	655	1,916	1,606
Total	52,652	63,519	54,022	64,470
Current	18,393	63,519	19,763	64,470
Non-current	34,259	-	34,259	-

(a) Balances at December 31, 2023 arise from: Import Duty (R\$74), INSS (R\$21), Brazilian Federal Revenue Service (RFB) Process (R\$450), PIS, Cofins and CSLL (R\$1) at the parent company plus Colombian VAT of R\$1,370 at the consolidated. The 2022 balances arise from: Import Duty (R\$74), INSS (R\$21), RFB Process (R\$560) and Colombian VAT of R\$951.

(b) The Company recognized credits related to investment subsidies during the year, which, as provided for by law, are excluded from the IRPJ and CSLL calculation basis. For further details, refer to Note 19.5.

6.2. Deferred taxes

	Parent and Consolidated			
	2023	2022	2023	2022
Deferred income tax and social security contribution refer to:				
Allowance for doubtful accounts	18,257	12,294	18,477	12,599
Present value adjustment - trade receivables	7,502	8,678	7,502	8,678
Provision for losses on impairment of inventories	4,010	4,812	4,010	4,812
Derivatives - Swap	-	766	-	766
Provision for discount on the sale of accumulated ICMS credit	1,280	753	1,280	753
Provision for tax contingencies	49	129	49	129
IOF on loans	11	-	11	-
IFRS 16	4	-	4	-
Tax loss	3,897	-	3,897	-
Tax credits	35,010	27,432	35,230	27,737
Present value adjustment - trade payables	(210)	(522)	(210)	(522)
Derivatives - Swap	(1,425)	-	(1,425)	-
Tax amortization of goodwill generated on the acquisition of Munddo	(734)	(580)	(734)	(580)
Tax liabilities	(2,369)	(1,102)	(2,369)	(1,102)
Deferred tax assets, net	32,641	26,330	32,861	26,635

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6. Recoverable and deferred taxes--Continued

6.2. Deferred taxes--Continued

6.2.1. Estimated realization of deferred taxes assets

	Deferred taxes and social contributions	
	Parent Company	Consolidated
2024	10,753	11,341
2025	6,812	6,812
2026	5,438	5,438
2027	4,322	4,322
2028	5,316	4,948
Total	32,641	32,861

7. Inventories

	Parent Company		Consolidated	
	2023	2022	2023	2022
Raw materials	4,793	20,370	4,793	20,370
Products	98,498	183,694	106,260	190,553
Inventory in transit	22,742	40,679	36,750	45,443
Finished products	16,352	24,468	16,352	24,468
Software for resale (a)	27,234	43,507	27,234	43,507
Estimated impairment losses	(11,796)	(14,154)	(11,961)	(14,307)
Total	157,823	298,564	179,428	310,034

(a) The software is the operating systems of the hardware presented in the product line.

Estimated impairment losses (b)	Parent Company	Consolidated
At December 31, 2021	(12,286)	(12,461)
Additions	(11,926)	(11,926)
Reductions	10,058	10,080
At December 31, 2022	(14,154)	(14,307)
Additions	(13,787)	(13,787)
Reductions	16,145	16,133
At December 31, 2023	(11,796)	(11,961)

(b) Refers to the estimated loss amounts recognized for the write-down to net realizable value and inventory obsolescence. Additions and reductions of these amounts are included in the cost of goods sold in the statement of income.

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Notes to the individual and consolidated financial statements

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8. Investment and provision for losses on investment

	Parent Company	
	2023	2022
WDC US	3,925	3,060
WDC Colombia	21,326	2,593
Panama	-	4,481
Franchising	-	(189)
Total (a)	25,251	9,945
Panama	(392)	-
Franchising	(143)	-
Total (b)	(535)	-
	24,716	9,945

(a) Investments classified in assets.

(b) Investments classified in liabilities.

Following is the main financial information of the subsidiaries:

2023				
Subsidiaries	Percentage of interest	Equity	Net revenue	Net income (loss) for the period
WDC US	100%	3,925	29,586	1,138
Colombia	100%	21,326	22,642	1,094
Panama	100%	(392)	1,301	(376)
Franchising	100%	(143)	48	46
Total		24,716	53,577	1,902
2022				
Subsidiaries	Percentage of interest	Equity	Net revenue	Net income (loss) for the period
WDC US	100%	3,060	18,480	1,480
Colombia	100%	2,593	21,104	(1,258)
Panama	100%	4,481	3,661	(594)
Franchising	100%	(189)	135	(237)
Total		9,945	43,380	(609)

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8. Investment and provision for losses on investment--Continued

Changes in investments	WDC USA	WDC Colombia	WDC Panama	WDC Franchising	Total
At December 31, 2021	1,648	4,679	23	49	6,399
Capital increase	-	-	4,586	-	4,586
Income (loss) for the fiscal year	1,480	(1,258)	(594)	(237)	(609)
Exchange rate variation on investment	(15)	(1,093)	364	(1)	(745)
Other variations	(53)	265	102	-	314
At December 31, 2022	3,060	2,593	4,481	(189)	9,945
Capital increase	-	16,419	-	-	16,419
Capital decrease	-	-	(4,235)	-	(4,235)
Income (loss) for the period	1,138	1,094	(376)	46	1,902
Exchange rate variation on investment (a)	(273)	1,220	(262)	-	685
At December 31, 2023	3,925	21,326	(392)	(143)	24,716

For the year ended December 31, 2023, an amount of R\$685 (R\$745 at December 31, 2022) was recorded related to the effects of the exchange rate variation resulting from the conversion into Brazilian reais of the financial statements of the subsidiaries headquartered abroad, which were originally prepared in U.S. dollars (USD) and Colombian pesos (COP). These effects are recorded as "Other Comprehensive Results" in Equity.

9. Property, plant and equipment, net

At December 31, 2023, the Company does not have any assets pledged or judicially restricted, nor assets provided as collateral for loans or borrowings, except for assets subject to finance lease.

The Company assessed the economic useful life of its property, plant, and equipment and found no significant adjustments or changes to be required at each year-end, since there were no relevant changes in estimates and assumptions adopted in the previous year.

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9. Property, plant and equipment, net--Continued

Following is the change in the Company's property, plant and equipment:

	Parent Company						
	Furniture and fixtures	IT equipment	Vehicles	Products for rental	Machinery and equipment	Buildings	Other
Annual depreciation rate (%)	10%	20%	20%	20%	10%	4%	10%
At December 31, 2021	693	980	161	415,002	332	392	1,499
Additions	589	605	-	171,881	433	-	24
Net disposals	(1)	-	(115)	(1,175)	-	(252)	-
Depreciation	(130)	(595)	(39)	(144,602)	(67)	(140)	(735)
At December 31, 2022	1,151	990	7	441,106	698	-	788
Additions	17	148	-	132,910	-	329	-
Net disposals	(542)	-	-	(1,021)	-	-	(35)
Depreciation	(134)	(419)	(7)	(163,112)	(86)	(13)	(292)
At December 31, 2023	492	719	-	409,883	612	316	461

	Consolidated						
	Furniture and fixtures	IT equipment	Vehicles	Products for rental	Machinery and equipment	Buildings	Other
Annual depreciation rate (%)	10%	20%	20%	20%	10%	4%	10%
At December 31, 2021	704	1,115	161	415,002	332	392	1,499
Additions	594	607	-	171,881	433	-	24
Net disposals	(1)	(10)	(115)	(1,175)	-	(252)	-
Depreciation	(134)	(635)	(39)	(144,602)	(67)	(140)	(735)
At December 31, 2022	1,163	1,077	7	441,106	698	-	788
Additions	261	242	-	132,910	-	329	-
Net disposals	(545)	(16)	-	(1,021)	-	-	(35)
Depreciation	(136)	(460)	(7)	(163,112)	(86)	(13)	(292)
At December 31, 2023	743	843	-	409,883	612	316	461

Livotech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2023

(In thousands of reais)

10. Intangible assets

Parent Company	Software licenses	Software for rent	Customer portfolio	Goodwill Merger(a)	Trademarks and patents	Total
Annual amortization rate (%)	20%	20%	27%	Indefinite	20%	
At December 31, 2021	1,290	50,596	2,670	2,275	18	56,849
Additions	115	42,849	-	-	10	42,974
Amortization	(710)	(16,239)	(2,670)	-	(10)	(19,629)
At December 31, 2022	695	77,206	-	2,275	18	80,194
Additions	-	59,140	-	-	-	59,140
Write-offs	-	(2,143)	-	-	-	(2,143)
Amortization	(377)	(28,400)	-	-	(6)	(28,783)
At December 31, 2023	318	105,803	-	2,275	12	108,408

Consolidated	Software licenses	Software for rent	Customer portfolio	Goodwill Merger(a)	Trademarks and patents	Total
Annual amortization rate (%)	20%	20%	27%	Indefinite	20%	
At December 31, 2021	1,293	50,596	2,670	2,275	18	56,852
Additions	114	42,849	-	-	10	42,973
Amortization	(710)	(16,239)	(2,670)	-	(10)	(19,629)
At December 31, 2022	697	77,206	-	2,275	18	80,196
Additions	-	59,140	-	-	-	59,140
Write-offs	-	(2,143)	-	-	-	(2,143)
Amortization	(377)	(28,400)	-	-	(6)	(28,783)
At December 31, 2023	320	105,803	-	2,275	12	108,410

(a) Goodwill arising from the expectation of future profitability in the acquisition of Munddo.

The Company performed the recoverable amount test at December 31, 2023 and 2022 and concluded that the recoverable amount of the cash-generating unit is higher than its carrying amount.

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Notes to the individual and consolidated financial statements--Continued

December 31, 2023

(In thousands of reais)

11. Advances to suppliers

	Parent Company		Consolidated	
	2023	2022	2023	2022
Advances to domestic suppliers (a)	9,572	8,941	13,132	12,508
Advances to international suppliers (b)	8,278	40,596	8,278	40,596
Total	17,850	49,537	21,410	53,104

(a) Refer to advance payments in the acquisition of goods for resale within the domestic market.

(b) Refer to advance payments in the acquisition of goods for resale in foreign markets.

12. Trade payables

	Parent Company		Consolidated	
	2023	2022	2023	2022
Domestic suppliers	34,647	50,594	46,936	55,706
International suppliers	49,163	86,406	49,163	86,406
Total	83,810	137,000	96,099	142,112

13. Personnel, social charges and benefits

	Parent Company		Consolidated	
	2023	2022	2023	2022
Profit sharing and bonuses	-	275	-	275
Vacation pay and 13 th salary	1,833	2,487	1,833	2,487
Brazilian Social-Security Institute (INSS) contribution payable	748	829	748	829
Severance Pay Fund (FGTS) payable	230	281	230	281
IRRF	653	711	653	711
Other	32	34	270	242
Total	3,496	4,617	3,734	4,825

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Notes to the individual and consolidated financial statements--Continued

December 31, 2023

(In thousands of reais)

14. Taxes payable

	Parent Company		Consolidated	
	2023	2022	2023	2022
IRPJ and CSLL payable	-	4,147	-	4,147
IPI payable	619	517	619	517
ICMS payable	421	104	421	104
IRRF	110	100	110	100
PIS and Cofins payable	1,911	-	1,911	-
Federal taxes (installments)	450	592	450	592
Other (a)	716	857	1,933	975
Total	4,227	6,317	5,444	6,435

- (a) The 2023 balances arise from: ISS (R\$237), PIS/Cofins/CSLL (R\$35), ICMS R\$360, and other distributed amounts totaling R\$84 at the parent company, and Colombian VAT of R\$922 and R\$295 from other subsidiaries in the consolidated figures. The balances for 2022 are due to: ISS (R\$440), PIS/Cofins/CSLL (R\$76), and other distributed amounts totaling R\$341 in the parent company, as well as Colombian VAT of R\$110 and R\$8 from other subsidiaries in the consolidated statement.

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Notes to the individual and consolidated financial statements--Continued

December 31, 2023

(In thousands of reais)

15. Loans, borrowings and debentures

15.1. General loans

The Company's loans, borrowings and debentures outstanding as of the reporting date of these financial statements are broken down as follows:

a) Loans in local currency

Financial Institution	Maturity	Type	Index	Guarantee	Covenants	Parent Company and Consolidated			
						2024		2023	
						Current	Non-current	Current	Non-current
Banco do Brasil	Oct/24	Working Capital	CDI + 2.98% to 3.59%	Property (*) + Negotiable invoices	15.2 (b)	7,738	-	9,286	7,738
Banco BBM Bocom	Mar/24	Working Capital	CDI + 3.90% to 4.50%	Accommodation + Negotiable invoices		1,257	-	8,724	1,250
Banco BTG	Dec/23	Working Capital	CDI + 2.45% to 2.85%	Negotiable invoices		-	-	119,797	-
Banco CCB	Apr/24	Working Capital	CDI + 2.05% to 4.30%	Negotiable invoices		2,669	-	10,448	2,600
Banco CEF S.A	Jun/24	Working Capital	CDI + 2.18% to 2.43%	Accommodation + Negotiable invoices		4,810	-	11,168	4,800
Banco Citi	Feb/25	Working Capital	CDI + 3.00% to 3.50%	Accommodation + Negotiable invoices	15.2 (b)	12,074	1,093	12,525	13,121
Banco Santander	Mar/23	Working Capital	CDI + 2.50% and 10.56%	Accommodation + Negotiable invoices		-	-	1,614	-
Banco Votorantim	Mar/24	Working Capital	CDI + 2.70% to 5.60%	Negotiable invoices		1,670	-	10,374	1,667
						30,218	1,093	183,936	31,176

(*) The property given as a guarantee is owned by the Company's officer, as mentioned in Note 21.

Livotech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2023

(In thousands of reais)

15. Loans, borrowings and debentures--Continued

15.1. General loans - Continued

b) Loans in foreign currency

Financial Institution	Maturity	Type	Index	Guarantee	Covenants	Parent Company and Consolidated			
						2023		2022	
						Current	Non-current	Current	Non-current
Banco ABC Brasil	Jul/24	Finimp	3.00% to 3.65%	Negotiable invoices		4,868	-	13,406	3,998
Banco BBM Bocom	Nov/24	Working capital	LIBOR + 2.98%	Negotiable invoices		3,523	-	4,478	3,461
Banco Bradesco S.A	May/24	Working capital	3.50%	Negotiable invoices		7,380	-	8,068	15,790
Banco Votorantim	Jul/25	Working capital	3.65% to 3.82%	Negotiable invoices		9,603	6,720	7,848	21,744
						25,374	6,720	33,800	44,993

c) Debentures

Financial Institution	Maturity	Type	Index	Guarantee	Covenants	Parent Company and Consolidated			
						2023		2022	
						Current	Non-current	Current	Non-current
Banco Itaú	Jun/27	Debentures	CDI + 2.30%	Negotiable invoices	15.2 (a)	265	243,473	501	242,562
Banco Itaú	Jun/29	Debentures	CDI + 2.70%	Negotiable invoices	15.2 (a)	328	249,248	583	248,336
						593	492,721	1,084	490,898

d) Vendor Operations

Financial Institution	Maturity	Type	Bank rate	Guarantee	Parent Company and Consolidated			
					2023		2022	
					Current	Non-current	Current	Non-current
Banco do Brasil	Apr/27	Vendor Operations	1.05% to 1.2%	Negotiable invoices	7,448	9,379	-	-
					7,448	9,379	-	-

Livetech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements--Continued
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15. Loans, borrowings and debentures--Continued

15.1. General loans--Continued

d) Vendor Operations -- Continued

	2023	2022
Current	63,633	218,820
Non-current	509,913	567,067
Total	573,546	785,887

The changes in loans, borrowings and debentures are as follows:

	Parent Company and Consolidated
At December 31, 2021	596,536
New Debts	488,008
Financial charges	99,872
Exchange rate variation	(14,431)
Payment of interest	(84,972)
Payment of principal	(299,126)
At December 31, 2022	785,887
At December 31, 2022	785,887
Vendor operations (a)	16,827
Financial charges	94,992
Exchange rate variation	(3,898)
Payment of interest	(106,132)
Payment of principal	(214,130)
At December 31, 2023	573,546

(a) Vendor Operations

Vendor operations support a sales financing program through which customers gain access to competitive lines of credit.

In this type of financing, the customer enters into an agreement with the bank and is informed of the deadlines and fees.

The collections are made by the bank, and in cases of default, the Company will ensure the settlement of the overdue installments.

The accounting process involves distinct stages: (a) the total amount of the sale made available in the checking account is recorded as a debit in cash and cash equivalents and as a credit in loans; (b) the sale of goods is recognized through the issuance of an invoice, which is debited from trade receivables and credited to revenue in the income statement. As the customer makes the installment payments to the bank, the Company reconciles and offsets the receivable balance against the payable balance.

In the event that the original debtors fail to fulfill their obligations, the Company implements rigorous policies and

Livetech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements--Continued
December 31, 2023
(In thousands of reais)

15. Loans, borrowings and debentures--Continued

15.1. General loans--Continued

procedures to minimize the risks associated with the transaction in question.

15.2. Covenants

The Company includes covenants in its loans, borrowings and debentures agreements that limit its ability to undertake certain actions and may require the acceleration or refinancing of debts if the Company fails to comply with these covenants.

Covenants have quarterly and annual requirements.

a) Quarterly

2nd Issue Debentures

- (i) The Company's net debt/EBITDA ratio (covenants) must be less than or equal to 3.00 times.

The Company's EBITDA/Net Financial Expenses ratio (covenants) must be greater than or equal to 3.00 times.

For the period ended December 31, 2023, the abovementioned financial ratios were met.

b) Annual

Citibank

- (i) The Company's net debt/EBITDA ratio (covenants) must be less than 2.75 times.

Banco do Brasil

- (i) The Company's net debt/EBITDA (covenants) ratio must be less than 3.00 times.
- (ii) The Company's EBITDA/financial income ratio (covenants) must be greater than 1.50 times.

At December 31, 2023, all the abovementioned financial ratios were met.

Livotech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements--Continued
December 31, 2023
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16. Leases (Right of use and Lease liabilities)

	Parent Company and Consolidated	
	2023	2022
Assets		
Right of use asset	11,517	1,832
Total	11,517	1,832
Liabilities		
Lease liabilities	11,530	1,875
Total	11,530	1,875
Current liabilities	2,650	969
Non-current liabilities	8,880	906

The changes in right-of-use assets in the fiscal year are as follows:

	Parent Company and Consolidated
At December 31, 2021	3,001
Remeasurement	1,525
Write-off	(237)
Depreciation	(2,457)
At December 31, 2022	1,832
Additions	12,019
Depreciation	(2,334)
At December 31, 2023	11,517

The changes in lease liabilities in the fiscal year are as follows:

	Parent Company and Consolidated
At December 31, 2021	3,072
Payments	(2,579)
Write-off	(237)
Remeasurement	1,525
Charges	94
At December 31, 2022	1,875
Payments	(2,690)
Addition	12,019
Charges	326
At December 31, 2023	11,530

Livotech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements--Continued
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(In thousands of reais)

16. Leases (Right of use and Lease liabilities)--Continued

The future maturities of lease liabilities are as follows:

	Payment schedule		
	Rent payable	Financial charges	Total
2024	3,196	(546)	2,650
2025	3,024	(396)	2,628
2026	2,946	(258)	2,688
2027	2,466	(126)	2,340
2028	1,254	(30)	1,224
	<u>12,886</u>	<u>(1,356)</u>	<u>11,530</u>

At the initial recognition, the nominal discount rate was applied to the minimum expected payments to determine the fair value of the lease, considering the duration of the lease agreement. At December 31, 2023, the average lease term was 34 months.

17. Other liabilities

	Parent Company		Consolidated	
	2023	2022	2023	2022
Advance from customers	7,423	16,080	16,665	16,080
Sale for future delivery (a)	513	21,667	513	21,667
Deferred income (b)	-	451	-	451
Liabilities with third parties (a)	5,077	1,356	4,975	1,951
Total	13,013	39,554	22,153	40,149

(a) The balance of this account is composed entirely of billing-only invoices, which await the customer's decision regarding the destination of the goods. When allocated, the invoice for future delivery is generated and the revenue is recognized.

(b) The balance refers to liabilities with third parties and turnkey projects.

Livetech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements--Continued
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18. Provisions for lawsuits

Contingencies classified as probable losses

	Labor	Tax	Parent Company and Consolidated	
			Civil	Total
At December 31, 2021	-	362	-	362
At December 31, 2022	-	378	-	378
Write-offs	-	(248)	-	(248)
Inflation adjustment	-	14	-	14
At December 31, 2023	-	144	-	144

The Company is involved in certain legal matters arising from the normal course of its business, which include tax and civil lawsuits.

The Company classifies the risks of loss in legal proceedings as "probable", "possible" or "remote". The provision recorded for these lawsuits is determined by the Company's Management, based on the analysis of its legal advisors, and reasonably reflects the estimated probable losses.

The Company Management believes that the provision for labor, tax and civil risks, established in accordance with CPC 25 - Provisions, Contingent Liabilities and Contingent Assets, is sufficient to cover potential losses from administrative and legal proceedings, as detailed below

Tax

The Company has legal disputes with the Brazilian Telecommunications Agency (Anatel) for products that may be non-compliant with the requirements set by the regulatory agency. The balance recorded at December 31, 2023 is R\$144 (R\$378 at December 31, 2022).

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Notes to the individual and consolidated financial statements--Continued
December 31, 2023
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18. Provisions for lawsuits--Continued

Contingencies classified as possible losses --Continued

	Labor	Tax	Parent Company and Consolidated	
			Civil	Total
At December 31, 2021	-	564	110	674
At December 31, 2022	-	1,918	365	2,283
Additions	-	2,383	-	2,383
Write-offs	-	(369)	(103)	(472)
Inflation adjustment	-	189	83	272
At December 31, 2023	-	4,121	345	4,466

Tax

At December 31, 2023, the amounts involved in lawsuits whose loss is classified as possible totaled R\$4,121 (R\$1,918 at December 31, 2022).

The nature of the main tax lawsuits was as follows: R\$2,653 related to inquiries about credits used through the Electronic Request for Refund (PER) / Offset Declaration (DCOMP) system; R\$141 related to a state audit questioning the composition of a finished solar power generation product; R\$557 related to a tax-deficiency notice based on the interpretation that a specific sale should include the Tax on Industrialized Products (IPI) as it was intended for the final consumer. The administrative defense has been submitted and is awaiting a decision in the lower court; R\$770 related to a procedure for investigating non-compliance with obligations to the regulatory agency.

Civil

At December 31, 2023, the amounts involved in lawsuits whose loss is classified as possible totaled R\$345 (R\$365 at December 31, 2022).

The nature of the main civil lawsuits was as follows: R\$345 related to contract termination due to breach of service agreement.

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Notes to the individual and consolidated financial statements--Continued

December 31, 2023

(In thousands of reais)

19. Equity

19.1. Share capital

The share capital at December 31, 2023 amounts to R\$301,397 (comprising R\$317,891 from shares and (R\$16,494) in share issuance costs), unchanged from December 31, 2022 (R\$301,397, comprising R\$317,891 from shares and (R\$16,494) in share issuance costs). The share capital is fully subscribed and paid in, and is represented by shares with no par value.

The shareholding structure at December 31, 2023 and 2022 is as follows:

Shareholder	2023		2022	
	Common shares (a)		Common shares	
	Number	%	Number	%
Vanderlei Rigatieri Junior	22,933	35.47%	22,933	35.47%
2B Capital - Brasil Capital de Crescimento	19,339	29.91%	19,339	29.91%
Treasury stock	1,202	1.85%	935	1.45%
Free float	21,189	32.77%	21,456	33.18%
Total shares	64,663	100.00%	64,663	100.00%

19.2. Share buyback program

On July 1, 2022, the Board of Directors approved the implementation of the share buyback program under the following conditions:

- (a) The objectives of the Company's share buyback program are: (i) to promote and create value for shareholders through an efficient capital structure; and (ii) to serve as an alternative for distributing the Company's cash generation, in addition to any proceeds that may be paid as dividends and interest on equity. The repurchased shares may, at management's discretion, be subsequently canceled, sold, held in treasury or allocated to beneficiaries of share-based compensation plans.
- (b) Program duration: from July 2, 2022 to April 1, 2024;
- (c) Number of shares to be acquired: up to the limit of 1,978,492 common shares;
- (d) Authorized Financial Institution: BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.

Livetech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements--Continued
December 31, 2023
(In thousands of reais)

19. Equity -- Continued

19.2. Share buyback program--Continued

	Number of shares	Average value per share (in R\$)	Total
At December 31, 2022	935,400	7,58	7,044
Sold	-	-	-
Acquired	266,200	5,63	1,492
At December 31, 2023	1,201,600	7,10	8,536

19.3. Legal reserve

It is established through the allocation of 5% of the net income for the fiscal year, in accordance with article 193 of Federal Law 6,404/76, up to the limit of 20% of the capital. At December 31, 2023, the Company did not set up a reserve since it incurred a loss. The legal reserve established in the fiscal year ended December 31, 2022 was R\$1,158.

19.4. Dividends

The Company's bylaws establish a mandatory minimum dividend of 25%, calculated based on the adjusted annual net income as provided for in article 202 of Federal Law 6,404/1976. In 2023, there was no recognition of minimum mandatory dividends since the Company reported a loss.

19.5. Investment subsidy reserve

As discussed in Note 20, the tax incentives granted by the State of Bahia are now considered investment subsidies, which are deductible when calculating income tax and social security contribution. During the fiscal year ended December 31, 2023, the Company allocated R\$3,102 to the investment subsidy reserve.

The changes in subsidies in the fiscal year are as follows:

	Investment subsidy		
	Sudene	Presumed credit	Total
At December 31, 2021	16,317	19,469	35,786
Addition	-	54,826	54,826
At December 31, 2022	16,317	74,295	90,612
Addition	-	3,102	3,102
At December 31, 2023	16,317	77,397	93,714

Livotech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2023

(In thousands of reais)

19. Equity -- Continued

19.6. Profit retention reserve

The Company established a Profit retention reserve based on the undistributed net income for the fiscal year, in accordance with paragraph 4, Article 202 of Federal Law No. 6,404. If this reserve is not absorbed by losses in subsequent fiscal years, it will be distributed as dividends as soon as the Company's financial situation allows. Profits not allocated as per the articles 193 to 197 will be distributed as dividends.

19.7. Earnings per share

Earnings per share is calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of common shares outstanding during the fiscal year, as shown below:

	Parent Company and Consolidated	
	2023	2022
Net income (loss) for the period	(11,876)	23,169
Weighted average number of shares in the period	64,206	64,328
Basic earnings per share - (in R\$)	(0.1850)	0.3602

The company does not have any instruments with a dilutive effect; therefore, diluted earnings per share are similar to basic earnings per share.

Livetech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2023

(In thousands of reais)

20. Income tax and social security contribution

	Parent Company		Consolidated	
	2023	2022	2023	2022
Profit (loss) before taxes	(17,240)	8,177	(16,112)	7,894
Expense related to income tax and social security contribution on profit - Nominal rate of 34%	5,862	(2,780)	5,478	(2,684)
Additions / (exclusions):				
Non-deductible expenses	(5,289)	(1,180)	(6,417)	(1,180)
Appropriation of deferred revenues (MAXBr)	-	68	-	68
Equity method	646	207	646	207
Tax Benefits (SUDENE/PAT)	-	74	-	74
Tax benefit of the presumed ICMS credit – current period	5,678	6,311	5,678	6,311
Tax benefit of the presumed ICMS credit - prior period (a)	948	10,654	948	10,654
Other	(2,481)	1,638	(1,730)	1,825
Total income tax and social security contribution	5,364	14,992	4,236	15,275
Current income tax and current social contribution	(948)	6,102	(2,076)	6,187
Deferred income tax and deferred social contribution	6,312	8,890	6,312	9,088
Effective income tax and social contribution rate	-31.11%	183.34%	-26.29%	193.50%

(a) Effect of recognizing extemporaneous income tax and social security contribution credits related to prior calendar years, due to the exclusion of the subsidy from the calculation base, as detailed in Note 19.5. These credits were recognized by the Company taking into account all applicable case law, substantiated by the opinion of its external legal advisors.

21. Related-party transactions and balances

Compensation of the Management and related parties

The compensation paid by the Company to its Board of Directors and Statutory Board of Executive Officers was recorded under general and administrative expenses.

	Parent Company and Consolidated	
	2023	2022
Compensation of the executive officers and directors (fixed and variable)	3,989	3,049
Performance bonus (variable amount)	-	-
Share-based payment	-	-
Total	3,251	3,049

For the fiscal years ended December 31, 2023, our Directors and Executive Officers did not receive any variable compensation, including pension, retirement or similar benefits.

Livetech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements--Continued
December 31, 2023
(In thousands of reais)

21. Related-party transactions and balances--Continued

Compensation of the Management and related parties--Continued

The related-party balances arise from transactions with entities related to the Company. These transactions, as listed below, were carried out at prices and conditions negotiated between the parties:

	Parent Company	
	2023	2022
Assets		
Related-party loan – Colombia and Panama (a)	484	10,816
Investment - Panama and Colombia (AFAC)	-	1,566
Franchising	382	-
Total	866	12,382
	2023	2022
Liabilities		
Accommodation party compensation (b)	16	125
Total	16	125
	2023	2022
Result		
Accommodation party compensation (b)	20	1,797
Total	20	1,797

(a) Related-party loan agreement with the subsidiary Panamá.

(b) Agreement by executive officers Vanderlei Rigatieri and Francisco Sergio Day Toledo, acting as guarantors/accommodation parties of obligations assumed by the Company. Sergio Day Toledo was a statutory executive officer until July 2022.

In addition to the transactions listed above, the Company has:

(a) Related-party lease agreement with PDV Industrialização de Equipamentos Eletrônicos Ltda:

Type	2023			2022		
	Assets	Liabilities	Result	Assets	Liabilities	Result
Property lease	2,159	2,159	760	1,521	1,521	694
Forklift rental	-	-	-	-	-	132
	2,159	2,159	760	1,521	1,521	826

Leases do not have a contractual provision for the application of interest; they are adjusted only during renewals or through amendments. The transactions are carried out under conditions agreed upon by the parties. The agreements are covered by the IFRS 16 standard and, therefore, the amounts are presented under "Lease Liabilities" and "Right of use" (Note 16). The allowance for doubtful accounts is not consolidated into the Company.

Livotech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2023

(In thousands of reais)

21. Related-party transactions and balances--Continued

Compensation of the Management and related parties--Continued

(b) Product purchase transactions between Livotech and its subsidiary Livotech Panama:

	2023	2022
Assets		
Advances to suppliers	-	-
Liabilities		
Suppliers	545	676

22. Revenue from contracts with customers

	Parent Company		Consolidated	
	2023	2022	2023	2022
Gross sales	710,012	936,176	737,619	965,272
Gross rental revenue	335,263	293,447	335,263	293,447
Gross revenue	1,045,275	1,229,623	1,072,882	1,258,719
(-) Tax on sales revenue	(138,135)	(155,270)	(138,401)	(155,510)
(-) Returns	(33,782)	(32,335)	(33,764)	(32,304)
Net revenue	873,358	1,042,018	900,717	1,070,905

23. Costs of sales and services

	Parent Company		Consolidated	
	2023	2022	2023	2022
Cost of goods sold	(492,912)	(604,202)	(509,241)	(627,012)
Depreciation costs	(192,413)	(162,321)	(192,413)	(162,321)
Import and freight costs	(8,649)	(24,367)	(8,696)	(24,390)
Personnel costs	(2,923)	(3,046)	(2,923)	(3,046)
Provision for inventory obsolescence	2,358	(1,868)	2,346	(1,846)
Services provided by legal entities	(796)	(2,494)	(796)	(2,494)
Other costs	(732)	(2,139)	(732)	(2,139)
Total costs	(696,067)	(800,437)	(712,455)	(823,248)

Livotech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2023

(In thousands of reais)

24. Expenses by nature

	Parent Company		Consolidated	
	2024	2023	2024	2023
Personnel	(51,753)	(50,695)	(53,919)	(52,933)
Freight and warehousing	(25,155)	(29,542)	(25,441)	(30,710)
Allowance for doubtful accounts	(16,099)	(27,599)	(20,457)	(27,642)
Marketing and advertising	(2,541)	(2,286)	(2,701)	(2,687)
Commercial representation	(16,424)	(17,742)	(16,424)	(18,165)
Travel and accommodation	(1,959)	(2,036)	(2,000)	(2,067)
Tax expenses	(7,046)	(8,095)	(7,057)	(8,151)
Services provided by legal entities	(16,695)	(16,631)	(17,326)	(17,536)
Depreciation and amortization	(2,767)	(6,142)	(2,810)	(6,186)
Conservation and repair	(1,523)	(1,571)	(1,523)	(1,571)
Consumption expenses	(3,785)	(4,156)	(5,238)	(4,458)
PIS and COFINS credits	16,592	14,414	16,592	14,414
Other operating income/expenses	(13,572)	(1,177)	(13,572)	(1,177)
	(142,727)	(153,258)	(151,876)	(158,869)
Personnel expenses	(51,753)	(50,695)	(53,919)	(52,933)
Selling expenses	(62,178)	(79,205)	(67,023)	(81,271)
Administrative expenses	(9,916)	(16,454)	(10,601)	(17,459)
Other operating expenses	(18,880)	(6,904)	(20,333)	(7,206)

25. Financial result

	Parent Company		Consolidated	
	2023	2022	2023	2022
Financial income	86,446	164,078	88,388	164,590
Exchange rate variation	13,114	60,766	14,664	61,134
Fair value adjustments of derivative instruments	15,339	31,751	15,339	31,751
Interest income	34,135	31,485	34,363	31,485
Returns on short-term investments	13,652	35,079	13,654	35,080
Present value adjustment	7,544	2,099	7,544	2,099
Other financial income	2,662	2,898	2,824	3,041
Financial expenses	(140,152)	(243,615)	(140,886)	(245,484)
Exchange rate variation	(8,993)	(60,302)	(9,579)	(61,492)
Fair value adjustments of derivative instruments	(25,010)	(60,148)	(25,010)	(60,148)
Interest on loans, borrowings and debentures	(95,320)	(99,966)	(95,320)	(99,966)
Compensation for accommodation parties	(337)	(1,797)	(337)	(1,797)
Discounts granted	(1,414)	(247)	(1,414)	(247)
IOF and Income Tax on borrowings	(2,113)	(2,015)	(2,113)	(2,015)
Bank expenses	(1,569)	(1,434)	(1,715)	(1,869)
Present value adjustment - trade receivables	(5,004)	(17,168)	(5,004)	(17,168)
Other financial expenses	(392)	(538)	(394)	(782)
Financial result	(53,706)	(79,537)	(52,498)	(80,894)

Livotech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements--Continued
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26. Risk management and measurement of financial instruments

a) Considerations on risks

Credit risk

Credit risk refers to the possibility that a counterparty in a transaction may not meet an obligation provided for in a financial instrument or customer contract, potentially resulting in financial loss. The Company is exposed to credit risk through its operating activities (mainly concerning accounts receivable and credit notes) and its financing activities, which include deposits in banks and financial institutions.

Liquidity risk

The risk management policy involves maintaining a secure level of cash availability or access to immediate resources. The Company's objective is to maintain the balance between the continuity of resources and the flexibility in current accounts available for immediate use through secured accounts, derivative bank loans, and related-party loans.

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument's future cash flows may fluctuate due to variations in market interest rates. The Company's exposure to the risk of fluctuations in market interest rates primarily refers to long-term liabilities that are subject to variable interest rates. The Company has loans and borrowings from major financial institutions to address its cash requirements for investments and growth. As a result of these transactions, the Company is exposed to the risk of debts linked to the CDI and SOFR rates.

Exchange risk

Exchange rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in exchange rates. The Company's exposure to the risk of fluctuations in exchange rates primarily refers to its operating activities (when revenues or expenses are denominated in a currency other than the Company's functional currency) and foreign currency loans.

To reduce cash flow volatility, the Company enters into derivative (swap) transactions that convert the cash flows of certain US dollar-denominated debts—arising from loan and borrowing agreements—into Brazilian reais, with rates primarily indexed to the CDI.

Livotech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements--Continued
December 31, 2023
(In thousands of reais)

26. Risk management and measurement of financial instruments--Continued

a) Considerations on risks--Continued

Exchange risk--Continued

The Company manages its exchange risk through merchandise purchase transactions with foreign suppliers, which are expected to take place within a 12-month period, from the initial purchase to the settlement of the supplier's invoice.

b) Fair value measurement

For assets and liabilities recognized in the financial statements on a recurring basis, the Company assesses whether there have been transfers between levels of the hierarchy by re-evaluating the categorization (based on the lowest level of significant information for the overall fair value measurement) at the end of each reporting period. When applicable, external evaluators will be involved in the assessment of significant assets and liabilities.

The involvement of external evaluators is decided annually by management, following discussions and subsequent approval from it. The selection criteria encompass market knowledge, reputation, independence and the verification of compliance with professional standards.

Normally, evaluators are rotated every three years. Management decides, after discussion with the Company's external evaluators, which assessment techniques and information are used in each case.

On each reporting date, management analyzes the changes in the amounts of assets and liabilities that need to be measured or re-evaluated in accordance with the Company's accounting policies. For the purposes of this analysis, the management verifies the key information used in the most recent evaluation by cross-referencing the details in the evaluation calculations with the contracts and other pertinent documents.

The management, in collaboration with the Company's external evaluators, also compares each change in the fair value of assets and liabilities with the respective external sources to determine if the change is acceptable.

For the purposes of fair value disclosures, the Company has determined types of assets and liabilities based on the nature, characteristics and risks of the asset or liability, as well as the level of the fair value hierarchy, as explained above. The corresponding fair value disclosures of financial instruments and non-financial assets, whether measured at fair value or at the time of fair value disclosure, are summarized in the respective notes.

The main asset and liability financial instruments at December 31, 2023, as well as their respective market values, are disclosed below:

Livotech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2023

(In thousands of reais)

26. Risk management and measurement of financial instruments--Continued

b) Fair value measurement--Continued

	Fair value hierarchy	Classification	Carrying amount		Fair value	
			2023	2022	2023	2022
Assets (current and non-current)						
Cash and cash equivalents	Level 1	Amortized cost	101,959	152,470	101,959	152,470
Short-term investments	Level 1	Amortized cost	-	152,170	-	152,170
Trade receivables, net	Level 2	Amortized cost	429,971	351,256	429,971	351,256
Derivative financial instruments	Level 2	Fair value through profit or loss	-	581	-	581
Total			531,930	656,477	531,930	656,477
Liabilities (current and non-current)						
Suppliers	Level 2	Amortized cost	96,099	142,112	96,099	142,112
Loans and borrowings	Level 2	Amortized cost	573,546	785,887	573,546	785,887
Derivative financial instruments	Level 2	Fair value through profit or loss	5,274	8,181	5,274	8,181
Leases	Level 2	Amortized cost	11,530	1,875	11,530	1,875
Related parties	Level 2	Amortized cost	16	125	16	125
Other liabilities	Level 2	Amortized cost	22,153	40,149	22,153	40,149
Total			708,618	978,329	708,618	978,329

Livotech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2023

(In thousands of reais)

26. Risk management and measurement of financial instruments--Continued

b) Fair value measurement--Continued

The objectives of the Company and its subsidiary in managing their capital are to safeguard their ability to continue operations, provide returns to shareholders, ensure protection for other stakeholders and maintain an appropriate capital structure.

There were no changes to objectives, policies or processes during the fiscal years ended December 31, 2023 and 2022.

There were no transfers between levels of the hierarchy during the fiscal years ended December 31, 2023 and 2022.

b.1) *Foreign currency risk exposure*

The Company has foreign currency loans under Federal Law 4,131 and maintains swap contracts that provide for agreements for two parties to exchange the risk associated with an asset (creditor) or liability (debtor) position at a future date, based on pre-established criteria. In these swap transactions, the Company pays fixed rates in US dollars and receives payments in Brazilian reais, which are linked to the interest rates of the hedged debts. The average exchange rate for the US dollar at December 31, 2023, was obtained from Bloomberg and was R\$4.8521.

Contracts	Reference value	2023		
		Fair value		Net position
		Adjustment receivable	Adjustment payable	
SWAP	184,130	32,346	(37,620)	(5,274)
		Asset		-
		Liability	-	(5,274)
Contracts	Reference value	December 31, 2022		
		Fair value		Net position
		Adjustment receivable	Adjustment payable	
SWAP	184,130	78,948	(86,548)	(7,600)
		Assets	-	581
		Liabilities		(8,181)

Livetech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2023

(In thousands of reais)

26. Risk management and measurement of financial instruments--Continued

c) Changes in liabilities and equity from borrowing activities

	Consolidated									
	At December 31, 2022	Payment of principal	Payment of interest	Exchange variation and/or interest expenses	Charges	Vendor operations	New debt contracts	Minimum mandatory dividend	Payment of capital	At December 31, 2023
Loans and borrowings	785,887	(214,130)	(106,132)	(3,898)	94,992	16,827	-	-	-	573,546
Leases	1,875	(2,471)	(219)	-	326	-	12,019	-	-	11,530
Dividends payable	862	(862)	-	-	-	-	-	-	-	-
Share capital	317,891	-	-	-	-	-	-	-	-	317,891

Livotech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2023

(In thousands of reais)

26. Risk management and measurement of financial instruments--Continued

d) Sensitivity analysis

In order to assess the sensitivity of the indexer in foreign currency checking accounts, cash equivalents, loans and borrowings, as well as operations with interest rate risk classified under cash equivalents, debentures and loans, to which the Company was exposed as of the reporting date December 31, 2023, three different scenarios were established.

Based on projections released by financial institutions, including the Central Bank of Brazil, the foreign currency and CDI projections for each analyzed transaction were obtained and defined as the probable scenario. From this scenario, variations of 25% (scenarios II and III) and 50% (scenarios I and IV) were calculated. For each scenario, the new accounting balance, taking into account the stress rate, is presented below:

Consolidated (Amounts in R\$/thousand)		Projection - financial income/(expenses)					
Financial investments - Consolidated	Interest rate	December 31, 2023	Scenario I -50%	Scenario II -25%	Probable scenario	Scenario III 25%	Scenario IV 50%
Cash and cash equivalents and short-term investments	CDI	101,955	-	-	0	-	-
Loans, borrowings and debentures:							
Banco do Brasil	CDI	(7,738)	(176)	(265)	(353)	(441)	(529)
Banco CCB	CDI	(2,669)	(73)	(110)	(147)	(183)	(220)
Banco CEF S.A	CDI	(4,810)	(119)	(178)	(237)	(297)	(356)
Banco Itaú Unibanco	CDI	(493,313)	-	-	-	-	-
Banco Bradesco	CDI	(7,380)	(236)	(354)	(472)	(590)	(709)
Banco Votorantim	CDI	(17,993)	(616)	(924)	(1,232)	(1,540)	(1,847)
Banco ABC Brasil	CDI	(4,868)	(48)	(72)	(96)	(120)	(144)
Banco BBM Bocom	CDI	(4,780)	(163)	(244)	(325)	(407)	(488)
Banco Citi	CDI	(13,167)	(277)	(416)	(554)	(693)	(832)
Vendor Operations		(16,827)	-	-	-	-	-
SWAP - Banco ABC	Euro / CDI	(898)	(449)	(673)	(898)	(1,122)	(1,346)
SWAP - Bocom	US dollar / CDI	(422)	(211)	(316)	(422)	(527)	(633)
SWAP - Votorantim	US dollar / CDI	(3,077)	(1,538)	(2,308)	(3,077)	(3,846)	(4,615)
SWAP - Bradesco	US dollar / CDI	(878)	(439)	(659)	(878)	(1,098)	(1,317)
Subtotal		(578,820)	(4,345)	(6,519)	(8,691)	(10,864)	(13,036)
Scenarios of indexer variations							
(i) US dollar		4.8407	2.4204	3.6305	4.8407	6.0509	7.2611
(ii) Euro		5.349	2.6745	4.0118	5.3490	6.6863	8.0235
(iii) CDI		23.83%	11.92%	17.87%	23.83%	29.79%	35.75%
(iv) SOFR		5.32%	2.66%	3.99%	5.32%	6.65%	7.98%

(*) Foreign currency loan operations are hedged through currency swaps contracted with the same banks.

Sources: Sources: (i) (ii) US dollar/Euro - PTAX Central Bank of Brazil; (iii) CDI - Central Bank of Brazil; (iv) SOFR.

Livotech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2023

(In thousands of reais)

26. Risk management and measurement of financial instruments--Continued

e) Capital management

The primary objectives of the Company in managing its capital are to safeguard its ability to continue operations, thereby providing returns to shareholders and benefits to stakeholders. Additionally, the Company aims to enhance cash management to ensure the availability of credit lines, which is crucial for maintaining liquidity and achieving the lowest possible cost of funding, whether through equity or external financing.

The Company monitors the capital structure based on the financial leverage ratio, corresponding to net debt divided by total capital, and adjusts it considering changes in economic conditions, as shown below:

	Consolidated	
	2023	2022
Loans, borrowings and debentures	573,546	785,887
Leases	11,530	-
(-) Cash and cash equivalents	(101,959)	(152,470)
(-) Short-term investment	-	(152,170)
(+/-) Derivative financial instruments	5,274	7,600
Net debt	488,391	488,847
Equity	635,111	647,794
Total capital (equity and net debt)	1,123,502	1,136,641
Financial leverage ratio %	43%	43%

27. Segment information

The Company reports its results by segment to enhance monitoring and decision-making, and these results are divided into three segments: Telecom, Solar Power and Enterprise.

The segments have different service dynamics, types of products, and business models.

The Telecom segment includes the fixed broadband internet market, including fiber optic products and FTTH (fiber to the home), data networks, Wi-Fi, data center infrastructure, and more.

Livotech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2023

(In thousands of reais)

27. Segment information--Continued

The Solar Power segment includes solutions for distributed solar energy generation, including solar panel products, inverters and lithium batteries.

The Enterprise segment includes the B2B consumer market (companies), including security products, building and residential automation, professional audio and video, LED panels, and more.

Consolidated segment results

	Telecom		Solar		Enterprise		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Net revenue	475,939	467,224	166,549	347,888	258,229	255,793	900,717	1,070,905
Cost of sales	(367,538)	(339,317)	(164,629)	(304,531)	(180,288)	(179,400)	(712,455)	(823,248)
Gross income	108,401	127,907	1,920	43,357	77,941	76,393	188,262	247,657

Consolidated segment equity

	Telecom		Solar		Enterprise		Total	Total
	2023	2022	2023	2022	2023	2022	2023	2022
Total assets	979,781	1,039,811	85,601	200,645	287,669	398,167	1,353,051	1,638,623
Total liabilities + equity	961,937	1,144,826	62,426	188,109	328,688	305,688	1,353,051	1,638,623

a) *Information on customer concentration*

For the period ended December 31, 2023, the Company does not have any customer that individually accounts for 10% or more of its consolidated sales. Analyzing the segments individually, we have the following: (i) in the Telecom segment, one customer accounted for 7.9% of the segment's total (3.9% of the consolidated result); (ii) in the Solar Power segment, one customer accounted for 7.3% of the segment's total (1.3% of the consolidated result); and (iii) in the Enterprise segment, one customer accounted for 7.8% of the segment's total (2.5% of the consolidated result).

b) *Geographic information*

	Subsidiaries in the country		Subsidiaries abroad	
	2023	2022	2023	2022
Net revenue	873,358	1,042,018	27,359	28,887
Total assets	1,330,702	719,043	48,616	406

Livetech da Bahia Industria e Comércio S.A.

Notes to the individual and consolidated financial statements--Continued
December 31, 2023
(In thousands of reais)

28. Insurance coverage

The Company maintains insurance coverage in amounts deemed sufficient by Management to cover risks associated with its assets and/or liabilities. The insurance coverage includes the manufacturing facility located in the Ilhéus Industrial Complex and the commercial branch situated in São Paulo city.

Coverage at December 31, 2023 is presented below:

	Parent Company and Consolidated	
	2023	2022
Pecuniary loss	136,715	141,689
Civil liability	30,100	25,242
Other	30	200
Total	166,845	167,131