2023

MANAGEMENT REPORT

Dear Shareholders,

Telefônica Brasil S.A. (B3: VIVT3, NYSE: VIV) submits for appreciation the Management Report and the corresponding Financial Statements, accompanied by the audit report issued by the independent auditors, concerning the fiscal year ended December 31, 2023, presented in accordance with the International Financial Reporting Standards (IFRS) and the pronouncements, interpretations and guidelines issued by the Brazilian Accounting Pronouncements Committee.

MESSAGE FROM MANAGEMENT

The year 2023 was marked by the growth and greater profitability of our business, despite of macroeconomic uncertainties of an institutional transition period in the country. We started 2024 with the goal to "Digitalize to Bring Close" strengthened and acting as a compass to offer the best experience to customers and maximize financial return to shareholders.

In connectivity, we accelerated the expansion of the 5G network beyond the capital cities, in municipalities with 200 thousand to 500 thousand inhabitants, covering, by the end of 2023, 47% of the Brazilian population in 173 cities. We continue to lead the mobile segment with a 38.7% market share, based on nationwide coverage with 3G, 4G and 4.5G technologies. In the fixed network, we have the largest fiber network in Latin America, with more than 26 million homes and businesses covered in 443 municipalities. By the end of 2024, we will reach 29 million homes. #TemVivoPraTudo [#There'sAVivoForEverything] – one of our strategic pillars – shows that only at Vivo the customer can have a total and convergent offer, combining fiber and mobile, a strategy that will guide our commercial initiatives in 2024.

Coupled with the best connectivity technologies, we consolidate the company as a robust technology ecosystem, reinforcing our #TemTudoNaVivo [#There'sEverythingAtVivo] pillar. With an excellent performance in 2023, Ovvi, our own brand of smartphone accessories, remains relevant for the diversification of the business, as well as the expansion of the portfolio of electronics and devices, with a focus on 5G smartphones, which represents more than 80% of smartphones sales in our stores. We launched a new concept of store in São Paulo, Casa Vivo, integrating several innovative technologies into smart home projects.

With a diversified digital platform, more and more customers are turning to Vivo in search of solutions for different areas. An example is financial services, in which we have Vivo Money – personal loans – which stands out with a portfolio of more than R$350 million and with the best growth prospects. We also highlight Vivo Itaucard, with advantages for payment in installments and cashback, and our insurance line, which now includes assistance for pets and bicycles, in addition to insurance for smartphones, tablets and smartwatches.

With a customer base of 113 million accesses, we are the main commercial partner for Over-The-Top (OTT) companies. We ended 2023 with 2.7 million subscribers to these online TV, video and music content platforms. In education, we continue to expand Vivae, which arrived at the market with a strategy aimed at free training courses, focusing on continuing education and employability.

In the health and wellness area, we offer the Atma meditation app, which has already accumulated more than three million downloads. Through our subsidiary, we acquired Vale Saúde Sempre, a digital platform for accessing affordable health services with the goal of helping the lives of millions of families who do not have private healthcare plans. Through Vivo Ventures, we expanded our operations in the segment, based on the commitment to invest R$25 million in Conexa, the largest independent telemedicine platform in Latin America. This is the fourth and largest investment made by Vivo Ventures, which has R$320 million in its portfolio to invest in Brazilian startups with solutions in key sectors for Vivo's positioning.

By the end of 2023, we announced the signing of a contract with Auren Energia to create a Joint Venture (JV) focused on the sale of customized solutions in renewable energy. With the ambition of being a national reference in its segment, the JV will adopt the retail sales modality and will have its own independent team.

Our corporate segment positions us as a relevant competitor in the business technology market. We bring companies a more robust digital portfolio of solutions in cybersecurity, cloud, IoT and big data, messaging, sales and rental of IT equipment. We have advanced in vertical actions, for example, to increase productivity in agribusiness. In addition to connectivity with public or private networks, the initiatives include digital solutions that optimize everyday life in the field with a smarter approach, making the operation more efficient. All these new revenue sources are progressing quickly, gaining more notoriety on the company's total revenue. The customer realizes the advantages of having their digital services with just one supplier.

Vivo is consumers' first choice thanks also to the best customer service experience. This strategy is developed on the pillar #DNAVivo. We continue to improve our main customer interaction channel, the Vivo app – which is one of the most accessed apps in the country, with 23 million users. Also noteworthy is the humanized use of Artificial Intelligence (AI), with Aura, which records around 28 million interactions per month. In addition to using AI in customer relationships, we are rapidly moving towards Generative AI in our internal processes, achieving greater efficiency and productivity.

Last year we achieved a historic result of Employee Net Promoter Score (eNPS) satisfaction, reflecting our “Digital Collaborative” culture that dialogues with the premise of our business: having digital combined with the human factor that, necessarily, has to be diverse. After all, we need to be connected to the world we live in. Diversity at Vivo is essential in promoting this culture and a differentiator for innovation.

We invest in trainee and internship programs with 50% of the positions focused on black talent. Today, we have 41.7% black employees, with 32.8% of them in leadership positions. Women represent around 45% of our total employees and 37.3% are part of the executive leadership. We ended the year with 32.5% of women in management positions, beating the challenge signed with the UN Global Compact, to have 30% by 2025. Our Board of Directors already has a 33% female presence and the “Mulheres de Fibra” ("Women in Fiber") program brings together more than 400 professionals in field functions, such as repair and installation. We also increased the presence of professionals with some type of disability, reaching 5% of employees. At Vivo, we promote an environment so that people feel comfortable being themselves, which motivated the interest of trans professionals in working at the company. We went from 20, in 2020, to more than 100, in 2023.

Our operations are guided by ESG criteria that reinforce the brand's commitment to growing responsibly, strengthened by the #VivoSustentável [#SustainableVivo] pillar. We are the most sustainable company in Brazil, according to the Corporate Sustainability Index (ISE B3), which has a portfolio of 78 listed companies, from different sectors. We evolved in all dimensions of the assessment, with scores above the portfolio average, a result that demonstrates sustainability as a strategic pillar of our business.

We are exceeding our environmental goals in line with climate urgency. In 2023, we reduced CO2 emissions by 27 thousand tons. It is as if we had removed 132 thousand vehicles from the streets in a city like São Paulo. The emissions that we are unable to avoid are offset through the purchase of carbon credits, converted into forest regeneration and protection actions. Our main objective is to reach net zero emissions by 2040, including in our value chain. Consolidating the representativeness and reach of our low carbon strategy, during COP 28, in Dubai, we received the 'Guardians for the Climate' award, promoted by the UN Global Compact in Brazil. The unprecedented initiative recognizes outstanding actions among companies that are part of the Net Zero Ambition Movement, aimed at promoting the Sustainable Development Goals (SDGs) of the UN 2030 Agenda.

In energy, the Distributed Energy Generation Program ended the year with 67 solar, hydro and biogas plants. By the end of 2024, there will be 85 with the capacity to supply the equivalent of 340 thousand homes consumption. Vivo Recicle – an initiative that promotes conscious consumption and circular economy among consumers – ended the year with 12 tons of electronic waste recycled. Through this action, we are the only Brazilian company to be featured in Fortune magazine's Change the World List, which highlights organizations with a positive impact on society through their business.

In the social front, 3.2 million people were benefited by Fundação Telefônica Vivo (FTV) initiatives, with over R$57 million in investments. We moved forward with the technical and professional training project in Data Science, with a course created especially for high school students, which is already present in the States of Espírito Santo and Mato Grosso do Sul, in addition to Santa Catarina, where the first class graduated from the program. By the end of the year, the project will be expanded to the states of São Paulo, Minas Gerais and Goiás. The initiative contributes for students in public-school to be prepared not only for the job market, but for a world that is constantly changing and impacted by the presence of digital technologies.

In governance, we accumulate indicators that legitimize our responsible and sustainable actions. For the eighth consecutive year, we are the company with the best reputation in the sector in Brazil, according to the Merco Empresas Ranking, reaching 32nd place in the general ranking, rising 10 positions compared to the last publication. Vivo was also recognized, for the third consecutive year, as one of the 10 "Best Companies to Work for in Brazil", in the "Large Companies" category in the national ranking of GPTW (Great Place To Work).

The year 2023 was also marked by Telefônica Brasil's 25 years of listing on B3 and NYSE, with a long history of acquisitions, mergers and investments, making a digital revolution in the country viable. Finally, I would like to thank the dedication and commitment of our 33 thousand employees, as well as the trust of all shareholders, customers and partners.

Christian Mauad Gebara

CEO of Telefônica Brasil

ESG – Environmental, Social and Corporate Governance

Telefônica Brasil has an ESG strategy composed of six action pillars, with more than 100 indicators monitored and reported in a consolidated manner by the Board of Directors through the Quality and Sustainability Committee, integrated into the Responsible Business Plan (RBP). The RBP is made up of targets (2023 – 2025) that promote the Company's responsible growth and contribute to the Sustainable Development Goals (SDGs).

Since 2019, 20% of short-term variable compensation for executives and employees has been linked to ESG goals. In 2022, the Long-Term Incentive Plan for executives included 50% of Telefônica Brasil shares with cash settlement, maintaining 50% of Telefónica Group shares. The incentive has guidelines for clawback and climate change among the assessment indicators. As for the Board of Directors, 83.3% of the members are independent and 33.3% are women.

Reinforcing its commitment to sustainability, in 2023 the company launched an impact analysis "Vivo pelos ODS 2030", which details how its business contributes to the Sustainable Development Goals (SDGs). In 2022, it issued R$3.5 billion in Sustainability-Linked Bonds (SLBs), a debt instrument linked to ESG targets on diversity and climate.

In 2023, Telefônica Brasil achieved the first objective of its Net Zero plan, reducing scope 1 and 2 emissions by 90% since 2015, the level recommended by science. This important milestone was achieved ahead of the initial target, considering several actions, such as: consumption of 100% renewable electricity, operational efficiency of equipment, use of biofuel in the fleet and investments in electric vehicles. The strategy on the topic is detailed in the Climate Action Plan, published in 2023 and approved by the Board of Directors.

Regarding the focus on clients, in 2023 products and services that favor energy and climate efficiency and are in line with the goal of containing the increase in global temperature by 1.5°C, totaled R$1,939 million in revenue. Through Vivo Recicle, around 12 tons of electronic waste were sent for recycling. In the fixed network, around 1.1 million modems and decoders were reused and more than 300 thousand recycled during the year. In energy, in the Distributed Generation Program, the company reached 67 of the 85 planned renewable source plants.

Reinforcing its commitment to promoting positive environmental and social impact through digitalization, Telefônica Brasil has solutions in its digital ecosystem that boost and facilitate access to health, education, banking and access to credit and, more recently, a joint venture focused on sale of renewable energy solutions. Furthermore, it also promotes these fronts in the innovation environment with Wayra Brasil, an open innovation hub, which ended 2023 with 25 startups, where around 50% generated business with the company, and Vivo Ventures, which invested around R$65 million since its creation in 2022. Digitalization promotes social inclusion and avoids the use of resources that can harm the environment.

In 2023, Fundação Telefônica Vivo (FTV) benefited around 3.6 million people and invested around R$57 million. Internally, the company's main employee engagement indicator (eNPS) continues to increase (+4 points YoY). In diversity, 50% of internship and trainee vacancies are aimed at black people, and, through the Mulheres de Fibra program, we ended 2023 with more than 400 women working in field functions.

Telefônica Brasil's digital security strategy is monitored through a dedicated management structure with a Chief Security Officer (CSO) and a Chief Information Security Officer (CISO), an

Executive Risk Committee, and periodic review by an independent member of the Board of Directors.

The company adheres to important standards and certifications: ISO 26000 (Social Responsibility); ISO 27001 (Information Security) for the following processes of the digital security program (Vivo Segura): Vulnerability Management (GVUL), Managed Detection and Response (MDR), Application Security (AppSec) and Data Protection Monitoring; DSC 10000 (Compliance); ISO 14001 (Environmental); ISO 45001 (Occupational Health and Safety) and ISO 50001 (Energy).

Telefônica Brasil was recognized as the most sustainable company in Brazil, according to B3's Corporate Sustainability Index (ISE B3), reaching 1st place among the 78 listed companies, from different sectors of operation. In addition to this recognition, the Company is positioned in the main ESG assessments, such as: (1) 10 most sustainable companies of the segment in the S&P Global ESG Scores (ranked eighth); (2) Included in CDP Climate Change 'A List'; (3) Among the 100 most sustainable companies in the world, by Corporate Knights; (4) Among the 10 Best Companies to Work for in Brazil 2023 in the GPTW national ranking; (5) 2022-2023 Pro-Ethics, an initiative by the Brazilian Controladoria Geral da União (CGU) that recognizes companies for their voluntary integrity practices.

The company is also a member of the S&P ESG, FTSE4Good and MSCI indexes.

Macroeconomic Context

In 2023, the Brazilian economy presented a positive performance, mainly due to the progress of structural reforms and the reduction in fiscal and monetary uncertainties present at the end of the previous year. The government established a new fiscal framework that imposed limits on the growth of public spending and increasing primary surplus targets, strengthening the commitment to public debt sustainability. Furthermore, the highlight of the country's political agenda was the approval of the tax reform, which has the potential to generate significant productivity gains and improve the business environment, resulting in an increase in potential GDP growth in the coming years.

Economic growth exceeded expectations, driven by a record harvest and resilient domestic consumption. The services sector continued to expand, which contributed to the unemployment rate falling to the lowest level since 2015. According to market expectations, the Brazilian GDP grew close to 3.0% in 2023, compared to 3.0% in 2022 and 5.0% in 2021. Consumer inflation showed a reduction in inflationary pressures, although it remained above the midpoint of its target. Inflation measured by the IPCA index fell from 5.78% p.a. in 2022 to 4.62% p.a. in 2023 according to the Brazilian Institute of Geography and Statistics - IBGE. The reduction in inflation, as a result of the effects of tightening monetary policy, the reduction in global inflationary pressures and the fall in food prices, allowed the Central Bank to begin reducing the SELIC rate, from 13.75% to 11.75% at the end of the year.

The public sector recorded a deficit of 1.2% of GDP in the accrued result in the twelve months up to November 2023, after a surplus of 1.3% in 2022, reflecting the increase in spending in the period. As a consequence, public debt increased to 73.4% of the GDP by November 2023, compared to 71.7% of the GDP in December 2022. However, the government has been taking measures to increase public revenues and reduce the deficit, in line with the guidelines of the new fiscal framework that established the target of zero fiscal deficit in 2024.

External accounts performed favorably in 2023. Brazil had a record trade balance surplus of US$98.6 billion in 2023, 60% above the result of US$62.3 billion in 2022. Exports were boosted by the record harvest, while imports were benefited from the drop in international prices. This result contributed to reducing the current account deficit from 2.8% of the GDP in 2022 to 1.6% of the GDP in the twelve months ending in November 2023, easily financed by the high flow of foreign investment, of 2.7% of the GDP accrued in twelve months until November 2023 (compared to 4.5% in 2022). International reserves stood at US$355 billion as of December 29, 2023, compared to US$338 billion as of December 30, 2022.

Given this favorable situation, there was an improvement in the prices of local assets, including a decrease in Brazil's risk premium and the appreciation of the exchange rate, in addition to an improvement in Brazil's classification by credit rating agencies. The Brazilian risk premium, measured by J.P. Morgan's EMBI+ Brazil, fell to 195 basis points at the end of 2023, compared to 256 base points at the end of 2022. The exchange rate appreciated by 7.2% in 2023, going from R$/US$5.22 at the end of 2022 to R$4.84 at the end of 2023. Finally, the risk rating agency S&P upgraded Brazil's long-term ratings to "BB" from "BB-", now two levels below investment grade.

Business Performance

In 2023, the Company's Net Revenue grew +8.4% YoY and reached R$52,100.1 million (R$48,041.2 million in 2022), leveraged by the growth in postpaid mobile revenue, followed by fiber services, such as FTTH and Corporate Data, ICT and others.

Mobile Business

Mobile Revenue advanced 10.9% in 2023, supported by the performance of **Mobile Service Revenue**, which grew 10.8% YoY, and by Electronics Revenue (+11.2% YoY). Postpaid Revenue, which includes M2M, dongles, wholesale and others, represents 82% of mobile service revenue, and grew 13.1% YoY due to the increase in the customer base and the reduction in postpaid churn (ex-M2M) to historical minimum levels and annual price adjustments. In 2023, we added over 3 million postpaid accesses, resulting mostly from the migration of prepaid customers to hybrid plans and the positive portability balance from other operators.

Prepaid Revenue increased 1.5% year-on-year, despite a reduction of 5.2% YoY in the customer base, which reflects the migration from prepaid to hybrid, which benefits the mobile service revenue as a whole. Prepaid ARPU accelerated by 4.8% YoY.

Electronics Revenue increased 11.2% compared to 2022, driven by the broad offer of electronics, from smartphones to connected home devices, and accessories. During the year, more than 80% of smartphones sold in our stores were 5G-ready smartphones.

Fixed Business

Net Fixed Revenue grew 3.1% YoY, driven by the greater share of **Core Fixed Revenue**[1] (+10.5% YoY), that represents 79.3% (+5.3 p.p. YoY) of fixed revenue. The contribution of this business to the Company's total revenue growth reflects a structural change in the revenue mix, resulting from the strategic decision to focus investments on more advanced technologies, such as fiber and B2B digital services.

FTTH revenue increased 15.9% YoY in 2023, the result of the combination of the annual price adjustment and the growth of the customer base, with the addition of 0.7 million homes connected in the period. FTTH performance has been driven by our convergent postpaid and fiber offer, Vivo Total, which already has 1.3 million accesses and represented 79% of fiber gross adds in stores in 2023.

IPTV Revenue, a product related to fiber connectivity, remained stable in the annual comparison (R$1,476.7 million), despite a reduction in the access base (-5.9% YoY).

Corporate Data, ICT and Other Revenues increased by 15.7% YoY in 2023, as a result of the complete portfolio of products and services offered by the Company, which includes, in addition to connectivity, cloud, IT, equipment and cybersecurity solutions, among others, allowing us to assist companies of different sizes to digitize their transactions. During the year, digital services for companies represented 57.5% (+4.8 p.p. YoY) of this revenue line.

Costs

Operating costs and expenses, excluding depreciation and amortization, reached R$30,782.0 million in the year, an increase of 7.0% when compared to 2022 (R$28,759.7 million). This increase is a reflection of higher costs with sales of digital solutions, mainly in B2B, and sales of electronics, with a corresponding increase in revenue. Furthermore, there was an increase in compensation expenses due to the annual adjustment and hiring of new employees, partially offset by the constant digitalization and efficiency initiatives, with incentives for the use of digital channels in the sales of products, services, top-ups and payments, increasing adoption of e-billing and reduction of calls in the call center, in addition to strict monitoring of credit granting, with consequent control of the provision for bad debts.

[1] FTTH, FTTC, IPTV, Corporate Data and ICT, Wholesale and other fixed revenue.

EBITDA

EBITDA totaled R$21,318.1 million in 2023, an increase of 10.6% YoY (R$19,281.5 million in 2022). EBITDA Margin reached 40.9% in 2023, an increase of 0.8 p.p. compared to 2022 (40.1%).

Consolidated - in R$ millions	2023	2022
Operating profit before financial income and expenses and equity method	7,928.5	6,621.6
Depreciation and amortization expenses		
In costs of services	10,997.7	10,309.5
In service selling expenses	1,541.5	1,521.7
In general and administrative expenses	850.4	828.7
EBITDA	**21,318.1**	**19,281.5**
EBITDA Margin		
a) EBITDA	**21,318.1**	**19,281.5**
b) Net operating revenue	**52,100.1**	**48,041.2**
a) / b)	40.9%	40.1%

Net Income

Net Income for 2023 reached R$5,029.4 million (R$4,085.0 million in 2022), an increase of 23.1% YoY. Telefônica Brasil's net margin in 2023 was 9.7% (8.4% in 2022). The result reflects the Company's solid operational performance combined with continuous cost control in the period, despite the increase in depreciation and amortization and the higher financial expenses, both related to the greater number of leasing contracts.

Consolidated - in R$ millions	2023	2022
a) Net income for the year[2]	5,029.4	4,085.0
b) Net Operating Revenue	52,100.1	48,041.2
a) / b)	**9.7%**	**8.4%**

Investments

In 2023, the Company invested[3] R$8,959.8 million, an amount 6.0% lower than the amount invested in 2022 (R$9,529.9 million), which represents 17.2% of the year's Net Operating Revenue.

In 2023, we continued to expand the Company's fiber network at an accelerated pace, adding 2.9 million homes passed. In total, there are already 26.2 million homes passed in 443 cities in Brazil. The goal is to reach 29 million homes passed by the end of 2024 and speed up the volume of customers connected and, consequently, capture the return on investments.

FTTH coverage in 443 cities, with 26.2 million homes passed.

[2] Net income attributed to Telefônica Brasil.
[3] Does not include amounts related to licenses and IFRS 16.

In addition to expanding our fiber network, we also invested in the maintenance and expansion of the mobile network, with emphasis on the activation of 5G. At the end of 2023, there were 173 cities with Vivo's 5G coverage, equivalent to 47% of the Brazilian population.

Consolidated - in R$ million	2023	2022	Δ% a/a
Network	7,588	7,972	(4.8)
Technology, Information Systems and Others	1,371	1,558	(12.0)
Investments[4] ex-IFRS 16	**8,960**	**9,530**	**(6.0)**
IFRS 16 | Leases	4,402	2,877	53.0
Total | IFRS 16	**13,362**	**12,407**	**7.7**

The Company's investments in controlled and associated companies, as well as the changes that occurred during the year are reflected in the in the Financial Statements notes for the fiscal year of 2023.

Digital Business

Guided by the strategic pillar #TemTudoNaVivo [#There'sEverythingAtVivo], we continue to advance in the development of an ecosystem with relevant partners to leverage our consolidation as a digital services hub.

B2C

Financial Services

In financial services, we reached a revenue of R$402.6 million in 2023 (R$295.1 million in 2022), a growth of 36.4% YoY. The main products in this vertical are Vivo Money, a personal loan service for Vivo customers, whose credit portfolio reached R$358 million at the end of 2023, an increase of 2.0x year-on-year, and Vivo Seguros, which has already has more than 300 thousand insured smartphones, in addition to insurance for electronic devices such as smartwatch and headphones. We are also moving beyond technology to offer pet, bike and home insurance.

Entertainment

Vivo distributes the best music and video OTTs on the market to its customers, combined with quality connections, wide coverage of sales channels, revenue capacity and the credibility of a brand that knows how to relate to customers. At the end of 2023 we had 2.7 million subscribers (+19% YoY) of content platforms and a revenue of R$562.6 million in 2023 (+32.0% YoY).

[4] Does not include amounts related to license renewal at the amount of R$190.1 million in 2022; R$63.1 million in 2023; and effects of IFRS 16.

Health

In the health vertical, we offer a digital platform with the aim of bringing quality care to the entire population, with telemedicine, wellbeing services and pharmacy discounts.

In March 2023, through our subsidiary, we acquired Vale Saúde Sempre (VSS), expanding our presence in digital healthcare services. Vale Saúde Sempre operates as a healthcare service marketplace, connecting its customers to more than 5 thousand clinics and laboratories across the country, upon payment of a monthly subscription.

It is also important to highlight our meditation app, Atma, which has an average of more than 300 thousand monthly users.

Education

Another important pillar of our B2C digital ecosystem is education. In this regard, we partnered with Ânima to create the Vivae joint venture, focused on offering free digital courses with a focus on continuing education and employability.

The digital platform, commercially launched in March 2023, offers a personalized learning experience where students can choose subjects according to their personal interests and professional aspirations, providing quality education to teenagers and adults seeking a career transition or a formal job.

Vivo Ventures

Vivo Ventures (VV), a Corporate Venture Capital fund created with Telefónica Open Innovation, aims to invest in startups focused on innovative solutions that can accelerate Company's B2C ecosystem growth.

VV has already made important investment commitments in fintechs such as Klavi, focused on Open Finance solutions, and Klubi, a consortium administrator; Digibee, a lowcode iPaaS (Integration Platform as a Service) that enables systems integration in a simplified and more efficient way; and Conexa Health LLC, the largest independent telemedicine platform in Latin America and a digital health ecosystem, connecting patients, professionals, companies and operators, with the aim of democratizing access to quality healthcare.

VV foresees an estimated contribution of R$320 million, which will be invested over its first 5 years, of which around R$65 million has already been invested, in startups in the health, finance, education, entertainment, smart home, marketplace, among others.

B2B

Digital Services

Companies in Brazil are moving towards digitalization, and Vivo offers services that go beyond connectivity, creating an digital services ecosystem comprised of cloud services, cybersecurity, IoT, big data, messaging, sales and leases of IT equipment, among others.

In 2023, B2B digital services generated R$3,374.4 million in revenues (+25.4% YoY), representing 6.5% of Vivo's total revenue for the year (+0.9 p.p. YoY).

Currently, around 10% of our B2B customers hire digital services with Vivo, which demonstrates the great opportunity to increase the penetration of these services, especially among Small and Medium-sized Companies. To achieve this, we offer Vivo Meu Negócio, with a complete ecosystem of solutions related to sales management, web presence and efficiency tools.

Energy

At the end of 2023, we announced the creation of a joint venture (JV) focused on selling customized renewable energy solutions throughout Brazil. The JV will bring together Auren Energia's experience in generating and selling energy to the scale of Telefônica Brasil, with its digital penetration and distribution capacity, to position itself in Brazil's free energy market, the opening of which has been implemented gradually and, since January 2024, it has been accessible to business sector customers connected to the high-voltage network with a demand of less than 500kW.

The joint venture's potential operating market is estimated at more than 72 thousand large companies, including factories, offices and commercial establishments, in addition to preparing to, in the future, operate in the low-voltage and residential segments in a scenario of total opening of the Brazilian electricity market.

The JV will have its own independent team and activities are scheduled to begin in the second half of 2024.

Shareholder Return

Telefônica Brasil is constantly reaffirming its commitment to maximizing shareholder return. In 2023, the Company distributed to its shareholders the amount of R$4,786 million[5], with R$2,471 million in interest on equity, R$1,827 million in dividends and R$489 million in share buybacks.

In February 2023, the Company's Board of Directors approved the cancellation of 13,381,540 shares repurchased under the Share Buyback Program, and in December 2023, the Company's Board of Directors approved the cancellation of 10,968,371 shares held in treasury, totaling 24,349,911 shares canceled during the year.

Furthermore, on January 24, 2024, the Company's Extraordinary General Meeting approved the reduction of the Company's capital stock at the amount of R$1.5 billion, with the reimbursement of funds to shareholders in proportion to their shareholding position. and without canceling shares.

[5] It considers dividends and interest on capital paid in 2023 and share buybacks carried out between January and December 2023.

The funds resulting from the reduction in share capital will be paid in a single installment by July 31, 2024, on a date to be defined in due course by the Company's Board of Directors, individually to each shareholder included in the Company's records at the end of April 10, 2024, and after this date shares issued by the Company will be traded without right to return. The aforementioned reduction in share capital will become effective after the period for creditors' opposition of sixty (60) days from January 25, 2024, the date on which the minutes of the Extraordinary General Meeting of January 24, 2024 were published.

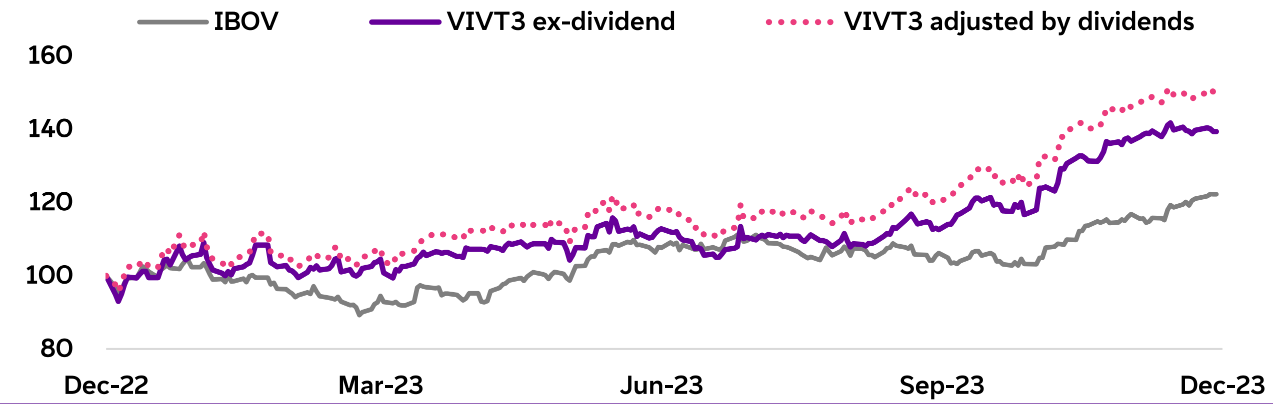
Annual distribution to the shareholder, from 2024 to 2026, equal to or greater than 100% of net profit

Finally, for the period 2024 to 2026, the Company announced its commitment to carry out the Distribution to Shareholders through dividends, interest on capital, capital reduction and share buybacks issued by itself, in an amount equal to or greater than 100% of the net income to be determined in each of said fiscal years.

Stock Market

The Company's share (VIVT3) price ended 2023 at R$53.44, an appreciation of 39.3% in 12 months. IBOV, in turn, appreciated by 22.3% in the year.

Share Performance
(Base 100 on 12/31/2022)



VIVT B3 LISTED | 25 YEARS VIV LISTED NYSE | ISE B3 | ICO2 B3

Telefônica Brasil S.A.

CONSOLIDATED BALANCE SHEETS

On December 31, 2023 and 2022

(In thousands of Reais)

ASSETS	Note	12.31.2023	12.31.2022
Current assets		**19,244,962**	**17,283,910**
Cash and cash equivalents	3	4,358,276	2,273,834
Financial investments	4	1,148	1,016
Trade accounts receivable	5	9,318,077	8,691,114
Inventories	6	822,814	789,724
Prepaid expenses	7	1,434,042	1,141,521
Income and social contribution taxes recoverable	8	752,593	622,460
Taxes, charges and contributions recoverable	9	1,937,770	2,571,170
Judicial deposits and garnishments	10	72,516	592,369
Dividends and interest on equity	19	51	—
Derivative financial instruments	32	8,336	113,501
Other assets	11	539,339	487,201
Non-current assets		**101,493,018**	**101,837,573**
Financial investments	4	36,169	43,522
Trade accounts receivable	5	351,036	399,029
Prepaid expenses	7	1,472,615	993,391
Deferred taxes	8	177,245	379,093
Taxes, charges and contributions recoverable	9	675,305	869,460
Judicial deposits and garnishments	10	2,839,413	2,790,618
Derivative financial instruments	32	76,952	44,522
Other assets	11	144,291	326,308
Investments	**12**	**438,870**	**368,195**
Property, plant and equipment	**13**	**46,318,147**	**45,898,185**
Intangible assets	**14**	**48,962,975**	**49,725,250**
TOTAL ASSETS		**120,737,980**	**119,121,483**

Telefônica Brasil S.A.

CONSOLIDATED BALANCE SHEETS

On December 31, 2023 and 2022

(In thousands of Reais)

LIABILITIES AND EQUITY	Note	12.31.2023	12.31.2022
Current liabilities		**20,084,184**	**22,170,720**
Personnel, social charges and benefits	16	1,204,183	1,035,652
Trade accounts payable	17	8,169,945	7,415,798
Income and social contribution taxes payable	8	3,515	3,064
Taxes, charges and contributions payable	18	1,605,505	1,097,512
Dividends and interest on equity	19	2,247,884	3,187,417
Provision and contingencies	20	900,971	1,878,086
Loans and financing, debentures, leases and other creditors	21	4,475,660	6,019,945
Deferred income	22	960,078	845,645
Derivative financial instruments	32	6,948	86,548
Other liabilities	23	509,495	601,053
Non-current liabilities		**31,026,476**	**28,494,916**
Personnel, social charges and benefits	16	81,151	61,674
Income and social contribution taxes payable	8	197,155	104,438
Taxes, charges and contributions payable	18	3,895,732	2,788,735
Deferred taxes	8	3,418,740	3,831,721
Provision and contingencies	20	7,081,666	6,732,745
Loans and financing, debentures, leases and other creditors	21	14,261,567	13,281,851
Deferred income	22	126,525	137,778
Derivative financial instruments	32	87,755	77,593
Other liabilities	23	1,876,185	1,478,381
TOTAL LIABILITIES		**51,110,660**	**50,665,636**
Equity		**69,566,795**	**68,403,740**
Capital	24	63,571,416	63,571,416
Capital reserves	24	63,095	149,409
Income reserves	24	5,885,575	3,804,001
Additional proposed dividends	24	—	826,731
Equity valuation adjustment	24	46,709	52,183
Non-controlling shareholders	**24**	**60,525**	**52,107**
TOTAL EQUITY		**69,627,320**	**68,455,847**
TOTAL LIABILITIES AND EQUITY		**120,737,980**	**119,121,483**

Telefônica Brasil S.A.

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2023, 2022 and 2021

(In thousands of Reais, except earnings per share)

	Note	2023	2022	2021
Net operating revenue	25	**52,100,151**	**48,041,162**	**44,032,613**
Cost of sales	26	(29,415,400)	(27,431,680)	(24,781,369)
Gross profit		**22,684,751**	**20,609,482**	**19,251,244**
Operating (expenses) income		**(14,766,926)**	**(14,011,571)**	**(12,165,135)**
Selling expenses	26	(12,439,240)	(11,839,126)	(11,594,117)
General and administrative expenses	26	(2,957,296)	(2,737,600)	(2,615,905)
Other operating income (expenses), net	27	640,320	588,897	1,927,625
Share of net profit of joint ventures accounted for using the equity method	12	(10,710)	(23,742)	117,262
Operating income		**7,917,825**	**6,597,911**	**7,086,109**
Financial income (expenses), net	28	(2,343,909)	(1,766,320)	(1,126,580)
Income before taxes		**5,573,916**	**4,831,591**	**5,959,529**
Income and social contribution taxes	8	(533,939)	(773,689)	269,828
Net income for the year		**5,039,977**	**4,057,902**	**6,229,357**
Attributable to:				
Controlling shareholders		5,029,389	4,085,013	6,239,364
Non-controlling shareholders		10,588	(27,111)	(10,007)
Basic and diluted earnings per common share (in R$)	24	3.03	2.44	3.71

Telefônica Brasil S.A.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

Years ended December 31, 2023, 2022 and 2021

(In thousands of Reais)

	Note	2023	2022	2021
Net income for the year		**5,039,977**	**4,057,902**	**6,229,357**
Other comprehensive income that may be reclassified into income in subsequent years		**(5,414)**	**(15,834)**	**2,552**
Gains (losses) on derivative financial instruments	24	(922)	642	5,664
Taxes	8	314	(218)	(1,926)
Cumulative Translation Adjustments (CTA) on transactions in foreign currency	12	(4,806)	(16,258)	(1,186)
Other comprehensive income (losses) not to be reclassified into income (losses) in subsequent years		**(99,017)**	**(51,729)**	**262,615**
Unrealized losses on financial assets at fair value through other comprehensive income	24	(90)	(212)	(429)
Taxes	8	30	72	146
Actuarial losses and limitation effect of the assets of surplus plan	31	(147,882)	(77,924)	396,923
Taxes	8	48,925	26,335	(134,025)
Other comprehensive income (losses)		**(104,431)**	**(67,563)**	**265,167**
Total comprehensive income for the year		**4,935,546**	**3,990,339**	**6,494,524**
Attributable to:				
Controlling shareholders		4,924,755	4,017,653	6,504,534
Non-controlling shareholders		10,791	(27,314)	(10,010)

Telefônica Brasil S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended December 31, 2023, 2022 and 2021

(In thousands of Reais)

			Capital reserves			Income reserves								
	Note	Capital	Special goodwill reserve	Treasury shares	Other capital reserves	Legal reserve	Treasury shares	Tax incentive reserve	Reserve for remuneration to shareholders and investments	Retained earnings	Proposed additional dividends	Equity valuation adjustment	Non-controlling shareholders	Total equity
Balance on December 31, 2020		**63,571,416**	**63,074**	**(110,541)**	**1,229,730**	**3,073,334**	**—**	**76,345**	**—**	**—**	**1,587,518**	**65,888**	**—**	**69,556,764**
Payment of additional dividend for 2020	24.d	—	—	—	—	—	—	—	—	—	(1,587,518)	—	—	(1,587,518)
Unclaimed dividends and interest on equity	24.d	—	—	—	—	—	—	—	—	116,236	—	—	—	116,236
Adjustment – Tax incentives	24.c	—	—	—	—	—	—	43,009	—	(43,009)	—	—	—	—
Other comprehensive income	24.e / 31.c	—	—	—	—	—	—	—	—	262,901	—	2,269	(3)	265,167
Effects of equity in FiBrasil	24.c	—	—	—	2,182	—	—	—	—	—	—	—	—	2,182
Effects of the sale of the investment in CloudCo Brasil	24.c	—	—	—	31,367	—	—	—	—	—	—	—	47,674	79,041
Effects of the sale of the investment in IoTCo Brasil	24.c	—	—	—	34,644	—	—	—	—	—	—	—	41,336	75,980
Equity transactions		—	—	—	(18)	—	—	—	—	—	—	—	—	(18)
Repurchase of common shares for maintenance in treasury	24.b	—	—	(495,995)	—	—	—	—	—	—	—	—	—	(495,995)
Net income for the year		—	—	—	—	—	—	—	—	6,239,364	—	—	(10,007)	6,229,357
Allocation of income:														
Legal reserve	24.c	—	—	—	—	311,968	—	—	—	(311,968)	—	—	—	—
Interim interest on equity	24.d	—	—	—	—	—	—	—	—	(2,735,000)	—	—	—	(2,735,000)
Interim dividends	24.d	—	—	—	—	—	—	—	—	(1,500,000)	—	—	—	(1,500,000)
Additional proposed dividends	24.d	—	—	—	—	—	—	—	—	(2,028,524)	2,028,524	—	—	—
Balance on December 31, 2021		**63,571,416**	**63,074**	**(606,536)**	**1,297,905**	**3,385,302**	**—**	**119,354**	**—**	**—**	**2,028,524**	**68,157**	**79,000**	**70,006,196**
Payment of additional dividend for 2021	24.e	—	—	—	—	—	—	—	—	—	(2,028,524)	—	—	(2,028,524)
Unclaimed dividends and interest on equity	24.e	—	—	—	—	—	—	—	—	167,449	—	—	—	167,449
Adjustment – Tax incentives	24.d	—	—	—	—	—	—	95,095	—	(95,095)	—	—	—	—
Cancellation of the Company's common shares	24.a	—	—	606,536	(606,536)	—	—	—	—	—	—	—	—	—
Repurchase of the Company's common shares	24.a	—	—	(607,429)	—	—	—	—	—	—	—	—	—	(607,429)
Right of Withdrawal – approval of the acquisition of Garliava	24.a	—	—	(14)	—	—	—	—	—	—	—	—	—	(14)
Equity transactions	12	—	—	—	2,409	—	—	—	—	—	—	—	—	2,409
Effects of non-controlling shareholders on investments in Vivo Ventures	12	—	—	—	—	—	—	—	—	—	—	—	421	421
Other comprehensive income	24.f / 31.c	—	—	—	—	—	—	—	—	(51,386)	—	(15,974)	(203)	(67,563)
Net income for the year		—	—	—	—	—	—	—	—	4,085,013	—	—	(27,111)	4,057,902
Allocation of income:														
Legal reserve	24.d	—	—	—	—	204,250	—	—	—	(204,250)	—	—		—
Interim interest on equity	24.e	—	—	—	—	—	—	—	—	(2,075,000)	—	—	—	(2,075,000)
Interim dividends	24.e	—	—	—	—	—	—	—	—	(1,000,000)	—	—	—	(1,000,000)
Additional proposed dividends	24.e	—	—	—	—	—	—	—	—	(826,731)	826,731	—		—
Balance on December 31, 2022		**63,571,416**	**63,074**	**(607,443)**	**693,778**	**3,589,552**	**—**	**214,449**	**—**	**—**	**826,731**	**52,183**	**52,107**	**68,455,847**
Payment of additional dividend for 2022	24.e	—	—	—	—	—	—	—	—	—	(826,731)	—		(826,731)
Unclaimed dividends and interest on equity	24.e	—	—	—	—	—	—	—	—	139,766	—	—	—	139,766
Adjustment – Tax incentives	24.d	—	—	—	—	—	—	99,132	—	(99,132)	—	—	—	—
Cancellation of the Company's common shares	24.a	—	—	693,586	(693,586)	—	—	—	—	—	—	—	—	—

Telefônica Brasil S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended December 31, 2023, 2022 and 2021

(In thousands of Reais)

			Capital reserves			Income reserves								
	Note	**Capital**	**Special goodwill reserve**	**Treasury shares**	**Other capital reserves**	**Legal reserve**	**Treasury shares**	**Tax incentive reserve**	**Reserve for remuneration to shareholders and investments**	**Retained earnings**	**Proposed additional dividends**	**Equity valuation adjustment**	**Non-controlling shareholders**	**Total equity**
Repurchase of the Company's common shares	24.a	—	—	(86,337)	—	—	(402,421)	—	—	—	—	—	—	(488,758)
Equity transactions		—	—	—	23	—	—	—	—	—	—	—	—	23
Effects of non-controlling shareholders on investments in Vivo Ventures	12	—	—	—	—	—	—	—	—	—	—	—	511	511
Other comprehensive income	24.f / 31.c	—	—	—	—	—	—	—	—	(99,160)	—	(5,474)	203	(104,431)
Net income for the year		—	—	—	—	—	—	—	—	5,029,389	—	—	10,588	5,039,977
Allocation of income:														
Legal reserve	24.d	—	—	—	—	251,470	—	—	—	(251,470)	—	—	—	—
Interim interest on equity	24.e	—	—	—	—	—	—	—	—	(2,586,000)	—	—	(2,884)	(2,588,884)
Share cancellation - share buyback program	24.a	—	—	—	—	—	402,421	—	—	(402,421)	—	—	—	—
Reserve for remuneration to shareholders and investments	24.d	—	—	—	—	—	—	—	1,730,972	(1,730,972)	—	—	—	—
Balance on December 31, 2023		**63,571,416**	**63,074**	**(194)**	**215**	**3,841,022**	**—**	**313,581**	**1,730,972**	**—**	**—**	**46,709**	**60,525**	**69,627,320**

Telefônica Brasil S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2023, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

	Note	2023	2022	2021
Cash flows from operating activities				
Income before taxes		**5,573,916**	**4,831,591**	**5,959,529**
Adjustment for:				
Depreciation and amortization	26	13,389,573	12,659,873	12,038,331
Foreign exchange accruals on loans, financing and derivative instruments		57,836	199,625	(5,056)
Indexation accruals on assets and liabilities		583,912	761,128	823,257
Write-offs in operations with disposal of investments		—	—	(358,439)
Share of net profit of joint ventures accounted for using the equity method	12	10,710	23,742	(117,262)
Losses (gains) on write-off/sale of assets		(403,335)	(708,475)	(847,865)
Impairment losses – trade accounts receivable	26	1,362,678	1,315,614	1,436,288
Change in liability provision		24,320	251,116	293,935
Provisions for estimated losses for the reduction to the realizable value of inventories		67,748	34,672	38,441
Pension plans and other post-retirement benefits	31	66,733	33,775	70,148
Provisions for tax, labor, civil, regulatory and contingent liability claims	20	661,743	653,686	1,066,022
Interest expenses on loans and financing, debentures, leases and other creditors		2,092,184	1,850,286	940,766
Post-closing price adjustment - Garliava	27	(244,229)	—	—
Reversal of provisions for fines for cancellation of lease and dismantling contracts	20	(340,034)	(9,811)	(28,900)
Other		(38,889)	377	—
Changes in assets and liabilities				
Trade accounts receivable		(1,943,089)	(854,322)	(1,404,934)
Inventories		(100,838)	(179,613)	(45,166)
Taxes recoverable		(376,330)	(631,528)	(2,366,998)
Prepaid expenses		(473,260)	(483,711)	(393,333)
Other assets		61,646	139,213	41,987
Personnel, social charges and benefits		169,537	184,741	141,849
Trade accounts payable		800,249	231,890	1,046,087
Taxes, charges and contributions		2,421,640	2,136,829	1,715,965
Payments of provision for legal demands, contingent liabilities, fines for canceling lease contracts and amounts to be refunded to customers	20	(1,742,676)	(1,144,779)	(1,111,086)
Other liabilities		60,147	291,406	90,217
		16,167,976	**16,755,734**	**13,064,254**
Cash generated from operations		**21,741,892**	**21,587,325**	**19,023,783**
Payments of Interest on loans and financing, debentures, leases and other creditors	21	(2,054,278)	(1,531,511)	(853,805)
Income tax and social contribution payments		(901,688)	(1,113,889)	(97,378)
Net cash generated by operating activities		**18,785,926**	**18,941,925**	**18,072,600**
Cash flows from investing activities				
Additions to PP&E, intangible assets and others		(8,811,346)	(9,894,116)	(9,295,484)
Proceeds from sale of PP&E		434,446	777,996	760,254
Payments for the acquisition of investments and capital contributions to subsidiaries, net of cash and cash equivalents for acquisitions of companies	12	(63,799)	(4,907,282)	—
Receipts (payments), net of judicial deposits		393,649	(411,682)	163,323
Cash received upon sale of investments	12	196,057	232,057	244,139
Net cash used in investing activities		**(7,850,993)**	**(14,203,027)**	**(8,127,768)**
Cash flows from financing activities				
Additions from loans and debentures	21	30,025	4,500,000	—
Payments of principal on loans and financing, debentures, leases and other creditors	21	(4,451,943)	(6,986,220)	(3,901,147)
Receipts – derivative financial instruments	32	27,484	55,617	47,661
Payments – derivative financial instruments	32	(135,198)	(166,659)	(52,623)
Payments for repurchases of common shares - share repurchase program	24	(488,758)	(607,443)	(495,995)
Payments of dividends and interest on equity	19	(3,832,612)	(5,709,263)	(4,901,326)
Capital subscriptions made by noncontrolling shareholders in subsidiaries		511	421	45,000
Net cash used in financing activities		**(8,850,491)**	**(8,913,547)**	**(9,258,430)**
Increase (decrease) in cash and cash equivalents		**2,084,442**	**(4,174,649)**	**686,402**
Cash and cash equivalents at beginning of the year	3	**2,273,834**	**6,448,483**	**5,762,081**
Cash and cash equivalents at end of the year	3	**4,358,276**	**2,273,834**	**6,448,483**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. OPERATIONS

a) Background information

Telefônica Brasil S.A. (the "Company" or "Telefônica Brasil") is a publicly-held corporation whose main corporate purpose is operating telecommunications services; development of activities necessary or complementary to the execution of such services, in accordance with the concessions, authorizations and permissions granted; rendering value-added services; offering integrated solutions, management and provision of services related to: (i) data centers, including hosting and co-location; (ii) storage, processing and management of data, information, texts, images, videos, applications and information systems and similar; (iii) information technology; (iv) information and communication security; and (v) electronic security systems; licensing and sublicensing of software of any nature, among others.

The Company's principal offices are located at 1376, Engenheiro Luis Carlos Berrini Avenue, in the city and state of São Paulo, Brazil. It is a member of the Telefónica Group ("Group"), based in Spain which operates in several countries across Europe and Latin America.

On December 31, 2023, Telefónica S.A. ("Telefónica"), the Group holding company, held a total direct and indirect interest in the Company of 75.29% (74.20% on December 31, 2022) Note 24.a.

The Company is registered with the Brazilian Securities Commission ("CVM") and its shares are traded on the B3. It is also registered with the U.S. Securities and Exchange Commission ("SEC") and its American Depositary Shares ("ADSs"), backed by its common shares, are traded on the New York Stock Exchange ("New York Stock Exchange"–"NYSE").

b) Operations

The Company renders services for: (i) Fixed Switched Telephone Service Concession Arrangement ("STFC"); (ii) Multimedia Communication Service ("SCM", data communication, including broadband internet); (iii) Personal Mobile Service ("SMP"); and (iv) Conditioned Access Service ("SEAC" – Pay TV) and (v) Private Limited Service ("SLP"), throughout Brazil, through concessions and authorizations, in addition to other activities.

Service concessions and authorizations are granted by Brazil's Telecommunications Regulatory Agency ("ANATEL"), the agency responsible for the regulation of the Brazilian telecommunications sector under the terms of Law No. 9472 of July 16, 1997 – General Telecommunications Law ("*Lei Geral das Telecomunicações*" – LGT).

In accordance with the STFC service concession agreement, every two years, over the life of the agreement's 20-year term ending on December 31, 2025, the Company will pay a fee equivalent to 2% of its prior-year STFC revenue, net of applicable taxes and social contribution taxes (Note 23).

Authorizations for the use of SMP radio frequency spectrum, before the publication of Law No. 13,879/2019, were commonly granted for 15 years (in general) and could be extended only once, for the same period. With the regulatory review made possible by the aforementioned Law, successive extensions of grants became permitted, but the applicability of this instrument to the terms currently in force was uncertain until the issuance of Decree No. 10,402/2020, which detailed the requirements relating to the new regime of successive extensions and clarified that current authorizations are also covered by the aforementioned regime.

The Decree defined ANATEL's parameters for evaluating the scope of extension requests, such as ensuring the efficient use of radio frequencies, competitive aspects, meeting the public interest and fulfilling obligations already assumed with ANATEL.

For radio frequency use authorizations acquired prior to the 5G auction that took place in 2021, every biennium, after the first extension, the Company must pay a charge equivalent to 2% of the revenue earned through the provision of the SMP in the year prior to the payment, net of applicable taxes and social contributions (note 23), and, For certain terms, in the 15th year the Company must pay the equivalent of 1% of its revenue in the previous year. The calculation will consider the net revenue resulting from the application of the Basic and Alternative Service Plans.

In July 2018, ANATEL published Resolution No. 695 with a new public spectrum price regulation. This Resolution established new criteria for the costs of extending licenses. The formula considers factors such as authorization time, revenue earned in the region and amount of spectrum used by the provider. In addition, there is provision for part of the payment to be converted into investment commitments. However, the applicability of the calculation methodology contained in the aforementioned Resolution in specific cases of extension of authorizations depends on Anatel's assessment. In this sense, it is worth clarifying that ANATEL has recently been adopting different calculation methods for valuing authorization extensions.

Further details of the Company's licenses/authorizations are presented in Note 14.e).

c) Corporate events in 2022 and 2023

c.1) Constitution of Digital Education Joint Venture

On April 8, 2022, the Company and Ânima Holding S.A. ("Ânima Educação") formed VivaE Educação Digital S.A., a joint venture for digital education services. On that date, following the fulfillment of certain conditions precedent (including the approval of the operation upon the final ruling by the Administrative Council of Economic Defense – Administrative Council for Economic Defense ("CADE")), the corporate documents and commercial agreements were finalized enabling the startup of the joint-venture operations, which offers free training courses focusing on continuing education and employability in areas such as, for example Technology, Management, Business Administration and Tourism, offering customers personalized development paths with up-to-date content aligned with current job market demands. This will be delivered through a digital education platform. Ânima Educação's know-how in providing digital courses allied with Telefônica Brasil's scale and distribution capacity, provide the joint venture with the means to leverage access to the job market, contributing to the development and independence of its students.

The joint venture was created on April 8, 2022, with a 50% shareholding held by the Company and 50% by Ânima Educação. Since the creation of the joint venture, the Company and Ânima Educação made contributions totaling R$26,234, R$13,117 each.

c.2) Constitution and investments of the Fundo Vivo Ventures

Constitution

On April 11, 2022, the Board of Directors had approved, the formation of a Corporate Venture Capital fund, together with Telefónica Open Innovation, SL (Unipersonal) ("Telefónica Open Innovation"), called Vivo Ventures ("VV"), which aims to invest in startups focused on innovative solutions that can accelerate the growth of the Company's B2C ecosystem. The VV will receive an estimated investment of R$320 million by the Company and Telefónica Open Innovation, which will be invested over its first five years, in startups in the areas of health, finance, education, entertainment, smart home, marketplace, among others. The Company holds 98% of the subscribed capital of VV and Telefónica Open Innovation holds 2%.

Through VV, the Company intends to promote the expansion of its digital business through the creation of significant partnerships with startups, contributing to complement the value proposition offered to its customers through innovative services and products, with a focus on its purpose of digitization to foster and leverage its extensive distribution chain and promote the potential of the Vivo brand.

Since the creation of the VV, the Company and Telefónica Open Innovation have made contributions of R$46,645, of which R$45,713 by the Company and R$932 by Telefónica Open Innovation.

Investments made by VV

On August 26, 2022, VV entered into a Convertible Note Agreement, an investment agreement worth US$3 million in Credit Vista Technologies Limited, the holding company of Credit Vista Tecnologia para Personal Finance EIRELI ("Klavi"). The investment took place through the acquisition of promissory notes convertible into shareholding. Klavi is a fintech that offers open finance solutions through a SaaS platform (software as a service), using data intelligence that allows customers to develop financial products and services more quickly and accurately.

On January 20, 2023, VV made an investment of R$10 million in Klubi Participações S.A. ("Klubi"), through the acquisition of debentures convertible into shareholding. Klubi is a fintech authorized by the Central Bank to operate as a consortium administrator in Brazil, which currently offers car consortiums. The objective of this investment is to reinforce the presence of the Vivo brand in the area of financial solutions, in which it already offers services such as the Vivo Money personal credit platform, the Vivo Pay digital account, co-branded credit cards, as well as cell phone insurance and tablet.

On May 30, 2023, VV signed an investment agreement in the amount of US$3 million with DGB USA Inc ("Digibee"). Digibee is a lowcode iPaaS (Integration Platform as a service) that enables the integration between legacy technological systems and new technologies in a simplified and more efficient way, aligned with the Company's interest in accelerating its time to market in technological development.

On December 13, 2023, the Company informed its shareholders and the market in general that VV has committed to acquire a shareholding position in the amount of R$25 million in Conexa Health LLC, the controlling company of Conexa Saúde Serviços Médicos S.A. ("Conexa"). Conexa is the largest independent telemedicine platform in Latin America and a digital health ecosystem that connects patients, professionals, businesses, and insurers using up-to-date technology, with the goal of levelling access to quality healthcare. Recently, Conexa announced a merger with Zenklub, a digital services company for emotional health and wellness, that is still pending approval by competition authorities. This will be VV's fourth investment since its creation, in April 2022. The objective of the investment is to reinforce the Company's presence as a hub for digital services, including the health and well-being business.

(In thousands of Reais, unless otherwise stated)

c.3) Acquisition of part of Oi UPI Mobile Assets (Business combination)

Acquisition

The Company, in compliance with CVM Resolution No. 44/2021, informed its shareholders and the market that, it, on April 20, 2022, as one of the buyers, and Oi S.A. – in Judicial Recovery (successor of Oi Móvel S.A. – In Judicial Recovery) ("Oi") as the seller, had completed the acquisition as detailed in the Contract of Purchase and Sale of Shares and Other Covenants dated on January 28, 2021, as amended ("Contract"). Consequently, the Company acquired all the shares issued by Garliava RJ Infraestrutura e Redes de Telecomunicações S.A. ("Garliava"), to which a portion of UPI Mobile Assets (as defined in the Contract) had been assigned for the Company under the Segregation and Division Plan attached to the Contract ("UPI Mobile Assets – Telefônica").

This acquisition was subject to obtaining applicable corporate and regulatory authorizations, including from ANATEL and CADE. On January 31, 2022, ANATEL granted prior consent by imposing conditions ("Act of Consent") for the operations contemplated in the Contract. On February 9, 2022, the Company informed its shareholders and market that the CADE administrative court, at a meeting held on the same date, approved, subject to the implementation of the Concentration Control Agreement ("ACC" and "CADE's Approval", respectively), the merger act No. 08700.000726/2021-08 submitted for its assessment the conclusion of the Contract.

On April 20, 2022, the Company made a payment of R$4,884,588, having withheld the amount of R$488,458, equivalent to 10% of this payment, subject to 100% restatement of the CDI from the acquisition date, for purposes of ensure any compensation of amounts resulting from post-closing price adjustment and indemnity arising from remaining acts to be practiced after closing under the terms of the Agreement.

The following amounts owed to Oi were added to the acquisition price: (i) R$110,205, subject to the achievement of certain targets for migrating customer bases and frequencies (among others), which, as provided for in the Contract, is subject to updating by 100% of the CDI from the date of acquisition until the date of payment; and (ii) R$8,333, referring to the severance costs incurred by Oi with the dismissal of certain employees of Oi related to UPI Ativos Móveis.

Therefore, on the date of acquisition, the total amount of consideration for the acquisition of the portion of UPI Ativos Móveis, according to conditions defined in the Contract, was composed as follows:

Consideration in cash for the acquisition	4,884,588
10% retention on the amount paid for the acquisition (Note 21)	488,458
Purchase price, in accordance with the Agreement	**5,373,046**
Contingent consideration (Note 21)	110,205
Termination costs (Note 21)	8,333
Total consideration	**5,491,584**

The Company also entered into other complementary payment commitments with Oi, as follows:

a) R$147,551, paid in full on April 20, 2022, by Garliava to Oi, for transition services to be provided within 12 months, for the continuation of the mobile operations conferred to Garliava, excluding certain transition service costs in the contract scope.

b) R$179,000, the net present value of the take-or-pay data transmission capacity contract, to be paid monthly over a 10-year period.

In the context of this acquisition, the Company's share of UPI Mobile Assets was: (i) Clients: approximately 12.5 million (equivalent to 30% of the total customer base of the UPI Mobile Assets) – according to ANATEL's February 2022 data; (ii) Spectrum (licenses): 43MHz a country wide population-weighted average (46% of UPI Mobile Assets' radiofrequency); and (iii) Infrastructure: contracts for the use of 2.7 thousands mobile access sites (corresponding to 19% of UPI Mobile Assets' sites).

Upon completion of the acquisition, form April 20, 2022 the Company became the direct parent of Garliava. was headquartered in Brazil and operated in the provision of telecommunications services, especially for SMP and SCM; it renders infrastructure and network maintenance and installation services and leases, including for the placement of equipment; providing services in the retail and specialized wholesale trade of goods and/or services, through own and third parties, telecommunications, communication, computer and other equipment, by any means, including through any physical and/or remote sales channels, such as own and third-party stores, door-to-door, telephone (telemarketing) and internet, among other activities related to or related to its corporate purpose.

Purchase Price Allocation – PPA

Pursuant to IFRS 3, business acquisitions are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of assets acquired and liabilities assumed on the acquisition date from the acquiree's former controlling shareholders and any interests issued in exchange for control of the acquiree.

On December 31, 2022, the Company had already completed the report for the PPA, by analyzing the determination of the fair value of the identifiable assets acquired and the liabilities assumed from Garliava.

The assumptions, critical judgments, methods and hypotheses used by the Company to determine these fair values were as follows:

Licenses

The fair value of the licenses was determined using the discounted cash flow method of the Income Approach, which considers the income-forming capacity of the identified asset or business. The premise of this approach is that the value of an asset or business can be measured by the present value of the net economic benefit (cash receipts minus cash expenses) to be received over its useful life. The fair value allocated to the licenses on the acquisition date was R$2,518,836, which is being amortized in accounting over an average term of 10.08 years, ranging from 5 years to 15 years.

The main assumptions used in evaluating the licenses were: (i) Revenue: based on the number of active existing customers migrated from Oi to Garliava, as well as the average revenue per user (“ARPU”), considering an estimate of annual customer loss of 9% per year, on average; (ii) Costs and Expenses: were projected in accordance with historical data obtained by the Company and expectations of normalization of the operating margin in the long term. The projections were based on fixed and variable percentages of expenses, adjusting the fixed portion according to inflation and the variable according to revenue; (iii) EBITDA margin: vary between 35.3% in 2022 and 54.5% in 2030. The margin gains observed are due to gains in scale of the operation, efficiency improvements, and operational synergies to be realized by combining operations of Garliava within the Company; (iv) Depreciation: represents an average of 9.2% of net operating revenue; Tax rate: 34%, according to Brazilian tax legislation; and (v) Discount rate after taxes: 12.4%.

Customer portfolio

The customer portfolio was evaluated using the MEEM method ("Multi-period Excess Earnings Method"), which is based on a cash flow discount calculation of future economic benefits attributable to the customer base, net of the elimination of the contribution obligations involved. in your generation. To estimate the remaining useful life of the customer base, an analysis of the average duration of customer relationships was carried out using a withdrawal rate method.

The objective of this lifetime analysis is to estimate a livelihood curve that predicts future churn profiles associated with the current customer base. As an approximation of the customers' subsistence curve, the so-called "Iowa curves" were considered. The fair value allocated to the customer portfolio on the acquisition date was R$96,195, which will be amortized straight-line, according to the useful life of each type of customer, over an average term of 6.60 years, ranging from 5 years to 8 years.

The main assumptions used in evaluating the customer portfolio were: (i) Customers: 5 customer relationships were evaluated, namely: B2C prepaid, B2C postpaid, B2C Control, B2B postpaid and B2B M2M; (ii) Revenue: is based on the number of existing customers by type, migrated from Oi to Garliava, as well as the ARPU charged for providing the service. In the revenue projection, an estimate of annual customer loss and stability in ARPU were considered; (iii) Churn rate: calculated based on the historical percentage of customer departures, ranging from 26.8% to 50.2%; (iv) Costs and expenses: were projected in accordance with historical data obtained by the Company and expectations of normalization of the operating margin in the long term and operational synergies to be realized by combining Garliava's operations within the Company. The projections were based on fixed and variable percentages of expenses, adjusting the fixed portion according to inflation and the variable according to revenue, considering an add-back of 97% of marketing expenses, to reflect the exclusion expenses related to obtaining new customers, based on market standards; (v) Tax rate: 34%, in accordance with Brazilian tax legislation; and (vi) discount rate after taxes: 12.4%.

Fair Value of Contingent Liabilities

Under IFRS 3 Business Combinations, the acquirer recognizes, at the acquisition date, contingent liabilities assumed in a business combination even when it is not probable that an outflow of resources will be required to settle the obligation, provided that it is a present obligation that arises from past events and its fair value can be measured reliably. Contingent liabilities at fair value of R$453,697 were recognized from this acquisition, which were determined based on the estimated cash outflow for settlement on the acquisition date.

(In thousands of Reais, unless otherwise stated)

Composition of the fair value of net assets acquired

We present below the composition of the fair value of the net assets acquired, as well as the goodwill generated on the acquisition date:

Current assets	**542,289**	**Current liabilities**	**1,157,474**
Cash and cash equivalents	64,056	Leases	107,590
Other assets	478,233	Provision(3)	655,827
		Other liabilities	394,057
Non-current assets	**3,647,190**	**Non-current liabilities**	**935,131**
Achievable in the long term	**264,263**	Leases	481,434
Deferred taxes(4)	218,670	Provision(3)	453,697
Other assets	45,593		
Property, plant and equipment(1)	674,166	**Fair value of liabilities assumed**	**2,092,605**
Intangible assets(2)	2,708,761		
		Fair value of net assets acquired	**2,096,874**
		Goodwill(5)	**3,394,710**
Fair value of assets acquired	**4,189,479**	**Total consideration**	**5,491,584**

(1) Includes the write-down of property, plant and equipment (R$131,578).
(2) Includes the fair value of licenses of R$2,612,566 (R$2,518,836 from the PPA and R$93,730 from Garliava's accounting books) and customer portfolio (R$96,195).
(3) Includes the fair value of tax contingent liabilities (R$453,697) and penalties related to the termination of tower contracts in the amount of R$589,024.
(4) Includes deferred taxes on contingent liabilities (R$154,257).
(5) Goodwill recorded on the acquisition based on expected synergies resulting from the business combination.

Right of Withdrawal

In compliance with article 256 of Law No. 6,404/1976 ("Corporate Law"), as amended, the Company's August 4, 2022 Extraordinary General Meeting ("EGM"). As a result of this approval, the holders of shares issued by the Company who did not vote in favor, abstained from voting or did not attend the EGM, had the right to withdraw from the Company ("Right of Withdrawal") (Note 24.b).

Transaction costs

Transaction costs incurred up to the closing of the transaction on April 20, 2022, by the Company are approximately R$49.6 million. These costs are not part of the purchase consideration being recognized as expenses in the periods in which the costs were incurred.

Post-Closing Price Adjustment Notification

On September 17, 2022, the Company, together with Claro S.A. and TIM S.A. (“Buyers”), notified Oi, under the terms of the Agreement, regarding (i) the determination of Post-Closing Price Adjustment for the benefit of Purchasers (“Notification of Post-Closing Price Adjustment”); and (ii) known losses up to that moment (as defined in the Contract) in relation to which Purchasers are entitled to indemnity against Oi in the total amount of R$353,269, of which R$63,863 is attributable to the Company.

The Post-Closing Price Adjustment Notification presents values and calculations calculated with the support of a specialized company, based on the best analysis of the information received and understanding of the Agreement, totaling a maximum amount of R$3,186,922 for price adjustment for the benefit of Purchasers. Of the calculated Price Adjustment amount, the amount attributable to the Company is equivalent to up to R$1,075,461, and of this amount, the amount of R$488,458 corresponds to the withheld amount of 10% on the amount paid for the acquisition ("Price Adjustment").

After the exchange of notifications about the Price Adjustment between the Buyers and Oi, on October 3, 2022, the Company, together with Claro S.A. and TIM S.A., initiated an arbitration procedure ("Arbitration") against Oi, through a competent request for Arbitration filed at the Market Arbitration Chamber, under the terms of the Agreement, due to Oi's manifest non-compliance with certain terms of the Agreement.

On October 3, 2022, the 7th Business Court of the Judicial District of the Capital of the State of Rio de Janeiro, within the scope of the judicial reorganization process of Oi, issued an injunction granting a made by Oi in the sense that the Purchasers make a judicial deposit of the amount withheld from the updated acquisition price of UPI Ativos Móveis, equivalent to R$1,527,802, until the dispute arising from the adjustment of the post-closing acquisition price is resolved by arbitration, with the amount of R$515,565 corresponding to the Company's portion.

Pursuant to the preliminary decision of the 7th Business Court of the Judicial District of the Capital of the State of Rio de Janeiro, on October 20, 2022, the Company made a judicial deposit of R$515,565.

On September 29, 2023, the agreement regarding the Post-Closing Adjustment (as defined in the Agreement) ("Agreement") was recognized by the Market Arbitration Chamber Court.), entered into between the Buyers and Oi, as a way of putting an end to the controversy between the Parties and the arbitration procedure related to the Post-Closing Adjustment. On October 2, 2023 this same court approved the Agreement and ordered the transfer of resources to the parties involved. Therefore, the final price of the UPI Mobile Assets portion attributed to the Company, considering the Post-Closing Adjustment negotiated in the Agreement, was R$5,128,817 ("Company Adjusted Final Price"), taking as reference the closing date, the of which R$4,884,588 had already been paid by the Company on April 20, 2022 and the remaining amount, plus applicable interest and/or monetary correction, was paid upon withdrawal, by the Seller, of half of the amount retained by the Company.

Therefore, on September 30, 2023, 50% of the retained amount (R$488,458), plus applicable interest and/or monetary correction, was offset against the amount allocated as debt (note 20.c.5.1). The other 50%, in the updated amount of R$277,198, was withdrawn by the Company before the Arbitration Chamber on October 4, 2023.

Post-closing price adjustments occurred during the second half of 2023, after the PPA measurement period. In this way, the impacts generated by post-closing price adjustments were recorded in the income statement (note 27), without changes to goodwill.

Merger of Garliava

The Company's EGM, held on February 1, 2023, approved the merger of Garliava ("Merger"), as described in the relevant facts disclosed by the Company on December 16, 2022 and on February 1, 2023.

The Merger depended on obtaining prior consent from ANATEL and the completion of operational procedures related to systemic parameterization. On February 13, 2023, ANATEL's Board of Directors unanimously approved the incorporation of Garliava, including the Company's fulfillment of some conditions.

(In thousands of Reais, unless otherwise stated)

The Company, in accordance with and for the purposes of CVM Resolution No. 44/2021, in continuity with the relevant facts disclosed on December 16, 2022 and February 1, 2023, informed its shareholders and the market in general that, on February 28, 2023, its Board of Directors verified compliance with all conditions to grant full effectiveness to the merger of Garliava, therefore attributing full and immediate effectiveness to said Merger, with the consequent extinction of Garliava, for all purposes, the from February 28, 2023.

The Merger did not result in a capital increase, issuance of new shares or changes in the interests of the Company's shareholders, therefore there is no need to provide disclosures about a relationship involving replacement of shares or the right to withdraw.

The Merger expanded the Company's ability to create technological innovations in a sustainable and rational manner, contributing to the digitalization of the country through the construction and expansion of networks using cutting-edge technologies, such as 5G and fiber, which translates into services with better coverage and quality to users.

Garliava's assets and liabilities incorporated by the Company on February 28, 2023 are presented below:

Current assets	**1,110,297**	**Current liabilities**	**1,034,286**
Cash and cash equivalents	598,581	Leases	194,705
Other assets	511,716	Provision	510,649
		Other liabilities	328,932
Non-current assets	**616,889**	**Non-current liabilities**	**613,872**
Achievable in the long term	107,346	Leases	345,934
Deferred taxes	94,085	Other liabilities	267,938
Other assets	13,261		
Property, plant and equipment	494,640	**Equity**	**79,028**
Intangible assets	14,903		
Total assets	**1,727,186**	**Total liabilities and equity**	**1,727,186**

Assets and liabilities reflecting acquisition accounting as of the merger date (after amortization)

Description	**Group on the balance sheet**	**Note**	**Amount**
Deferred taxes	Deferred taxes	8.e	201,838
Licenses	Intangible	14.c	2,263,954
Customer portfolio	Intangible	14.c	82,239
Goodwill	Intangible	14.c	3,394,710
Contingent liability	Provision and contingencies	20.c	(456,379)
Total			**5,486,362**

c.4) Acquisition and merger of Vita IT Comércio e Serviços de Soluções em TI Ltda ("Vita IT") by Telefônica Infraestrutura e Segurança Ltda ("TIS") (Business Combination)

Acquisition

On October 3, 2022, TIS, an indirect subsidiary of the Company, acquired all of the quotas representing the share capital of Vita IT ("Operation"), as approved by the competent regulatory body.

The total value of the Transaction is subject to the achievement of operational and financial metrics agreed between the parties. Said price was supported by an appraisal report prepared by an independent company. The Transaction documents contain terms and provisions common to this type of transaction, such as representations and warranties, indemnification and others. The Operation was preceded by a financial, administrative, legal, fiscal and operational diligence in relation to Vita IT.

The Transaction is part of the Company's strategy to strengthen its performance and positioning in the networking market, with the supply of network equipment (example: switches, routers and Wi-Fi access points) and implementation, management and technical support services for the corporate network of companies.

With the completion of the Transaction on October 3, 2022, TIS became the direct parent company of Vita IT. Vita IT is headquartered in Brazil and operates as a solution integrator for companies of different sizes, providing professional and managed networking services, as well as hardware and software resale.

The combination of resources and capabilities of TIS and Vita IT generates added value for the Company's client portfolio, thanks to the performance of both companies under the same management in information technology and networking activities. The Operation also makes it possible to leverage new businesses on a larger scale and in a sustainable manner, in addition to growing revenue and improving the business margin. The integration plan between Vita IT, TIS and the Company was designed to preserve its value and give continuity to Vita IT's business.

Purchase Price Allocation – PPA

Pursuant to IFRS 3, business acquisitions are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of assets acquired and liabilities assumed on the acquisition date from the acquiree's former controlling shareholders and any interests issued in exchange for control of the acquiree.

On December 31, 2023, TIS had already completed the PPA report, by analyzing the determination of the fair value of the identifiable assets acquired and the liabilities assumed from Vita IT.

The assumptions, critical judgments, methods and hypotheses used by the Company to determine these fair values were as follows:

Brand

To evaluate the brand, the profitability approach ("Income approach") was used using the avoided royalties method ("Relief from royalties"). This method assumes that the intangible asset has a fair value based on royalty income and represents the asset owner's savings - the owner does not need to pay royalties to a third party for the license to use the intangible asset. Management's intention at the time of acquiring the stake was to use the acquiree's know-how and its ability to implement the new business model.

The main assumptions used in the evaluation of the brands were: (i) Revenue: Evaluation of the intangible asset was based on projections of net revenue supported by the entity's historical growth, without the synergy of the acquisition of Vita IT; (ii) Royalty rate: According to research carried out at the time, we observed that in the telecommunications market approximately 1% average royalty rate was used on net revenue; (iii) Brand costs and expenses: A percentage of 10% of net revenue was considered with royalties for brand maintenance, such as marketing expenses and others; (iv) Tax rate: 34%, in accordance with Brazilian tax legislation; and (v) Discount rate ("WACC") after taxes: 19.26%.

As a result of the calculation described, the fair value of the brand was R$4,076, with an amortization period of 4 years and 3 months.

Customer portfolio

The customer portfolio was evaluated using the MMSE method ("Multi-period Excess Earnings Method"), this method for evaluating the customer portfolio was used due to the possibility of attributing the cash flow generated directly to the identified asset.

The main assumptions used in evaluating the customer portfolio were: (i) Revenue: For portfolio projection purposes, we considered the net recurring revenue for the nine-month period ended September 30, 2022. The average permanence of customers in the base, as well as the evolution of average revenue per customer in the periods. The portfolio decline ("churn") was calculated based on the observed history of: hardware/software/support of 10.1% per year, Professional services of 9.8% per year and Managed services of 10% per year; (ii) Deductions and Expenses: Deductions on gross revenue were designed in accordance with historical practice, substantially taxes on sales or services. Expense costs were projected by comparing historical data and forecasting improvements in gross margin through actions to contain fixed costs over time; (iii) Tax rate: 34%, in accordance with Brazilian tax legislation; (iv) Discount rate ("WACC") after taxes: 19.26%.

As a result of the calculation described, the fair value of the customer portfolio was R$11,423, with an amortization period of 9 years and 3 months.

Non-compete agreement

The income approach was used, based on the "with and without" contract ("with/without" method). This method consists of projecting the expected cash flows for two scenarios: one with the non-compete agreement and the other without the non-compete agreement. Cash flow without the non-compete agreement considers a revenue loss rate and a potential competitor's probability of effectively competing with the Company. The difference between the cash flows of the two scenarios, which corresponds to the loss avoided by the non-compete agreement, is brought to present value by the specific rate of return for this asset and compared with the present value of the original cash flow (without loss revenue).

Two variables were considered to adjust the revenue that would be impacted by competition with sellers: (i) Capacity for reduction; It is; (ii) Likelihood of competition.

(In thousands of Reais, unless otherwise stated)

The main assumptions used in the evaluation of the Non-Compete Agreement: (i) Reduction capacity: Measures the impact on the reduction of gross revenue if the sellers were not present in the acquired business seeking to increase this revenue, as well as if they were competing with the own business that was sold. Initially, a greater impact was estimated, at 40%, which reduces year after year to 20% in the last year of the agreement; (ii) Probability of Competition: Measures the probability of sellers leaving the business, giving up earn-out benefits in each period. The probability of competition increases each year, starting from 5% to 25%; (iii) Loss of Revenue: Represents the multiplication of the capacity to reduce revenue by the probability of competition. The probability of loss increases every year, starting from 2% to 5%; (iv) Projection: For the other projection factors, we kept them constant as in the original projection; (v) Working Capital: Using the same working capital metrics (days open) to assess the impact of variations in working capital; (vi) Discount rate ("WACC") after taxes: 19.26%.

As a result of the calculation described, the fair value of the non-compete and permanence agreement was R$12,324, with an amortization period of 5 years.

Fair Value of Contingent Liabilities

Under IFRS 3 Business Combinations, the acquirer recognizes, at the acquisition date, contingent liabilities assumed in a business combination even when it is not probable that an outflow of resources will be required to settle the obligation, provided that it is a present obligation that arises from past events and its fair value can be measured reliably. Contingent liabilities at fair value of R$9,973 were recognized from this acquisition, which were determined based on the estimated cash outflow for settlement on the acquisition date.

Composition of the fair value of net assets acquired

We present below the composition of the fair value of the net assets acquired, as well as the goodwill generated on the date of acquisition, considering the allocation adjustments of the final version:

Current assets[(1)]	**30,408**	**Current liabilities**	**27,238**
Cash and cash equivalents	5,334	**Non-current liabilities**	**28,495**
Other assets	25,074	Personnel, charges and social benefits[(4)]	18,227
		Provision[(5)]	9,973
		Other liabilities	295
Non-current assets	59,464	**Fair value of liabilities assumed**	**55,733**
Other assets[(2)]	29,611		
Property, plant and equipment	1,853	**Fair value of net assets acquired**	**34,139**
Intangible assets[(3)]	28,000		
		Goodwill[(6)]	**76,081**
Fair value of assets acquired	**89,872**	**Total consideration**	**110,220**

(1) Includes the allocation of the added value of inventory items (R$1,510), determined by the average of historical acquisitions, amortized over one month.

(2) Includes the allocation of the fair value attributed to the indemnity asset related to labor obligations and contingent liabilities (R$28,200), accruing by SELIC interest.

(3) Allocation of the total fair value of R$27,823, attributed to: (i) R$12,324 to the non-compete agreement; (ii) R$4,076 to the brand; and (iii) R$11,423 to the customer portfolio.

(4) Allocation of the fair value attributed to the liabilities with labor obligations of legal entities, accruing by SELIC interest.

(5) Allocation of the fair value assigned to the contingent liability, accruing by SELIC interest.

(6) Refers to the value of the goodwill calculated on the acquisition of Vita IT with the expectation of future synergies from the combination of the acquiree's businesses, which may be used for tax purposes.

(In thousands of Reais, unless otherwise stated)

Due to new information relating to facts and circumstances existing on the acquisition date, obtained by the Company during the measurement period, changes were made to the PPA.

In the table below, we show the variations between December 31, 2022 and 2023.

Description	Published on 12.31.2022	Adjustments in 2023	On 12.31.2023
Equity of the investee	**4,582**	**224**	**4,806**
Fair value of acquired assets	**35,582**	**21,951**	**57,533**
Added value of inventories	1,510	—	1,510
Indemnity asset	—	28,200	28,200
Non-compete agreement	—	12,324	12,324
Brand	4,527	(451)	4,076
Customer portfolio	29,545	(18,122)	11,423
Fair value of liabilities assumed	**(28,200)**	**—**	**(28,200)**
Labor obligations	—	(18,227)	(18,227)
Contingent liabilities	(28,200)	18,227	(9,973)
Total consideration	**110,815**	**(595)**	**110,220**
Goodwill	**98,851**	**(22,770)**	**76,081**

The adjusted total purchase consideration transfer was R$110,220, of which: R$42,000, paid in cash at the time of completion of the Transaction; R$8,992 paid in 2023 and the balance of R$59,228 will be paid according to contractual clauses, updated by the IPCA.

The transaction costs incurred until the closing of the transaction on October 3, 2022, are approximately R$1 million. These costs are not considered components of the consideration transferred, and were recognized as expenses in the periods in which the costs were incurred.

Merger

The Company, in compliance with CVM Resolutions No. 44/2021 and 80/2022, informed its shareholders and the market in general that, on November 30, 2023, TIS carried out the merger of Vita IT.

This merger strengthens the Company's positioning in the networking market and enables greater operational efficiency, increased business scale, in addition to standardization in the provision of certain information technology services.

The merger did not result in a change in the corporate structure of the Company or TIS, and there is therefore no need to provide disclosures about a relationship involving the replacement of shares or the right to withdraw.

Vita IT's assets and liabilities incorporated by the Company on November 30, 2023 are presented below:

(In thousands of Reais, unless otherwise stated)

Merged assets and liabilities at book value of Vita IT

Current assets	**132,847**	**Current liabilities**	**106,751**
Cash and cash equivalents	16,845	Other liabilities	106,751
Other assets	116,002		
Non-current assets	**3,957**	**Non-current liabilities**	**20,664**
Achievable in the long term	**1,566**	Other liabilities	20,664
Other assets	1,566		
Property, plant and equipment	**2,262**		
Intangible assets	**129**	**Equity**	**9,389**
Total assets	**136,804**	**Total liabilities and equity**	**136,804**

Assets and liabilities reflecting acquisition accounting as of the merger date (after amortization)

Description	Group in the balance sheet	Note	Amount
Indemnity asset	Other assets	11	31,219
Customer portfolio	Intangible asset	14.c	9,982
Brand	Intangible asset	14.c	2,957
Non-compete agreement	Intangible asset	14.c	9,448
Agio	Intangible asset	14.c	76,081
Contingent Liabilities	Provisions and contingencies	20.c	(11,041)
			118,646

c.5) Acquisition of Vale Saúde Administração de Cartão S.A. ("Vale Saúde Sempre") by POP Internet Ltda. ("POP") (Business Combination)

On March 3, 2023, POP, a subsidiary of the Company, completed the acquisition of all shares of Vale Saúde Sempre, pursuant to the Share Purchase and Sale Agreement and Other Covenants ("Transaction"). The purchase consideration is up to R$62,033, subject to the achievement of operational and financial metrics agreed between the parties. The Transaction reflects common terms and provisions for this type of transaction, such as representations and warranties, indemnification and others. The closing of the Transaction is not subject to prior approval by the CADE but is subject to final financial, administrative, legal, fiscal, operational and technological diligence.

Vale Saúde Sempre is a start-up that operates as a marketplace for healthcare services, connecting its customers to a broad medico-hospital network with coverage throughout Brazil, upon payment of a monthly subscription. Its accredited network has a full range of health service providers, and the client can contract consultations (face-to-face and telemedicine), laboratory tests and surgeries at competitive prices, paid on demand directly to the partners.

On the date of the Transaction, Vale Saúde Sempre had 250 thousand users and, over the last 3 years prior to acquisition, its net revenue grew at a rate of 64% per year. The Transaction strengthens the Company's position as a digital provider, promoting services that are relevant and complementary to its business model. The assets, such as its brand, extensive customer base with a high repeat index and capillarity of on-site and digital distribution channels, will make it possible to sustainably scale-up the Vale Saúde Sempre business expanding the Company's portfolio to new digital services in the healthcare value chain.

In accordance with IFRS 3, business acquisitions are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated by the sum of the fair values of the transferred assets, the liabilities assumed on the acquisition date with the acquiree's former controlling shareholders and the interests issued in exchange for the acquiree's control.

On December 31, 2023, POP had already completed the PPA report, by analyzing the determination of the fair value of the identifiable assets acquired and the liabilities assumed from Vale Saúde Sempre.

Brand

To evaluate the brand, the profitability approach ("Income approach") was used using the avoided royalties method ("Relief from royalties"). This method assumes that the intangible asset has a fair value based on royalty income and represents the savings of the asset owner – the owner does not need to pay royalties to a third party for the license to use the intangible asset.

Management's intention at the time of acquiring the stake was to use the acquiree's know-how and its ability to implement the new business model.

The main assumptions used in the evaluation of the brands were: (i) Revenue: Evaluation of the intangible asset was based on net revenue projections supported by the entity's historical growth, without the synergy of the acquisition of Vale Saúde Sempre; (ii) Royalty rate: According to research carried out at the time, we observed that in the telecommunications market, approximately 1% average royalty rate was used on net revenue; (iii) Brand costs and expenses: A percentage of 10% of net revenue was considered with royalties for brand maintenance, such as marketing expenses and others; (iv) Tax rate: 34%, in accordance with Brazilian tax legislation; and (v) Discount rate (“WACC”) after taxes: 21.9%.

As a result of the calculation described, the fair value of the brand was R$774, with an amortization period of 4 years and 10 months.

Customer portfolio

The customer portfolio was evaluated using the MMSE method (“Multi-period Excess Earnings Method”), this method for evaluating the customer portfolio was used due to the possibility of attributing the cash flow generated directly to the identified asset.

The main assumptions used in evaluating the customer portfolio were: (i) Revenue: For portfolio projection purposes, we considered the net recurring revenue for the nine-month period ending on February 28, 2023. The average permanence of customers in the base, as well as the evolution of average revenue per customer in the periods; (ii) Deductions and Expenses: Deductions on gross revenue were designed in accordance with historical practice, substantially taxes on sales or services. Expense costs were projected by comparing historical data and forecasting improvements in gross margin through actions to contain fixed costs over time. (iii) Tax rate: 34%, in accordance with Brazilian tax legislation; (iv) Discount rate (“WACC”) after taxes: 21.9%.

As a result of the calculation described, the fair value of the customer portfolio was R$607, with an amortization period of 4 years and 10 months.

Non-compete agreement

The income approach was used, based on the "with and without" contract ("with/without" method). This method consists of projecting the expected cash flows for two scenarios: one with the non-compete agreement and the other without the non-compete agreement. Cash flow without the non-compete agreement considers a revenue loss rate and a potential competitor's probability of effectively competing with the Company. The difference between the cash flows of the two scenarios, which corresponds to the loss avoided by the non-compete agreement, is brought to present value by the specific rate of return for this asset and compared with the present value of the original cash flow (without loss revenue).

Two variables were considered to adjust the revenue that would be impacted by competition with sellers: (i) Capacity for reduction; It is; (ii) Likelihood of competition.

The main assumptions used in the evaluation of the Non-Compete Agreement: (i) Reduction capacity: Measures the impact on the reduction of gross revenue if the sellers were not present in the acquired business seeking to increase this revenue, as well as if they were competing with the own business that was sold. At the beginning, we estimated a greater impact, of 40%, which reduces year after year to 20% in the last year of the agreement; (ii) Probability of Competition: Measures the probability of sellers leaving the business, giving up earn-out benefits in each period. The probability of competition decreases each year, starting from 40% to 25%; (iii) Loss of Revenue: Represents the multiplication of the capacity to reduce revenue by the probability of competition. The probability of loss increases every year, starting from 1.3% to 2.5%; (iv) Projection: For the other projection factors, we kept them constant as in the original projection; (v) Working Capital: Using the same working capital metrics (days open) to assess the impact of variations in working capital; (vi) Discount rate ("WACC") after taxes: 21.9%.

As a result of the calculation described, the fair value of the non-compete and permanence agreement was R$3,623, with an amortization period of 5 years.

Relationship with suppliers and third-party service providers

Assessment approaches: The relationships that a company maintains with its third-party service providers, through formal contracts or even recurring relationships, are classified as intangible assets, as they generate an economic benefit for the company and can be controlled and measured accordingly. individual form (it is separable) Approach used Cost Method: Reproduction cost: This approach is based on the cost of building or purchasing a replica of the intangible asset.

Cost to create the portfolio: For the purposes of projecting the portfolio, we consider the average cost that the company incurred to form the entire portfolio of service providers in a period of one year and the time spent to form the portfolio, which was considered ten years . The expectation of acquiring new providers cannot be considered in this calculation.

As a result of the calculation described, the fair value of the relationship with suppliers was R$2,527, with an amortization period of 10 years.

Contingent Liabilities

In accordance with IFRS 3, the acquirer must recognize, on the acquisition date, contingent liabilities assumed in a business combination even if it is not probable that outflows of resources will be required to settle the obligation, as long as it is a present obligation that arises from past events and its fair value can be measured reliably. In compliance with the previous requirements, contingent liabilities at fair value of R$2,886 were recognized in this acquisition, which were determined based on the estimated cash outflow for settlement on the acquisition date.

(In thousands of Reais, unless otherwise stated)

Composition of the fair value of net assets acquired

We present below the composition of the fair value of the net assets acquired, as well as the goodwill generated on the date of acquisition:

Current assets	**3,695**	**Current liabilities**	**889**
Cash and cash equivalents	2,540	**Non-current liabilities(3)**	**2,886**
Other assets	1,155	**Fair value of liabilities assumed**	**3,775**
Non-current assets	**10,476**	**Fair value of net assets acquired**	**10,396**
Other assets(1)	2,886		
Property, plant and equipment	34	**Goodwill(4)**	**51,637**
Intangible assets(2)	7,556		
Fair value of assets acquired	**14,171**	**Total consideration**	**62,033**

(1) Refers to the allocation of the fair value assigned to the indemnity asset, related to the contingent liability, accruing by SELIC interest.

(2) Includes allocation of fair value assigned to intangibles of R$7,531, of which: (i) brand (R$774); (ii) customer portfolio (R$607); (iii) non-compete agreement (R$3,623); and (iv) relationships with suppliers and service providers (R$2,527).

(3) Refers to the allocation of the fair value attributed to the contingent liability, accruing by SELIC interest.

(4) Refers to the value of the goodwill calculated on the acquisition of Vale Saúde Sempre with the expectation of future synergies from the combination of the acquiree's businesses, which may be used for tax purposes.

The total consideration transferred was R$62,033, with the payment as follows: R$37,029, paid in cash upon conclusion of the Transaction, R$2,956 paid in 2023 and the balance of R$22,048 will be paid according to contractual clauses, restated by the DI rate variation.

The transaction costs incurred until the closing of the transaction on March 3, 2023, are approximately R$1.4 million. These costs are not considered components of the consideration transferred, and were recognized as expenses in the periods in which the costs were incurred.

From the date of acquisition until the conclusion of these individual and consolidated financial statements, Vale Saúde Sempre contributed R$12,288 in net operating revenue and R$3,521 in net profit to the Company.

c.6) Investment commitment with Polígono Capital – Vivo Money

The Company, in accordance with and for the purposes of CVM Resolution No. 44/2021, informed its shareholders and the market in general that, on July 31, 2023, an investment commitment was signed with the management company Polígono Capital ("Polígono") and the investment fund managed by it for the issuance and subscription of senior shares of the Vivo Money Credit Rights Investment Fund ("Vivo Money", controlled by the Company). Polígono's investment commitment, through investment funds managed by it, could be up to R$250 million and should occur over a maximum period of 24 months, in accordance with the growth of the credit portfolio. Vivo Money, which has been in operation since 2020, aims to acquire credit rights backed by personal loans, as well as credits arising from financing smartphones and other devices carried out in the Company's physical stores, within the scope of the "Vivo Money" product. Credit is granted to Vivo Money customers in a 100% digital, fast and practical way. Polígono is an independent manager, founded in February 2023, formed as a partnership between BTG Pactual Asset Management and Prisma Capital to operate in the credit as a service market in Brazil. In July 2023, it had R$4 billion in assets under management and operates from contracting, implementing credit policy and portfolio management, to collecting securities. The commitment reinforces the Company's role as a digital services hub, facilitating its customers' access to other services that go beyond connectivity.

On August 3, 2023 and November 1, 2023, Polígono made two contributions of R$15,000, totaling R$30,000, in Vivo Money and also a contribution of R$25 in Vivo Money II. These contributions to the funds, were recognized as financial liabilities (note 21.c.4).

c.7) Investment agreement for the establishment of a Joint-Venture - Company and Auren

On December 18, 2023, the Company, in the form and for the purposes of CVM Resolution No. 44/2021, informed its shareholders and the market in general that the Company and Auren Energia S.A., through its subsidiary Auren Comercializadora de Energia Ltda. (together, "Auren"), signed an investment contract for the constitution of a joint venture, of which each shareholder will detain 50%, aimed at the sale of customized renewable energy solutions throughout Brazil ("Operation").

The joint venture will unite the expertise of two key brands: Auren, a reference in renewable energy generation and leader in energy sales in the country; and Vivo, leader of the Brazilian telecommunications market, with over 112 million accesses, and a digital platform that is a reference in technology and connectivity, with increasing presence in digital ecosystems in both B2C and B2B. By combining Auren's know-how in energy generation and commercialization with Company's scale, digital penetration and distribution capacity, the future joint venture intends to position itself in the free energy market in Brazil, that is gradually being implemented, and, starting in January 2024, will be accessible to business customers connected to the high-voltage grid with demand below 500kW. The potential market for the joint venture is estimated to be over 72 thousand large companies including factories, offices and commercial establishments, in addition to preparing to, in the future, operate in the low-voltage and residential demands, in a scenario of the complete opening of the Brazilian electricity market. With the Operation, Company strengthens its leadership position by increasing its value proposition, while also standing out for its commitment to Environmental, Social and Governance ("ESG"). The closing of the Operation is subject to obtaining the applicable antitrust approvals, that are a precedent condition for the constitution of the joint venture. After its constitution, the new company will begin the necessary procedures to obtain the respective licenses and authorizations for the development of its business.

d) Tax Reform on consumption

On December 20, 2023, Constitutional Amendment ("EC") No. 132 was enacted, which establishes the Tax Reform ("Reform") on consumption. Several topics, including the rates of new taxes, are still pending regulation by Complementary Laws ("LC"), which must be sent for evaluation by the National Congress within 180 days. The Reform model is based on a VAT divided ("dual VAT") into two competences, one federal (Contribution on Goods and Services – CBS) and one sub-national (Tax on Goods and Services – IBS), which will replace PIS taxes , COFINS, ICMS and ISS.

A Selective Tax ("IS") of federal jurisdiction was also created, which will apply to the production, extraction, commercialization or import of goods and services harmful to health and the environment, under the terms of LC, and there is an express provision that IS cannot apply to telecommunications services. There will be a transition period from 2024 to 2032, in which the two tax systems (old and new) will coexist. The impacts of the Reform on the calculation of the aforementioned taxes, from the beginning of the transition period, will only be fully known when the process of regulating pending issues by LC is finalized. Since the changes will be applied prospectively, there is no effect of the Reform on the financial statements as of December 31, 2023.

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

a) Statement of compliance

The consolidated financial statements were prepared and are being presented in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

b) Basis of preparation and presentation

The financial statements were prepared on a historical cost basis (except where different criteria are required) and adjusted to reflect the valuation of assets and liabilities measured at fair value or considering the mark-to-market valuation when such valuations are required by IFRS Accounting Standards.

Assets and liabilities are classified as current when it is probable that their realization or settlement will occur in the next 12 months (normal operating cycle). Otherwise, they are classified and shown as non-current. The only exception relates to the balances of deferred tax assets and liabilities, which are classified and fully shown as non-current.

The Statement of Cash Flows was prepared in accordance with IAS 7 – Statement of Cash Flows and reflects the changes in cash that occurred in the years presented using the indirect method.

The Board of Directors authorized the issuance of this consolidated financial statements at the meeting held on February 7, 2024.

c) Functional and reporting currency

The Company's financial statements for the years ended December 31, 2023, 2022 and 2021 are presented in thousands of Brazilian *Real/Reais* (R$), unless otherwise stated.

The Company's functional and reporting currency is the Brazilian *Real*. Transactions in foreign currency are translated into Brazilian *Reais* as follows: (i) assets, liabilities and shareholders' equity (excluding capital stock and capital reserves) are translated at the closing exchange rate on the balance sheet date; (ii) expenses and revenues are translated at the average exchange rate, except for specific transactions that are converted by the transaction date rate; and (iii) the capital stock and capital reserves are converted at the transaction date rate.

Gains and losses from the conversion of investments abroad are recognized in the statement of comprehensive income. Gains and losses from the translation of monetary assets and liabilities between the exchange rate prevailing at the date of the transaction and the year-end closing (except for the conversion of investments abroad) are recognized in the statement of income.

d) Basis of consolidation

Interest held in subsidiaries or joint ventures is measured under the equity method in the individual financial statements. In the consolidated financial statements, investments and all asset and liability balances, revenues and expenses arising from transactions and equity interest in subsidiaries are eliminated entirely. Investments in joint ventures are measured under the equity method in the consolidated financial statements.

Information on the investees is presented in Note 12.b).

e) Segment reporting

Business segments are defined as components of a company for which separate financial information is available and regularly assessed by the operational decision-making professional in definition of how to allocate funds to an individual segment and in the assessment of segment performance. Considering that: (i) all officers and managers' decisions are based on consolidated reports; (ii) the Company and its subsidiaries' mission is to provide their customers with quality telecommunications services; and (iii) all decisions related to strategic planning, finance, purchases, short- and long-term investments are made on a consolidated basis, the Company and its subsidiaries operate in a single operating segment, namely the provision of telecommunications services.

f) Significant accounting practices

Significant and relevant accounting policies for the understanding of the basis of recognition and measurement applied in the preparation of the Company's financial statements are included in the respective notes to which they refer.

The accounting policies adopted in the preparation of the consolidated financial statements for the year ended December 31, 2023 are consistent with those used in the preparation of the consolidated annual financial statements for the year ended December 31, 2022 except for the changes required by the new pronouncements, interpretations and amendments, approved by the International Accounting Standards Board (IASB), which are effective from January 1, 2023, as follows:

- <u>Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction:</u> In May 2021, the IASB released amendments to IAS 12, which restrict the scope of the initial recognition exception under IAS 12, so that it does not applies more to transactions that give rise to equal taxable and deductible temporary differences. The changes shall apply to transactions occurring in annual periods beginning on or after the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided there is sufficient taxable profit available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations.
- <u>Amendments to IAS 8:</u> Definition of accounting estimates: In February 2021, the IASB issued amendments to IAS 8, which introduces the definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and error correction. In addition, they clarify how entities use measurement techniques and inputs to develop accounting estimates.
- <u>Amendments to IAS 1 and IFRS Practice Statement 2:</u> Disclosure of Accounting Policies; In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgments, which provide guides and examples to help entities apply materiality judgments to the disclosure of accounting policies. The amendments are to help entities disclose accounting policies that are more useful by replacing the requirement to disclose significant accounting policies for material accounting policies and adding guidance for how entities should apply the concept of materiality to make decisions about policy disclosures accounting. Since amendments to Practice Statement 2: Making Materiality Judgments provide non-mandatory guidance on applying the definition of material to accounting policy information, an adoption date for this amendment is not required.

The adoption of these amendments did not have any impact on the individual and consolidated financial statements in the initial period of adoption (January 1, 2023).

New IFRS pronouncements, issues, amendments and interpretations of the IASB

The new and amended standards and interpretations issued, but not yet effective up to the date of issue of the Company's financial statements, are described below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Amendments to IFRS 16 – Lease liability in a sale and leaseback: In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a lessee uses in measuring the lease liability arising from a sale and leaseback transaction, to ensure that the lessee does not recognize any amount of gain or loss related to the right of use that it retains. The changes must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Early application is permitted and this fact must be disclosed.
- Amendments to IAS 1: Classification of liabilities as current or non-current: In January 2020, the IASB issued changes to IAS 1, in order to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: (i) what a right to postpone settlement means; (ii) that the right to postpone must exist on the reporting date; (iii) that this classification is not affected by the likelihood of an entity exercising its right of postponement; and (iv) that only if a derivative embedded in a convertible liability is itself an equity instrument would the terms of a liability not affect its classification. Furthermore, a requirement has been introduced to require disclosure when a liability arising under a loan agreement is classified as non-current and the entity's right to defer settlement depends on compliance with future commitments within twelve months. Changes must be applied retrospectively.
- Supplier financing agreements - Amendments to IAS 7 and IFRS 7: In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments, being: Disclosures to clarify the characteristics of financing agreements of suppliers and require additional disclosure of such agreements. The disclosure requirements in the amendments are intended to assist users of financial information in understanding the effects of supplier financing arrangements on an entity's liabilities, cash flows, and exposure to liquidity risk. Early application is permitted but will need to be disclosed.

The Company estimates that the adoption of these standards and amendments will not have a significant impact on the individual and consolidated financial statements in the initial period of adoption (January 1, 2024).

The Company does not anticipate the early adoption of any pronouncement, interpretation or amendment that has been issued before application is mandatory.

g) Significant accounting judgments estimates and assumptions

The preparation of the financial statements requires the use of certain critical accounting estimates and the exercise of judgment by the Company's management in applying its accounting policies. These estimates are based on experience, knowledge, information available at the end of the year, and other factors, including expectations of future events that are believed to be reasonable in the circumstances. Actual results involving these estimates could differ in values from those recorded in the financial statements due to the criteria inherent in the estimation process. The Company reviews its estimates at least annually.

The significant and relevant estimates and judgments applied by the Company in the preparation of these financial statements are presented in the following notes: corporate events in 2022 and 2023 (Business Combinations), trade accounts receivable; income and social contribution taxes; property, plant and equipment; intangible assets; provision and contingencies; loans and financing, debentures, leases and other creditors; pension plans and other post-employment benefits; and financial instruments and risk and capital management.

(In thousands of Reais, unless otherwise stated)

3. CASH AND CASH EQUIVALENTS

a) Accounting policy

These are financial assets, measured at amortized cost, maintained in order to meet short-term cash commitments and not for investment or other purposes. The Company and its subsidiaries consider cash equivalents a short-term investment readily convertible into a known amount of cash and subject to insignificant risk of change in value and when redeemable within 90 days.

b) Breakdown

	12.31.2023	12.31.2022
Short-term investments[1]	4,289,932	2,220,385
Cash and banks[2]	68,344	53,449
Total	**4,358,276**	**2,273,834**

(1) Highly liquid short-term investments basically comprise Bank Deposit Certificates ("CDB") and Repurchase Agreements with first tier rated financial institutions, indexed to the Interbank Deposit Certificate ("CDI") rate, with original maturities of up to three months, and with immaterial risk of change in value, therefore classified as cash and cash equivalents. Income from these investments are recorded as financial income. On December 31, 2023, the average remuneration of these short-term investments corresponded to 101,5% of the CDI (96.70% on December 31, 2022).

(2) On December 31, 2023 and 2022, the Consolidated balances included R$19,474 and R$10,576, respectively, related to the Financial Clearing House, with a Telefónica Group company (Note 29).

4. FINANCIAL INVESTMENTS

a) Accounting policy

They are financial assets, measured at amortized cost, subject to a significant risk of change in value, not classified as cash and cash equivalents.

b) Breakdown

	12.31.2023	12.31.2022
Guarantee for legal proceedings[1]	36,169	43,522
Investment fund – FDIC	1,148	1,016
Total	**37,317**	**44,538**
Current	1,148	1,016
Non-current	36,169	43,522

(1) Refer to financial investments in guarantees for lawsuits (Notes 20 and 34.b).

5. TRADE ACCOUNTS RECEIVABLE

a) Accounting policy

These are financial assets measured initially at fair value and subsequently, at amortized cost and are evaluated by the value of the services provided and goods sold in accordance with the contracted conditions, net of estimated impairment losses. These include the services provided to customers, which were still not billed at the balance sheet date, as well as other trade accounts receivable related to the sale of cell phones, SIM cards, accessories, advertising and rent of IT equipment ("Vivo Tech" product) and credit rights of the Vivo Money FIDC.

(In thousands of Reais, unless otherwise stated)

The Company measures the provision for estimated impairment losses in an amount equal to the loss of credit expected for a lifetime.

b) Critical estimates and judgments

In determining whether the credit risk of a financial asset has increased significantly since the initial recognition and in estimating the expected credit losses, the Company considers reasonable and bearable information that is relevant and available. This includes quantitative and qualitative information and analysis, based on the Company's historical experience, credit assessment and considering forward-looking information. Although the Company believes that the assumptions used are reasonable, the results may be different.

c) Breakdown

	12.31.2023	12.31.2022
Services and goods[(1)]	10,996,158	10,411,091
Interconnection amounts[(1)/(2)]	683,876	824,960
Vivo Money FIDC	358,000	182,805
Amounts from related parties (Note 29)[(1)]	68,924	67,669
Gross accounts receivable	**12,106,958**	**11,486,525**
Estimated impairment losses	(2,437,845)	(2,396,382)
Net accounts receivable	**9,669,113**	**9,090,143**
Current	9,318,077	8,691,114
Non-current	351,036	399,029

(1) The consolidated include R$2,551,270 and R$2,339,241 to be billed to customers on December 31, 2023 and 2022, respectively. It also includes the amounts of contractual assets (Note 25.a), shown in item d), of this note.

(2) Refer to billed amounts from other telecommunications operators.

Balances of non-current trade accounts receivable include:

	12.31.2023	12.31.2022
B2B merchandise resale portion – 24 months	207,405	235,368
Vivo TECH product[(1)]	424,404	443,761
Nominal amount receivable	**631,809**	**679,129**
Deferred financial income	(73,696)	(88,610)
Present value of accounts receivable	**558,113**	**590,519**
Estimated impairment losses	(207,077)	(191,490)
Net amount receivable	**351,036**	**399,029**

(1) The maturity schedule of the nominal amounts and the present value of the Vivo TECH product does not exceed five years.

On December 31, 2023, and 2022, no customer represented more than 10% of trade accounts receivable, net.

(In thousands of Reais, unless otherwise stated)

The following are amounts receivable, by maturity:

	12.31.2023	12.31.2022
Falling due	7,887,693	7,575,318
Overdue – 1 to 30 days	1,134,381	876,229
Overdue – 31 to 60 days	270,926	189,164
Overdue – 61 to 90 days	140,426	139,827
Overdue – 91 to 120 days	138,234	121,984
Overdue – over 120 days	97,453	187,621
Total	**9,669,113**	**9,090,143**

a) Changes in contractual assets

	Contract assets, gross	Provision for losses	Contract assets, net
Balance on December 31, 2021	**178,601**	**(31,491)**	**147,110**
Additions	342,688	—	342,688
Write-offs	(390,046)	4,940	(385,106)
Balance on December 31, 2022	**131,243**	**(26,551)**	**104,692**
Additions	254,379	—	254,379
Write-offs	(267,826)	1,861	(265,965)
Balance on December 31, 2023	**117,796**	**(24,690)**	**93,106**

b) Changes in estimated losses for impairment

Balance on December 31, 2021	**(2,171,336)**
Supplement to estimated losses, net of reversal (Note 26)	(1,315,614)
Write-off	1,126,600
Business combination – Garliava (note 1.c.3)	(36,032)
Balance on December 31, 2022	**(2,396,382)**
Supplement to estimated losses, net of reversal (Note 26)	(1,362,678)
Write-off	1,321,215
Balance on December 31, 2023	**(2,437,845)**

6. INVENTORIES

a) Accounting policy

These are evaluated and presented at the lower of average acquisition cost and net realizable value, whichever is lower. These include resale materials such as cellphones, SIM cards, accessories, consumption materials and maintenance. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to sell.

Estimated impairment losses are set up for materials and devices considered obsolete or whose carrying amounts are in excess of those usually sold within a reasonable period. Additions and reversals of estimated impairment losses and inventory obsolescence are included in cost of goods sold (Note 26).

(In thousands of Reais, unless otherwise stated)

b) Breakdown

	12.31.2023	12.31.2022
Materials for resale	836,799	772,469
Materials for consumption	38,422	36,255
Other inventories	39,263	45,906
Gross inventories	**914,484**	**854,630**
Estimated losses from impairment or obsolescence	(91,670)	(64,906)
Net total	**822,814**	**789,724**

7. PREPAID EXPENSES

	12.31.2023	12.31.2022
Incremental costs in obtaining contracts with customers (1)	1,986,764	1,433,893
Software and networks maintenance	397,931	306,438
Advertising and publicity	197,315	191,366
Personal	120,138	78,698
Financial charges	101,743	37,585
Rental	20,067	35,336
Insurance, satellites and links and other	82,701	51,596
Total	**2,906,657**	**2,134,912**
Current	1,434,042	1,141,521
Non-current	1,472,615	993,391

(1) Incremental costs in obtaining contracts with customers are substantially represented by sales commissions paid to partners to obtain customer contracts arising from the adoption of IFRS 15, which are deferred to income in accordance with the term of the contract and/or economic benefit to be generated, usually 2 to 6 years.

Below, we present the movement of incremental costs in obtaining contracts with customers:

Balance on December 31, 2021	**766,730**
Additions	1,165,051
Write-offs (amortizations)	(578,671)
Business combination – Garliava (Note 1.c.3)	80,783
Balance on December 31, 2022	**1,433,893**
Additions	1,255,877
Write-offs (amortizations)	(703,006)
Balance on December 31, 2023	**1,986,764**

8. INCOME AND SOCIAL CONTRIBUTION TAXES

a) Accounting policy

a.1) Current taxes

Current tax assets and liabilities are measured at the estimated amount recoverable from, or payable to, the tax authorities. The tax rates and laws used in calculating the amounts referred to above are those in effect, or substantially in effect, at year-end. In the balance sheet, current taxes are presented net of prepayments over the year.

Current income and social contribution taxes, related to items directly recognized in equity, are also recognized in equity. Management regularly assesses the tax position in circumstances in which tax regulation requires interpretation and sets up provision therefore when appropriate.

a.2) Deferred taxes

Deferred tax is generated by temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax assets are recognized for all deductible temporary differences, unused tax credits and losses, to the extent that taxable profit is likely to be available for realization of deductible temporary differences and unused tax credits and losses are likely to be used, except: (i) when the deferred tax asset related to the deductible temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination and does not impact, at the transaction date, the book profit, income or loss for tax purposes; and (ii) on deductible temporary differences related to investments in subsidiaries that deferred tax assets are recognized only to the extent that it is probable that temporary differences will be reversed in the near future and taxable profit is likely be available so that temporary differences can be used.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit shall be available to allow all or part of the deferred tax asset to be used. Derecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax liabilities are recognized on all temporary tax differences, except: (i) when the deferred tax liability arises from initial recognition of non-deductible goodwill, or an asset or liability in a transaction other than a business combination, and does not affect book profit or taxable profit or tax losses on the transaction date; and (ii) on temporary tax differences related to investments in subsidiaries, in which the temporary difference reversal period can be controlled and temporary differences are not likely to be reversed in the near future.

Deferred tax assets and liabilities are measured at the tax rate expected to be applicable for the year the asset will be realized, or the liability will be settled, based on the rates provided in tax legislation and that were published as at year-end.

Deferred tax assets and liabilities are not discounted to present value and are classified in the balance sheet as non-current, irrespective of their expected realization.

The tax effects of items recorded directly in equity are also recognized in equity. Deferred tax items are recognized based on the transaction which gave rise to that deferred tax, in comprehensive income or directly in equity.

(In thousands of Reais, unless otherwise stated)

Deferred tax assets and liabilities are presented net when there is a legal or constructive right to offset a tax asset against a tax liability and deferred taxes relate to the same taxpaying entity and are subject to the same tax authority.

b) Critical estimates and judgments

There are uncertainties regarding the interpretation of complex tax regulations and the amount and timing of future taxable profits. The Company and its subsidiaries set up provision, based on estimates, for possible consequences of different interpretation by the tax authorities. The amount of this provision is based on various factors, such as previous tax audit experience and different interpretations of tax regulations by the taxable entity and by the relevant tax authority. Such differences in interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Company or those of its subsidiaries.

The Company and its subsidiaries evaluate the recoverability of deferred tax assets based on estimates of future profits. This recoverability ultimately depends on the ability to generate taxable profits over the period in which the deferred tax asset is deductible. The analysis considers the reversal period of deferred tax liabilities, as well as estimates of taxable profits, based on updated internal projections reflecting the latest trends.

Determining the proper classification of the tax items depends on several factors, including an estimate of the period and the realization of the deferred tax asset and the expected date of payments of these taxes. The actual flow of receipt and payment of income tax could differ from estimates made by the Company and its subsidiaries, as a result of changes in tax laws or of unexpected future transactions that may have an impact on tax balances.

c) Income and social contribution taxes recoverable

	12.31.2023	12.31.2022
Income taxes recoverable	649,400	542,325
Social contribution taxes recoverable	103,193	80,135
Total	**752,593**	**622,460**

d) Income and social contribution taxes payable

	12.31.2023	12.31.2022
Income taxes payable	149,763	80,828
Social contribution taxes payable	50,907	26,674
Total	**200,670**	**107,502**
Current	3,515	3,064
Non-current	197,155	104,438

The amounts on December 31, 2023 and 2022, include R$198,205 and R$104,438, respectively, referring to taxes covered by IFRIC 23 (Note 8.g).

e) Deferred taxes

e.1) Breakdown and changes

Below, we present the composition and movement of the main components of deferred income tax (“IR”) and social contribution (“CS”).

(In thousands of Reais, unless otherwise stated)

Deferred tax assets (liabilities)	Balance on 12.31.2021	Income statement	Comprehensive income	Balance on Business combination – Garliava (Note 1.3.c)	Balance on 12.31.2022	Income statement	Comprehensive income	Balance on 12.31.2023
Income and social contribution taxes on tax losses[1]	**2,812,790**	**(446,080)**	**—**	**—**	**2,366,710**	**(268,979)**	**—**	**2,097,731**
Income and social contribution taxes on temporary differences[2]	**(6,863,086)**	**798,889**	**26,189**	**218,670**	**(5,819,338)**	**400,539**	**79,573**	**(5,339,226)**
Provision for legal, labor, tax civil and regulatory contingencies	2,079,570	183,889	—	191,930	2,455,389	(65,121)	—	2,390,268
Trade accounts payable and other provision	1,134,942	370,418	—	—	1,505,360	390,283	—	1,895,643
Customer portfolio and trademarks	(236,918)	26,477	—	—	(210,441)	32,283	—	(178,158)
Estimated losses on impairment of accounts receivable	610,332	56,067	—	—	666,399	(44,353)	—	622,046
Estimated losses from modems and other P&E items	125,218	(11,906)	—	68,509	181,821	(71,836)	—	109,985
Pension plans and other post-employment benefits	217,894	14,079	26,335	—	258,308	26,798	79,229	364,335
Profit sharing	163,268	26,480	—	—	189,748	33,672	—	223,420
Licenses	(2,681,921)	228,663	—	—	(2,453,258)	86,856	—	(2,366,402)
Goodwill (Spanish and Navytree, Vivo Part., GVT Part. and Garliava)	(7,240,590)	—	—	—	(7,240,590)	(203,217)	—	(7,443,807)
Property, plant and equipment of small value	(889,433)	(139,905)	—	—	(1,029,338)	(161,340)	—	(1,190,678)
Technological Innovation Law	(13,093)	3,319	—	—	(9,774)	2,616	—	(7,158)
On other temporary differences (3)	(132,355)	41,308	(146)	(41,769)	(132,962)	373,898	344	241,280
Total deferred tax (Liabilities), non-current	**(4,050,296)**	**352,809**	**26,189**	**218,670**	**(3,452,628)**	**131,560**	**79,573**	**(3,241,495)**
Deferred tax assets	**7,898,149**				**8,674,222**			**9,177,084**
Deferred tax liabilities	**(11,948,445)**				**(12,126,850)**			**(12,418,579)**
Deferred tax liabilities, net	**(4,050,296)**				**(3,452,628)**			**(3,241,495)**
Represented in the balance sheet as follows:								
Deferred tax assets of subsidiaries	**121,748**				**379,093**			**177,245**
Deferred tax (Liabilities)	**(4,172,044)**				**(3,831,721)**			**(3,418,740)**

(1) Under Brazilian tax legislation these may be offset up to 30% of the annual taxable income but otherwise have no expiry date.

(2) Amounts that will be realized upon payment of provision, occurrence of impairment losses for trade accounts receivable, or realization of inventories, as well as upon reversal of other provision.

(3) Includes R$320,700 relating to deductible temporary differences arising from the Garliava acquisition whose corresponding deferred income tax asset was not recognized upon acquisition and realized during the year 2023.

e.2) Unrecognized tax credits

On December 31, 2023 and 2022, the Company has unrecognized deferred tax assets related to IR on tax losses and CS on negative basis on the accounting books of some of its subsidiaries, being: (i) R$24,199 on December 31, 2023 for the subsidiaries POP, Recicla V, TGLog, and CloudCo; and (ii) R$75,003 on December 31, 2022 for the subsidiaries POP, Recicla V, TGLog, CloudCo and TIS as the generation of future taxable profits for the use of these credits is not likely.

On December 31, 2023, the subsidiaries TIS and IoTCo recognized the amounts of R$81,652 and R$6,454, respectively, referring to deferred tax assets relating to IR on tax losses and CS on a negative basis as they began to generate future taxable profits for the use of these credits.

(In thousands of Reais, unless otherwise stated)

e.3) Expected realization

Below, we present the expected periods for the realization of net deferred taxes, based on projections that may change in the future.

Year	
2024	2,818,862
2025	406,649
2026	571,076
2027	852,317
2028	228,779
2029 onwards	(8,119,178)
Total	**(3,241,495)**

f) Reconciliation of income tax and social contribution expense

The Company and its subsidiaries recognize income and social contribution taxes on a monthly basis, on an accrual basis, and pay taxes based on estimates, as per the tax auxiliary trial balance. Taxes calculated on profits up to the balance sheet date are recorded in liabilities or assets, as applicable.

Below we present the reconciliations of the tax expense and the amounts is calculated by applying the statutory tax rate of 34% (income tax of 25% and social contribution tax of 9%) in the table below for the year ended December 31, 2023, 2022 and 2021.

	2023	**2022**	**2021**
Income before taxes	5,573,916	4,831,591	5,959,529
Income and social contribution tax expenses, at the tax rate of 34%	(1,895,131)	(1,642,741)	(2,026,240)
Permanent differences			
Tax benefit related to interest on equity allocated	881,202	705,500	929,900
IR and CS on interest SELIC update of undue debts	89,254	277,424	—
Non-deductible expenses, gifts, incentives	(95,677)	(84,844)	(87,115)
Exploration profit	90,258	76,174	24,185
Equity pickup	(4,623)	(8,072)	39,869
Unclaimed interest on equity	(19,253)	(56,933)	(38,311)
Deferred taxes on tax losses, negative basis and temporary differences recognized in subsidiaries	84,274	—	—
Composition of CSLL tax loss and negative base (SELIC update of undue debts)[1]	—	—	1,407,523
Other (2)	335,757	(40,197)	20,017
Tax debits	**(533,939)**	**(773,689)**	**269,828**
Effective rate	9.6 %	16.0 %	(4.5) %
Current income and social contribution taxes	(665,499)	(1,126,498)	(84,661)
Deferred income and social contribution taxes	131,560	352,809	354,489

(1) On July 8, 2020, the Company filed Writ of Mandamus No. 5012373-88.2020.4.03.6100 providing protection in recognizing challenges of its claims of illegality and unconstitutionality of the requirement to pay Corporate Income Tax ("IRPJ") and Social Contribution on Net Income ("CSLL") on interest income accruals at the SELIC rate arising from improperly collected taxes.

(In thousands of Reais, unless otherwise stated)

On September 24, 2021, the plenary of the Federal Supreme Court ("STF") judged, under the virtual system, the Extraordinary Appeal No. 1.063.187/SC, under general repercussion topic 962, which deals with IRPJ and CSLL on SELIC interest income on overpayments, similar to the Writ of Mandamus above. This judgment accepted, by unanimous vote, agreed to the claims of unconstitutionality for levying IRPJ and CSLL on tax overpayment. On September 30, 2021, the Judgment Minutes were published and, on December 16, 2021, the full decision was published.

Considering the effects of the general repercussion, the Company reprocess previous years' calculations and its tax losses increased. The company determined it will be able to utilize those additional tax losses based on future projections for profitability/profitability of the business. As a result of these assessments, in 2021 the Company recognized the amount of R$1,407,523, of which R$1,405,565 in deferred income tax and social contribution assets and R$1,958 in recoverable income tax and social contribution assets with a corresponding credit in the income tax and social contribution result. For 2022, as a result of the final and unappealable decision favorable to the claim, certified in the records on August 27, 2022, the Company has already been excluding the SELIC update on tax undue debts based on IRPJ and CSLL.

(2) Includes R$320,700 relating to deductible temporary differences arising from the Garliava acquisition whose corresponding deferred income tax asset was not recognized upon acquisition and realized during the year 2023.

g) Uncertainties about Income tax treatments

The Company and its subsidiaries have several assessments issued by the Federal Revenue of Brazil ("RFB") for allegedly undue deductions of expenses, mainly related to the amortization of goodwill, in various administrative and judicial bodies, in the consolidated amount of R$30,577,416 on December 31, 2023 (R$29,882,262 on December 31, 2022). The Administration, supported by the position of its legal advisors, understands that a large part of these deductions will probably be accepted in decisions of higher courts of last instance (probability of acceptance greater than 50%).

Of this amount, for tax treatments in which the Company and its subsidiaries understand that the probability of loss is greater than 50%, non-current income tax and social contribution liabilities were recognized in the amount of R$198,205 on December 31, 2023 (R$104,438 on December 31, 2022). These actions involve compensation for overpayment of income tax and social contribution not approved by the RFB.

9. TAXES, CHARGES AND CONTRIBUTIONS RECOVERABLE

	12.31.2023	12.31.2022
State VAT (ICMS)(1)	2,062,276	2,181,377
PIS and COFINS(2)	261,261	981,848
Withholding taxes and contributions(3)	191,475	140,686
Other taxes	98,063	136,719
Total	**2,613,075**	**3,440,630**
Current	1,937,770	2,571,170
Non-current	675,305	869,460

(1) Includes ICMS credits from the acquisition of property and equipment (available to offset in 48 months); requests for refund of ICMS paid on invoices that were subsequently cancelled; for the rendering of services; tax substitution; and tax rate difference; among others. Non-current consolidated amounts include credits arising from the acquisition of property and equipment of R$635,800 and R$626,636 on December 31, 2023 and 2022 , respectively.

(2) On May 13, 2021, the STF rendered a favorable decision for Leading Case RE 574706 in relation to the recognition of the right to exclude ICMS from the calculation basis of contributions to PIS and COFINS. As a result of this decision, the Company recognized in 2021 a credit in the amount of R$2,269,391 referring to two lawsuits that later became final on June 25, 2021 and on May 27, 2022. These processes have already been authorized by the RFB and the Company is already offsetting the credits against taxes payable.

Additionally, the Company has another case that received a final ruling in 2018 for which it had previously recognized the credit for the period from July 2002 to July 2014. The remaining portion of this process, relating to the period from April 1998 to June 2002, was not recognized at that time, as the Company considered it to be a contingent asset and, therefore, did not meet the parameters for accounting recognition. In August 2022, based on the legal precedents of the STF decisions on a similar Leading Case, management, supported by its legal advisors, concluded that estimated recoverability is assured and therefore the remaining portion of the credit was recognized of R$1,145,658, in 2022. Also, in 2022, after approval of the credit with the RFB, the Company started offsetting the credits against taxes payable. In the year ended December 31, 2023, after evaluating a complementary issue, the Company offset additional tax credit in the amount of R$522,217, which was recognized in the income statement to the extent that the credits were effectively offset.
On December 31, 2022, the outstanding balance for compensation of the aforementioned processes recorded in current assets was R$786,857.

(3) Withholding income tax ("IRRF") credits on short-term investments, interest on equity and others, which are used as deduction in operations for the period and social contribution tax withheld at source on services provided to public agencies.

(In thousands of Reais, unless otherwise stated)

10. JUDICIAL DEPOSITS AND GARNISHMENTS

In some situations, due to legal requirements or to suspend the enforceability of the tax credit, judicial deposits are made and bank balances are blocked to ensure the continuity of the processes under discussion.

Judicial deposits are recorded at historical cost-plus legal indexation/interest accruals.

	12.31.2023	12.31.2022
Judicial deposits		
Tax	1,628,645	1,558,762
Civil[(1)]	860,248	1,379,698
Regulatory	312,520	303,274
Labor	88,986	117,825
Total	**2,890,399**	**3,359,559**
Garnishments	21,530	23,428
Total	**2,911,929**	**3,382,987**
Current [(1)]	72,516	592,369
Non-current	2,839,413	2,790,618

(1) On December 31, 2022, includes R$522,297, referring to the judicial deposit updated to comply with the preliminary decision of the 7th Business Court of the District of the Capital of the State of Rio de Janeiro, relating to the acquisition of Garliava in 2022. As described in Post-Closing Price Adjustment" of note 1.c.3, in 2023 the Company wrote off the judicial deposit of the retained amount (R$488,458), plus interest and/or monetary correction applicable, offsetting 50% of the amount allocated as debt (note 21.c.3.3.1) and the other 50% in the updated amount of R$277,198, was raised by the Company before the Arbitration Chamber on October 4, 2023.

The table below presents the classified balances on December 31, 2023 and 2022 of the tax judicial deposits (classified by tax).

Tax	12.31.2023	12.31.2022
Universal Telecommunication Services Fund (FUST)[(1)]	596,356	564,261
State Value-Added Tax (ICMS)[(2)]	406,397	389,003
Social Contribution Tax for Intervention in the Economic Order (CIDE)[(3)]	325,423	309,329
Corporate Income Tax (IRPJ) and Social Contribution Tax (CSLL)	60,462	57,112
Telecommunications Inspection Fund (FISTEL)	53,360	50,399
Contribution tax on gross revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS)	35,770	47,336
Withholding Income Tax (IRRF)	43,396	41,014
Social Security, work accident insurance (SAT) and funds to third parties (INSS)	25,905	22,378
Other taxes, charges and contributions	81,576	77,930
Total	**1,628,645**	**1,558,762**

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(1) The Company and/or its subsidiaries filed an injunction in order to represent its right not to include expenses with interconnection and industrial use of dedicated line in the FUST tax base, according to Abridgment No. 7, of December 15, 2005, as it does not comply with the provisions contained in the sole paragraph of article 6 of Law No. 9998/00. The amounts related to these expenses are deposited.

(2) The Company is party to legal proceedings related to: (i) ICMS on operations with payment based on estimates; (ii) ICMS FECP; (iii) right to ICMS credit on the acquisition of property, plant and equipment and electricity; (iv) ICMS on amounts given as discounts and (v) consignment in payment of ICMS amounts referring to part of pay TV operations.

(3) The Company is party to legal proceedings for the exemption of CIDE levied on offshore remittances of funds arising from agreements for the transfer of technology, brand and software licensing etc.

(In thousands of Reais, unless otherwise stated)

11. OTHER ASSETS

	12.31.2023	12.31.2022
Related-party receivables (Note 29)	268,246	434,229
Sale of real estate and other receivables	157,352	141,480
Advances to employees and suppliers	133,615	120,914
Surplus from post-employment benefit plans (Note 31)(1)	74,048	4,161
Subscription bonus(2)	—	56,409
Subletting of assets and other amounts to be realized	50,369	56,316
Total	**683,630**	**813,509**
Current	539,339	487,201
Non-current	144,291	326,308

(1) On December 31, 2023 includes the amount of R$69,015 referring to the distribution of the PBS-A surplus.

(2) On December 31, 2023, the Company exercised the right to subscribe to the bonus, transferring the interest adjusted amount of R$57,001 to investments and maintaining its equity interest (Note 12.b), pursuant to the contractual conditions of the FiBrasil Transaction in 2021.

12. INVESTMENTS

a) Accounting policy

The Company and its subsidiaries hold investments in subsidiaries and jointly controlled companies, in addition to business combinations.

a.1) Subsidiary

The consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ends when the Company ceases to exercise said control. Assets, liabilities and results of a subsidiary acquired or sold during the year are included in the consolidated financial statements from the date on which the Company obtains control until the date on which the Company ceases to exercise control over the subsidiary.

Specifically, the Company controls an investee if, and only if, it has: (i) power over the investee (that is, existing rights that guarantee it the current ability to direct the relevant activities of the investee); (ii) exposure or right to variable returns arising from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the value of its returns.

There is usually a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting rights of an investee, the Company considers all relevant facts and circumstances when assessing whether it has power over an investee, including: (i) the contractual agreement between the investor and other holders of voting rights; (ii) rights arising from other contractual agreements; and (iii) the Company's voting rights and potential voting rights. The Company assesses whether it exercises control over an investee if facts and circumstances indicate that there are changes in one or more of the three aforementioned control elements.

The financial statements of investees are prepared for the same reporting period of the Company. Whenever necessary, adjustments are made so that the accounting policies are in accordance with those adopted by the Company.

a.2) Joint control

Joint control is the contractually agreed sharing of a control, only existing when decisions about relevant activities call for unanimous agreement by the parties sharing control.

Based on the equity method, investments are recorded in balance sheets at cost plus changes after the acquisition of the equity interest. The statement of income reflects the portion of the results of operations of the investees.

Foreign exchange variations in Aliança's equity (jointly controlled entity) are recognized in the Company's equity in other comprehensive income ("Effects on conversion of investments abroad", Note 24.f).

When changes are directly recognized in the investees' equity, the Company will recognize its portion in variations occurred, and record these variations in the statements of changes in equity and in the statements of comprehensive income, where applicable.

The financial statements of investees are prepared for the same reporting period of the Company. Whenever necessary, adjustments are made so that the accounting policies are in accordance with those adopted by the Company.

After the equity method is applied, the Company determines whether there is any need to recognize additional impairment of its investment in investees. At each closing date, the Company determines whether there is objective evidence of impairment of investment in the affiliate. If so, the Company calculates the recoverable amount as the difference between the recoverable value of the investees and their carrying amount and recognizes the amount in the statement of incomes.

When there is loss of significant influence over the investees, the Company evaluates and recognizes the investment, at that moment, at fair value. Any difference between the investees' carrying amount by the time it loses significant influence and the fair value of the remaining investment and revenue from sale is recognized in the statement of incomes.

a.3) Business combination

Pursuant to IFRS 3, business acquisitions are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of assets acquired and liabilities assumed on the acquisition date from the acquiree's former controlling shareholders and any interests issued in exchange for control of the acquiree.

In the parent company, the difference between the amount paid and the equity value of the acquired entities is recognized in investments. For the consolidated information, the amounts of fair values and goodwill are allocated according to their nature.

(In thousands of Reais, unless otherwise stated)

b) Information on investees

On December 31, 2023 and 2022, the Company held direct equity interests in subsidiaries and jointly controlled companies, as follows:

Investees	Type of investment	Equity interests 31.12.2023	Equity interests 31.12.2022	Country (Headquarters	Core activity
Terra Networks Brasil Ltda ("Terra Networks")(1)	Controlled	100.00 %	100.00 %	Brasil	Portals, content providers and other information services on the internet
Telefônica Transportes e Logística Ltda ("TGLog")	Controlled	100.00 %	100.00 %	Brasil	Transports and logistics
POP Internet Ltda ("POP")(2)	Controlled	100.00 %	100.00 %	Brasil	Internet
Vivo Money Fundo de Investimento em Direitos Creditórios ("Vivo Money")	Controlled	100.00 %	100.00 %	Brasil	Credit Rights Investment Fund
Vivo Money Fundo de Investimento em Direitos Creditórios II ("Vivo Money II") (nota 1.c.6)	Controlled	100.00 %	—	Brasil	Credit Rights Investment Fund
Garliava RJ Infraestrutura e Redes de Telecomunicações S.A. ("Garliava")(3)	Controlled	—	100.00 %	Brasil	Telecommunications
Vivo Ventures Fundo de Investimento em Participações Multiestratégia ("Vivo Ventures")	Controlled	98.00 %	98.00 %	Brasil	Investment funds
Telefônica Cloud e Tecnologia do Brasil S.A. ("CloudCo Brasil")	Controlled	50.01 %	50.01 %	Brasil	Consulting in information technology
Telefônica IoT, Big Data e Tecnologia do Brasil S.A. ("IoTCo Brasil")	Controlled	50.01 %	50.01 %	Brasil	Consulting in information technology
Aliança Atlântica Holding B.V. ("Aliança")	Joint control	50.00 %	50.00 %	Holanda	Telecommunications sector holdings
Companhia AIX de Participações ("AIX")	Joint control	50.00 %	50.00 %	Brasil	Operation of underground telecommunications networks
Companhia ACT de Participações ("ACT")	Joint control	50.00 %	50.00 %	Brasil	Operation of underground telecommunications networks
VivaE Educação Digital S.A. ("VIVAE")	Joint control	50.00 %	50.00 %	Brasil	Training in professional and managerial development
FiBrasil Infraestrutura e Fibra Ótica S.A. ("FiBrasil")	Joint control	25.01 %	25.01 %	Brasil	Technical advice on telecommunications networks

(1) Terra Networks is the full and direct controller of TIS, a company based in Brazil, whose main activities are the exploration and provision of services and security activities, among others. On October 3, 2022, TIS acquired all of the shares representing the share capital of Vita IT. On November 30, 2023, TIS incorporated Vita IT (note 1.c.4.).

(2) POP is the full and direct controller of Recicla V Comércio e Reciclagem de Sucatas e Metais Ltda. ("Recicla V"), headquartered in Brazil, whose main activities are the purchase and sale of scrap copper, aluminum, lead, iron and other materials, among others. POP is also the controller of Vale Saúde Semper, acquired on March 3, 2023, headquartered in Brazil, with its main activities being accreditation, capture, transmission, processing and financial settlement with prepaid debit cards in the healthcare segment (note 1.c.5).

(3) Garliava was acquired by the Company on April 20, 2022 and incorporated on February 28, 2023 (note 1.c.3).

Below, we present summarized information on the jointly controlled subsidiaries of the Company:

	12.31.2023				
Investees	**Assets**	**Liabilities**	**Equity**	**Net operating revenue**	**Net profit (loss)**
Aliança	240,018	1,727	238,291	–	5,556
AIX	50,097	30,720	19,377	69,083	246
ACT	46	4	42	95	2
VIVAE	18,096	2,410	15,686	73	(7,697)
FiBrasil	2,019,278	1,143,749	875,529	289,097	(39,057)

(In thousands of Reais, unless otherwise stated)

	12.31.2022				
Investees	**Assets**	**Liabilities**	**Equity**	**Net operating revenue**	**Net profit (loss)**
Aliança	242,652	305	242,347	—	912
AIX	51,733	32,548	19,185	65,681	178
ACT	44	3	41	104	3
VIVAE	18,842	1,694	17,148	—	(2,852)
FiBrasil	1,881,965	1,195,384	686,581	176,660	(94,384)

c) Changes in investments

	Joint control	Other investments	Total investments
Balance on December 31, 2021	**355,942**	**348**	**356,290**
Share of net profit of joint ventures accounted for using the equity method	(23,742)	—	(23,742)
Capital contribution – cash and cash equivalents (FiBrasil and ViivaE)	33,750	—	33,750
Investments by the subsidiary Vivo Ventures	—	15,958	15,958
Equity transactions (FiBrasil)	2,409	—	2,409
Other comprehensive income (Aliança and other investments)	(16,258)	(212)	(16,470)
Balance on December 31, 2022	**352,101**	**16,094**	**368,195**
Share of net profit of joint ventures accounted for using the equity method	(10,710)	—	(10,710)
Capital contribution – cash and cash equivalents (VivaE)	3,117	—	3,117
Dividends (AIX and ACT)	(51)	—	(51)
Capital Transactions	23	—	23
Investments by the subsidiary Vivo Ventures	—	26,191	26,191
Bonus subscription exercise (FiBrasil)	57,001	—	57,001
Other comprehensive income (Aliança and other investments)	(4,806)	(90)	(4,896)
Balance on December 31, 2023	**396,675**	**42,195**	**438,870**

13. PROPERTY, PLANT AND EQUIPMENT

a) Accounting policy

It is measured at acquisition and/or construction cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the borrowing costs for long-term construction projects if the recognition criteria are met and is stated net of ICMS (State VAT) credits (Note 9), which were recorded as recoverable taxes. The Company does not have loans that meet the criteria for recognition of cost capitalization.

Asset costs are capitalized until the asset becomes operational. Costs incurred after the asset becomes operational and that do not improve the functionality or extend the useful life of the asset are immediately recognized on an accrual basis. When significant parts of fixed assets are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation. Likewise, expenses that represent asset improvement (expanded installed capacity or useful life) are capitalized. All the other repair and maintenance costs are recognized in the statement of income as incurred.

The present value of the expected cost for the decommissioning of property, plant and equipment items (towers and equipment on leased property) is capitalized at the cost of the respective asset matched against the provision for dismantling obligations (Note 20) and depreciated over the useful lives of the related assets, which do not exceed the lease term.

Depreciation is calculated by the straight-line method over the useful lives of assets at rates that take into account the estimated useful lives of assets based on technical analyses.

The assets’ residual values, useful lives and methods of depreciation are reviewed on a yearly basis, adjusted prospectively, if appropriate.

Property, plant and equipment items are written off when sold or when no future economic benefit is expected from their use or sale. Any gains or losses arising from write-off (measured as the difference between the net disposal proceeds and the carrying amount) are recognized in the statement of income in the year in which the asset is written off.

Leases

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets, as permitted by IFRS 16. They recognize lease liabilities to make lease payments and assets rights of use representing the right of use of the underlying assets.

The Company recognizes the right-of-use assets on the lease start date (that is, on the date the asset is available for use). The rights of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any new remeasurement of lease liabilities.

The Company acts as a lessee in a significant number of lease agreements on different assets, such as structures (towers and rooftops) and the respective land where they are located; sites built in the Built to Suit (“BTS”) modality for installing antennas and other equipment and means of transmission; computer equipment; offices, shops and commercial properties.

b) Critical estimates and judgments

The accounting treatment of investment in fixed assets includes estimating the useful life period for depreciation purposes, particularly for assets acquired in business combinations.

(In thousands of Reais, unless otherwise stated)

Useful life determination requires estimates regarding the expected technological developments and alternative uses of assets. The hypotheses related to the technological aspect and its future development imply a significant level of analysis, considering the difficulties in forecasting the time and nature of future technological changes.

Information on the recoverability of fixed assets is presented in Note 15.

c) Description, Breakdown and changes

We present a brief description of the main items that make up fixed assets.

- Switching and transmission media equipment: Includes switching and control centers, gateway, platforms, base radio station, microcells, minicells, repeaters, antennas, radios, access networks, concentrators, cables, TV equipment and other switching and transmission media equipment.
- Infrastructure: This includes buildings, elevators, central air conditioning equipment, towers, posts, containers, energy equipment, land piping, support and protectors, leasehold improvements, etc.
- Lending equipment: Includes cellphones and modems in the lending modality.
- Terminal equipment: Includes private telephone switching centers, public telephones and other terminal equipment.
- Other fixed asset items: These include vehicles, repair and construction tools and instruments, telesupervision equipment, IT equipment, testing and measurement equipment, fixtures and other goods for general use.

	Switching and transmission equipment	Infrastructure	Lending equipment	Terminal equipment	Land	Other P&E	Assets and facilities under construction	Total
Balance on December 31, 2021	**22,661,180**	**13,801,906**	**4,330,107**	**1,031,510**	**266,946**	**649,604**	**1,667,238**	**44,408,491**
Additions[1]	74,814	3,208,050	110,072	2,852	—	191,469	6,559,874	10,147,131
Write-offs, net[2]	(8,607)	(58,311)	7	(81)	(14,861)	(2,346)	(10,131)	(94,330)
Net transfers[3]	2,828,009	310,129	2,301,010	80,963	—	10,328	(5,631,285)	(100,846)
Subletting	—	1,665	—	—	—	—	—	1,665
Business combination – Garliava (note 1.c.3)	126,530	541,826	—	—	—	1,589	4,221	674,166
Business combination – Vita IT (note 1.c.4)	—	—	—	—	—	1,853	—	1,853
Depreciation (Note 26)	(3,366,948)	(3,522,398)	(1,592,158)	(438,026)	—	(220,415)		(9,139,945)
Balance on December 31, 2022	**22,314,978**	**14,282,867**	**5,149,038**	**677,218**	**252,085**	**632,082**	**2,589,917**	**45,898,185**
Additions[1]	166,766	4,540,935	102,262	6,406	—	75,836	5,609,550	10,501,755
Write-offs, net[2]	(2,914)	(346,320)	(133)	(81)	(2,549)	(6,214)	(11,694)	(369,905)
Net transfers[3]	4,163,467	278,710	1,993,228	75,793	—	5,530	(6,651,218)	(134,490)
Subletting	—	(36,800)	—	—	—	—	—	(36,800)
Business combination – VSS (note 1.c.5)	—	—	—	—	—	34	—	34
Depreciation (Note 26)	(3,375,429)	(3,790,213)	(1,842,701)	(337,951)	—	(194,338)	—	(9,540,632)
Balance on December 31, 2023	**23,266,868**	**14,929,179**	**5,401,694**	**421,385**	**249,536**	**512,930**	**1,536,555**	**46,318,147**
Balance on December 31, 2022								
Cost	85,373,094	38,168,495	27,432,268	6,503,428	252,085	5,770,136	2,589,917	166,089,423
Accumulated depreciation	(63,058,116)	(23,885,628)	(22,283,230)	(5,826,210)	—	(5,138,054)	—	(120,191,238)
Total	**22,314,978**	**14,282,867**	**5,149,038**	**677,218**	**252,085**	**632,082**	**2,589,917**	**45,898,185**
Balance on December 31, 2023								
Cost	88,601,631	42,700,577	29,511,295	6,571,924	249,536	5,836,449	1,536,555	175,007,967
Accumulated depreciation	(65,334,763)	(27,771,398)	(24,109,601)	(6,150,539)	—	(5,323,519)	—	(128,689,820)
Total	**23,266,868**	**14,929,179**	**5,401,694**	**421,385**	**249,536**	**512,930**	**1,536,555**	**46,318,147**

(In thousands of Reais, unless otherwise stated)

(1) Additions from property, plant and equipment mainly refers to: (i) in 2023: investments mainly concentrated in networks, which included 4G and 5G mobile access, transmission backhaul, backbone and network and FTTH customers. The investments helped sustain our commercial and revenue growth, whilst maintaining the quality of services provided and were also designed to prepare us for medium-term growth.; (ii) in 2022: expansion of the fiber network, maintenance and expansion of the 4G mobile network and launch of the 5G mobile network in Brazilian capitals, in addition to investments to integrate Oi Móvel customers.

(2) In infrastructure, includes the amounts of R$335,351 and R$52,092 in 2023 and 2022, respectively, referring to the cancellation of lease agreements.

(3) Total balances refer to transfers between classes of fixed and intangible assets (note 14.c).

d) Depreciation rates

In the years ended December 31, 2023 and 2022, the Company carried out, with the help of a specialized company, valuations of the useful lives applied to its property, plant and equipment through the direct comparative method of market data.

The work indicated the need for changes in the useful life and annual depreciation rates of some items in the asset classes. These changes in the accounting estimate reduced depreciation expenses by R$88,292 and R$295,464 in 2023 and 2022, respectively.

Below, we present the annual depreciation rates for the years ended December 31, 2023 and 2022, except for lease assets, which are presented in note 13.e.

Description	**12.31.2023**			**12.31.2022**		
Switching and transmission equipment and media	2.50%	to	19.67%	2.50%	to	14.29%
Infrastructure	2.50%	to	20.00%	2.50%	to	20.00%
Lending equipment	20.00%	to	50.00%	20.00%	to	50.00%
Terminal equipment	10.00%	to	50.00%	10.00%	to	25.00%
Other P&E assets	10.00%	to	25.00%	10.00%	to	25.00%

(In thousands of Reais, unless otherwise stated)

e) Additional information on leases

e.1) Breakdown and changes

Below, we present the movement of leases, already included in the tables for the movement of fixed assets (Note 13.c).

	Infrastructure	Switching and transmission equipment	Other	Total
Balance on December 31, 2021	**10,461,558**	**280,912**	**10,315**	**10,752,785**
Additions	3,118,054	39,688	71,596	3,229,338
Subletting (note 13.c)	1,665	—	—	1,665
Depreciation	(2,973,283)	(75,384)	(903)	(3,049,570)
Business combination – Garliava (nota 1.c.3)	526,515	—	—	526,515
Cancellation of contracts	(52,092)	—	—	(52,092)
Balance on December 31, 2022	**11,082,417**	**245,216**	**81,008**	**11,408,641**
Additions	4,442,927	20,134	(61,223)	4,401,838
Subletting (Note 13.c)	(36,800)	—	—	(36,800)
Depreciation	(3,290,201)	(61,831)	(1,312)	(3,353,344)
Cancellation of contracts	(335,351)	—	(4,867)	(340,218)
Balance on December 31, 2023	**11,862,992**	**203,519**	**13,606**	**12,080,117**
Balance on December 31, 2022				
Cost	20,946,410	375,767	199,695	21,521,872
Accumulated depreciation	(9,863,993)	(130,551)	(118,687)	(10,113,231)
Total	**11,082,417**	**245,216**	**81,008**	**11,408,641**
Balance on December 31, 2023				
Cost	25,166,150	395,901	133,432	25,695,483
Accumulated depreciation	(13,303,158)	(192,382)	(119,826)	(13,615,366)
Total	**11,862,992**	**203,519**	**13,606**	**12,080,117**

e.2) Depreciation rates

Below, we present the annual depreciation rates for the years ended December 31, 2023 and 2022.

Description	**12.31.2023**			**12.31.2022**		
Infrastructure	2.36%	to	92.31%	2.36%	to	92.31%
Switching and transmission equipment and media	10.00%	to	66.67%	10.00%	to	66.67%
Other P&E assets	26.09%	to	40.00%	26.09%	to	40.00%

f) Property, plant and equipment items pledged in guarantee

On December 31, 2023, the Company had property and equipment pledged in guarantee for lawsuits, of R$101,220 (R$95,980 on December 31, 2022).

g) Concession balance

The Fixed Switched Telephone Service concession model, adopted in 1998 with the signing of contracts following the privatization of the telecommunications sector, served as the new basis for the provision of telecommunications services in Brazil. Over more than 20 years, concessionaires had expanded the universalization of the fixed telephone service, which, before privatization, was expensive, out of reach of the populace and suffered long installation queues of months or years. During this period, the concession contracts suffered shocks as a result of several events that occurred throughout their term, which have repercussions on the originally contracted financial equation to this day, causing a reduction in revenue and increases in planned costs.

As the end of the term of the concession contracts approaches, a consensus is being sought with the regulatory body to assure a fair economic-financial equilibrium.

However, management's efforts have largely been frustrated and discussions through administrative channels have been exhausted without consensus having been reached. Hence, on July 1, 2021, the Company signed an arbitration agreement with ANATEL. The Company submitted to the International Chamber of Commerce, on July 10, 2021, a request to initiate an arbitration against ANATEL, as provided for in the concession agreement and pursuant to Law 9,307/1996, as well as the General Telecommunications Law.

On March 21, 2022, the Company presented its opening arguments in the arbitration proceeding requiring, among other issues, the recognition of events that occurred during the concession agreement that need to be rebalanced in the Company's favor to preserve the sustainability of the agreement, as well as compensation for the period in which the contract terms were untenable.

After the Company's initial allegations, in June 2022 ANATEL presented its defense. On August 19, 2022, the Company filed a reply to ANATEL's defense. On October 18, 2022, a response was presented by ANATEL. On November 17, 2022, the parties laid out the evidence and on December 8, 2022 a hearing was held with the arbitral tribunal for the presentation of the case.

At that hearing, it was agreed that the Parties would present a statement on the bifurcation of the arbitration procedure, so that part of the procedure could be judged by means of a partial award. Both did so and, on March 23, 2023, the Arbitral Tribunal decided that it would issue a partial judgment on the issues related to (i) the objective arbitrability of the claimant's indemnity claim for the period after 2020, with regard to the alleged unsustainability of the concession; (ii) the objective arbitrability of the indemnity claim referring to the material error in the granting of STFC tariff adjustments and (iii) the incidence of estoppel and prescription phenomena on claims related to supposedly unbalanced events. Based on the decision that there would be a partial sentence on the subject, the Company, on May 22, 2023, presented its final arguments and was awaiting the sentence that would be handed down by the Court.

However, the parties began debates on the possibility of a potential consensual solution to the matters exposed in the arbitration, together with the TCU. Therefore, the Company presented a request to suspend the arbitration procedure, which was corroborated by ANATEL and accepted by the TCU and which is expected to be renewed while debates on consensuality continue. On September 26, 2023, ANATEL approved and then, on October 4, 2023, forwarded to the TCU the request for a Consensual Solution to resolve existing disputes between ANATEL and the Company, registered under Process No. 036.366/2023 -4. The parties await the TCU's deliberation on the admissibility of the aforementioned request for a consensual solution. If the request is accepted by the TCU, a Commission will be established and will have a maximum of 120 days to reach a consensus. After that, final approval by the TCU may take up to 90 days.

h) Adaptation of the model

On October 4, 2019, Law 13.879/2019 (enacted from PLC 79/2016) was sanctioned, which introduced changes to the telecommunication's regulatory framework allowing fixed telephony concessionaires to migrate from a concession regime to an authorization regime with lower regulatory charges, including those associated with the continuity and universalization of the STFC in the concession area, as well as any restrictions on the goods associated with its provision.

In accordance with this Law, ANATEL presented on July 5, 2022 a methodology with an estimate of the economic value associated with the adaptation of the concession instrument for authorization, to be validated by TCU. In a session held on March 22, 2023, the methodology applied by ANATEL was approved by TCU, conditioned on the Agency guaranteeing the adoption of values that approximate market values for the evaluation of the more significant reversible assets. The process was forwarded to ANATEL, which evaluated and approved on July 24, 2023, the balance of service adequacy (from concession to authorization) based on the determinations presented by the TCU, presenting a new estimate of economic value. The value of the balance should be assessed by the Company, within 120 (one hundred and twenty) days, however with the possibility of an agreement between ANATEL and the concessionaires involving arbitration and migration to be taken within the scope of a consensual solution with the TCU, ANATEL granted the suspension of the aforementioned deadline. In any case,if the balance value is confirmed and accepted by the Company,it will be converted into investment projects not yet defined by ANATEL.

i) Reversible assets

The concession contract for the Company's STFC identifies the assets essential to the provision of such service in the concession area.
On April 12, 2021, Resolution 744 was published in the official gazette (“DOU“), approved by the Ministry of Telecommunications and by the Board of Directors of ANATEL on April 4, 2021, which addresses the Regulation of Continuity of Provision of Switched Fixed Telephone Service Intended for Use of the General Public under the Public Regime (“RCON“).

The Resolution, which became effective on May 3, 2021, addresses how the continuity of STFC services under the concession regime are treated once the Company's STs STFC concession contract terminates. The assets identified as being essential to the provision of multiple services, among which the STFC under the public system, will be included in a contract for the assignment of their rights of use, to be agreed under fair and reasonable economic terms and conditions, transferring them from the Company to the new Concessionaire or the Federal Government, should they wish to make use of such assets to maintain the continuity of STFC provision under the public regime.

The assets, being deemed essential, are effectively and exclusively used to ensure the continuity and timely provision of STFC under the public regime, and will be revert to the Public Authority, according to the terms of the RCON, if such service continues to be provided, either by the Federal authority, or by a new Concessionaire, under a public agreement. Hence, the assets for the exclusive use of the STFC and, therefore, subject to the 'reversal regime' provided for in the regulation, constitute a residual and decreasing asset of the Company.

Accordingly, the Concessionaire's assets, at the end of the concession contract on December 31, 2025, will not be returned to the Federal Government. The shared assets and those used exclusively for the STFC will fall within the scope of specific contracts already provided for in the operational manual of the Continuity Regulation, approved by Decision No. 269/2021/COUN/SCO, which complements provisions of the Continuity Regulation.

Although Resolution 744 requires a list of Reversible Assets (“RBR“) to be submitted to ANATEL, such obligation, upon approval under the contractual model described above, is merely informative by nature, in order to maintain transparency of the assets used by the Concessionaire in the provision of STFC under the public regime.

However, within the scope of the administrative proceeding TC no.003.342/2022-0, pending at the TCU, a technical report was issued addressing the new understanding that the RCON should be revised. This understanding will still be examined by the Court. The process is suspended due to a decision made by TCU minister.

14. INTANGIBLE ASSETS

a) Accounting policy

Intangible assets acquired separately are measured at acquisition / formation cost upon their initial recognition. The cost of an intangible asset are capitalized until the asset becomes operational. The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

After initial recognition, intangible assets are stated at acquisition and/or buildup cost, net of amortization and accumulated provision for impairment, where applicable. Intangible assets generated internally, excluding capitalized development costs, are not capitalized, and the expense is reflected in the statement of income for the year in which it is incurred.

The useful lives of intangible assets are considered finite or indefinite.

- Intangible assets with finite useful lives are amortized over their economic useful lives under the straight-line method and are tested for impairment whenever there is any indication of impairment loss. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed on an annual basis.

  Changes in the estimated useful life or the expected pattern of consumption of future economic benefits embodied in an asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income in the cost/expense category consistent with the function of the intangible assets.

- Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be justifiable. Otherwise, changes in useful life – from indefinite to finite - are carried out prospectively. Goodwill generated upon investment acquisition is treated as an intangible asset with indefinite useful lives.

  When goodwill has been allocated to a CGU and part of the operation within that CGU is disposed that, the goodwill associated with that operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is allocated based on the relative fair values of the disposed operation and the portion of the CGU retained.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and recognized in the statement of income on disposal.

b) Critical estimates and judgments

The accounting treatment of the investment in intangible assets includes making estimates to determine the useful life for amortization purposes, particularly for assets acquired in business combinations.

The determination of the useful lives requires estimates in relation to the expected technological evolution and the alternative use of the assets. Hypotheses related to the technological aspect and its future development imply a significant degree of analysis, since the timing and nature of future technological changes are difficult to predict.

(In thousands of Reais, unless otherwise stated)

Information on the recoverability of fixed assets is presented in note 15.

c) Breakdown and changes

A brief description of the key intangible asset items with finite useful lives, is as follows:

- Licenses: These include concession and authorization licenses, acquired from ANATEL for provision of telecommunication services. These also include licenses from business combinations.
- Software: This includes licenses for software used in the Company's operating, commercial and administrative activities.
- Trademarks and customer portfolio: This includes intangible assets acquired through business combination.

	Indefinite useful life	Finite useful life						
	Goodwill[1]	Licenses	Software	Trademarks	Customer portfolio	Other intangible assets	Software under development	Total
Balance on December 31, 2021	**22,868,268**	**14,906,531**	**4,771,275**	**736,794**	**369,238**	**39,524**	**412,677**	**44,104,307**
Additions[2]	—	190,066	352,128	—	—	—	2,260,031	2,802,225
Write-offs, net[3]	—	—	1,378	—	—	—	(149)	1,229
Net transfers[3]	—	—	2,077,044	—	—	—	(1,976,198)	100,846
Business combination – Garliava (Note 1.c.3)	3,394,710	2,612,566	—	—	96,195	—	—	6,103,471
Business combination – Vita IT (note 1.c.4)	98,851	—	177	4,527	29,545	—	—	133,100
Amortization (Note 26)	—	(1,417,412)	(1,853,464)	(84,770)	(161,188)	(3,094)	—	(3,519,928)
Balance on December 31, 2022	**26,361,829**	**16,291,751**	**5,348,538**	**656,551**	**333,790**	**36,430**	**696,361**	**49,725,250**
Additions[2]	—	63,132	182,161	—	—	—	2,677,678	2,922,971
Write-offs, net(3)	—	—	(969)	—	—	—	—	(969)
Net transfers	—	—	2,706,031	—	—	—	(2,571,541)	134,490
Business combination – Vita IT (note 1.c.4)	(22,770)	—	—	(451)	(18,122)	12,324	—	(29,019)
Business combination – Vale Saúde Sempre (Note 1 c.5)	51,637	—	—	774	607	6,175	—	59,193
Amortization (Note 26)	—	(1,467,824)	(2,178,762)	(84,972)	(110,475)	(6,908)	—	(3,848,941)
Balance on December 31, 2023	**26,390,696**	**14,887,059**	**6,056,999**	**571,902**	**205,800**	**48,021**	**802,498**	**48,962,975**
Balance on December 31, 2022								
Cost	26,361,829	29,685,824	25,029,658	1,663,424	4,566,457	269,639	696,361	88,273,192
Accumulated amortization	—	(13,394,073)	(19,681,120)	(1,006,873)	(4,232,667)	(233,209)	—	(38,547,942)
Total	**26,361,829**	**16,291,751**	**5,348,538**	**656,551**	**333,790**	**36,430**	**696,361**	**49,725,250**
Balance on December 31, 2023								
Cost	26,390,696	29,748,956	27,908,360	1,663,747	4,548,942	288,112	802,498	91,351,311
Accumulated amortization	—	(14,861,897)	(21,851,361)	(1,091,845)	(4,343,142)	(240,091)	—	(42,388,336)
Total	**26,390,696**	**14,887,059**	**6,056,999**	**571,902**	**205,800**	**48,021**	**802,498**	**48,962,975**

(1) Refer to the operations of Santo Genovese Participações (2004); Spanish and Figueira (2006); Telefônica Televisão Participações (2008); Vivo Participações (2011); GVT Participações (2015); Garliava and Vita IT (2022) and VSS (2023).

(2) Licenses refer to the acquisition of 5G licenses (in 2021) and extensions of authorizations for the right to use radio frequencies for SMP exploration.

(3) Total balances refer to transfers between classes of fixed and intangible assets (Note 13.c).

d) Amortization rates

Below, we present the annual amortization rates for the years ended December 31, 2023 and 2022.

(In thousands of Reais, unless otherwise stated)

Description	12.31.2023			12.31.2022		
Licenses	3.60 %	to	20.34 %	3.60 %	to	20.00 %
Softwares			20.00 %			20.00 %
Trademarks	5.13 %	to	23.50 %			7.7 %
Customer portfolio	9.52%	to	20.70%	12.50 %	to	20.00 %
Other intangible assets	6.67%	to	20.00%	6.67 %	to	20.00 %

e) Licenses / authorizations

In the following table, we briefly present the information on the authorizations of each sub-band held by the Company for use in the SMP, as well as the events that occurred in 2023 related to their respective extensions (when applicable).

Subband-Radio Frequency	Geographic coverage	Comments	Expiration of authorizations	Events in 2023
700 MHz	National	—	2029	—
850 MHz	National (except AL, CE, PB, PE, PI e RN)	GO (sector of 24 do PGO); MS (sector 21 of PGO); MG (sector2 of PGO); RS (sector 29 of PGO); and SP (except sector 33 of PGO)	2023-2028	(1)
900 MHz	ES, RJ, AM, AP, RR, PA, MA, SE, BA, AC, DF, MT, RO, MS, SC, TO, RS, GO and PR	MS (sector 21 of PGO); RS (sector 29 of PGO); GO (sector of 24 do PGO) and PR (sector 19 of PGO)	2023 (expired)	(2)
	MG, AM, RR, AP, PA, MA, BA, SE and SP (except area 11)	Authorizations arising from the acquisition of part of UPI Ativos Móveis from Oi in 2022 (note 1.c.3)	2031-2032	—
1.800 MHz	National (except MG)	—	2032	(3)
	National (except area 43 – PR)	Authorizations arising from the acquisition of part of UPI Ativos Móveis from Oi in 2022 (note 1.c.3)	2031-2032	—
900 MHz / 1.800 MHz	MG (sector 3 PGO)	—	2035	—
	MG (sector 2 PGO)	—	2032	(4)
2.100 MHz	National	—	2038	(5)
	ES, MG, AM, AP, PA, MA, RR, AL, CE, PB, PE, PI, RN, AC, RO, MT, MS, TO, GO, DF, SP (except sector 33 PGO), RS, PR and SC	Authorizations arising from the acquisition of part of UPI Ativos Móveis from Oi in 2022 (note 1.c.3)	2038	—
2.300 MHz	RJ, SP, ES, MG, AM, AC, AP, RR, RO, TO, PA, MT, MS, GO and DF	SP (except sector 33 of PGO); MG (sector 2 of PGO); MS (except sector 22 of PGO) and GO (except sector 25 of PGO)	2041	—
2.500 MHz	National	—	2027-2031	—
3.500 MHz	National		2041	—
26 GHz	National		2041	—

(1) Extension of authorizations in 850 MHz: In accordance with the provisions of Agreement No. 618, of November 26, 2020, ANATEL extended, until November 29, 2028, the terms of authorization for the use of subbands in 850 MHz MHz held by Telefônica states of Minas Gerais, Bahia, São Paulo, Tocantins, Goiás, Espírito Santo and Sergipe whose terms ended, respectively, in the months of April, June, August, October (Goiás and Tocantins), November and December 2023. As with the other authorizations in 850 MHz, the Agency determined that the amount due for the extension must be calculated based on net present value ("NPV") parameters, in order to reflect, according to ANATEL, the real economic value (market value) of the sub-bands.

(2) Non-extension of authorizations in 900 MHz (except MG): The Board of Directors of ANATEL, through Agreement nºNo. 105, of April 28, 2023, determined that the terms of authorization associated with the sub-bands in 900 MHz would not be extended, except in the state of MG (sectors 2 and 3 of the PGO), claiming that the efficient use of this spectrum has not been properly demonstrated, since the low capacity associated with this band (2.5 + 2.5 MHz) imposes limitations on its effective use. The non-renewal of these 900 MHz licenses, however, does not affect the services currently provided by the Company.

(3) Extension of radio frequency authorizations in 1800 MHz (except MG): Also through Agreement nº 105, of April 28, 2023, the Board of Directors of ANATEL decided to extend the terms of authorization for the use of sub-bands in 1800 MHz until 2032, signaling the completion on this date of a sectoral relocation of the channels associated with the sub-bands, along the same lines as that intended for the sub-bands in 850 MHz. Considering the forecast established in the original renewal authorization terms for a period of 15 years (expiring in 2038), this decision resulted in a reduction of 6 years in the expected validity of the extended terms, with the exception of the 900 MHz and 1800 MHz authorizations in sector 3 of the PGO (region of the state of Minas Gerais), already previously extended until 2035.

(4) Extension of authorizations at 900 and 1800 MHz (MG): In relation to authorizations at 900 and 1,800 MHz for the state of MG (sector 2 of the PGO), it is important to inform that ANATEL, through Ruling No. 215, of 25 August 2023, determined the extension, until December 22, 2032, of the right-of-use authorizations held by Telefônica,the first extension of which expired in April 2023

(5) Extension of authorizations in 2,100 MHz: Through Ruling No. 102, of April 28, 2023, ANATEL communicated the decision to extend the authorizations held by the Company for the 2,100 MHz radio frequency sub-band until 2038.As this concerns the In the first extension period, payment will be made on a biannual basis (note 23) starting in 2025.

15. IMPAIRMENT OF NON-FINANCIAL ASSETS

a) Accounting policy

The Company annually reviews the net carrying amount of assets in order to evaluate events or changes in economic, operating or technological circumstances that may indicate impairment losses. When such evidence is found, and net carrying amount exceeds recoverable amount, a provision for impairment is recorded so as to adjust the net carrying amount to the recoverable amount. The recoverable amount of an asset or a Cash-Generating Unit ("CGU") is defined as the higher of value in use and net sales value.

Considering the convergence of product and service offerings, in addition, the Company's main operating asset is a single, broadly integrated network, which is used to provide all telecommunications services to its customers, the Company defines your business as a single CGU.

Upon estimation of the value in use of an asset or cash-generating unit, estimated future cash flows are discounted at present value using a discount rate Weighted Average Cost of Capital “WACC” which reflects the weighted rate between (i) the cost of capital (including specific risks) based on the Capital Asset Pricing Model; and (ii) the debt these components being applicable to the asset or CGU before taxes.

The net fair value of sales 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 provided in this model are corroborated by available fair value indicators, such as prices quoted for listed entities, among other available indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If the indication exists, the Company estimates the recoverable amount of the asset or the CGU.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine an asset’s or CGU recoverable amount since the last impairment loss was recognized. Any reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income.

The following assets have specific characteristics for impairment testing:

- Goodwill: Goodwill is tested for impairment annually at the reporting date or earlier when circumstances indicate that the carrying amount may be impaired. Where the recoverable amount is lower than the carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.
- Intangible assets: Intangible assets with indefinite useful lives are tested for impairment annually at the reporting date either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying amount may be impaired.

- Determination of value in use of property, plant and equipment, goodwill and intangibles: The key assumptions used to estimate value in use through the discounted cash flow methodology are: (i) revenues (projected considering the growth in customer base, growth in market revenue against GDP and the Company's share of this market); (ii) variable costs and expenses (projected in accordance with the dynamics of the customer base, and fixed costs are projected in line with the historical performance of the Company, as well as with revenue growth); and (iii) capital investments (estimated considering the technological infrastructure necessary to enable the provision of services).

b) Critical estimates and judgments

An impairment loss exists when the carrying amount of an asset or CGU exceeds its recoverable amount, which is the greater of fair value net of selling expenses and value in use. The calculation of fair value net of selling expenses is based on information available from transactions for the sale of similar assets or market prices less selling expenses. The value in use calculation is based on the discounted cash flow model. Cash flows derive from the budget for the next five years and do not include reorganization activities to which the Company and its subsidiaries have not yet committed or significant future investments that will improve the asset base of the CGU, which is the object of testing. The recoverable amount is sensitive to critical estimates of the discount rate used in the discounted cash flow method, as well as revenue growth.

c) Assumptions used in the calculation of value in use:

The value in use is mainly impacted by the following assumptions:

- Revenue growth: based on the observation of the historical behavior of each revenue line, as well as trends based on market analysis. Revenue projections differ greatly between product and service lines with a tendency for greater growth in broadband services, and with stable IPTV and Voice making the highest value customers profitable. Mobile revenues follow market trends, including a new mix between prepaid, postpaid and control, migrations from prepaid to postpaid and control, price convergence and growth in M2M.

- Discount rate: represents the assessment of risks in the current market. The calculation of the discount rate is based on the Company's specific circumstances and being calculated based on the WACC. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by Company investors. The cost of debt is based on loans with interest income that the Company is obliged to honor. The specific risk business is incorporated by applying individual notably Beta factors.

- Growth rate in perpetuity: reflects the Company's ability to generate cash flow in perpetuity. The percentage considered mainly takes into account investments over the projected period and reproduces the Company's condition in perpetuity.

d) Goodwill impairment testing

Annually, the Company assesses the recovery of the carrying value of goodwill using the concept of value in use.

The process of determining value in use involves the use of assumptions, judgments and estimates about cash flows, such as revenue growth rates, costs and expenses, estimates of future investments and working capital and discount rates. The assumptions regarding growth and cash flow projections are based on Management estimates, market studies and macroeconomic projections. Future cash flows are discounted based on the WACC.

Consistent with the economic analysis techniques, the assessment of value in use is made for a period of five years, and thereafter, considering the perpetuity of the assumptions based on the capacity of business continuity for an indefinite time. Management considered that the period of five years is adequate, based on its past experience in preparing cash flow projections.

The nominal growth rate used to extrapolate projections beyond the 5 years period was 4.0% and 4.50% p.a. in 2023 and 2022, respectively.

The estimated future cash flows were discounted at a discount rate of 12.0% and 12.60%, which before taxes are 14.04% and 14.18% in 2023 and 2022, respectively, also in nominal values.

The inflation rate for the period analyzed in the projected cash flows was 3.0% p.a. and 3.21% p.a. in 2023 and 2022, respectively.

Key assumptions were based on the Company's historical performance and reasonable macroeconomic assumptions grounded on financial market projections, documented and approved by the Company's management.

Based on annual impairment testing of the Company's assets, prepared using projections considering the financial statements on December 31, 2023 and 2022, growth projections and operating results for the year ended December 31, 2023 and 2022, no impairment losses or evidence of losses were identified, since the value was in use is higher than the net carrying amount as at the assessment date.

e) Sensitivity to changes in key assumptions:

As of December 31, 2023, the recoverable value of CGU represented an excess of 41.6% in relation to the book value. To ensure efficient control, the Company uses a sensitivity analysis in the recoverability test, taking into account possible variations in the main assumptions adopted in the test, in order to assess their impact on the value in use.

Tests were carried out in which the sensitivities used at the end of the 2023 financial year indicate that there are no significant risks of possible changes in financial and operational variables, considered individually, as follows: (i) considering a 37.4% reduction in cash flow (revenue growth) after 5 years, maintaining the growth rate in perpetuity and the discount rate at the same levels, in this case the value in use would reach its book value; (ii) considering an increase of up to 3.29% that results in a discount rate of 15.29%, maintaining perpetuity and revenue growth rates at the same levels, in this case the value in use would reach its book value; and (iii) considering a reduction of up to 4.8% that results in a perpetuity growth rate of -0.8%, maintaining discount and revenue growth rates at the same levels, in this case the value in use would reach its book value.

In summary, based on the detailed sensitivity analyzes mentioned above, the Company confirmed that there was no recognition of losses in the carrying value for the year ended December 31, 2023.

16. PERSONNEL, SOCIAL CHARGES AND BENEFITS

a) Accounting policy

Salaries, remunerations and profit sharing are negotiated in collective bargaining agreements, with the corresponding social charges and contributions added by the accrual basis. The profit-sharing program for employees is based on the Company's operating and financial goals, and a provision is recognized when the assumptions for its accounting are satisfied.

Personnel costs and expenses, social charges and benefits are recorded as cost of services provided, commercial expenses or general and administrative expenses (Note 26).

(In thousands of Reais, unless otherwise stated)

b) Breakdown

	12.31.2023	12.31.2022
Social charges and benefits	564,001	497,568
Profit sharing	513,862	483,548
Share-based payment plans (Note 30)	154,689	77,175
Salaries and wages	31,897	39,035
Other	20,885	—
Total	**1,285,334**	**1,097,326**
Current	1,204,183	1,035,652
Non-current	81,151	61,674

17. TRADE ACCOUNTS PAYABLE

a) Accounting policy

These are obligations to pay for goods, services or goods that were acquired in the normal course of business. They are initially recognized at fair value and subsequently measured at amortized cost using the effective tax rate method, if applicable.

b) Breakdown

	12.31.2023	12.31.2022
Sundry suppliers (Opex, Capex, Services e Material)	7,213,698	6,572,181
Related parties (Note 29)	509,836	375,299
Amounts payable (operators, cobilling)	221,777	224,555
Interconnection / interlink	224,634	243,763
Total	**8,169,945**	**7,415,798**

18. TAXES, CHARGES AND CONTRIBUTIONS PAYABLE

	12.31.2023	12.31.2022
Fistel[(1)]	3,502,492	2,421,789
ICMS	1,360,800	1,020,067
PIS and COFINS	371,126	238,992
Fust and Funttel	99,710	93,427
Other taxes	167,109	111,972
Total	**5,501,237**	**3,886,247**
Current	1,605,505	1,097,512
Non-current	3,895,732	2,788,735

(1) Refers to the remaining balances from 2020 to 2023 which, according to the decisions of the Federal Regional Court of the First Region, the liability is suspended. The amount is classified as a non-current liability.

(In thousands of Reais, unless otherwise stated)

19. DIVIDENDS AND INTEREST ON EQUITY ("IOE")

a) Accounting policy

a.1) Dividends

Minimum mandatory dividends are stated in the balance sheet as legal obligations (provision in current liabilities). Dividends in excess of such minimum amount, not yet approved in the Shareholders' Meeting, are recorded in equity as proposed additional dividends. After approval at the Shareholders' Meeting, the dividends in excess of the mandatory minimum are transferred to current liabilities and classified as legal obligations.

a.2) Interest on equity

Brazilian legislation allows companies to pay interest on equity, which is similar to payment of dividends; however, this is deductible for income tax calculation purposes. In order to comply with Brazilian tax legislation, the Company and its subsidiaries provision, in its accounting records, the amount due to match against the financial expenses account in the statement of income for the year. For the presentation of these financial statements, that expense is reversed against a direct charge to equity, resulting in the same accounting treatment adopted for dividends. The distribution of interest on equity to shareholders is subject to withholding income tax at a 15% rate.

a.3) Unclaimed dividends and interest on equity

The rights to receive unclaimed interest on equity and dividends prescribe after three years from the initial date available for payment. When dividends and interest on equity expire, these amounts are reversed to retained earnings.

b) Dividends and interest on equity payable

b.1) Breakdown

	12.31.2023	12.31.2022
Telefónica	713,232	1,051,720
Telefónica Latinoamérica Holding	684,570	1,009,454
Telefónica Chile	1,053	1,552
Telefónica IoT & Big Data Tech	2,453	—
Non-controlling interest	846,576	1,124,691
Total	**2,247,884**	**3,187,417**

The amount payable to Telefónica IoT & Big Data Tech refers to the interest on intermediary equity, decided by IoT Co.

b.2) Changes

	12.31.2023	12.31.2022
Balance at the beginning of the fiscal year	**3,187,417**	**4,265,715**
Supplementary dividends from the previous year	826,731	2,028,524
Interim dividends and interest on equity (net of IRRF)	2,200,553	2,763,750
Unclaimed dividends and interest on equity	(139,766)	(167,449)
Payment of dividends and interest on equity	(3,832,612)	(5,709,263)
IRRF on shareholders exempt/immune from interest on equity	5,561	6,140
Balance at the end of the year	**2,247,884**	**3,187,417**

For purposes of the cash flow statement, interest on equity and dividends paid to shareholders are recognized in "Financing Activities".

20. PROVISION AND CONTINGENCIES

a) Accounting policy

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, when it is probable that economic benefits are required to settle the obligation and a reliable estimate of the value of the obligation can be made. Provision is restated at the balance sheet date considering the likely amount of loss and the nature of each provision.

Provision amounts for contingencies are presented at their gross amount, less the corresponding judicial deposits, and are classified as provision for labor, tax, civil, and regulatory contingencies.

Judicial deposits are classified as assets given that the conditions required for their net presentation with provision do not exist.

b) Critical estimates and judgments

The obligation arising from the provisions can be legal or constructive, derived from, among other factors, regulations, contracts, customary practices or public commitments that expose third parties to a valid expectation that the Company or its subsidiaries will assume certain responsibilities. The determination of the provision is based on the best estimate of the disbursement required to settle the corresponding obligation, considering the information available as at the closing date, including the opinion of independent experts, such as legal advisors.

(In thousands of Reais, unless otherwise stated)

c) Information on provisions and contingencies

Below, we present the tables with the composition and movement of provisions for legal claims, the unfavorable outcome of which is considered probable, in addition to contingent liabilities, provision for fines for cancellation of lease contracts, provision for dismantling and amounts to be refunded to customers.

	Provision for contingencies(1)								
	Tax	Regulatory	Civil	Labor	Contingent liabilities (PPA)(2)	Provision for fines for canceling lease agreements(3)	Provision for dismantling(4)	Amounts to be refunded to customers(5)	Total
Balance on December 31, 2021	**2,147,369**	**1,986,244**	**935,971**	**486,955**	**488,598**	**—**	**378,105**	**—**	**6,423,242**
Additions (reversal), net (Note 27)	168,212	(160,025)	345,748	340,680	(40,929)	—	(9,811)	615,750	1,259,625
Other additions	607	—	6,261	6,580	—	—	21,498	—	34,946
Write-offs due to payment	(33,260)	(110,057)	(464,406)	(416,784)	—	(106,404)	—	(13,868)	(1,144,779)
Business combination – Garliava (Note 1.c.3)	—	—	—	—	453,697	589,024	66,803	—	1,109,524
Business combination – Vita IT (Note 1 c.4)	—	—	—	—	28,200	—	—	—	28,200
Interest accruals (Note 28)	200,499	152,873	369,326	122,759	48,506	—	6,110	—	900,073
Balance on December 31, 2022	**2,483,427**	**1,869,035**	**1,192,900**	**540,190**	**978,072**	**482,620**	**462,705**	**601,882**	**8,610,831**
Additions (reversal), net (Note 27)	83,825	(64,452)	302,700	366,856	(27,186)	(260,198)	(79,836)	—	321,709
Other additions	—	—	(690)	—	—	—	8,971	—	8,281
Write-offs due to payment	(18,770)	(166,229)	(493,828)	(377,139)	—	(181,429)	—	(505,281)	(1,742,676)
Business combination – Vita IT (Note 1 c.4)	—	—	—	—	(18,227)	—	—	—	(18,227)
Business combination – Vale Saúde Sempre (Note 1 c.5)	1,063	—	—	936	887	—	—	—	2,886
Interest accruals (Note 28)	203,778	122,512	225,913	162,869	69,355	—	15,406	—	799,833
Balance on December 31, 2023	**2,753,323**	**1,760,866**	**1,226,995**	**693,712**	**1,002,901**	**40,993**	**407,246**	**96,601**	**7,982,637**
Balance on December 31, 2022									
Current	—	104,898	404,654	217,229	—	482,620	66,803	601,882	1,878,086
Non-current	2,483,427	1,764,137	788,246	322,961	978,072	—	395,902	—	6,732,745
Balance on December 31, 2023									
Current	15,034	32,363	334,152	381,606	—	40,993	222	96,601	900,971
Non-current	2,738,289	1,728,503	892,843	312,106	1,002,901	—	407,024	—	7,081,666

(1) Provision for contingencies: The Company and its subsidiaries are parts to administrative; labor, tax, civil and regulatory claims, and accounting provision amounts have been recorded in respect of claims whose likelihood of loss was classified as probable. The assessment of the likelihood of loss includes an analysis of available evidence, the hierarchy of laws, available case law, the latest court decisions law and their relevance in the legal system, as well as the opinion of outside legal counsel. Provision is reviewed and adjusted considering changes in existing circumstances, such as the applicable statute of limitations, tax audit conclusions, or additional exposures identified based on new matters or court decisions.

(2) Contingent consideration (PPA): Refers to the amounts of contingent liabilities arising from the PPA generated in the acquisition of control of VivoPart. in 2011, GVTPart. in 2015, Garliava and Vita IT in 2022), and VSS (2023), related to civil, labor and tax lawsuits at their fair value in the business combination.

(3) Provision for fines for canceling lease agreements: Refers to the provision for fines for canceling lease agreements arising from Garliava, resulting from the sale or shutdown of sites.

(4) Provision for decommissioning of assets: Refers to costs to be incurred due to returning sites to owners (locations intended for tower and equipment installation on leased property) in the same condition as these were found at the time of execution of the initial lease agreement.

These costs are provisioned as the present value from amounts expected to settle the obligation using estimated cash flows and they are recognized as part of the cost of the corresponding asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to decommissioning of assets. The financial effect of the discount is recorded as incurred and recognized in the statement of income as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to, or deducted from, the cost of the asset.

(5) Amounts to be refunded to customers (Supplementary Law No. 194/2022): Amounts to be refunded to customers (Supplementary Law No. 194/2022): On July 23, 2022, Complementary Law No. 194, was enacted, which deals with the incidence of taxes on various sectors considered by the respective Law as essential and indispensable goods and services, leading to a reduction in the tax rate ICMS on communications services and the respective refund of these amounts to customers. These amounts to be refunded to customers were booked against discounts granted (note 25).

Negotiation with companies specialized in sharing structures (websites) ("TowerCo") – Item (3

In 2023, the Company carried out a general mapping of its site contracting needs and identified the opportunity to renegotiate quantities, terms and prices with several TowerCos, bringing a significant leverage to commercial conditions.

(In thousands of Reais, unless otherwise stated)

Negotiations with TowerCo to review the contracts resulting from the acquisition of part of UPI Ativos Móveis da Oi (note 1.c.3), the negotiations resulted in the following agreements: (i) for the portion of essential sites that it was decided to maintain, there was a unit price reduction while maintaining original deadlines and; (ii) for sites considered non-essential that were chosen to be demobilized, there were agreements to reduce or even eliminate any penalty.

The demobilization of 50% of these sites, whether through sale or write-off, was a condition precedent by CADE for the approval of the sale of Garliava, due to competition/regulatory issues on the date of closing of the transaction. Therefore, the Company established a provision for a fine of 100% on the residual value of 50% of the sites resulting from the acquisition of part of UPI Ativos Móveis from Oi, which were of no use to the Company.

As a result of the negotiations described above, the Company recorded a net gain in the income statement of R$260,198 (note 27). In the movement shown in the table above, this amount is presented as "additions (reversal), net in the item "Provision for fines for canceling lease agreements".

c.1 Tax provision and contingencies

Nature/Degree of Risk	12.31.2023	12.31.2022
Provisions	2,753,323	2,483,427
Federal	796,996	779,395
State	1,329,319	1,112,094
Municipal	48,917	42,686
FUST	578,091	549,252
Possible losses	36,963,009	33,472,824
Federal	3,534,240	3,042,010
State	23,130,420	21,712,030
Municipal	633,097	479,484
FUST, FUNTTEL and FISTEL	9,665,252	8,239,300

c.1.1) Tax provisions

Management, under advice of legal counsel, believes that the following losses present a probable risk of loss for the federal, state, municipal and regulatory (FUST) tax proceedings:

Federal taxes

The Company and/or its subsidiaries are party to administrative and legal proceedings at the Federal level relating to: (i) claims for the non-ratification of compensation and refund requests formulated; (ii) IRRF and CIDE on remittances abroad related to technical and administrative assistance and similar services, as well as royalties; (iii) Social Investment Fund (*Finsocial*) offset amounts; (iv) additional charges to the PIS and COFINS tax base, as well as additional charges to COFINS required by Law No. 9,718/1998; (v) ex-tariff, cancellation of the benefits under CAMEX Resolution No. 6, increase in the import duty from 4% to 28%; and (vi) INSS on one third on vacation pay.

State taxes

The Company and/or its subsidiaries are party to administrative and judicial proceedings at the State level for ICMS, regarding: (i) disallowance credits; (ii) non-taxation of alleged telecommunications services; (iii) tax credit for challenges/disputes over telecommunication services not provided or wrongly charged (Agreement 39/01); (iv) rate differential; (v) leasing of infrastructure for internet services (data); (vi) outflows of goods with prices lower than those of acquisition; (vii) non-taxation discounts to customers; (viii) unmeasured services; (ix) CIAP credit; and (x) monthly subscription, not covered by the modulation of the effects resulting from the judgment of the STF.

Municipal taxes

The Company and/or its subsidiaries are party to Municipal tax proceedings, at the judicial level, relating to: (i) Property tax ("IPTU"); (ii) Services tax ("ISS") on equipment leasing services, non-core activities and supplementary activities; and (iii) withholding of ISS on contractors' services.

FUST

The Company and/or its subsidiaries have judicial proceedings related to the non-inclusion of interconnection expenses and industrial exploitation of a dedicated line in the calculation basis of FUST.

c.1.2) Possible losses – tax contingencies

Management, under advice of legal counsel, believes that the risk of loss for the following federal, state, municipal and regulatory (FUST, FUNTTEL and FISTEL) is possible:

Federal taxes

The Company and/or its subsidiaries are party to administrative and judicial proceedings, at the Federal level, which are awaiting decision at different court levels.

The more significant of these proceedings are: (i) contested non approval of requests for compensation submitted by the Company; (ii) INSS (a) SAT, social security amounts owed to third parties (INCRA and SEBRAE); (b) meals to employees, withholding of 11% (assignment of workforce); and (c) Stock Options – requirement of social security contributions on amounts paid to employees under the stock option plan; (iii) deduction of COFINS on swap operation losses; (iv) PIS and COFINS: (a) accrual basis versus cash basis; (b) levies on value-added services; and (c) monthly subscription services; (v) IPI levied on shipment of fixed access units from the Company's establishment; (vi) Financial transaction tax (IOF) – on loan transactions, intercompany loans and credit transactions; and (vii) IRRF on capital gain on the sale of the GVT Group to the Company.

State taxes

The Company and/or its subsidiaries are party to administrative and judicial proceedings, at the State level, related to ICMS, which are awaiting decision in different court levels: (i) rental of movable property; (ii) reversal of previously unused credits; (iii) service provided outside São Paulo State paid to São Paulo State; (iv) co-billing; (v) tax substitution with a fictitious tax base (tax guideline); (vi) use of credits on acquisition of electric power; (vii) secondary activities, value added and supplementary services; (viii) tax credits related to claims/challenges regarding telecommunications services not provided or mistakenly charged (Agreement 39/01); (ix) deferred collection of interconnection ("DETRAF" – Traffic and Service Provision Document); (x) credits derived from tax benefits granted by other states; (xi) disallowance of tax incentives related to cultural projects; (xii) transfers of assets among business units owned by the Company; (xiii) communications service tax credits used in provision of services of the same nature; (xiv) card donation for prepaid service activation; (xv) reversal of credit from return and free lease in connection with assignment of networks (used by the Company itself and exemption of public bodies); (xvi) CDR/DETRAF fine; (xvii) own consumption; (xviii) exemption of public bodies; (xix) discounts granted; and (xx) monthly subscription with discussion about minutes allowance.

Municipal taxes

The Company and/or its subsidiaries are party to administrative and judicial proceedings, at the Municipal level, which are awaiting decision at different court levels.

The more significant of these proceedings are: (i) ISS on: (a) non-core activity, value-added and supplementary services; (b) withholding at source; (c) call identification and mobile phone licensing services; (d) full-time services, provision, returns and cancelled tax receipts; (e) data processing and antivirus; (f) charge for use of mobile network and lease of infrastructure; (g) advertising services; and (h) services provided by third parties; (ii) IPTU; (iii) land use tax; and (iv) various municipal charges.

FUST, FUNTTEL and FISTEL

Universal Telecommunications Services Fund ("FUST")

Writs of mandamus were filed seeking the right to exclude revenues from interconnection and Industrial Use of Dedicated Line ("EILD") in the FUST tax base, according to Abridgment No. 7 of December 15, 2005, as it does not comply with the provisions contained in the sole paragraph of Article 6 of Law No. 9,998/2000, which are awaiting a decision from Higher Courts.

Various administrative and judicial charges by ANATEL in administrative scope for the constitution of the tax credit related to interconnection, EILD and other revenues that do not originate from the provision of telecommunication services.

On December 31, 2023, the consolidated amount totaled R$5,575,026 (R$5,103,037 on December 31, 2022).

Fund for Technological Development of Telecommunications ("FUNTTEL")

Proceedings have been filed for the right not to include interconnection revenues and any others arising from the use of resources that are party of the networks in the FUNTTEL calculation basis, as determined by Law 10,052/2000 and Decree No. 3,737/2001, thus avoiding improper application of Article 4, paragraph 5, of Resolution 95/2013.

There are several notifications of charges from the Ministry of Communications in administrative actions for constitution of the tax credit related to the interconnection, network resources and other revenues that do not originate from the provision of telecommunication services.

On December 31, 2023, the consolidated amount totaled R$1,828,910 (R$1,013,427 on December 31, 2022).

(In thousands of Reais, unless otherwise stated)

Telecommunications Inspection Fund (“FISTEL“)

There are judicial actions for the collection of TFI on: (i) extensions of the term of validity of the licenses for use of telephone exchanges associated with the operation of the fixed switched telephone service; and (ii) extensions of the period of validity of the right to use radiofrequency associated with the operation of the telephone service personal mobile service.

On December 31, 2023, the consolidated amount totaled R$2,261,316 (R$2,122,836 on December 31, 2022).

c.2 Regulatory provision and contingencies

Nature/Degree of Risk	12.31.2023	12.31.2022
Provisions	1,760,866	1,869,035
Possible losses	6,765,178	5,844,624

c.2.1) Regulatory provisions

Management, under advice of legal counsel, believes the likelihood of loss of the following regulatory proceedings is probable:

The Company is a party to administrative proceedings initiated mainly by ANATEL, which were initiated on the grounds of alleged non-compliance with obligations established in sectoral regulations, as well as in legal proceedings that discuss, in the vast majority, sanctions applied by ANATEL at the administrative level. The main themes of these processes are the obligation to pay the burden of the mobile service (payment, every two years, referring to the right to use radio frequencies applicable to the SMP), the Company's obligations related to non-compliance with the rights of service consumers of telecommunications, compliance with quality indicators and compliance with coverage targets set out in the auction notice for acquiring the right to use spectrum.

A dispute arose as to which revenues should be considered for the payment of amounts due for the renewal of radio frequencies in relation to the payment of SMP charges. The Company, together with its legal advisors, concluded that a probable loss is estimated of R$724,863 million on the payment of the SMP burden in relation to data revenue, due to the existence of unfavorable decisions at ANATEL in 2021 and in the courts with an unlikely prognosis of review, as the Company decided to begin collecting such amounts in favor of ANATEL, as of the 2022 collection.

c.2.2) Possible losses – regulatory contingencies

Management, under advice of legal counsel believes the likelihood of loss of the following regulatory proceedings is possible:

The Company is a party to administrative proceedings filed by ANATEL (other agents, including other operators, also have claims against the Company) alleging non-compliance with the obligations set forth in industry regulations, as well as legal claims which discuss the mostly sanctions applied by ANATEL at the administrative level.

Significant cases with possible risks of loss in the regulatory contingency portfolio include:

- Litigation regarding the revenues to be included in the calculation of the amount of encumbrance due to the extension of radio frequencies associated with the SMP and the STFC concession (except for SMP data revenues, as informed in item c.1.1, of this Note). In ANATEL's view, the calculation of the encumbrance should be based on 2% on the entire economic benefit arising from the provision of STFC/SMP service. In the Company's view, however, revenues that are not part of STFC/SMP service plans, such as interconnection, revenues earned in the 15th year of the licenses' validity, and others, should not be considered in the calculation of the burden. As a result of this divergence of understanding, the Company filed administrative and legal actions to challenge ANATEL's charges.
- In May 2018, the Company filed a lawsuit to annul the ANATEL final decision, of March of the same year, in the records of the Procedure for Determining Noncompliance with Obligations (“PADO“) for alleged violations of the fixed telephony regulation. The principal amount of the fine imposed by ANATEL, and object of the lawsuit, totals R$199,075. On December 31, 2023 and 2022, the amount including interest and indexation accruals totaled approximately R$586,512 and R$540,846, respectively. The Company believes that the fine imposed is not legal and not due based, fundamentally, on the following defense arguments: (i) ANATEL's error in determining the universe of users considered in the fine (the number of users affected is less than that considered by the ANATEL); and (ii) the calculation of the penalty is disproportionate and baseless. The process was sent for analysis and decision by the CADE Court; the MPF has yet to issue its opinion.
- Administrative proceeding pending at CADE, allegedly suggested a coordinated action among the companies Claro, Oi Móvel and the Company, which comprised the Rede Correios Consortium to compete in the electronic trading session no. 144/2015, carried out by the Brazilian Post and Telegraph Company; as well as alleged price discrimination by Company in relation to services offered to BT Brasil Serviços de Telecomunicações Ltda. (“BT“), contravening competitive protocols. In its defense, Company (i) states that the formation of consortia to participate in public tenders is legal and can promote competition; and (ii) demonstrates that there is no basis for allegation of discriminatory conduct, since: (a) the Company was not the only alternative to BT's supplier; and (b) prices of the service offered by the consortium cannot be compared to those quoted by BT, as they are of a difference technical nature, pricing and quantity of resources involved. On March 8, 2021, the Technical Note of the General Superintendence issued an opinion on the configuration of infractions of the economic order practiced by the companies. The process was forwarded by the technical area to the CADE Court, which decided that the operators engaged in anti-competitive conduct. And after this decision, the Company filed a motion for clarification, which were partially accepted, culminating in the application of a fine in the amount of R$28,394. The Company decided to file an annulment action seeking the annulment of said sanction, based especially on (i) the absence of illegality in the formation of a consortium to participate in public bidding; (ii) lack of typicality and impossibility of sanctioning by analogy; (iii) lack of clear criteria for calculating the sanction and lack of reasonableness. The case is in the first instance and is under investigation.

(In thousands of Reais, unless otherwise stated)

- Process initiated by ANATEL to determine possible measures regarding the possible transfer of gains resulting from the STF decision, which excluded ICMS from the PIS/COFINS calculation basis between 2002 and 2017 in the concession plans. In this process, the Attorney General's Office and the technical area of ANATEL understand that such gains do not result from business efficiency, but rather from a change in the tax order. The return proposal suggested by ANATEL would be through a tariff review for basic plans and the construction of high-capacity backhaul infrastructure for alternative plans, totaling approximately R$1 billion, which was increased by ANATEL to R$1.4 billion from the judgment by ANATEL's Board of Directors in December 2023, which we assessed as a possible chance of loss. This amount is part of the balance of the concession negotiations, especially in Process No. 036.366/2023-4 in progress at the TCU before the Secretariat for External Control of Consensual Resolution and Conflict Prevention (SecexConsenso) and Process No. 53500.013207/2023-74 before ANATEL. In the event that negotiations do not prosper, the case may be challenged through arbitration proceedings.
- Procedure for the Determination of Noncompliance with Obligations ("PADO"), which deals with coverage targets whose applied fine of R$127 million could be converted into an obligation to do, which consists of an alternative means of complying with the sanction of the fine, for investment for installation 4G radio base station in 188 locations without this technology, whose installation should take place in two and a half years, with maintenance costs equivalent to the period of one year. Installation cannot result from ran sharing agreements, swaps, network rentals, industrial exploitation contracts, or other contractual means. After adherence and confirmation of consent by ANATEL, compliance within the specified period will be monitored.
- The Company is a party to lawsuits that discuss annulling contractual clauses and obligations to do and not to do linked to the suspension of services, non-increase in tariffs, repairs and maintenance of poles, which do not involve a determined financial value and, at the current stage in found are invaluable. These processes are awaiting judgment in the courts.

c.3 Civil provision civil contingencies

Nature/Degree of Risk	12.31.2023	12.31.2022
Provisions	1,226,995	1,192,900
Possible losses	2,126,718	2,175,547

c.3.1) Civil provisions

Management, under advice of legal counsel, believes that the following civil proceedings will result in probable losses:

a) The Company is a party to proceedings involving rights to the supplementary amounts from shares calculated on community telephony plants and network expansion plans since 1996 (supplement of share proceedings). These proceedings are at different stages: lower courts, court of justice and high court of justice. On December 31, 2023, the provision was R$157,960 (R$145,874 on December 31, 2022).

b) The Company and/or its subsidiaries are party to various civil proceedings related to individual consumerist nature level, relating to the non-provision of services and/or products sold. On December 31, 2023, the provision was R$304,454 (R$244,663 on December 31, 2022).

c) The Company and/or its subsidiaries are party to various civil proceedings of a collective consumerist and non-consumer nature at administrative and judicial levels, all arising in the ordinary course of business. On December 31, 2023, the provision was R$764,581 (R$802,363 on December 31, 2022).

(In thousands of Reais, unless otherwise stated)

d) Possible losses – civil contingencies

Management, under advice of legal counsel, believes that the risk of losses is possible for the following civil proceedings:

- The Company and its subsidiaries are party to other civil claims, at several levels, related to service rendering rights. Such claims have been filed by individual consumers, civil associations representing consumer rights of consumers or by the Consumer Protection ("PROCON"), as well as by the Federal and State Public Prosecutor's Office. The Company is also party to other claims of several types related to the ordinary course of business.

- Intellectual Property: Lune Projetos Especiais Telecomunicação Comércio e Ind. Ltda. ("Lune"), a Brazilian company, filed lawsuits on November 20, 2001, against 23 wireless carriers claiming to own the patent for "Bina", a caller ID. The purpose of the lawsuit was to interrupt provision of such service by carriers and to seek indemnification equivalent to the amount paid by consumers for using the service.
- An unfavorable decision was handed down determining that the Company should refrain from selling mobile phones with the Bina ID service, subject to a daily fine of R$10 in the event of non-compliance. Furthermore, according to that decision, the Company must pay indemnification for royalties, to be calculated on settlement. Motions for Clarification were proposed by all parties and Lune's motions for clarification were accepted since an injunctive relief in this stage of the proceedings was deemed applicable. A bill of review appeal was filed in view of the current decision which granted a stay of execution suspending the unfavorable decision until final judgment. A bill of review was filed in view of the sentence handed down on June 30, 2016, by the 4th Chamber of the Court of Justice of the Federal District, in order to annul the lower court sentence and remit the proceedings back to the lower court for a new examination. The expertise was carried out and then the claims were dismissed. The parties filed an appeal. On February 1, 2023, the Court of Justice of the Federal District and Territories ("TJDFT") judged the appeals filed and, unanimously, dismissed them, upholding the sentence of inadmissibility. Subsequently, a Special Appeal was filed by Lune. We present counterarguments and await judgment. Management is unable to reasonably estimate a liability with respect to this claim currently.

- The Company, together with other operators that provide telecommunications services, is a defendant in discussions that contest the practice that operators adopt of imposing a limited period for the use of prepaid minutes. That is, the plaintiff alleges that the minutes of the prepaid package must not expire after the end of a specific period, and that they can be used at any time by the consumer. The request of the Federal Public Ministry was not accepted, and the processes are awaiting judgment of appeal by the Federal Regional Court ("TRF") of the 1st Region.

c.4 Labor provision and contingencies

Nature/Degree of Risk	12.31.2023	12.31.2022
Provision	693,712	540,190
Possible losses	1,587,544	1,490,560

The labor provisions and contingencies involve several labor claims of former employees and former outsourced employees (these claiming subsidiary obligor or joint liability), which claim, among others: differences in overtime pay, variable remuneration, salary parity, additional unhealthy or dangerous.

21. LOANS AND FINANCING, DEBENTURES, LEASES AND OTHER CREDITORS

a) Accounting policy

These are financial liabilities measured initially and recognized by fair value, net of costs incurred to obtain them and subsequently measured by amortized cost (plus pro-rata charges and interest), considering the effective interest rate of each operation, or by fair value through profit or loss.

Borrowing costs directly related to the acquisition, construction or production of an asset that necessarily requires more than 18 months to be completed for use or sale purposes are capitalized as part of the cost of the corresponding asset. The Company did not capitalize borrowing and financing costs and debentures due to the absence of qualifying assets.

Leases

On the lease start date, the Company and its subsidiaries recognize lease liabilities measured at the present value of lease payments to be made during the lease term. Lease payments substantially include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and its subsidiaries and payments of fines for termination of the lease, for termination of the lease agreement.

When calculating the present value of lease payments, the Company and its subsidiaries use its incremental borrowing rate on the start date because the interest rate implicit in the lease is not easily determinable. After the commencement date, the amount of the lease liability is increased to reflect accrued interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (for example, changes in future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the valuation of an option to call the underlying asset.

The present value of lease agreements is measured by discounting future fixed payment flows, which do not include projected inflation, at market interest rates, estimated using the Company's intrinsic risk spread.

The discount yield curves used are constructed based on observable data. Market interest rates were extracted from B3, and the Company's risk spread is estimated from debt securities issued by companies with comparable risk. The final discount curve reflects the Company's incremental loan interest rate.

b) Critical estimates and judgments – Leases

Determining the lease term of contracts that have renewal or termination option clauses. The Company and its subsidiaries determine the lease term as the non-cancellable contractual term, together with the periods included in a possible renewal option to the extent that such renewal is assessed as reasonably certain and with periods covered by an option to terminate the contract at to the extent that it is also assessed as reasonably certain. The Company and its subsidiaries have several lease agreements that include renewal and termination options.

The Company and its subsidiaries apply judgment when assessing whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. In this assessment, it considers all relevant factors that create an economic incentive to exercise renewal or termination. After the initial measurement, the Company and its subsidiaries reassess the lease term if there is a significant event or change in circumstances that is within their control and will affect their ability to exercise or not exercise the option to renew or terminate (for example, carrying out significant improvements or customizations to the leased asset).

(In thousands of Reais, unless otherwise stated)

The Company and its subsidiaries are not able to readily determine the interest rate implicit in the lease. Accordingly, this assessment requires Management to consider estimates when observable rates are not available or when they need to be adjusted to reflect the terms and conditions of a lease. The Company and its subsidiaries estimate the incremental rate using observable data (such as market interest rates), when available, and considers in this estimate aspects that are specific to the Company and its subsidiaries.

c) Breakdown

All liabilities shown in the table below were contracted in national currency (R$), except for the loan from Citibank, contracted in foreign currency (US dollars).

	12.31.2023			12.31.2022		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Leases (c.1)	**3,877,090**	**9,718,949**	**13,596,039**	**3,503,167**	**8,529,436**	**12,032,603**
Debentures – 7th issue (c.2)	**221,589**	**3,500,000**	**3,721,589**	**236,833**	**3,500,000**	**3,736,833**
Loans and financing (c.3)	**376,981**	**1,012,593**	**1,389,574**	**2,279,945**	**1,252,415**	**3,532,360**
5G Licences (c.3.1)	351,291	949,395	1,300,686	652,301	1,191,670	1,843,971
Financial institutions – Citibank (c.3.2)	—	—	—	1,073,087	—	1,073,087
Liabilities for the acquisition of a company (c.3.3)	25,690	63,198	88,888	554,554	60,745	615,299
Other	—	—	—	3	—	3
Other creditors (c.4)	—	30,025	30,025	—	—	—
Total	**4,475,660**	**14,261,567**	**18,737,227**	**6,019,945**	**13,281,851**	**19,301,796**

c.1) Leases

The Company has agreements in which it is a lessee for: (i) lease of structures (towers and rooftops) arising from sale and leaseback transactions; (ii) lease of Built to Suit ("BTS") sites to install antennas and other equipment and transmission facilities; (iii) lease of information technology equipment and (iv) lease of infrastructure and transmission facilities associated with the power transmission network, offices, stores and commercial properties.

The weighted annual interest rate on lease contracts on December 31, 2023, is 12.79%, with an average maturity of 5.38 years (13.45%, with an average maturity of 5.51 years on December 31, 2022).

The balances of the lease payables are as follows:

	12.31.2023	**12.31.2022**
Nominal value payable	18,075,084	15,760,333
Unrealized financial expenses	(4,479,045)	(3,727,730)
Present value payable	**13,596,039**	**12,032,603**
Current	3,877,090	3,503,167
Non-current	9,718,949	8,529,436

c.2) Debentures

On July 14, 2022, the Company completed the placement of the 7th issue of simple, non-convertible debentures, of the unsecured type, in 2 series. A total of 3,500,000 debentures were issued with a nominal unit value of R$1,000.00 (one thousand reais), with a total nominal value of R$3,500,000 and the settlement of the respective public offering will be concluded with restricted efforts.

- The 1st series, in the nominal amount of R$1,500,000, bears interest at CDI + 1.12% p.a. Interest will be paid in semiannual installments as of January 12, 2023 and the principal will mature on July 12 of 2025.
- The 2nd series, in the nominal amount of R$2,000,000, bears interest at CDI + 1.35% p.a. Interest will be paid in semiannual installments as of January 12, 2023 and the principal will mature on July 12 of 2027.

The debentures have a sustainability component (Debentures linked to Environmental, Social and Corporate Governance ("ESG") performance, classifying them as "sustainability-linked", under the terms of the International Capital Market Association in the Sustainability-Linked Bond Principles, June 2020 release.

c.3) Loans and financing

c.3.1) 5G licenses

On December 3, 2021, Term authorizations were signed with ANATEL from its auctions for the implementation of 5G technology, the Company having presented successful bids. These authorizations are valid for 20 years associated with authorizations for the provision of SMP, renewable successively, for consideration, under the terms of Law No. 9,472/1997.

These amounts are being updated by the reference rate of the Special Settlement and Custody System (“SELIC“) (13.03% and 12.38% in 2023 and 2022, respectively), accumulated monthly and by the variation of the General Price Index – Internal Availability (“IGP-DI“) (-3.30% and 5.03% in 2023 and 2022, respectively), as applicable.

These Terms are guaranteed by insurance contracts.

c.3.2) Financial Institutions – Citibank

On April 8, 2022, a foreign currency denominated loan was obtained from Citibank (US dollar), through Law No. 4.131, of US$212,413 thousand, equivalent to R$1,000,000, maturing on September 28, 2023, remunerated at 3.1546% p.a. Interest will be paid semi-annually and principal will be paid at the end of the transaction. On April 8, 2022, a swap agreement was signed, exchanging the debt remuneration for CDI + 0.70% p.a. On September 2023, the Company fully paid off this loan.

c.3.3) Liabilities for the acquisition of a company

c.3.3.1) Acquisition of Garliava (Note 1.c.3)

On December 31, 2022, the Company had some liabilities with Oi, provided for in clauses of the Agreement, arising from the acquisition of Garliava, as follows: (i) contractual retention of 10% of the acquisition price, R$522,297 on December 31, 2022.

(In thousands of Reais, unless otherwise stated)

On September 29, 2023, it was recognized by the Market Arbitration Chamber Court that it had approved the agreement in relation to the Post-Closing Adjustment (as defined in the Share Purchase and Sale Agreement and Other Covenants) (“Parties”) (“ Agreement”), entered into between the Buyers (the Company, TIM S.A. and Claro S.A.) and Oi. S.A. – In Judicial Recovery (Seller), as a way of putting an end to the controversy between the Parties and the arbitration procedure related to the Adjustment Post-Closing. On October 2, 2023 this same court approved the Agreement and ordered the transfer of resources to the parties involved. Therefore, on September 30, 2023, the retained amount (R$488,458), plus applicable interest and/or monetary correction, was derecognized as follows: (a) 50% offset with the amount allocated as judicial deposit (note 10) and the other 50% reverted to the income statement (notes 27 and 28); (b) contingent consideration, this value conditioned on the fulfillment of some objectives/goals that were 100% achieved and consequently there was these settlement with Oi. The balance on December 31, 2022 was R$15,000; and (c) contractual costs, incurred by Oi with the dismissal and rehiring of Oi workers by Garliava. These values will be fully refunded within 30 days from the notification data to be sent by Oi. The balance on December 31, 2022 was R$8,333.

During the year ended December 31, 2023, all amounts related to the acquisition were paid.

c.3.3.2) Acquisition of Vita IT by an indirect subsidiary (Note 1.c.4)

The purchase consideration for the acquisition in 2022 of Vita IT by TIS, the Company's indirect subsidiary, was R$110,220. Of this amount, R$42,000 was paid in cash upon completion of the Transaction R$8,992 in the year ended on December 31, 2023 and the remainder will be paid pursuant to contractual clauses, indexed to the IPCA. The balance on December 31, 2023 and December 31, 2022 was R$63,605 and R$69,669, respectively.

c.3.3.3) Acquisition of Vale Saúde Sempre by POP (Note 1.c.5)

The purchase consideration for the acquisition of Vale Saúde Sempre by POP, including the price adjustments agreed between the parties, was R$62,033. Included is R$37,029 paid in cash at the time of close of the Transaction R$2,956 in the year ended on December 31, 2023 and the remainder will be paid, pursuant to contractual clauses, plus DI interest to the date of payment. The balance on December 31, 2023 was R$25,283.

c.4) Other creditors

On August 3, 2023 and November 1, 2023, Polígono made two contributions of R$15,000 to Vivo Money, totaling R$30,000, through the subscription of 30,000 senior shares, with a unit value of R$1,000.00 (One thousand reais), issue date on July 31, 2023 and maturity on July 31, 2028, remuneration of 100% of the CDI, year 252 days and spread of 3.75% p.a. and amortization of the principal from August 31, 2025. In October 2023, Polígono also invested R$25 in Vivo Money II. The balance on December 31, 2023 was R$30,025.

d) Repayment schedule

			Loans and financing			
Year	**Leases**	**Debentures**	**5G Licences**	**Liabilities for the acquisition of a company**	**Other creditors**	**Total**
2025	2,951,435	1,500,000	59,337	21,060	—	4,531,832
2026	2,238,385		59,337	22,968	—	2,320,690
2027	1,601,213	2,000,000	59,337	16,007	—	3,676,557
2028	1,186,412		59,337	1,265	30,025	1,277,039
2029 onwards	1,741,504		712,047	1,898	—	2,455,449
Total	**9,718,949**	**3,500,000**	**949,395**	**63,198**	**30,025**	**14,261,567**

(In thousands of Reais, unless otherwise stated)

e) Changes

			Loans and financing					
	Leases	Debentures	5G Licences	Financial institutions	Liabilities for the acquisition of a company	Suppliers	Other creditors	Total
Balance on December 31, 2021	**11,230,099**	**1,028,463**	**4,450,806**	**54**	**—**	**224,556**	**—**	**16,933,978**
Additions[1]	3,229,338	3,500,000	—	1,000,000	—	—	—	7,729,338
Exchange variation (Note 28)	—	—	—	108,310	—	—	—	108,310
Financial charges / Fair value (Note 28)	1,292,376	247,381	282,784	(17,559)	39,488	5,816	—	1,850,286
Business combination – Garliava (Note 1.c.3)	589,024	—	—	—	606,996	—	—	1,196,020
Business combination – Vita IT (Note 1.c.4)	—	—	—	—	68,815	—	—	68,815
Write-offs (cancellation of contracts)	(67,220)	—	—	—	—	—	—	(67,220)
Write-offs (payments), principal	(2,940,222)	(1,000,000)	(2,721,392)	(50)	(100,000)	(224,556)	—	(6,986,220)
Write-offs (payments), financial charges	(1,300,792)	(39,011)	(168,227)	(17,665)	—	(5,816)	—	(1,531,511)
Balance on December 31, 2022	**12,032,603**	**3,736,833**	**1,843,971**	**1,073,090**	**615,299**	**—**	**—**	**19,301,796**
Additions[1]	4,738,994	—	—	—	—	—	30,025	4,769,019
Exchange variation (Note 28)	—	—	—	(52,254)	—	—	—	(52,254)
Financial charges / Fair value (Note 28)	1,392,570	486,521	105,563	68,517	38,070	—	943	2,092,184
Business combination – Vale Saúde Sempre (Note 1 c.5)	—	—	—	—	25,815	—	—	25,815
Dispute settlement agreement - Acquisition of Oi mobile UPI – Reversion to results for the period (notes 27 and 28)	—	—	—	—	(277,507)	—	—	(277,507)
Dispute settlement agreement - Acquisition of Oi mobile UPI – Compensation with judicial deposits (note 10)	—	—	—	—	(277,507)	—	—	(277,507)
Write-offs (cancellation of contracts)	(331,827)	—	—	—	(6,271)	—	—	(338,098)
Write-offs (payments), principal	(2,754,909)	—	(616,936)	(1,056,060)	(24,038)	—	—	(4,451,943)
Write-offs (payments), financial charges	(1,481,392)	(501,765)	(31,912)	(33,293)	(4,973)	—	(943)	(2,054,278)
Balance on December 31, 2023	**13,596,039**	**3,721,589**	**1,300,686**	**—**	**88,888**	**—**	**30,025**	**18,737,227**

(1) The amounts of leases and 5G licenses do not have the effect of inflowing resources (cash).

22. DEFERRED INCOME

	12.31.2023	**12.31.2022**
Contractual Liabilities (customers contracts)[1]	963,407	865,407
Sale of goods and fixed assets[2]	68,699	78,027
Government grants	17,124	28,162
Other	37,373	11,827
Total	**1,086,603**	**983,423**
Current	960,078	845,645
Non-current	126,525	137,778

(1) Refers to the balance of contractual liabilities of customers, deferred when they relate to performance obligations satisfied over time.

(2) Includes the net balances of the residual values from sale of non-strategic towers and rooftops, transferred to income as the conditions for recognition are met.

(In thousands of Reais, unless otherwise stated)

Below, we present the changes in contractual liabilities (contracts with customers), mainly represented by the sale of prepaid credits.

	12.31.2023	12.31.2022
Balance at the beginning of the fiscal year	**865,407**	**619,881**
Additions	8,051,367	7,794,042
Write-offs, net	(7,953,367)	(7,583,863)
Business combination – Garliava (Note 1.c.3)	—	35,347
Balance at the end of the year	**963,407**	**865,407**

Below, we present the expected terms for the realization of contractual, non-current liabilities.

Year	
2024	911,911
2025	33,552
2026	3,702
2027	3,198
2028	2,991
2029 onwards	8,053
Total	**963,407**

23. OTHER LIABILITIES

	12.31.2023	12.31.2022
Surplus from post-employment benefit plans (Note 31)	1,077,083	769,816
Liabilities with ANATEL(1)	929,520	776,878
Third-party withholdings(2)	205,315	299,411
Liabilities with related parties (Note 29)	5,671	124,724
Obligations to customers – refund	124,533	63,460
Other liabilities	43,558	45,145
Total	**2,385,680**	**2,079,434**
Current	509,495	601,053
Non-current	1,876,185	1,478,381

(1) Includes the cost of renewing STFC and SMP licenses and SMP licenses and the extension of the authorization to use radio frequencies for the exploitation of SMP (Note 14.e).
(2) This refers to payroll withholdings and taxes withheld from pay-outs of interest on equity and on provision of services.

24. EQUITY

a) Capital

Pursuant to its Articles of Incorporation, the Company is authorized to increase its share capital up to 1,850,000,000 common shares without requiring it first to adjust its bylaws. The Board of Directors is authorized to deliberate any increase and consequent issue of new shares within this limit.

(In thousands of Reais, unless otherwise stated)

Brazilian Corporation Law (Law no. 6404/1976, Article 166, item IV) – establishes that capital may be increased by an Extraordinary Shareholders' Meeting Resolution by modifying the Articles of Incorporation, if the authorized capital increase limit has been reached.

The shareholders will have preemptive rights to subscribe for a capital increase, in proportion to their number of shares. By resolution of the Board of Directors, the preemptive right in the issuance of shares, convertible debentures and subscription bonus, whose placement may be made through sale on the Stock Exchange or public subscription, exchange for shares in a public offer for acquisition may be excluded control, under the terms of articles 257 and 253 of the Corporation Law, as well as enjoy tax incentives, under the terms of special legislation, as provided for in article 172 of the Corporation Law.

Subscribed and paid-in capital on December 31, 2023, and 2022, amounted to R$63,571,416, represented by shares, all common, book-entry and without par value, distributed as follows:

	12.31.2023		12.31.2022	
Shareholders	**Number**	**%**	**Number**	**%**
Controlling Group	**1,244,240,476**	**75.29 %**	**1,244,241,119**	**74.20 %**
Telefónica Latinoamérica Holding, S.L.	634,398,912	38.38 %	634,399,555	37.83 %
Telefónica	608,905,051	36.85 %	608,905,051	36.31 %
Telefónica Chile	936,513	0.06 %	936,513	0.06 %
Other shareholders	**408,343,528**	**24.71 %**	**419,315,612**	**25.00 %**
Treasury Shares	**4,356**	**— %**	**13,381,540**	**0.80 %**
Total shares	**1,652,588,360**	**100.00 %**	**1,676,938,271**	**100.00 %**
Treasury Shares	(4,356)		(13,381,540)	
Total shares outstanding	**1,652,584,004**		**1,663,556,731**	

Book value per outstanding share:		
On 12.31.2023	R$	42.10
On 12.31.2022	R$	41.12

Reduction of the Company's Capital – Request for Consent to ANATEL

The Company, pursuant to the provisions of Article 157, paragraph 4, of Law No. 6,404, of December 15, 1976, as amended, and the provisions of CVM Resolution No. 44, of August 23, 2021, informed on February 15, 2023, that its Board of Directors had approved the submission of a request for prior consent with ANATEL to reduce its capital stock.

At a meeting of ANATEL's Board of Directors, held on September 15, 2023, the request for prior consent for the Company to make one or more reductions in its current share capital (R$63,571,416 thousand) was unanimously approved, subject to to the Administration's assessment of opportunity and convenience, in a maximum total value of up to R$5 billion (five billion reais).

On September 18, 2023, within the scope of the administrative process with ANATEL, the Ruling through which ANATEL granted, by imposing conditions, the aforementioned prior consent.

Subject to compliance with the conditions imposed by ANATEL, the decision of the Company's Management regarding opportunity and convenience, as well as obtaining the appropriate corporate approvals, the granting of said consent provides the Company with flexibility to carry out or not the Reductions, which, when carried out, will occur through the refund of resources to its shareholders in proportion to their shareholding on the respective base dates.

On November 8, 2023, the Company, in accordance with and for the purposes of the provisions of article 157, paragraph 4, of Law No. 6,404, of December 15, 1976, as amended, and the provisions of CVM Resolution No. 44/2021, informed its shareholders and the market in general that its Board of Directors approved: (i) a proposal, to be assessed and deliberated by the Company's shareholders at an EGM, of an operation to reduce the company's share capital Company in the amount of R$1.5 billion, without the cancellation of shares issued by the Company and through the refund of resources to shareholders, in national currency, to be paid in a single installment until July 31, 2024, in date to be determined by the Company's Board of Directors, and: (ii) the EGM to deliberate on the aforementioned capital reduction proposal and the consequent amendment to the Company's Bylaws.

The EGM to deliberate on the aforementioned capital reduction proposal and the consequent amendment to the Company's Bylaws was held on January 24, 2024 (note 35.b).

b) Company's share buyback program

On February 15, 2023, the Company's Board of Directors, pursuant to article 15, item XV of the Bylaws and CVM Resolution 77/2022, approved a new share buyback program of the Company to acquire common shares for subsequent cancellation, sale or be held in treasury, without reducing capital stock, in order to increase shareholder value through the efficient use of available cash resources, optimizing capital allocation.

The repurchase of shares will be for up to 40,550,121 common shares, using resources available pursuant to article 8, paragraph 1, of CVM Resolution No. 77/2022, such as profit, capital and profit reserves from the current year. The maximum amount to be used in the program is R$500 million.

This program starts on February 23, 2023 and ends on February 22, 2024.

Acquisitions will be made on the Stock Exchange (B3 – Brasil, Bolsa e Balcão), at market prices, and the Company's management will be responsible for deciding the time and number of shares to be acquired, respecting the limits set forth in the Program and applicable regulations.

At a meeting held on February 15, 2023, the Company's Board of Directors approved the cancellation of 13,381,540 common, book-entry shares with no par value issued by the Company and held in treasury, referring to the position on December 31, 2022 , without reducing its share capital.

At a meeting held on December 22, 2023, the Company's Board of Directors approved the cancellation of 10,968,371 common, book-entry shares with no par value issued by the Company and held in treasury, without reducing its share capital, acquired throughout 2023 within the context of the Share Buyback Program issued by the Company itself.

(In thousands of Reais, unless otherwise stated)

Below, we present the movements of treasury shares, described in items c) and d) of this note.

	Number of shares			Values		
	Capital reserves	Income reserves	Total	Capital reserves	Income reserves	Total
Equity on December 31, 2021	**14,046,652**	**—**	**14,046,652**	**(606,536)**	**—**	**(606,536)**
Share buybacks	13,381,200	—	13,381,200	(607,429)	—	(607,429)
Right of recess (Garliava Note 1.c.3)	340	—	340	(14)	—	(14)
Share cancellations	(14,046,652)	—	(14,046,652)	606,536	—	606,536
Equity on December 31, 2022	**13,381,540**	**—**	**13,381,540**	**(607,443)**	**—**	**(607,443)**
Share buybacks	3,648,542	7,324,185	10,972,727	(86,337)	(402,421)	(488,758)
Share cancellations	(17,025,726)	(7,324,185)	(24,349,911)	693,586	402,421	1,096,007
Equity on December 31, 2023	**4,356**	**—**	**4,356**	**(194)**	**—**	**(194)**

c) Capital reserves

The balance on December 31, 2023 was R$63,095 (R$149,409 on December 31, 2022), comprises:

- Special goodwill reserve: Refers to the tax benefit generated by the merger of Telefônica Data do Brasil Ltda. which will be capitalized in favor of the controlling shareholder (Telefónica and TLH) after the realization of the tax credit, pursuant to CVM Instruction 319/1999. The balance of this item on December 31, 2023 and 2022 was R$63,074.
- Treasury shares: The balance of this item on December 31, 2023 was R$194 (R$607,443 on December 312, 2022), as per the movement presented in note 24.b).
- Other capital reserves: Refers to the effects of capital transactions occurring in the acquisition, disposal and incorporation of companies by the Company and/or its subsidiaries. The balance of this item on December 31, 2023 was R$194 (R$693,778 on December 31, 2022). The variation occurred in this item refers to the repurchases and cancellations of common shares, note 24.b). This cancellation was recorded as a contra entry to “Treasury shares, in Capital reserves”.

d) Income reserves

The balance on December 31, 2023 was R$5,885,575 (R$3,804,001 on December 31, 2022), subdivided into:

- Legal reserve: Reserve created mandatorily by the Company based on 5% of the net profit for the year, until reaching 20% of the paid-in share capital. The legal reserve may only be used to increase share capital and to offset accumulated losses. The balance of this item on December 31, 2023 was R$3,841,022 (R$3,589,552 on December 31, 2022).
- Treasury shares: Refers to the repurchases and cancellations of common shares that occurred in 2023, as provided for in the Company's share repurchase program, note 24.b).

(In thousands of Reais, unless otherwise stated)

- Tax incentives: Refers to the tax benefits that the Company has related to: (i) ICMS in the states of Minas Gerais and Espírito Santo, referring to credits granted with the competent bodies of the aforementioned states, linked to investments in the installation of SMP support equipment, in full functioning and operation, in accordance with current regulations, which ensure that the locations listed in the notice are included in the SMP coverage area; and (ii) 75% reduction in the IRPJ levied on profit earned in the states in the North and Northeast regions of the country (SUDAM and SUDENE areas). The portion of these tax benefits was excluded from the calculation of dividends and may only be used in cases of capital increase or loss absorption. The balance of this item on December 31, 2023 was R$313,581 (R$214,449 on December 31, 2022).
- Reserve for remuneration to shareholders and investments: According to Management's proposal and upon shareholder approval, the Company intends to set up the statutory reserve "Reserve for Remuneration to Shareholders and Investments", in accordance with article 194 of the Brazilian Corporation Law, which will be allocated, upon Management's proposal, up to 50% of the net profit for the year, provided that the balance of said reserve does not exceed, in total, the corresponding to 20% of the Company's share capital, the resources of which may be used by the Company for: (i) repurchase, redemption, reimbursement or amortization of shares issued by the Company itself; (ii) distribution of dividends to shareholders, including interim or interim dividends or in the form of interest on equity; and (iii) investments related to the Company's activities. Management will propose the allocation of R$1,730,972 of the net profit for the year ended December 31, 2023 to the Reserve for Shareholder Remuneration and Investments. The creation of the statutory reserve will be resolved at an Extraordinary General Meeting to be held immediately before the Ordinary General Meeting of April 11, 2024, which, in turn, will deliberate on the proposal for the allocation of net profit for the year ending on December 31, 2024. 2023.

e) Dividend and interest on equity

e.1) Allocation of dividends and interest on equity for the 2023 and 2022

The amounts of IOE are calculated and presented net of Withholding Income Tax ("IRRF"). Exempt shareholders received the full IOE amount, without withholding income tax at source.

In 2023

At meetings of the Company's Board of Directors, ad referendum of the General Shareholders' Meeting ("AGM") to be held on April 11, 2024, approved the distribution of interim interest on equity, for the year of 2023, pursuant to article 26 of the Company's Bylaws, Article 9 of Law No. 9,249/95 and CVM Resolution No. 683/12, which will be imputed to the minimum mandatory dividend for the 2023 year, as follows:

	Dates			Gross Amount		
Nature	**Approval**	**Credit**	**Payment limit**	**Gross Amount**	**Net Value**	**Amount per Share, Net**
IOE	02.15.2023	02.28.2023	10.18.2023	106,000	90,100	0.054206
IOE	03.15.2023	03.31.2023	10.18.2023	290,000	246,500	0.148347
IOE	05.15.2023	05.31.2023	until 04.30.2024	320,000	272,000	0.163864
IOE	07.17.2023	07.31.2023	until 04.30.2024	405,000	344,250	0.207620
IOE	08.15.2023	08.31.2023	until 04.30.2024	265,000	225,250	0.135975
IOE	09.11.2023	09.22.2023	until 04.30.2024	200,000	170,000	0.102623
IOE	10.10.2023	10.23.2023	until 04.30.2024	150,000	127,500	0.076989
IOE	12.14.2023	12.26.2023	until 04.30.2024	850,000	722,500	0.437194
Total				**2,586,000**	**2,198,100**	

(In thousands of Reais, unless otherwise stated)

In 2022

In the AGM held on April 13, 2023, the financial statements and allocations of the result for the year 2022 were approved by majority vote of the holders of common shares present.

During the 2022 financial year, the Company allocated intermediate dividends and interest on equity, which were allocated to the minimum mandatory dividends and proposed additional dividends, as follows:

	Dates			Gross Amount		
Nature	**Approval**	**Credit**	**Payment limit**	**Gross Amount**	**Net Value**	**Amount per Share, Net**
IOE	02.16.2022	02.25.2022	04.18.2023	180,000	153,000	0.091286
IOE	03.17.2022	03.31.2022	04.18.2023	250,000	212,500	0.126898
IOE	04.13.2022	04.29.2022	04.18.2023	150,000	127,500	0.076179
IOE	06.14.2022	06.30.2022	04.18.2023	480,000	408,000	0.244216
IOE	08.19.2022	08.31.2022	04.18.2023	300,000	255,000	0.152788
IOE	12.09.2022	12.29.2022	04.18.2023	715,000	607,750	0.365332
Dividends	12.09.2022	12.29.2022	07.18.2023	1,000,000	1,000,000	0.601122
Proposed additional dividends	04.13.2023	04.13.2023	07.18.2023	826,731	826,731	0.497538
Total				**3,901,731**	**3,590,481**	

e.2) Unclaimed dividends and interest on equity

Pursuant to Article 287, paragraph II, item “a” of Law No. 6404, of December 15, 1976, the dividends and interest on equity unclaimed by shareholders are subject to the statute of limitation three years, as from the initial payment date. The Company reverses the amounts of unclaimed dividends and IOE to equity once the statute of limitation occurred.

For the years ended December 31, 2023 and 2022, the Company reversed unclaimed dividends and interest on equity amounting to R$139,766 and R$167,449, respectively, which were included in calculations for decisions on Company dividends.

e.3) Remuneration to shareholders

The dividends are calculated in accordance with the Company Articles of Incorporation and the Corporation Law.

(In thousands of Reais, unless otherwise stated)

The table below shows the calculation of dividends and interest on equity for 2023 and 2022:

	2023	**2022**
Net income for the year	5,029,389	4,085,013
(-) Allocation to legal reserve	(251,470)	(204,250)
(-) Tax incentives – not distributable	(99,132)	(95,095)
Adjusted net income	**4,678,787**	**3,785,668**
Dividend and IOE allocated for the year:	**(2,586,000)**	**(3,075,000)**
Interim interest on equity (gross)	(2,586,000)	(2,075,000)
Interim dividends	—	(1,000,000)
Unallocated net profit balance	**2,092,787**	**710,668**
(+) Unclaimed dividends and interest on equity	139,766	167,449
(-) Actuarial losses recognized and effect of limitation of surplus plan assets, net of taxes and other changes	(99,160)	(51,386)
Income available for allocation	**2,133,393**	**826,731**
Proposal for allocation:		
Proposed additional dividends – Net income for the year		
Share cancellation - share repurchase programs	402,421	—
Reserve for shareholder remuneration and investments (2023) / Proposed additional dividends (2022)	1,730,972	826,731
Total	**2,133,393**	**826,731**
Mandatory minimum dividend – 25% of adjusted net income	**1,169,697**	**946,417**

The amount per common share of the additional dividends proposed for 2022 was R$0.497538.
The proposal to management of the 2023 financial year that is presented above will be submitted to the annual general meeting to be held in 2024.

f) Equity valuation adjustment

Currency translation effects for foreign investments: This refers to currency translation differences arising from the translation of financial statements of Aliança (joint venture).

Financial assets at fair value through other comprehensive income: These refer to changes in fair value of financial assets available for sale.

Derivative financial instruments: These refer to the effective part of cash flow hedges up to the balance sheet date.

(In thousands of Reais, unless otherwise stated)

Changes in other comprehensive income were as follows.

	Currency translation effects – foreign investments	Financial assets at fair value through other comprehensive income	Derivative transactions	Total
Balance on December 31, 2021	**77,640**	**(9,074)**	**(409)**	**68,157**
Translation losses	(16,258)	—	—	(16,258)
Gains from derivatives	—	—	424	424
Losses on financial assets at fair value through other comprehensive income	—	(140)	—	(140)
Balance on December 31, 2022	**61,382**	**(9,214)**	**15**	**52,183**
Translation losses	(4,806)		—	(4,806)
Gains from derivatives	—	—	(608)	(608)
Losses on financial assets at fair value through other comprehensive income	—	(60)	—	(60)
Balance on December 31, 2023	**56,576**	**(9,274)**	**(593)**	**46,709**

(In thousands of Reais, unless otherwise stated)

g) Non-controlling shareholders

	IoTCo Brasil	Vivo Ventures	CloudCo Brasil	Total
Equity on December 31, 2021	**81,185**	**—**	**76,845**	**158,030**
Company	40,600	—	38,430	79,030
Non-controlling shareholders	40,585	—	38,415	79,000
Company	327	20,115	(27,641)	(7,199)
Capital contributions in investees	—	4,900	—	4,900
Movements in equity	(164)	15,747	(39)	15,544
Movements in the statements of income	491	(532)	(27,602)	(27,643)
Non-controlling shareholders	326	410	(27,629)	(26,893)
Capital contributions in investees	—	100	—	100
Movements in equity	(164)	321	(39)	118
Movements in the statements of income	490	(11)	(27,590)	(27,111)
Equity on December 31, 2022	**81,838**	**20,525**	**21,575**	**123,938**
Company	40,927	20,115	10,789	71,831
Non-controlling shareholders	40,911	410	10,786	52,107
Company	7,386	22,080	586	30,052
Capital contributions in investees	—	25,066	—	25,066
Movements in equity	(2,737)	—	55	(2,682)
Movements in result	10,123	(2,986)	531	7,668
Non-controlling shareholders	7,383	450	585	8,418
Capital contributions in investees	—	511	—	511
Movements in equity	(2,736)	—	55	(2,681)
Movements in result	10,119	(61)	530	10,588
Equity on December 31, 2023	**96,607**	**43,055**	**22,746**	**162,408**
Company	48,313	42,195	11,375	101,883
Non-controlling shareholders	48,294	860	11,371	60,525

(In thousands of Reais, unless otherwise stated)

h) Earnings per share

Basic and diluted earnings per share were calculated by dividing profit attributed to the Company's shareholders by the weighted average number of outstanding common and preferred shares.

Below, we present the earnings per share calculations for the years ended December 31, 2023, 2022 and 2021.

	2023	2022	2021
Net profit for the year attributed to shareholders holding shares	5,029,389	4,085,013	6,239,364
Weighted average number of outstanding common shares for the year (thousands)	1,658,604	1,670,851	1,683,095
Basic and diluted results per common share (R$)	3.03	2.44	3.71

25. NET OPERATING REVENUE

a) Accounting policy

Revenues correspond substantially to the provision of telecommunication services, communications, sales of goods, advertising and other revenues, and are presented net of taxes, discounts and returns (in the case of sale of goods), levied on them.

Total revenues from packages that combine several products or services (fixed, mobile, data, internet or television) are allocated to each performance obligation based on their independent selling prices in relation to the total consideration for the package and recognized when (or as soon as) the obligation is satisfied. When packages promote some discount on equipment or services, an accounting adjustment is made to allocate the sale price between them based on their fair price, constituting a contractual asset or liability, which is appropriated to income over subsequent periods.

Revenues from sales of prepaid cellular recharge credits, as well as the respective taxes due, are deferred and recognized in income as the services are effectively provided.

Revenues from equipment leasing contracts, classified as leasing (Vivo TECH product), are recognized when the equipment is installed, when the effective transfer of risk occurs. Revenues are recognized at the present value of future minimum contract payments.

Revenue from the sale of handsets to dealers is accounted for upon delivery, when all risks and benefits are transferred to accredited agents.

The Company's revenue recognition process is complex, due to the large volume of transactions and wide range of goods/services that can be sold/provided separately or in aggregate, under different commercial conditions. Besides, there is the complexity of the process used by management for estimating recognized revenue rendered and not yet billed, given the diversity of data sources, revenue streams and the number of systems involved.

Revenues from services and goods are basically subject to the following indirect taxes: ICMS or ISS, as the case may be, PIS and COFINS.

(In thousands of Reais, unless otherwise stated)

b) Breakdown

	2023	2022	2021
Gross operating revenue	**71,229,553**	**67,761,022**	**64,611,536**
Services[1]	63,727,415	60,845,159	58,263,461
Sale of goods[2]	7,502,138	6,915,863	6,348,075
Deductions from gross operating revenue	**(19,129,402)**	**(19,719,860)**	**(20,578,923)**
Taxes	**(10,654,728)**	**(11,460,021)**	**(13,019,110)**
Services	(9,078,822)	(10,080,992)	(11,815,168)
Sale of goods	(1,575,906)	(1,379,029)	(1,203,942)
Discounts granted and return of goods	**(8,474,674)**	**(8,259,839)**	**(7,559,813)**
Services[3]	(6,373,301)	(6,199,625)	(5,533,773)
Sale of goods	(2,101,373)	(2,060,214)	(2,026,040)
Net operating revenue	**52,100,151**	**48,041,162**	**44,032,613**
Services	**48,275,292**	**44,564,542**	**40,914,520**
Sale of goods	**3,824,859**	**3,476,620**	**3,118,093**

(1) These include telephone services, use of interconnection network, data and SVA services, cable TV and other services.

(2) These include sale of goods (handsets, SIM cards and accessories) and equipment of "Vivo Tech".

(3) The consolidated balances in the December 31, 2022 include R$615,750, to be refunded to customers as a result of Complementary Law No. 194 of July 23, 2022, which addresses taxes levied in sectors deemed to be essential and indispensable for goods and services, resulting in the reduction of ICMS rate on communications services. The balance was recorded as a contra entry to provisions and contingencies (Note 20).

No single customer contributed more than 10% of gross operating revenue for the years ended December 31, 2023, 2022 and 2021.

26. OPERATING COSTS AND EXPENSES

	2023			
	Cost of sales and services	Selling expenses	General and administrative expenses	Total
Third-party services[1]	(9,419,794)	(5,889,946)	(1,070,918)	(16,380,658)
Depreciation and amortization[2]	(10,997,645)	(1,541,485)	(850,443)	(13,389,573)
Personnel[3]	(1,302,479)	(3,415,532)	(895,751)	(5,613,762)
Cost of goods sold	(4,301,092)	—	—	(4,301,092)
Taxes, charges and contributions[4]	(2,060,261)	(29,492)	(40,364)	(2,130,117)
Estimated impairment losses on accounts receivable (Note 5)	—	(1,362,678)	—	(1,362,678)
Rental, insurance, condominium and connection means[5]	(1,241,597)	(72,742)	(49,765)	(1,364,104)
Materials and other operating costs and expenses	(92,532)	(127,365)	(50,055)	(269,952)
Total	**(29,415,400)**	**(12,439,240)**	**(2,957,296)**	**(44,811,936)**

(In thousands of Reais, unless otherwise stated)

	2022			
	Cost of sales and services	**Selling expenses**	**General and administrative expenses**	**Total**
Third-party services[1]	(8,865,064)	(5,730,219)	(1,063,572)	(15,658,855)
Depreciation and amortization[2]	(10,309,553)	(1,521,709)	(828,611)	(12,659,873)
Personnel[3]	(1,109,109)	(3,059,974)	(719,017)	(4,888,100)
Cost of goods sold	(3,841,064)	—	—	(3,841,064)
Taxes, charges and contributions[4]	(1,905,558)	(33,255)	(53,395)	(1,992,208)
Estimated impairment losses on accounts receivable (Note 5)	—	(1,315,614)	—	(1,315,614)
Rental, insurance, condominium and connection means[5]	(1,307,950)	(66,148)	(48,182)	(1,422,280)
Materials and other operating costs and expenses	(93,382)	(112,207)	(24,823)	(230,412)
Total	**(27,431,680)**	**(11,839,126)**	**(2,737,600)**	**(42,008,406)**

	2021			
	Cost of sales and services	**Selling expenses**	**General and administrative expenses**	**Total**
Third-party services[1]	(8,019,315)	(5,768,909)	(1,054,453)	(14,842,677)
Depreciation and amortization[2]	(9,688,780)	(1,506,862)	(842,689)	(12,038,331)
Personnel[3]	(861,876)	(2,661,782)	(588,016)	(4,111,674)
Cost of goods sold	(3,222,043)	—	—	(3,222,043)
Taxes, charges and contributions[4]	(1,704,235)	(29,649)	(52,818)	(1,786,702)
Estimated impairment losses on accounts receivable (Note 5)	—	(1,436,288)	—	(1,436,288)
Rental, insurance, condominium and connection means[5]	(1,187,976)	(57,852)	(44,187)	(1,290,015)
Materials and other operating costs and expenses	(97,144)	(132,775)	(33,742)	(263,661)
Total	**(24,781,369)**	**(11,594,117)**	**(2,615,905)**	**(38,991,391)**

(1) Includes costs and expenses for interconnection and use of networks, advertising and publicity, plant maintenance, electricity, security, cleaning, TV content purchase, commercial brokerage and intermediation, partnerships, call center, back office, logistics and storage, preparation and posting of telephone bills, banking services, among others.

(2) Includes the consolidated amounts of R$3,353,344 and R$3,049,570 and R$2,737,111 in the years ended December 31, 2023, 2022 and 2021, respectively, related to the leases depreciation (Note 13.e).

(3) Includes costs and expenses with fees, salaries, social charges and benefits, profit sharing, stock-based compensation plans, pension plans and other post-employment benefits, training, transportation, health and nutrition.

(4) Includes costs and expenses with FISTEL, FUST, FUNTTEL, liens for renewal of licenses and other taxes, fees and contributions.

(5) Includes costs and expenses of infrastructure, real estate, equipment, vehicles, insurance and means of connection.

(In thousands of Reais, unless otherwise stated)

27. OTHER OPERATING INCOME (EXPENSES)

	2023	2022	2021
Recovered expenses and fines(1)(3)	1,097,797	960,851	2,534,835
Provision for labor, tax and civil contingencies (Note 20)	(661,743)	(653,686)	(1,066,022)
Net income from the FiBrasil operation, including goodwill write-off	—	—	416,577
Other operating income, net(2)(3)	204,266	281,732	42,235
Total	**640,320**	**588,897**	**1,927,625**
Other operating income	1,302,059	1,242,583	2,993,647
Other operating expenses	(661,739)	(653,686)	(1,066,022)
Total	**640,320**	**588,897**	**1,927,625**

(1) For the years ended December 31, 2023, 2022 and 2021, includes tax credits, in the amounts of R$276,726, R$396,723 and R$1,660,295, respectively, arising from decisions on lawsuits, in favor of the Company, which recognized tax credits of PIS and COFINS (note 9). The remaining balance refers to contractual fines and other tax credits.

(2) On December 31, 2023, includes R$244,229 referring to the reversal of part of the remaining 50% arising from the agreement in relation to the Post-Closing Adjustment (as defined in the Share Purchase and Sale Agreement and Other Covenants) ("Parties") ("Agreement"), entered into between the Buyers (the Company, TIM S.A. and Claro S.A.) and Oi. S.A. – In Judicial Recovery (Seller), as a way of putting an end to the controversy between the Parties and the arbitration procedure related to the Post-Closing Adjustment (note 21.c.3.3.1) and the amounts of net gains on the sale of assets (property, scrap, etc.) and tax expenses on other operating income.

(3) On December 31, 2023, includes R$260,198, referring to the net gain from negotiations with TowerCo (Note 20). Includes amounts of net gains on disposal of assets (real estate, scrap, etc.) and expenses with taxes on other income.

28. FINANCIAL INCOME (EXPENSES)

a) Accounting policy

These include interest, monetary and exchange variations arising from short-term investments, derivative transactions, loans, financing, debentures, present value adjustments of transactions that generate monetary assets and liabilities and other financial transactions. These are recognized on an accrual basis when earned or incurred by the Company.

For all financial instruments measured at amortized cost and interest-yielding financial assets classified as financial assets at fair value through other comprehensive income, interest income or expense is recognized using the effective interest method, which discounts estimated future cash payments or receipts over the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

(In thousands of Reais, unless otherwise stated)

b) Breakdown

	2023	2022	2021
Financial Income			
Other income with foreign exchange and monetary variation (judicial deposits, taxes and others)(1)	531,227	1,040,811	734,336
Interest income	536,420	571,784	312,978
Gain on derivative transactions	512,698	390,146	149,089
Interest receivable (customers, taxes and other)	165,212	154,263	111,585
Exchange rate variations on loans and financing, debentures, leases and other creditors (Note 21.e)(2)	52,254	—	—
Other financial income	244,357	59,194	2,545
Total	**2,042,168**	**2,216,198**	**1,310,533**
Financial Expenses			
Charges and fair value on loans, financing, debentures, leases and other creditor (note 21.e)(2)	(2,092,184)	(1,850,286)	(924,215)
Expenses with monetary variations of provision for contingencies (note 20.c)	(784,427)	(893,963)	(887,446)
Loss on derivative transactions	(622,787)	(495,668)	(161,779)
Interest payable (financial institutions, trade accounts payable, taxes and other)	(560,195)	(345,424)	(194,223)
Foreign exchange variation on loans and financing (Note 21.e)	—	(108,310)	—
Other expenses with exchange and monetary variations (suppliers, taxes and others)	(162,544)	(86,276)	(76,276)
Other financial expenses	(163,940)	(202,591)	(193,174)
Total	**(4,386,077)**	**(3,982,518)**	**(2,437,113)**
Financial income (expenses), net	**(2,343,909)**	**(1,766,320)**	**(1,126,580)**

(1) For the years ended December 31, 2023, 2022 and 2021, includes tax credits, in the amounts of R$245,491, R$816,038 and R$609,096, respectively, arising from decisions on lawsuits, in favor of the Company, which recognized PIS tax credits and COFINS (note 9).

(2) Includes the consolidated amounts of R$1,392,570 e R$1,292,376 and R$828,710 in the years ended December 31, 2023, 2022 and 2021, respectively, related to leases charges (Note 21.e).

29. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a) Balances and transactions with related parties

The main balances of assets and liabilities with related parties arise from transactions with companies related to the controlling group, which were carried out at prices and other commercial conditions as agreed in a contract between the parties and refer to:

a) Fixed and mobile telephony services provided by Telefónica Group companies.

b) Consulting service for the construction of a fiber optic network.

c) Installments receivable on the sale of equity interest and capital contributions, as well as the update of these values.

d) Corporate services passed through at the cost effectively incurred.

e) Right to use certain software licenses and maintenance and support contracted.

f) International transmission infrastructure for several data circuits and roaming services contracted.

g) Adquira Sourcing platform – online solution to for purchase and sale of various goods and services.

h) Cost Sharing Agreement for digital business.

i) Financial Clearing House roaming, inflows of funds for payments and receipts from roaming operation.

j) Data communication services and integrated solutions.

k) Long distance calling and international roaming services.

l) Amounts reimbursed by SP Telecomunicações Participações (company wound up on October 31, 2022, former parent company of the Company) as a result of a contractual clause for the purchase of equity interest in Terra Networks. The statement of income presents a loss for the period from January to October 2022.

m) Brand fee for assignment of rights to use the brand.

n) Rental of buildings, data circuit and/or infrastructure.

o) Factoring transactions, credit facilities for services provided by the Group's suppliers.

p) Contracts or agreements assigning user rights for cable ducts, optical fiber duct rental services, and right-of-way related occupancy agreements with several highway concessionaires.

q) Disposal of assets

The Company and its subsidiaries sponsor pension plans and other post-employment benefits for its employees with Visão Prev and Sistel (Note 31).

Telefônica Corretora de Seguros (“TCS“) acts as an intermediary in transactions between insurance companies and the Company and its subsidiaries in the acquisition of insurance for cell phones, operational risks, general liability, guarantee insurance, among others. There are no balances arising from insurance intermediation between TCS and the Company and its subsidiaries.

(In thousands of Reais, unless otherwise stated)

The following table summarizes the consolidated balances with related parties:

		Balance Sheet – Assets					
		12.31.2023			12.31.2022		
Companies	Type of transaction	Cash and cash equivalents	Accounts receivable	Other assets	Cash and cash equivalents	Accounts receivable	Other assets
Parent Companies							
Telefónica Latinoamerica Holding	d)	—	—	26,959	—	—	23,287
Telefónica	d)	—	—	252	—	—	2,791
		—	**—**	**27,211**	**—**	**—**	**26,078**
Other Group companies							
Telefonica Global Solutions Participações	a) / d) / f) / j) / n)	—	5,128	136	—	5,295	124
Telefónica Venezolana	d) / k)	—	9,270	3,238	—	7,869	2,196
Telefônica Factoring do Brasil	d) / o)	—	1,560	40	—	1,799	74
Telefónica Global Solutions	f) / j) / k)	—	15,746	—	—	25,006	—
Telefonica Moviles España	k)	—	1	—	—	1,724	—
Telefónica Moviles Argentina	j) / k)	—	5,886	—	—	6,273	—
Telfisa Global BV	i)	19,474	—	—	10,576	—	—
Telxius Cable Brasil	a) / d) / f) / g)	—	17,545	240	—	1,179	1,388
Telefonica Ciberseguranca e Tecnologia do Brasil	a) / d) / e) / j) / n)	—	496	10,164	—	4,572	2,809
Telefônica Infra	c)	—	—	156,775	—	—	305,414
FiBrasil Infraestrutura e Fibra Ótica	a) / b) / n) / p)	—	6,691	39,188	—	7,232	35,297
Telefónica IoT & Big Data Tech	c) / d)	—	—	20,012	—	—	32,065
Other		—	6,601	11,242	—	6,720	28,784
		19,474	**68,924**	**241,035**	**10,576**	**67,669**	**408,151**
Total		**19,474**	**68,924**	**268,246**	**10,576**	**67,669**	**434,229**
Current assets							
Cash and cash equivalents (Note 3)		19,474	—	—	10,576	—	—
Trade accounts receivable (Note 5)		—	68,924	—	—	67,669	—
Other assets (Note 11)		—	—	259,426	—	—	253,144
Non-current assets							
Other assets (Note 11)		—	—	8,820	—	—	181,085

(In thousands of Reais, unless otherwise stated)

		Balance Sheet – Liabilities			
		12.31.2023		12.31.2022	
Companies	**Type of transaction**	**Trade accounts payable**	**Other liabilities and leases**	**Trade accounts payable**	**Other liabilities and leases**
Parent Companies					
Telefónica Latinoamerica Holding	d)	—	997	5,765	—
Telefónica	d) / m)	**100,886**	**110**	**6,155**	**101,224**
		100,886	**1,107**	**11,920**	**101,224**
Other Group companies					
Telefonica Global Solutions Participações	d) / e) / f) / h) / k)	31,475	318	42,639	318
Telefónica Compras Electrónica	g)	25,924	—	28,525	—
Telefónica Investigación Y Desarrollo, S.A. (Tidsa - Fusão: Telefónica Digital España S.L.)	h)	76,682	—	78,128	—
Telefônica Factoring do Brasil	o)	3,315	—	—	5,109
Telefónica Global Technology	e)	16,765	—	32,579	—
Telefónica Global Solutions	e) / f) / j) / k)	45,468	—	29,076	—
Telxius Cable Brasil	d) / f)	37,211	1,572	20,423	8,113
Companhia AIX Participações	p)	2,779	31,134	2,636	55,960
Telefónica IoT & Big Data Tech	h)	27,041	—	26,971	—
Telefonica Ciberseguranca e Tecnologia Do Brasil	d) / e) / j)	66,478	164	39,163	—
FiBrasil Infraestrutura e Fibra Ótica	b) / d)	38,922	487	24,280	9,466
Other		36,890	2,023	38,959	494
		408,950	**35,698**	**363,379**	**79,460**
Total		**509,836**	**36,805**	**375,299**	**180,684**
Current liabilities					
Trade accounts payable and other payables (Note 17)		509,836	—	375,299	—
Leases (Note 21)		—	31,134	—	26,435
Other liabilities (Note 23)		—	5,103	—	118,303
Non-current liabilities					
Leases (Note 21)		—	—	—	29,525
Other liabilities (Note 23)		—	568	—	6,421

(In thousands of Reais, unless otherwise stated)

		Income statement								
		2023			2022			2021		
Companies	Type of transaction	Operating revenues	Operating revenues (cost and other expenses)	Financial income (expenses)	Operating revenues	Operating revenues (cost and other expenses)	Financial income (expenses)	Operating revenues	Operating revenues (cost and other expenses)	Financial income (expenses)
Parent Companies										
SP Telecomunicações Participações	d) / l)	—	—	—	—	10,839	2,630	12	574	—
Telefónica Latinoamerica Holding	d)	—	4,534	(775)	—	16,280	(428)	—	5,925	(341)
Telefónica	d) / m)	—	(486,147)	7,572	—	(449,933)	12,113	—	(375,994)	(3,461)
		—	**(481,613)**	**6,797**	**—**	**(422,814)**	**14,315**	**12**	**(369,495)**	**(3,802)**
Other Group companies										
Telefonica Global Solutions Participações	a) / d) / e) / f) / k) / j) /	11,242	(95,885)	—	13,928	(110,417)	—	7,510	(108,094)	—
Telefónica Moviles Argentina	k)	2,304	(6,194)	132	1,148	(4,848)	(225)	—	(38,911)	—
Telefónica Investigación Y Desarrollo, S.A. (Tidsa - Fusão: Telefónica Digital España S.L.)	h)	—	(209,100)	10,724	—	(177,107)	5,390	—	(155,508)	(4,351)
Telefônica Factoring do Brasil	d) / o)	23	2,966	—	5	1,455	(5,109)	1,882	254	(7,267)
Telefónica Global Technology	e)	—	(64,435)	2,555	—	(74,512)	17	—	(88,397)	(135)
Telefónica Global Solutions	a) / e) / f) / j) / k)	40,095	(78,611)	(2,547)	50,969	(67,157)	1,055	52,732	(72,781)	531
Telefonica Global Solutions Usa	j)	—	(19,190)	489	—	(17,407)	766	343	(21,613)	(1,587)
Telxius Cable Brasil	a) / d) / f) / q)	8,257	(215,062)	4,579	12,542	(236,318)	1,688	43,338	(235,371)	(7,381)
Telefonica Ciberseguranca E Tecnologia do Brasil	d) / e) / j) / n)	817	(200,290)	—	1,713	(152,374)	—	974	(120,364)	—
Companhia AIX Participações	p)	70	—	(5,474)	30	1	(7,963)	—	—	(3,856)
Telefónica Uk Ltd (Antes O2 (Uk) Ltd)	k)	2,948	(4,931)	(6)	612	(2,611)	—	16,891	(1,650)	—
Telefónica IoT & Big Data Tech	c) / d) / h)	—	(114,302)	6,307	—	(101,757)	5,482	—	(76,218)	827
Telefônica Infra	c)	—	—	12,418	—	—	20,153	—	—	11,737
FiBrasil Infraestrutura e Fibra Ótica	a) / b) / c) / d) / n) / p)	8,658	(215,377)	5,238	7,639	(49,704)	973	39,018	(32,117)	973
Others		8,001	(75,401)	(3,680)	8,480	(55,894)	2,520	11,563	(81,191)	1,138
		82,415	**(1,295,812)**	**30,735**	**97,066**	**(1,048,650)**	**24,747**	**174,251**	**(1,031,961)**	**(9,371)**
Total		**82,415**	**(1,777,425)**	**37,532**	**97,066**	**(1,471,464)**	**39,062**	**174,263**	**(1,401,456)**	**(13,173)**

b) Management compensation

Consolidated key management compensation paid by the Company to its Board of Directors and Statutory Officers for the years ended December 31, 2023, and 2022 totaled R$58,266 and R$35,241, respectively. Of this amount, R$31,473 (R$21,141 on December 31, 2022) corresponds to salaries, benefits and social charges and R$26,793 (R$14,100 on December 31, 2022) to variable compensation, which includes share-based payment plans.

These were recorded as personnel expenses in General and administrative expenses.

For the years ended December 31, 2023, 2022 and 2021, the Directors and Officers received no pension, retirement or similar benefits.

30. SHARE-BASED PAYMENT PLANS

The Company's parent company, Telefónica, maintains different compensation plans based on the quoted value of its shares (Talent for the Future Share Plan ("TFSP") and Performance Share Plan ("PSP"), which were also offered to directors and employees of its subsidiaries, including the Company and its subsidiaries.

The Company approved an incentive plan (Performance Share Plan (“PSP VIVO”) via performance units, with cash settlement (“Plan”). Participants in the Plan will be entitled to the grant of a certain number of units representing 01 (one) share issued by the Company (VIVT3) (“Unit” and “Share”). Each Unit represents the expectation of the right to receive the full value of 01 (one) Share, which will serve as a basis, taking into account the number of Units received, to determine the value of the incentive to be paid by the Company in cash to participants.

Delivery of shares and/or incentives is subject to: (i) maintaining an active employment relationship with the Telefónica Group on the consolidation date of the cycle; and (ii) the achievement of results that represent the fulfillment of the objectives established for the plan.

The level of success is based on comparing the evolution of shareholder remuneration, considering price and dividends (Total Shareholder Return - TSR) of the share of Telefónica or the Company, in relation to the evolution of the TSRs of the companies in the pre-defined Comparison Group, the achievement of the FCF (Free Cash Flow) of the Telefónica Group or the Company and the neutralization and reduction of CO2 emissions (as of the 2021 Cycle).

On December 31, 2023, the quoted value of Telefónica's shares was 3.5340 euros.

The main plans in effect as of December 31, 2023 were:

- <u>Talent for the Future Share Plan (“TFSP“), for your Senior Managers, Managers and Specialists at a global level:</u>

  Cycle 2021-2023 (January 1, 2021 to December 31, 2023): with 162 active executives, with the potential right to receive 277,500 Telefónica shares.

  Cycle 2022-2024 (January 1, 2022 to December 31, 2024): with 123 active executives, with the potential right to receive 277,500 Telefónica shares.

  Cycle 2023-2025 (January 1, 2023 to December 31, 2025): with 165 active executives, with the potential right to receive 332,500 Telefónica shares.

- <u>Performance Share Plan (“PSP“), for its Vice Presidents and Directors globally:</u>

  Cycle 2021-2023 (January 1, 2021 to December 31, 2023): with 77 active executives (including 3 executives appointed pursuant to the Bylaws) of the Company, having the potential right to receive 1,540,867 Telefónica shares.

  Cycle 2022-2024 (January 1, 2022 to December 31, 2024): with 96 active executives (including 3 executives appointed pursuant to the Bylaws) of the Company, having the potential right to receive 812,791 Telefónica shares.

  Cycle 2023-2025 (January 1, 2023 to December 31, 2025): with 116 active executives (including 5 executives appointed pursuant to the Bylaws) of the Company, having the potential right to receive 1,049,515 Telefónica shares.

- <u>Performance Share Plan (“PSP VIVO“), for its Vice Presidents and Directors at the local level:</u>

  Cycle 2022-2024: (January 1, 2022 to December 31, 2024): with 94 active executives (including 3 executives appointed pursuant to the Bylaws) of the Company, with the potential right to receive the amount referring to 404,532 shares of the Company.

  Cycle 2023-2025: (January 1, 2023 to December 31, 2025): with 112 active executives (including 5 executives appointed pursuant to the Bylaws) of the Company, with the potential right to receive the amount referring to 477,488 shares of the Company.

- Telefónica Global Incentive Share Purchase Plan: Plan 100

  Employees enrolled in the plan can acquire Telefónica shares through monthly contributions of 25 euros to 150 euros (or the equivalent in local currency), deducted from payroll, monthly with a maximum amount of 1,800 euros over a twelve-month period (purchase period).

  The six months following the purchase period are the retention period for the purchased shares. At the end of this period, additional shares will be delivered, that is, for each share purchased by the employee, one free share will be granted.

  The cycle of this plan is effective from September 1, 2022 to March 31, 2024.

  The delivery of shares will occur after the vesting period of the plan, after March 31, 2024, and is conditioned to: (i) remaining in the company during the two-year duration of the program (vesting period), subject to certain special conditions in relation to layoffs; and (ii) the exact number of shares to be delivered at the end of the vesting period depends on the number of shares acquired and held by employees. Thus, employees enrolled in the plan, who remain in the Telefónica Group, who have held the shares acquired for an additional period of six months after the end of the purchase period, will be entitled to receive one free share for each share they have acquired. and retained until the end of the vesting period.

  To commemorate the 100th anniversary of Telefónica's incorporation (April 19, 2024), in addition to the Additional Shares, each of the participants may receive 100 Telefónica Commemoration Shares (“the Commemoration Shares“) free of charge.

  The delivery of Commemorative Shares will occur following the vesting period of the plan, after March 31, 2024, and is conditioned to: (i) that the employee enrolled in the plan makes contributions, regardless of the amount of such contribution, during the twelve (12) month duration of the Purchase Period without interruption; (ii) to keep the Purchased Shares deposited in the Securities Account until the Consolidation Date; and (iii) that the employee enrolled in the plan continues to provide services to the Group until the Consolidation Date (first day after the end of the maintenance period being March 31, 2024).

The expenses of the Company and its subsidiaries with the share-based compensation plans described above, when applicable, are recorded as personnel expenses, segregated in the Cost of Services Rendered, Selling Expenses and General and Administrative Expenses groups (note 26), in the amounts of R$57,359 and R$38,528. For the years ended December 31, 2023 and 2022, respectively.

On December 31, 2023 and 2022, the consolidated liability balances of the share compensation plans were R$154,689 and R$77,175, respectively, including taxes.

31. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

a) Accounting policy

The Company and its subsidiaries individually sponsor pension funds of post-retirement benefits for active and retired employees, in addition to a multisponsor supplementary retirement plan and health care plan for former employees. Contributions are determined on an actuarial basis and recorded on an accrual basis. Liabilities relating to defined benefit plans are determined based on actuarial evaluations at each year-end, in order to ensure that sufficient reserves have been set up for both current and future commitments.

Actuarial liabilities related to defined benefit plans were calculated using the projected unit credit method. Actuarial gains and losses are recognized immediately in equity (in other comprehensive income).

For plans with defined contribution characteristics, the obligation is limited to the contributions payable, which are recognized in the P&L in the respective accrual periods.

The asset or liability related to defined benefit plan to be recognized in the financial statements corresponds to the present value of the obligation for the defined benefit (using a discount rate based on long-term National Treasury Notes – "NTNs"), less the fair value of plan assets that will be used to settle the obligations. Plan assets are assets held by a privately held supplementary pension plan entity. Plan assets are not available to the Company's creditors or those of its subsidiaries and cannot be paid directly to the Company or its subsidiaries. The fair value is based on information on market prices and, in the case of securities quoted, on the purchase price disclosed. The value of any defined benefit asset then recognized is limited to the present value of any economic benefits available as a reduction in future plan contribution from the Company.

Actuarial costs recognized in the statement of income are limited to the service cost and cost of interest on the defined benefit plan obligation. Any changes in the measurement of plan assets and obligations are initially recognized in other comprehensive income, and immediately reclassified to retained earnings in P&L.

The Company and its subsidiaries manage and individually sponsors a health care plan for retired employees and former employees with fixed contributions to the plan, in accordance with Law No. 9656/1998 (which provides for private health care and health insurance plans). As provided for in Articles 30 and 31 of said law, participants shall have the right to the health care plan in which they participated while they were active employees.

b) Critical estimates and judgments

The cost of pension plans with defined benefits and other post-employment health care benefits and the present value of the pension obligation are determined using actuarial valuation methods. Actuarial valuation involves use of assumptions about discount rates, future salary increases, mortality rates and future increases in pension and annuity benefits. The obligation for defined benefits is highly sensitive to changes in these assumptions. All assumptions are reviewed on an annual basis.

The mortality rate is based on publicly available mortality tables in the country. Future salary increases, and pension increases are based on expected future inflation rates for the country.

c) Information on pension plans and other post-employment benefits

The plans sponsored by the Company and its subsidiaries and the related benefit types are as follows:

Plan	Type	Entity	Sponsor
PBS-A	Defined benefit (DB)	Sistel	Telefônica Brasil, jointly with other telecoms resulting from privatization of the Sistema Telebrás
PAMA / PCE	Defined benefit (DB)	Sistel	Telefônica Brasil, jointly with other telecoms resulting from privatization of the Sistema Telebrás
Healthcare – Law No. 9656/98	Defined benefit (DB)	Telefônica Brasil	Telefônica Brasil, Terra Networks, TGLog, TIS, IoTCo Brasil and CloudCo Brasil
CTB	Defined benefit (DB)	Telefônica Brasil	Telefônica Brasil
Telefônica BD	Defined benefit (DB)	VisãoPrev	Telefônica Brasil
VISÃO	Defined contribution (DC) / Hybrid	VisãoPrev	Telefônica Brasil, Terra Networks, TGLog, TIS, IoTCo Brasil and CloudCo Brasil

The Company has participation in the decisions that directly affect the governance of the plans, with members nominated for both the Deliberative Council and the Fiscal Council of the administrators Visão Prev Sociedade de Previdência Complementar ("Visão Prev") and Fundação Sistel de Seguridade Social ("Sistel").

The defined benefit obligation is made up of different components, according to the pension characteristic of each plan, and may include the actuarial liabilities of supplementary pension liabilities, health care benefits to retirees and dependents or compensation for death or disability of members. This liability is exposed to economic and demographic risks, such as: (i) increases in medical costs that could impact the cost of health care plans; (ii) salary growth; (iii) long-term inflation rate; (iv) nominal discount rate; and (v) life expectancy of members and pensioners.

The fair value of plan assets is primarily comprised of fixed income investments (NTN's, LFT's, LTN's, repurchase agreements, CDBs, debentures, letters of guarantee and FIDC shares) and equity investments (highly liquid, well regarded, large company shares and investments in market indices).

Due to the concentration of fixed income and floating rate investments plan assets are mainly exposed to the risks inherent in the financial market and economic environment such as: (i) market risk in the economic sectors where variable income investments are concentrated; (ii) risk events that impact the economic environment and market indices where variable income investments are concentrated; and (iii) the long-term inflation rate that may erode the profitability of fixed income investments at fixed rates.

The companies that administer post-employment benefits plans sponsored by the Company (Visão Prev and Sistel) seek to meet the flows of assets and liabilities through the acquisition of fixed income securities and other long-term assets.

With the exception of the Companhia Telefônica Brasileira ("CTB") and the healthcare plan under Law No. 9656/98, generally all benefit plans that have funds constituted present a surplus position. The economic benefit recorded in the Company's assets or that of its subsidiaries does not reflect the total surplus determined in these plans, as it only considers only the portion of the surplus which presents a real possibility of recovery. The means of plan surplus recovery is solely through reductions in future contributions and given that not all plans currently receive enough contributions for full recovery of surpluses, the economic benefit recorded under assets is limited to the total possible recovery amount in accordance with projected future contributions.

The position of plan assets is on December 31, 2023 and 2022, respectively, and plan assets were apportioned based on the Company's actuarial liabilities in relation to the total actuarial liabilities of the plan.

The actuarial gains and losses generated in each year are immediately recognized in equity (in other comprehensive income).

The following is a summary of the pension plans and other post-employment benefits:

c.1) Post-Employment Health Benefits Plans

The actuarial valuation made for the PAMA health plan used the registration of the participants with a base date of July 31, 2023, while the actuarial valuation made for the health plan Law No. 9,656/98 used the registration of the participants with a base date of August 31, 2023, both plans projected for December 31, 2023. For comparative exercises, the actuarial valuation made for the PAMA health plan used the registration of the participants with a base date of July 31, 2022, while the actuarial valuation made for the health plan Law No. 9,656/98 used the registration of the participants with a base date of August 31, 2022, both plans projected for December 31, 2022.

c.1.1) Healthcare Plan to Retirees and Special Coverage Program (PAMA and PAMA-PCE)

The Company, together with other companies of the former Telebrás System, at shared cost, sponsor health care plans (PAMA and PAMA-PCE) to retirees. These plans are managed by Fundação Sistel and are closed plans, not admitting new members.

Contributions to the plans are determined based on actuarial valuations prepared by independent actuaries, in accordance with the rules in force in Brazil. The funding procedure is the capitalization method and the sponsor's contribution are at the fixed percentage of payroll of employees covered by the Telefônica BD plan.

c.1.2) Health care plan – Law No. 9656/1998

The Company manages and together with its subsidiaries sponsors a health care plan to retired employees and former employees with fixed contributions to the plan, in accordance with Law No. 9656/98.

As provided for in Articles 30 and 31 of said law, participants shall have the right to the health care plan in which they participated while they were active employees. Benefitted participants are classified as (i) retirees and their dependents; and (ii) dismissed employees and their dependents.

Retirees and dismissed employees, in order to keep their right to the benefits, must make contributions to the plan in accordance with the contribution tables by age bracket established by carriers and/or insurance companies.

c.2) Post-employment Social Security Plans

The actuarial valuation carried out for the CTB and PBS-A pension plans used the registration of participants with a base date of July 31, 2023, projected for December 31, 2023, and the registration of participants with a base date of July 31, 2022, projected for December 31, 2022. The actuarial valuation carried out for the pension plans Telefônica BD and Plans Visão used the registration of participants with a base date of August 31, 2023, projected for December 31, 2023 and the registration of participants with a base date of August 31, 2022, projected for December 31, 2022.

c.2.1) PBS Assisted Plan (PBS-A)

The PBS-A plan is a defined benefit private pension plan managed by Sistel and sponsored by the Company jointly with the other telecommunications companies originating in the privatization of the Telebrás System. The plan is subject to funding by sponsors in the case of any asset insufficiency to ensure pension supplementation of participants in the future.

The PBS-A plan comprises assisted participants of the Sistel Benefit Plan who were already retirees on January 31, 2000, from all the participating sponsors, with joint liability of all sponsors to the plan and Sistel.

Pursuant to PREVIC Ordinance No. 249, of March 14, 2023, published in the DOU on April 13, 2023, SISTEL approved the distribution of part of its surplus, in the form of a special PBS-A reserve, with reversal of values at sponsors and improvement of benefits, in the form of temporary income, to those assisted.

On April 25, 2023, SISTEL announced that the Company's participation in this distribution of part of its surplus was R$89,130, with payments expected in 36 monthly installments, the first of which of R$2,476 (amount already received by the Company in April 2023) and adjusted to reflect the plan's results (Note 11).

Even considering the distribution of the reserve approved by PREVIC, PBS-A still has assets in excess of actuarial obligations as of December 31, 2023 and 2022. These surpluses were not recognized due to the lack of legal provision for their reimbursement and, as they are not a contributory plan, no deduction is possible in future contributions.

c.2.2) CTB Plan

Contributions to the CTB plan are determined based on actuarial valuations prepared by independent actuaries, in accordance with the rules in force in Brazil. The funding procedure is the capitalization method and the sponsor's contribution are a fixed percentage of payroll of employees covered by the plan.

The Company also individually manages and sponsors the CTB plan, originally provided to former employees of CTB who were in the Company in 1977, with whom an individual retirement concession agreement was executed to encourage their resignation. This is an informal pension supplementation benefit paid to former employees directly by the Company. These plans are closed, and no other members are admitted.

c.2.3) Telefônica DB Plan

The Company individually sponsors the defined benefit retirement, Telefônica DB plan.

In order to improve allocation of Telefônica DB plan assets and analyze the coverage ratio of plan obligations in future years, a stochastic *Application Lifecycle Management ("ALM")* study was prepared by Visão Prev and Willis Towers Watson. This ALM study aimed at projecting the ratio between coverage of liabilities (solvency ratio) and the risk of mismatching measured by the standard deviation of the solvency ratio. The study concluded that the plan presents sustainable projection of their coverage ratio with the current investments' portfolio.

At the time of the concession, a benefit is calculated which will be paid in a lifelong form and updated by inflation. This plan is not open to new accessions.

The contributions are defined according to the costing plan, which is calculated considering financial, demographic and economic hypotheses in order to accumulate enough resources to pay the benefits to the participants who are already receiving them, and to the new pensions.

c.2.4) VISÃO Plans (Visão Telefônica and Visão Multi plans)

The Company and its subsidiaries sponsor defined contribution plans with defined benefit components (hybrid plans) and pension benefits, the Visão plans, managed by Visão Prev. The contribution is attributed to each subsidiary in the economic and demographic proportion of its respective obligation to the plan.

The contributions made by the Company and subsidiaries related to defined contribution plans totaled R$51,328 on December 31, 2023 (R$53,732 on December 31, 2022).

The contributions to the Visão Telefônica and Visão Multi plans are: (i) basic and additional contribution, with contributions made by the participant and sponsor; and (ii) additional, sporadic and specific contribution, with contributions made only by the participant.

In addition, the participant has the possibility to choose one of five investment profiles to apply to their balance, and they are: Super Conservative, Conservative, Moderate, Aggressive and Aggressive Fixed Income Long-Term.

(In thousands of Reais, unless otherwise stated)

c.3) Consolidated information on pension plans and other post-employment benefits

c.3.1) Reconciliation of net liabilities (assets)

	12.31.2023			12.31.2022		
	Post-retirement pension plans	Post-retirement health plans	Total	Post-retirement pension plans	Post-retirement health plans	Total
Present value of DB plan obligations	2,167,726	1,917,650	**4,085,376**	1,969,220	1,495,397	3,464,617
Fair value of plan assets	3,233,947	920,586	**4,154,533**	3,273,309	909,271	4,182,580
Net liabilities (assets)	**(1,066,221)**	**997,064**	**(69,157)**	**(1,304,089)**	**586,126**	**(717,963)**
Asset limitation	1,072,192	—	1,072,192	1,368,814	114,804	1,483,618
Current assets	(30,673)	—	(30,673)	—	—	—
Non-current assets	(43,375)	—	(43,375)	(4,161)	—	(4,161)
Current liabilities	8,683	22,905	31,588	7,643	19,734	27,377
Non-current liabilities	71,336	974,159	1,045,495	61,243	681,196	742,439

c.3.2) Total expenses recognized in the statement of income

	2023			2022			2021		
	Post-retirement pension plans	Post-retirement health plans	Total	Post-retirement pension plans	Post-retirement health plans	Total	Post-retirement pension plans	Post-retirement health plans	Total
Current service cost	1,747	9,378	**11,125**	1,857	13,667	**15,524**	2,184	21,361	**23,545**
Net interest on net actuarial assets/liabilities	5,903	68,825	**74,728**	(2,466)	51,628	**49,162**	(7,062)	70,436	**63,374**
Total	**7,650**	**78,203**	**85,853**	**(609)**	**65,295**	**64,686**	**(4,878)**	**91,797**	**86,919**

c.3.3) Amounts recognized in other comprehensive income (loss)

	2023			2022			2021		
	Post-retirement pension plans	Post-retirement health plans	Total	Post-retirement pension plans	Post-retirement health plans	Total	Post-retirement pension plans	Post-retirement health plans	Total
Actuarial losses (gains)	352,011	352,974	**704,985**	(46,511)	6,843	**(39,668)**	(70,083)	(399,872)	**(469,955)**
Asset limitation effect	(431,071)	(126,032)	**(557,103)**	46,240	71,149	**117,389**	56,024	17,008	**73,032**
Total	**(79,060)**	**226,942**	**147,882**	**(271)**	**77,992**	**77,721**	**(14,059)**	**(382,864)**	**(396,923)**

(In thousands of Reais, unless otherwise stated)

c.3.4) Changes in amount net of liability (asset) of defined benefit, net

	12.31.2023			12.31.2022		
	Post-retirement pension plans	Post-retirement health plans	Total	Post-retirement pension plans	Post-retirement health plans	Total
Net defined benefit liability (asset) at the beginning of the year	**64,725**	**700,930**	**765,655**	**(26,359)**	**581,025**	**554,666**
Expenses	7,650	78,203	**85,853**	(609)	65,295	64,686
Sponsor contributions	**(10,108)**	**(9,011)**	**(19,119)**	(7,529)	(23,382)	(30,911)
Amounts recognized in OCI	(79,060)	226,942	**147,882**	(271)	77,992	77,721
Distribution of reserves	22,764	—	22,764	99,493	—	99,493
Net defined benefit liability (asset) at the end of the year	**5,971**	**997,064**	**1,003,035**	**64,725**	**700,930**	**765,655**
Actuarial assets per balance sheet	(74,048)	—	(74,048)	(4,161)	—	(4,161)
Actuarial liabilities per balance sheet	80,019	997,064	1,077,083	68,886	700,930	769,816

c.3.5) Changes in defined benefit liability

	12.31.2023			12.31.2022		
	Post-retirement pension plans	Post-retirement health plans	Total	Post-retirement pension plans	Post-retirement health plans	Total
Defined benefit liability at the beginning of the year	**1,969,220**	**1,495,397**	**3,464,617**	**2,066,175**	**1,401,044**	**3,467,219**
Current service costs	1,747	9,378	11,125	1,857	13,667	15,524
Interest on actuarial liabilities	**183,161**	**143,981**	**327,142**	169,354	121,216	290,570
Benefits paid	(192,759)	(69,670)	(262,429)	(188,382)	(70,975)	(259,357)
Member contributions paid	231	—	231	368	—	368
Actuarial losses (gains) adjusted by experience	89,991	156,879	246,870	63,005	189,038	252,043
Actuarial losses (gains) adjusted by financial assumptions	115,649	155,209	270,858	(143,157)	(158,593)	(301,750)
Defined benefit liability at the end of the year	486	26,476	26,962	—	—	—
Defined benefit liability at the end of the year	**2,167,726**	**1,917,650**	**4,085,376**	**1,969,220**	**1,495,397**	**3,464,617**

c.3.6) Changes in the fair value of plan assets

	12.31.2023			12.31.2022		
	Post-retirement pension plans	Post-retirement health plans	Total	Post-retirement pension plans	Post-retirement health plans	Total
Fair value of plan assets at the beginning of the year	**3,273,309**	**909,271**	**4,182,580**	**3,310,273**	**860,165**	**4,170,438**
Benefits paid	(184,151)	(60,705)	(244,856)	(182,298)	(47,636)	(229,934)
Participants contributions paid	231	—	231	368	—	368
Sponsor contributions paid	1,500	46	1,546	1,445	43	1,488
Interest income on plan assets	311,706	86,385	398,091	276,655	73,096	349,751
Return on plan assets excluding interest income	(145,884)	(14,411)	(160,295)	(33,641)	23,603	(10,038)
Distribution of reserves	(22,764)	—	(22,764)	(99,493)	—	(99,493)
Fair value of plan assets at the end of the year	**3,233,947**	**920,586**	**4,154,533**	**3,273,309**	**909,271**	**4,182,580**

(In thousands of Reais, unless otherwise stated)

c.3.7) Changes in asset limitation

	12.31.2023			12.31.2022		
	Post-retirement pension plans	**Post-retirement health plans**	**Total**	**Post-retirement pension plans**	**Post-retirement health plans**	**Total**
Asset Limitation at the beginning of the year	**1,368,814**	**114,804**	**1,483,618**	**1,217,739**	**40,146**	**1,257,885**
Interest on the asset limitation	134,449	11,228	145,677	104,835	3,509	108,344
Changes in the assets limitation, except interest	(431,071)	(126,032)	(557,103)	46,240	71,149	117,389
Asset Limitation at the end of the year	**1,072,192**	**—**	**1,072,192**	**1,368,814**	**114,804**	**1,483,618**

c.3.8) Results projected for 2024

	Post-retirement pension plans	Post-retirement health plans	Total
Current service cost	**2,037**	**15,806**	**17,843**
Net interest on net defined benefit liability/asset	71	91,769	91,840
Total	**2,108**	**107,575**	**109,683**

c.3.9) Sponsoring company contributions projected for 2024

	Post-retirement pension plans	Post-retirement health plans	Total
Sponsor contributions	**1,818**	**49**	**1,867**
Benefits paid directly by the sponsor	8,684	23,008	31,692
Total	**10,502**	**23,057**	**33,559**

c.3.10) Average weighted duration of defined benefit liability

	Post-retirement pension plans	Post-retirement health plans
In 2023	**8.0 years**	**13.8 years**
In 2022	7.8 years	13.5 years

(In thousands of Reais, unless otherwise stated)

c.3.11) Actuarial assumptions

12.31.2023

	Post-retirement pension plans	Post-retirement health plans
Discount rate to present value of defined benefit liability	8.90% to 9.07%	9.07% to 9.18%
Future salary growth rate	4.57% to 6.60%	N/A
Medical expense growth rate	N/A	6.61%
Nominal annual adjustment rate of pension benefits	3.50%	N/A
Medical service eligibility age	N/A	59 to 63 years
Estimated retirement age	57 to 60 years	59 to 63 years
Mortality table for nondisabled individuals	AT-2000 Basic segregated by gender, down-rated by 10% and 50%	AT-2000 Basic segregated by gender, down-rated by 10%
Mortality table for disabled individuals	RP-2000 Disabled Male, down-rated by 60%	RP-2000 Disabled Male, down-rated by 60%
Disability table	Light-Forte, Álvaro Vindas (down-rated by 50%) and Light-Fraca, down rated by 50%	Light-Forte
Turnover	Turnover experience in VISÃO plans (2018 to 2022)	Turnover experience in VISÃO plans (2018 to 2022)

12.31.2022

	Post-retirement pension plans	Post-retirement health plans
Discount rate to present value of defined benefit liability	9.75% to 9.83%	9.78% to 9.83%
Future salary growth rate	4.57% to 6.35%	N/A
Medical expense growth rate	N/A	6.61%
Nominal annual adjustment rate of pension benefits	3.50%	N/A
Medical service eligibility age	N/A	59 to 63 years
Estimated retirement age	57 to 60 years	59 to 63 years
Mortality table for nondisabled individuals	AT-2000 Basic segregated by gender, down-rated by 10% and 50%	AT-2000 Basic segregated by gender, down-rated by 10%
Mortality table for disabled individuals	RP-2000 Disabled Male, down-rated by 60%	RP-2000 Disabled Male, down-rated by 60%
Disability table	Light-Forte, Álvaro Vindas (down-rated by 50%) and Light-Fraca, down rated by 50%	Light-Forte
Turnover	Turnover experience in VISÃO plans (2015 to 2017)	Turnover experience in VISÃO plans (2015 to 2017)

In addition to the assumptions presented in the tables above, for 2023 and 2022 other assumptions common to all plans were adopted, as follows: (i) long-term inflation rate: 3.50% in 2023 and 3.50% in 2022; and (ii) annual increase in the use of medical services according to age: 4.00% in 2023 and 2022.

c.3.12) Changes in actuarial assumptions in relation to the prior year

In order to adjust some actuarial assumptions to the economic and demographic reality, a study was conducted for the plans administered by Visão Prev and Sistel, which adopted the definition of the assumptions in their Deliberative Councils.

The main economic and financial assumptions that have changed in relation to the previous fiscal year and that interfere with the defined benefit liability are: (i) rates for discount to present value of the defined benefit liability; (ii) long-term inflation rate; (iii) rate of future wage growth; (iv) rate of growth of medical costs; and (v) annual nominal index of adjustment of social security benefits.

(In thousands of Reais, unless otherwise stated)

The impacts on the plans' defined benefit liabilities due to the new definition of the actuarial assumptions are as follows:

	Post-retirement pension plans	Post-retirement health plans	Total
Defined benefit liability, based on current actuarial assumptions	2,167,726	1,917,650	4,085,376
Defined benefit liability, based on prior-year actuarial assumptions	2,051,591	1,735,965	3,787,556
Difference from change in actuarial assumptions	**116,135**	**181,685**	**297,820**

c.3.13) Sensitivity analysis for actuarial assumptions

The Company believes that the significant actuarial assumptions with reasonable likelihood of variation due to financial and economic scenarios, which could significantly change the amount of the defined benefit obligation, are the discount rate used to adjust the defined benefit liability to present value and the rate of growth of medical costs.

Below, we present a sensitivity analysis on the defined benefit obligation for scenarios of increase and decrease in the discount rate used to adjust the defined benefit liability to present value and in the growth rate of medical costs.

	Post-retirement pension plans	Post-retirement health plans	Total
Defined benefit liability, projected by the current medical cost growth rate	2,167,726	1,917,650	4,085,376
Considering a rate increased by 1%	2,167,726	2,188,487	4,356,213
Considering a rate decreased by 1%	2,167,726	1,694,991	3,862,717
Defined benefit liability, discounted to present value at current rate	2,167,726	1,917,650	4,085,376
Considering a rate increased by 0.5%	2,093,889	1,800,635	3,894,524
Considering a rate decreased by 0.5%	2,246,886	2,047,694	4,294,580

c.3.14) Allocation of plan assets

	Consolidado					
	12.31.2023			12.31.2022		
	Post-retirement pension plans	Post-retirement health plans	Total	Post-retirement pension plans	Post-retirement health plans	Total
Investments with market value quoted in active market:						
Fixed income investments						
National Treasury Note (NTN)	2,571,155	867,468	3,438,623	2,809,035	848,895	3,657,930
Treasury Financial Letter	398,452	53,118	451,570	161,175	60,376	221,551
Repurchase operations	139,788	—	139,788	164,776	—	164,776
Debentures	17,840	—	17,840	20,716	—	20,716
Financial Letter	805	—	805	840	—	840
FIDC shares / Others	2,821	—	2,821	6,896	—	6,896
National Treasury Notes (LTN)	—	—	—	20	—	20
Variable income investments						
Investments linked to funds and market indexes	4,917	—	4,917	6,217	—	6,217
Real estate investments	79,423	—	79,423	84,497	—	84,497

(In thousands of Reais, unless otherwise stated)

Loans to participants	16,669	—	16,669	17,215	—	17,215
Structured and overseas investments	2,077	—	2,077	1,922	—	1,922
Total	3,233,947	920,586	4,154,533	3,273,309	909,271	4,182,580

32. FINANCIAL INSTRUMENTS AND RISK AND CAPITAL MANAGEMENT

a) Accounting policy

a.1) Financial assets

a.1.1) Initial recognition and measurement

On initial recognition, a financial asset is classified in the following measurement categories: (i) at fair value through profit or loss; (ii) at amortized cost; or (iii) at fair value through other comprehensive income, depending on the situation.

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial asset and the business model for the management of these assets.

For a financial asset to be classified and measured at amortized cost or at fair value through other comprehensive income, it needs to generate cash flows that are “exclusively payments of principal and interest” on the principal amount outstanding. This assessment is carried out at the level of each financial instrument.

Financial assets with cash flows that are not exclusively payments of interest principal 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 refers to how it manages its financial 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 both. Financial assets classified and measured at amortized cost are maintained in a business plan with the objective of maintaining financial assets in order to obtain contractual cash flows while financial assets classified and measured at fair value against other comprehensive income are maintained in a business model. with the objective of obtaining contractual cash flows and for the purpose of sale.

The Company's consolidated financial assets include cash and cash equivalents, accounts receivable, financial investments, derivative financial instruments, amounts receivable from the sale of properties and others and credits with related parties.

a.1.2) Subsequent measurement

Subsequent measurement of financial assets depends on their classification, as follows: (i) Financial assets at fair value through profit or loss: these assets are subsequently measured at fair value. Net income, including interest, is recognized directly in income; (ii) Financial assets at amortized cost: these assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in income. Any gain or loss on derecognition is recognized in profit or loss; and (iii) Financial assets at fair value through other comprehensive income: these assets are subsequently measured at fair value. Interest income is calculated using the effective interest method, and foreign exchange gains and losses and impairment are recognized in profit or loss. Other net income is recognized in other comprehensive income. In derecognition, the accumulated result in other comprehensive income is reclassified to the statement of income.

a.1.3) Derecognition

A financial asset (or, whenever the case, a part of a financial asset, or a part of a group of similar financial assets) is derecognized when: (i) the rights to receive the cash flows from the asset have expired; or (ii) the Company has transferred its rights to receive cash flows from it has assumed obligation to pay the received cash flows in full without material delay to a third part under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

a.1.4) Impairment of financial assets

The Company and its subsidiaries apply an impairment model for financial assets based on expected credit losses, using a simplified method for certain short and long-term assets (commercial receivables, lease receivables and contractual assets).

Under this simplified approach, credit impairment is recognized by reference to expected credit losses over the life of the asset. For this purpose, the Company and its subsidiaries use matrices based on historical bad debt experience by geographical area on a portfolio segmented by customer category according to credit pattern. The matrix for each category has a defined time horizon divided into intervals in accordance with the collection management policy and is fed with historical data that covers at least 24 collection cycles. This data is updated on a regular basis. Based on the information observable at each close, the Company and its subsidiaries assess the need to adjust the rates resulting from these matrices, considering current conditions and future economic forecasts.

a.2) Financial liabilities

a.2.1) Initial recognition and measurement

Upon initial recognition, a financial liability is classified into the following measurement categories: (i) at fair value through profit or loss; (ii) at amortized cost; or (iii) derivatives designated as hedge instruments in an effective hedge, as appropriate.

Financial liabilities are initially recognized at fair value plus, in the case of loans and financing, transaction cost directly attributable thereto.

The Company's consolidated financial liabilities include accounts payable to suppliers, loans, financing, debentures, leases, 5G licenses, liabilities for the acquisition of a companies, derivative financial instruments, obligations with ANATEL, amounts to be refunded to customers and obligations with related parties.

a.2.2) Subsequent measurement

Measurement of financial liabilities depends on their classification, as follows: (i) <u>Financial liabilities at fair value through profit or loss</u>: financial liabilities are designated at initial recognition at fair value through profit or loss. This category also includes derivative financial instruments contracted, except those designated as derivative financial instruments of cash flow hedge. Interest, monetary and exchange variations and changes arising from the valuation at fair value, when applicable, are recognized in the statement of income when incurred; and (ii) <u>Financial liabilities at amortized cost</u>: after initial recognition, loans and financing subject to interest are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of income at the time of write-off of liabilities, as well as during the amortization process using the effective interest rate method.

Amortized cost is calculated taking into account any discount or goodwill on acquisition and fees or costs that are an integral part of the effective interest rate method. Amortization using the effective interest rate method is included as a financial expense in the income statement.

a.2.3) Derecognition

A financial liability is derecognized when the obligation has been revoked, cancelled or expired. When an existing financial liability is replaced by another of the same lender, and the terms of the instruments are substantially different, or when the terms of an existing debt instrument are substantially modified, this replacement or modification is treated as derecognition of the original liability and recognition of a new liability, and the difference in the corresponding carrying amounts is recognized in the statement of income.

a.3) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability will take place (i) in the principal market for the asset or liability; and (ii) in the absence of a principal market, in the most advantageous market for that asset or liability. The Company and or its subsidiaries must have access to the principal (or most advantageous) market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing an asset or liability, assuming that market participants act in their best economic interests.

Fair value measurement of a non-financial asset takes into consideration the capacity of a market participant to generate economic benefits through the best use of the asset or selling it to another market participant that would also make the best use of the asset.

The Company and its subsidiaries use adequate valuation techniques in the circumstances and for which there is sufficient data to measure the fair value, that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

The fair values of all assets and liabilities are classified within the fair value hierarchy described below, based on the lowest level of information that is significant to the fair value measurement as a whole: (i) Level 1: quoted market prices (unadjusted) in active markets for identical assets or liabilities; (ii) Level 2: valuation techniques for which there is a significantly lower level of information to measure the fair value directly or indirectly observable; and (iii) Level 3: valuation techniques for which the lowest and significant level of information to measure the fair value is not available.

For assets and liabilities recognized in the financial statements on a recurring basis, the Company and its subsidiaries determine whether transfers have occurred between levels of the hierarchy, reassessing the categorization (based on information at the lowest and most significant level for measuring the fair value as a whole) to each year end.

The Company and its subsidiaries assessed their financial assets and liabilities in relation to market values using available information and appropriate valuation methodologies. Both the interpretation of market data and the selection of valuation methods require considerable judgment and reasonable estimates to produce the most adequate realization value. As a result, the estimates shown do not necessarily indicate amounts that could be realized in the current market. The use of different assumptions for the market and/or methodologies may have a material effect on estimated realization values.

In the years ended December 31, 2023 and 2022, there were no transfers of fair value assessments between the aforementioned levels.

a.4) *Financial instruments – net*

Financial assets and liabilities are presented net in the balance sheet if, and only if, there is a current enforceable legal right to offset the amounts recognized and if there is an intention to offset or realize the asset or settle the liability simultaneously.

a.5) Derivative financial instruments and hedge accounting

A hedge relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements: (i) there is an economic relationship between the hedged item and the hedging instrument; (ii) the credit risk effect does not influence the changes in value that result from this economic relationship; and (iii) the hedge ratio of the hedging relationship is the same as that resulting from the amount of the hedged item that the entity effectively protects and the amount of the hedge instrument that the Company effectively uses to protect that amount of hedged item.

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the hedged risk, the nature of the risks excluded from the hedge relationship, the prospective statement of hedge effectiveness and how the Company shall assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

On the inception initial recognition of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting, the risk management objective and strategy for undertaking the hedge.

The Company uses derivative financial instruments, such as currency and interest rate swaps or currency non-deliverable forward contracts to hedge against currency risks.

Derivative financial instruments designated in hedge transactions are initially recognized at fair value on the date on which the derivative contract is entered into, and subsequently revalued also 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 of the instrument is negative.

Any gains or losses resulting from changes in fair value of derivatives during the year are posted directly to the statement of income, except for the effective portion of cash flow hedges, which is recognized directly in equity as other comprehensive income and subsequently reclassified to P&L when the hedged item affects P&L.

For the purpose of hedge accounting, hedges are classified as cash flow hedges and fair value hedges. The Company's contracts are classified as cash flow hedges when they provide protection against changes in cash flows that are attributable to a particular risk associated with a recognized liability that may affect the profit or loss and fair value when they provide protection against exposure to changes in the fair value of the identified part of certain liabilities that is attributable to a particular risk (exchange variation) and may affect the profit or loss.

a.5.1) Cash flow hedges

Cash flow hedges meeting the recording criteria are accounted for as follows: (i) the portion of gain or loss from the hedge instrument determined as an effective hedge shall be recognized directly in equity (other comprehensive income), and (ii) the ineffective portion of gain or loss from the hedge instrument shall be recognized in the statement of income.

When the Company's documented risk management strategy for any given hedge relationship excludes from the hedge effectiveness evaluation any particular component of gain or loss or the corresponding cash flows from the hedge instrument, that gains or loss component is recognized in financial income (expenses).

Amounts recorded in other comprehensive income are immediately transferred to the statement of income when the hedged transaction affects P&L. When a hedged item is the cost of a non-financial asset or liability, amounts recorded in equity are transferred at the initial carrying amount of the non-financial assets and liabilities.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge fails to meet the hedge accounting criteria, any cumulative gain or loss previously recognized in other comprehensive income remains separately in equity until the forecast transaction occurs or the firm commitment is fulfilled.

a.5.2) Fair value hedges

Fair value hedges meeting the accounting criteria are accounted for as follows: (i) gain or loss from changes in fair value of a hedge instrument shall be recognized in the statement of income as finance costs; and (ii) gain or loss from a hedged item attributable to the hedged risk shall adjust the recorded amount of the hedged item to be recognized in the statement of income, as finance costs.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying amount is amortized through profit or loss over the remaining term of the hedge using the effective interest method. The effective interest rate amortization may begin as soon as any adjustment exists and no later than the point that the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in the statement of income.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit and loss.

a.5.3) Classification between current and non-current

Derivative financial instruments are classified as current and non-current or segregated into short and long-term portions based on an evaluation of the contractual cash flows.

When the Company maintains a derivative as an economic hedge (and does not apply hedge accounting), for a period exceeding 12 months after the balance sheet date, the derivative is classified as non-current (or segregated into current and non-current portions), in line with the classification of the corresponding item.

The derivative instrument is segregated into current and non-current portions only when amounts can be reliably allocated.

Derivative instruments that are designated as effective hedging instruments are classified consistently with the classification of the underlying hedged item.

b) Critical estimates and judgments

When the fair value of financial assets and liabilities stated in the balance sheet cannot be obtained in active markets, it will be determined using valuation techniques, including the discounted cash flow method. Data for these methods is based on those adopted in the market, whenever possible. However, when this is not feasible, a certain level of judgment is required for fair value determination. Judgment includes consideration of the inputs used, such as liquidity risk, credit risk and volatility. Changes in the assumptions about these factors could affect the reported fair value of financial instruments.

c) Derivative transactions

The derivative financial instruments contracted by the Company are mainly used for hedging against foreign exchange risk from assets and liabilities in foreign currency and the effects of inflation on leases indexed to the IPCA. There are no derivative financial instruments held for speculative purposes, possible currency risks are hedged.

Management believes that the Company's internal controls for its derivatives are adequate to control risks associated with each strategy for the market. Gains/losses obtained or sustained by the Company in relation to its derivatives show that its risk management has been appropriate.

Whilst these derivative contracts qualify for hedge accounting, the hedged item is adjusted to fair value, offsetting the result of the derivatives, pursuant to the rules of hedge accounting. This hedge accounting applies both to financial liabilities and probable cash flows in foreign currency.

Derivatives contracts include specific penalties for breach of contract. Breach of contract provided for in agreements made with financial institutions leads to the anticipated liquidation of the contract.

On December 31, 2023 and 2022, the Company held no embedded derivatives contracts.

c.1) Fair value of derivative financial instruments

The valuation method used to calculate the fair value of financial liabilities (if applicable) and derivative financial instruments was the discounted cash flow method, based on expected settlements or realization of liabilities and assets at market rates prevailing at the balance sheet date.

The fair values of the positions in *Reais* are calculated by projecting future inflows from transactions using B3 yield curves and discounting these flows to present value using market DI rates for swaps announced by B3.

The market values of foreign exchange derivatives were obtained using the market exchange rates in effect at the balance sheet date and projected market rates obtained from the currency's coupon-rate yield curves. The linear convention of 360 calendar days was used to determine coupon rates of positions indexed in foreign currencies, while the exponential convention of 252 business days was used to determine coupon rates for positions indexed to CDI rates.

(In thousands of Reais, unless otherwise stated)

Consolidated derivatives financial instruments shown below are registered with B3 and classified as swaps, usually, that do not require margin deposits.

	Consolidated			
			Accumulated effects from fair value	
	Notional Value		Amount receivable (payable)	
Description	**12.31.2023**	**12.31.2022**	**12.31.2023**	**12.31.2022**
Assets position	**820,298**	**1,701,304**	**85,288**	**158,023**
Foreign Currency	609,794	1,526,619	256	105,663
US$(1)(2)	369,544	1,428,565	27	105,472
EUR(1)	125,848	95,231	229	167
NDF US$(3)	114,402	2,823	—	24
Floating rate	172,471	143,813	1,952	1,357
CDI(1)	172,471	143,813	1,952	1,357
Inflation rates	38,033	30,872	83,080	51,003
IPCA(2)	38,033	30,872	83,080	51,003
Liabilities position	**(820,298)**	**(1,701,304)**	**(94,703)**	**(164,141)**
Floating rate	(533,425)	(1,579,506)	(93,805)	(163,730)
CDI(1)(2)	(533,425)	(1,579,506)	(93,805)	(163,730)
Fixed rate	(114,402)	(2,823)	(898)	—
NDF US$(3)	(114,402)	(2,823)	(898)	—
Foreign Currency	(172,471)	(118,975)	—	(411)
US$(1)	(169,247)	(143,813)	—	(411)
EUR(1)	(3,224)	24,838	—	—
	Long position		**85,288**	**158,023**
	Current		8,336	113,501
	Non-current		76,952	44,522
	Short position		**(94,703)**	**(164,141)**
	Current		(6,948)	(86,548)
	Non-current		(87,755)	(77,593)
	Amounts payable, net		**(9,415)**	**(6,118)**

(1) Foreign currency swap (euro and CDI x euro) (R$122,241) and (US dollar and CDI x US dollar) (R$198,014) – swap operations contracted with maturities until March 11, 2024, with the objective of protecting against exchange variation risks of net amounts payable (book value of R$122,243 payable and R$198,011 payable, respectively).

(2) Swap IPCA x CDI (R$46,878) – swap operations contracted with maturities in 2033 with the objective of protecting against the risk of variation of the IPCA (book value of R$46,878 payable).

(3) NDF dollar x (R$898) – forward operations contracted with maturities up to June 11, 2024, with the objective of protecting against exchange variation risks of service contracts (book value of R$898 payable).

(In thousands of Reais, unless otherwise stated)

c.2) Net changes of derivative financial instruments

	12.31.2023	12.31.2022
Balance at the beginning of the fiscal year	**(6,118)**	**(12,676)**
Payments	142,637	166,659
Receipts	(27,484)	(55,617)
Effects on the financial result of fair value adjustments	(110,089)	(82,951)
Effects on equity of fair value adjustments	(8,361)	(21,533)
Balance at the end of the year	**(9,415)**	**(6,118)**

c.3) Aging of derivative financial instruments (net)

	Maturing in						
Swap contract	**2024**	**2025**	**2026**	**2027**	**2028**	**2029 onwards**	**Amount receivable (payable) on 12.31.2023**
IPCA x CDI	6,128	6,845	5,583	5,579	4,935	(33,745)	(4,675)
NDF US$ x Fixed rate	(898)	—	—	—	—	—	(898)
Foreign currency x CDI	(5,794)	—	—	—	—	—	(5,794)
CDI x Foreign Currency	1,952	—	—	—	—	—	1,952
Total	**1,388**	**6,845**	**5,583**	**5,579**	**4,935**	**(33,745)**	**(9,415)**

For the purposes of preparing its financial statements, the Company adopted the fair value hedge accounting methodology for its foreign currency swaps x CDI and IPCA x CDI for hedging or financial debt. Under this arrangement, both derivatives and hedged risk are recognized at fair value.

On December 31, 2023, and 2022, the derivatives financial instruments generated net results (parent company and consolidated) of negative R$110,089 and positive of R$105,522, respectively (Note 28).

c.4) Sensitivity analysis of the Company's risk variables

CVM Resolution 475/2008 requires listed companies to disclose sensitivity analyses for each type of financial instruments market risk that management believes to be significant at the end of each period, including all derivative financial instrument transactions.

Each financial instrument derivative transactions were assessed, and assumptions included a probable base scenario and a further two stressed scenario that could adversely impact the Company.

For the probable base scenario, at the maturity dates for each of the transactions, the market rates sourced from B3 yield curves (currencies and interest rates) were used plus data from the IBGE, Central Bank, FGV, among others. In the probable scenario, there is no impact on the fair value of the above-mentioned derivatives. For scenarios II and III, as per the CVM rule, risk variables were stressed by 25% and 50% respectively.

(In thousands of Reais, unless otherwise stated)

Since the Company only holds derivatives to hedge its foreign currency assets and liabilities, other scenarios are not applicable. For these transactions, the Company reported the consolidated net exposure in each of the above-mentioned three scenarios on December 31, 2023.

Transaction	Risk	Probable	25% depreciation	50% depreciation
Hedge (assets position)	Derivatives (depreciation risk EUR)	122,241	152,801	183,361
Payables in EUR	Debt (appreciation risk EUR)	(148,501)	(185,626)	(222,751)
Receivables in EUR	Debt (depreciation risk EUR)	26,258	32,822	39,387
	Net Exposure	**(2)**	**(3)**	**(3)**
Hedge (assets position)	Derivatives (depreciation risk US$)	198,014	247,517	297,021
Payables in US$	Debt (appreciation risk US$)	(314,175)	(392,719)	(471,263)
Receivables in US$	Debt (depreciation risk US$)	116,164	145,205	174,246
	Net Exposure	**3**	**3**	**4**
Hedge (assets position)	Derivatives (risk of decrease in IPCA)	46,878	32,017	18,530
Debt in IPCA	Debt (risk of increase in IPCA)	(46,878)	(32,017)	(18,530)
	Net Exposure	**—**	**—**	**—**
Hedge (assets position)	Derivatives (depreciation risk US$)	(898)	(1,123)	(1,404)
OPex em US$	OPex (appreciation risk US$)	898	1,123	1,404
	Net Exposure	**—**	**—**	**—**
Hedge (CDI position)				
Hedge US$ and EUR (liabilities position)	Derivatives (risk of decrease in CDI)	6,948	6,875	6,824
Hedge IPCA (liabilities position)	Derivatives (risk of increase in CDI)	(85,803)	(85,793)	(88,245)
	Net Exposure	**(78,855)**	**(78,918)**	**(81,421)**
Total net exposure in each scenario		**(78,854)**	**(78,918)**	**(81,420)**
Net effect on changes in current fair value		**—**	**(64)**	**(2,566)**

The fair values shown in the table above are based on the portfolio position on December 31, 2023, but do not contemplate other changes to market variables which are constantly monitored by the Company. The use of different assumptions could significantly affect the estimates.

For calculation of the net exposure for the sensitivity analysis, all derivatives were considered at market value and hedged items designated for hedges for accounting purposes were also considered at fair value.

(In thousands of Reais, unless otherwise stated)

The assumptions used by the Company for the sensitivity analysis on December 31, 2023, were as follows:

Risk Variable	Probable	25% depreciation	50% depreciation
US$	4.8400	6.0500	7.2600
EUR	5.3500	6.6900	8.0300
IPCA	4.68 %	5.89 %	7.11 %
IGPM	(3.18) %	(3.96) %	(4.73) %
CDI	11.65 %	14.77 %	17.97 %

d) Classification of financial assets and liabilities by category and fair value hierarchy

For the purposes of disclosing fair value, the Company and its subsidiaries determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

(In thousands of Reais, unless otherwise stated)

Below, we present the composition and classification of financial assets and liabilities as of December 31, 2023 and 2022.

	Classification by category	Fair value hierarchy	Book value 12.31.2023	Book value 12.31.2022	Fair value 12.31.2023	Fair value 12.31.2022
Financial Assets						
Current						
Cash and cash equivalents (Note 3)	1		4,358,276	2,273,834	4,358,276	2,273,834
Financial investments (note 4)	1		1,148	1,016	1,148	1,016
Trade accounts receivable (Note 5)	1		9,318,077	8,691,114	9,318,077	8,691,114
Derivative transactions (Note 32)	2	Level 2	8,336	113,501	8,336	113,501
Sale of real estate and other receivables (Note 11)	1		106,223	93,142	106,223	93,142
Related-party receivables (Note 11)	1		259,426	253,144	259,426	253,144
Non-current						
Financial investments (note 4)	1		36,169	43,522	36,169	43,522
Trade accounts receivable (Note 5)	1		351,036	399,029	351,036	399,029
Derivative transactions (Note 32)	2	Level 2	76,952	44,522	76,952	44,522
Sale of real estate and other receivables (Note 11)	1		51,129	48,338	51,129	48,338
Related-party receivables (Note 11)	1		8,820	181,085	8,820	181,085
Total financial assets			**14,575,592**	**12,142,247**	**14,575,592**	**12,142,247**
Financial Liabilities						
Current						
Trade accounts payable, net (Note 17)	1		8,169,945	7,415,798	8,169,945	7,415,798
Loans and financing (Note 21)	1		—	1,073,090	—	1,073,090
Leases (Note 21)	2	Level 2	3,877,090	3,503,167	3,877,090	3,503,167
Debentures (Note 21)	1		221,589	236,833	221,589	236,833
5G Licenses (Note 21)	1		351,291	652,301	351,291	652,301
Liabilities for the acquisition of a company (Note 21)	1		25,690	554,554	25,690	554,554
Derivative transactions (Note 32)	2	Level 2	6,050	86,532	6,050	86,532
Derivative transactions (Note 32)	3	Level 2	898	16	898	16
Liabilities with ANATEL (Note 23)	1		99,884	42,045	99,884	42,045
Amounts to be refunded to customers (Note 23)	1		124,533	63,460	124,533	63,460
Liabilities with related parties (Note 23)	1		5,103	118,303	5,103	118,303
Non-current						
Leases (Note 21)	2	Level 2	9,718,949	8,529,436	9,718,949	8,529,436
Debentures (Note 21)	1		3,500,000	3,500,000	3,500,000	3,500,000
5G Licenses (Note 21)	1		949,395	1,191,670	949,395	1,191,670
Liabilities for the acquisition of a company (Note 21)	1		63,198	60,745	63,198	60,745
Other creditors (nota 21)	1		30,025	—	30,025	—
Derivative transactions (Note 32)	2	Level 2	87,755	77,593	87,755	77,593
Liabilities with ANATEL (Note 23)	1		829,636	734,833	829,636	734,833
Liabilities with related parties (Note 23)	1		568	6,421	568	6,421
Total financial liabilities			**28,061,599**	**27,846,797**	**28,061,599**	**27,846,797**

(In thousands of Reais, unless otherwise stated)

Classification by category

(1) Amortized cost
(2) Measured at fair value through profit or loss
(3) Measured at fair value through OCI

e) Capital management

The purpose of the Company's capital management is to ensure maintenance of a high credit rating and an optimal capital ratio to support the Company's business and maximize shareholder value.

The Company manages its capital structure by making adjustments and adapting to current economic conditions. In seeking such equilibrium, the Company may pay dividends, obtain new loans, issue debentures and contract derivatives. For the year ended December 31, 2023, there were no changes in capital structure objectives, policies or processes.

The Company includes in the net debt structure the balances of loans, financing, debentures, leases, 5G licenses, contractual retention and contingent liabilities arising from the acquisition of Companies, other creditors and derivative financial instruments, less cash and equivalents cash, financial investments in FIDC, accounts receivable from credit rights (FIDC Vivo Money) and judicial deposit related to liability for the acquisition of companies.

The Company’s ratio of consolidated debt to shareholders’ equity consists of the following:

	12.31.2023	12.31.2022
Cash and cash equivalents	4,358,276	2,273,834
Financial investments	1,148	1,016
Accounts receivable – FIDC Vivo Money (net of estimated losses)	208,194	158,259
Judicial deposit (Garliava)	—	522,297
Loans and financing, debentures, leases and other creditors	(18,737,227)	(19,301,796)
Derivative transactions, net	(9,415)	(6,118)
Net debt	**(14,179,024)**	**(16,352,508)**
Net equity	69,627,320	68,455,847
Net debt-to-equity ratio	**20.36 %**	**23.89 %**

f) Risk management policy

The Company and its subsidiaries are exposed to several market risks as a result of its commercial operations, debts contracted to finance its activities and debt-related financial instruments.

f.1) Currency Risk

The Company is exposed to the foreign exchange risk for financial assets and liabilities denominated in foreign currencies, which may reduce receivables or increase payables depending on the exchange rate in the period.

Hedging transactions were executed to minimize the risks associated with exchange rate changes on financial assets and liabilities in foreign currencies. This balance is subject to daily changes due to the dynamics of the business. However, the Company intends to cover the net balance of these assets and obligations (US$33,796 thousand, €18,409 thousand and £66 thousand paid by December 31, 2023, and US$26,979 thousand, €17,264 thousand and £66 thousand paid by December 31, 2022) to mitigate its foreign exchange risks.

f.2) Interest and Inflation Risk

This risk may arise from an unfavorable change in the domestic interest rate, which may adversely affect financial expenses from the portion of debentures referenced to the CDI and liability positions in derivatives (currency hedge and IPCA) pegged to floating interest rates (CDI).

To reduce exposure to the floating interest rate (CDI), the Company and its subsidiaries invested cash equivalents of R$4,289,932 and R$2,220,385 on December 31, 2023, and December 31, 2022, respectively, mostly in short-term CDI-based financial investments (CDBs). The carrying amounts of these instruments approximate their fair values, as they may be redeemed in the short term.

f.3) Liquidity Risk

Liquidity risk consists of the possibility that the Company might not have sufficient funds to meet its commitments due to the different timing and settlement terms of its rights and obligations.

The Company structures the maturities of financial instruments so as not to affect their liquidity.

The Company's cash flow and liquidity are managed on a daily basis by the operating departments to ensure that cash flows and contracted funding, when necessary, are sufficient to meet scheduled commitments in to mitigate liquidity risk.

The maturity profile of consolidated financial liabilities includes future principal and interest amounts up to the maturity date. For fixed rate liabilities, interest was calculated based on the indices established in each contract. For floating rate liabilities, interest was calculated based on the market forecast for each period.

f.4) Credit Risk

The credit risk arises from the possibility that the Company may incur losses resulting from the difficulty in receiving billed amounts related to the provision of services and the sale of handsets and equipment to its B2C and B2B customers, in addition to the sale of handsets and pre-activated prepaid cards to the distributor network.

Credit risk with accounts receivable is diversified and minimized through strict control of the customer base and constant risk analysis. The Company constantly monitors the level of accounts receivable and limits the risk of overdue accounts by cutting off access to the telephone line if the invoice is past due. For the prepaid mobile customer base, which requires advance loading, there is no credit risk. Exceptions are made for emergency services that must be maintained for reasons of national security or defense.

Credit risk on sales of pre-activated prepaid handsets and cards is managed through a prudent policy for granting credit, using modern credit scoring methods, analyzing financial statements and consultations to commercial databases, in addition to requesting guarantees.

The Company and its subsidiaries are also subject to credit risk arising from their investments, letters of guarantee received as collateral for certain transactions and receivables from derivative transactions. The Company and its subsidiaries control the credit limits granted to each counterpart and diversify this exposure across first-tier financial institutions as per current credit ratings of financial counterparties.

f.5) Environmental Risks

The Company's operations and properties are subject to various environmental laws and regulations that govern environmental licenses and registrations, protection of fauna and flora, atmospheric emissions, waste management and remediation of contaminated areas, among others. If the Company or its business partners are unable to comply with current and future legal requirements, or identify and manage new or existing environmental liabilities, it will have to incur significant costs, which include investigation and remediation costs, indemnities, compensation, adjustment of conduct, fines, suspension of activities and other penalties, investments to improve facilities or change operations, in addition to damage to the Company's reputation in the market.

The identification of new relevant environmental issues, changes in assessment criteria by regulatory agencies, entry into force of more restrictive laws and regulations or other unforeseen events may result in significant environmental liabilities and their respective costs. The occurrence of any of these factors could have a material adverse effect on the Company's business, results of operations and financial condition. According to article 75 of Law No. 9,605/1998, the maximum fine for non-compliance with the environmental law is R$50 plus losses related to embargoes or administrative sanctions, in addition to indemnities and repairs for damages caused to the environment.

Climate change poses a series of potential environmental risks for telecommunications operators, including the Company, both from a regulatory and operational perspective. The increase in the intensity and frequency of extreme precipitation events, cyclones, floods and fires may damage, suspend or interrupt the Company's transmission operations for an indefinite period. If successive serious natural disasters occur, the Company may not have sufficient resources to repair its infrastructure in a timely and cost-effective manner.

In a simulation, an increase in temperature directly affected the operational conditions of the Company's network equipment, causing failures, accelerated wear and loss of assets and, therefore, increases in the risks of service interruptions. Cooling equipment essential for the Company's operation. Therefore, global warming may also increase the need for cooling with higher energy use and operating costs.

The telecommunications sector is not especially dependent on fossil fuels, but it is very dependent on electricity consumption for its networks, so that an increase in electricity prices due to the scarcity of natural resources could have a significant impact on the Company's related operating expenses. The estimated economic impact of this risk is classified as substantive in the horizon of 2030.

To manage climate risks, the Company encourages energy efficiency programs and plans for renewable energy and distributed energy generation. It also has a dedicated business continuity area, guided by the Global Business Continuity Regulation (“GBC“), which prescribes the preventive risk management, ensuring the resilience of its operations from possible interruption.

f.6) Risks Relating to the Brazilian Telecommunications Industry and the Company

The Company's business is subject to extensive regulation, including any regulatory changes that may occur during the terms of the concession agreements and the Company's authorizations to provide telecommunication services in Brazil. ANATEL, oversees, among other matters: industry policies and regulations; licensing (including licensing of spectrum and bidding processes); fees and tariffs; competition, incentives and competitive aspects (including the Company's ability to grow by acquiring other telecommunications businesses); service, technical and quality standards; consumer rights; penalties and other sanctions related to interconnection and agreements; in addition to related obligations to the universalization of services.

The Brazilian telecommunications regulatory framework is continuously evolving. The interpretation and enforcement of regulations, the assessment of compliance with regulations and the flexibility of regulatory authorities are all marked by uncertainty. The Company operates under authorizations and a concession from the Brazilian government, and the ability to maintain these authorizations and concession is a precondition to the Company's success. However, because of the changing nature of the Brazilian regulatory framework, the Company cannot guarantee that ANATEL will not adversely modify the terms of the Company's authorizations and/or licenses. Accordingly, the Company's operating authorizations and licenses, must meet specific requirements and maintain minimum quality, coverage and service standards. Any failure to comply with these requirements may result in the imposition of fines, penalties and/or other regulatory responses, including the termination of the Company's operating authorizations and concession. Any partial or total termination of any of the Company's operating authorizations and licenses or the Company's concession would have a material adverse effect on the Company's business, financial condition, revenues, results of operations and prospects.

In recent years, ANATEL has reviewed and introduced regulatory changes, especially regarding competition measures and interconnection fees charged among local providers of telecommunications services. Asymmetric competition measures may include regulations aimed at rebalancing markets where one participant has significantly different market share over other competitors. The adoption of disproportionately asymmetric measures could have a material adverse effect on the Company's business, financial condition, revenues, results of operations and prospects.

In this sense, it is important to highlight that, as stated in ANATEL's regulatory agenda for the 2023-2024 biennium, the revision of the General Competition Targets Plan (“PGMC“), approved by the Resolution no. 600, of November 8, 2012 and updated by Resolution no. 694, of July 17, 2018, which concentrates, in a single normative instrument, a set of specific measures aimed at promoting competition and establishes the milestones for future reassessments of the performance of sectoral competition. This review, which takes place every four years and began with the publication of public consultation no. 64, of November 6, 2023, is dedicated to the reassessment of relevant markets in the sector, asymmetric regulatory measures and power holders of Significant Market (“PMS“), previously established by the regulation itself. Also in November 2023, ANATEL submitted to public consultation the review of the Spectrum Use Regulation (“RUE”), approved by Resolution No. 671, of November 3, 2016. The new wording proposed by ANATEL includes, among other changes , new rules for granting authorizations for the use of spectrum on a secondary basis, in addition to changes in the procedures for evaluating the efficient use of spectrum by ANATEL. The expectation, indicated in the regulatory agenda for the 2023-2024 biennium, is that the new RUE will be published in the fourth quarter of 2024.

Complementing the PGMC review, UPI's recent acquisition of the mobile assets of OI Móvel S.A. by the three largest operators in the Brazilian SMP market (Vivo, Claro and TIM), raised competition concerns by ANATEL and CADE, which imposed regulatory remedies in order to promote competitive conditions in the markets, among which: (i) Reference Offer in the Relevant National Roaming Market; (ii) Reference Offer for developing Personal Mobile Service – SMP through Virtual Network MVNO – (“ORPA de MVNO”); (iii) Offer of Temporary and Onerous Assignment of Radio Frequency Use Rights; and (iv) Industrial Network Exploration Offer.

Regarding the Reference Offer, of Wholesale National Roaming Products (“National Roaming ORPA”), the regulatory remedy uses as a basis the reference values approved and calculated by ANATEL, based on a new methodology to study the roaming market cost model (LRIC + bottom-up model – Act No. 8822/2022). As a result of the change in the methodology used, the new reference values show a significant reduction when compared to the reference values previously in force (FAC-HCA top down model – Act No. 9157/2018).

Still on the Offers mentioned above, specifically the MVNO ORPA and the National Roaming ORPA ("ORPAs"), they were being debated within the scope of ANATEL to discuss the following concepts: (i) Requirement of Exclusivity of Contracting Companies: ANATEL decided, for MVNO LTRO, that the exclusivity requirement violates Res. 550/2010 and therefore cannot be maintained as a condition. For the Roaming LTRO, exclusivity may only be required in cases of contracting (a) National Roaming under an Industrial Exploration regime and (b) conventional National Roaming (transitional use) only on the 5GSA network; and (ii) Collection of Minimum Monthly Deductible: ANATEL decided that in both LTROs the minimum monthly deductible cannot be charged for a period of 05 (five) years.

The Company currently has contracts signed with the possibility of charging the minimum monthly franchise both in the National Roaming market and in the MVNO market, so that current contracts, depending on the contracting companies, can be migrated to the new updated offers.

Generally, the adoption of disproportionately asymmetric measures and the prospect of adoption, by ANATEL, of concepts, prices and remuneration models may impact remuneration and costs, causing considerable harm to the business, financial condition, revenues, results operations and prospects of the Company.

As to the interconnection fees, an important part of the Company's revenue and cost bases, these are charged among telecommunications service providers in order to allow and remunerate the interconnected use of their networks. To the extent that changes to the rules governing interconnection fees reduce the fees of the Company or its ability to collect such fees, the Company's businesses, financial condition, revenues, results of operations and prospects could be adversely affected.

In addition, the Company is also subject to changes in rules and regulations aimed at preserving the rights of consumers of telecommunications services. In this sense, it should be added that ANATEL published, in November 2023, the new General Regulation on Consumer Rights ("RGC"), through Resolution No. 765/2023, which will replace Resolution No. 632/2014. This new Regulation changes some provisions in a more relevant way, such as the way telecommunications service offers are made and the rules for blocking due to default, in addition to updating/modernizing some service rules.

Therefore, the Company's business, results of operations, revenues and financial conditions could be negatively affected by the actions of the Brazilian authorities, including, in particular, the following: the introduction of new or less flexible operational and/or service requirements; the granting of operating licenses in the Company's areas; limitations on interconnection fees the Company can charge to other telecommunications service providers; imposition of significant sanctions or penalties for failure to comply with regulatory obligations; delays in the granting of, or the failure to grant, approvals for rate increases; and antitrust limitations imposed by ANATEL and CADE.

f.7) Insurance Coverage

The policy of the Company and its subsidiaries, as well as the Telefónica Group, is to contract insurance coverage for all significant assets and liabilities of high-risk based on Management's judgment and following Telefónica corporate program guidelines.

On December 31, 2023, the maximum limits of claims (established pursuant to the agreements of each entity consolidated by the Company) for significant assets, liabilities or interests covered by insurance and their respective total R$900,000 for operational risks (including business interruption) and R$75,000 for general civil liability.

The independent auditors' scope of work does not cover reviewing the sufficiency of the insurance coverage, which was determined by the Company's Management and which it considers sufficient to cover potential claims.

(In thousands of Reais, unless otherwise stated)

f.8) Compliance

The Company is subject to compliance with national legislation related to combating corruption, in particular Law No. 12,846/2013 and Decree No. 11,129/2022, as well as foreign legislation relating to the same topic in the jurisdictions in which it operates as a securities issuer and securities, more specifically the US Foreign Corrupt Practice Act – FCPA of 1977.

Violations of legislation aimed at combating corruption may result in financial penalties, damage to reputation and other legal consequences that may negatively affect the Company's activities, the results of its operations or its financial condition.

The Company has internal policies and procedures designed to prevent, detect and remedy non-compliance with these laws by the Company's directors, officers, partners, executives, representatives and service providers and develops and implements initiatives to ensure continuous improvement of its Compliance Program, through a robust organizational and governance structure that guarantees operations based on ethics, transparency and respect for applicable laws and regulations.

As a result of the Company's commitment to maintaining a robust Compliance Program, the Company obtained the DSC 10,000 certificate - Guidelines for the Compliance System (valid until December 14, 2024) in the years 2020, 2021, 2022 and 2023. The certificate DSC 10.00 highlights the evolution of its Compliance Program over the last few years. Furthermore, in 2023, the Company also received Pro Ética recognition, an initiative from the Comptroller General of the Union (CGU) that publicly recognizes companies that practice voluntary integrity practices.

33. ADDITIONAL INFORMATION ON CASH FLOWS

The following is a reconciliation of the consolidated cash flow financing activities for the year ended December 31, 2023, and 2022.

		Cash flows from financing activities		Cash flows from operating activities	Financing activities not involving cash and cash equivalents				
	Balance on 12.31.2022	Additions	Write-offs (payments)	Write-offs (payments)	Financial charges, fair value, monetary and exchange rate updates, write-offs and reversals	Additions (cancellations) of leases contracts and supplier financing	Business combination	Interim and unclaimed dividends and interest on equity	Balance on 12.31.2023
Interim dividends and interest on equity	3,187,417	—	(3,832,612)	—	—	—	—	2,893,079	2,247,884
Loans and financing	1,073,090	30,025	(1,056,060)	(34,236)	17,206	—	—	—	30,025
Leases	12,032,603	—	(2,754,909)	(1,481,392)	1,392,570	4,407,167	—	—	13,596,039
Debentures	3,736,833	—	—	(501,765)	486,521	—	—	—	3,721,589
Liabilities for the acquisition of a company	615,299	—	(24,038)	(4,973)	38,070	(561,285)	25,815	—	88,888
5G Licences	1,843,971	—	(616,936)	(31,912)	105,563	—	—	—	1,300,686
Derivative financial instruments	6,118		(107,714)	(7,439)	118,450	—	—	—	9,415
Total	**22,495,331**	**30,025**	**(8,392,269)**	**(2,061,717)**	**2,158,380**	**3,845,882**	**25,815**	**2,893,079**	**20,994,526**

(In thousands of Reais, unless otherwise stated)

		Cash flows from financing activities		Cash flows from operating activities	Financing activities not involving cash and cash equivalents				
	Balance on 12.31.2021	Additions	Write-offs (payments)	Write-offs (payments)	Financial charges, foreign exchange variation	Additions (cancellations) of leases contracts and supplier financing	Business combination	Interim and unclaimed dividends and interest on equity	Balance on 12.31.2022
Interim dividends and interest on equity	4,265,715	—	(5,709,263)	—	—	—	—	4,630,965	3,187,417
Loans and financing	224,610	1,000,000	(224,606)	(23,481)	96,567	—	—	—	1,073,090
Leases	11,230,099	—	(2,940,222)	(1,300,792)	1,292,376	3,162,118	589,024	—	12,032,603
Debentures	1,028,463	3,500,000	(1,000,000)	(39,011)	247,381	—	—	—	3,736,833
Liabilities for the acquisition of a company	—	—	(100,000)	—	39,488	—	675,811	—	615,299
5G Licences	4,450,806	—	(2,721,392)	(168,227)	282,784	—	—	—	1,843,971
Derivative financial instruments	12,676	—	(111,042)	—	104,484	—	—	—	6,118
Total	21,212,369	4,500,000	(12,806,525)	(1,531,511)	2,063,080	3,162,118	1,264,835	4,630,965	22,495,331

34. CONTRACTUAL COMMITMENTS AND GUARANTEES

a) Contractual commitments

The Company has unrecognized contractual commitments arising from the purchase of goods and services, which mature on several dates, with monthly payments.

On December 31, 2023, the total consolidated nominal values equivalent to the full contract period were:

Year	
2024	1,015,822
2025	749,362
2026	438,382
2027	358,300
2028	334,504
2029 onwards	730,684
Total(1)	**3,627,054**

(1) Includes R$154.4 millions, referring to contracts for the provision of security services with Telefónica Cybersecurity Tech, S.L.U. ("CyberCo") and its subsidiaries, companies of the Telefónica Group.

b) Guarantees

On December 31, 2023, the Company had guarantees for several commitments with ANATEL, suppliers and legal proceedings:

Insurance of guarantee(1)	26,935,174
Letters of guarantee	4,596,336
Judicial deposits and garnishments (Note 10)	2,911,929
Property and equipment (Note 13.f)	101,220
Financial investments in guarantee of lawsuits (Note 4)	36,169
Total	**34,580,828**

(1) These refer to insurance amounts contracted to ensure the continuity of legal proceedings (note 20).

35. SUBSEQUENT EVENTS

a) CADE approval of the joint venture between the Company and Auren (note 1.c.7)

On January 5, 2024, CADE's General Superintendence approved, without restrictions, Merger Act No. 08700.009212/2023-71, referring to the creation of the joint venture between the Company and Auren. The completion of the transaction is still subject to obtaining authorization from the European antitrust body.

b) Company Capital Reduction

The Company, in accordance with and for the purposes of the provisions of article 157, paragraph 4, of Law No. 6,404, of December 15, 1976, as amended ("Corporation Law"), and the provisions of CVM Resolution No. 44, of 23 of August 2021, informed its shareholders and the market in general, in continuity with the Relevant Fact disclosed on November 8, 2023 that, in an EGM held On January 24, 2024, the reduce the Company's share capital in the amount of R$1,500,000 was approved, without the cancellation of shares, under the terms of article 173 of the Brazilian Corporation Law, maintaining it the number of shares and the percentage of shareholder participation in the Company's share capital remain unchanged ("Reduction"). Consequently, the Company's share capital will be changed from R$63,571,416 to R$62,071,416.

The Reduction will be implemented by refunding to shareholders, in national currency, the amount of R$0.90766944153 per common share issued by the Company, considering the number of common shares issued by the Company in circulation on January 24, 2024, which already reflects the cancellation of certain shares issued by the Company held in treasury, carried out on December 22, 2023, as per the Material Fact disclosed on December 26, 2023. Due to the Company's Share Buyback Program, the aforementioned value per share ordinary shares may undergo changes considering the Company's shareholding base to be verified on April 10, 2024. Therefore, the shareholding position to be considered for receiving the resources resulting from the Reduction will be that contained in the Company's records at the end of April 10th 2024, and after this date, shares issued by the Company will be considered ex-refund rights.

The resources resulting from the Reduction will be paid in a single installment, until July 31, 2024, on a date to be defined in due course by the Company's Board of Directors, individually to each shareholder and in proportion to their respective shares in the Company's share capital.

The Reduction will become effective after the 60-day deadline for creditors' opposition has passed, counting from the publication of the minutes of the EGM, as provided for in article 174 of the Brazilian Corporation Law.

To the Board of Directors and Shareholders of

Telefônica Brasil S.A.

São Paulo - SP

Opinions on the Individual and Consolidated Financial Statements

We audited the individual and consolidated financial statements of Telefônica Brasil S.A. ("Company"), identified as parent company and consolidated, respectively, comprising the balance sheet on December 31, 2023 and the respective statements of income, comprehensive income, changes in equity and cash flows for the year ended on that date, as well as the corresponding explanatory notes, including a summary of the main policies accounting and other significant information.

In our opinion, the individual and consolidated financial statements referred to above present adequately, in all material respects, the individual and consolidated equity and financial position of the Company on December 31, 2023, the individual and consolidated performance of its operations and their respective individual and consolidated cash flows for the year ended in that date, in accordance with accounting practices adopted in Brazil and international reporting standards (IFRS) issued by the International Accountant Standards Board (IASB).

Basis for Opinions

Our audit was conducted in accordance with Brazilian and international auditing standards. Our responsibilities, in accordance with such standards, are described in the following section entitled "Auditors' Responsibilities for Auditing the Individual and Consolidated Financial Statements". We are independent from the Company and its subsidiaries, in accordance with the relevant ethical principles provided for in the Code of Professional Ethics for Accountants and in the standards professional standards issued by the Federal Accounting Council, and we comply with the other ethical responsibilities under these standards. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters ("PAA")

Key audit matters are those that, in our professional judgment, were the most significant in our audit of the current year. These issues were addressed in the context of our audit of the individual and consolidated financial statements taken as a whole, and in forming of our opinion on these individual and consolidated financial statements and, therefore, do not we express a separate opinion on these matters.

Revenue recognition

As described in note 25 to the individual and consolidated financial statements, the net operating revenue recognized by the Company and its subsidiaries on December 31, 2023 was R$50,276,078 thousand (parent company) and R$52,100,151 thousand (consolidated), mainly due to telecommunications services provided and products sold. The revenue recognition process of the Company and its subsidiaries is complex, due to the large volume of transactions and wide range of services and goods, which may be provided and sold separately or in aggregate, considering different commercial conditions. In addition, there is significant dependence on the information and technological structure, which includes a large number of applications and systems. Additionally, the revenue recognition process at the end of each period considers certain calculations for measurement of revenue incurred and not yet billed at the end of the period. Possible distortion in the referred calculations may materially impact the Company's financial statements. For these reasons we consider this area to be significant to our audit.

How our audit addressed this matter:

Our audit procedures included, among others: (a) Updating the understanding and testing the relevant internal controls related to the revenue process, including the relevant Information Technology systems ("IT"), execution of tests related to information security, privileged access management and segregation of functions with impact on the financial statements; (b) Documentation exams of revenue transactions from sales of services and goods, on a sample basis; (c) Understanding of the criteria adopted by the Management of the Company and its subsidiaries to measure revenue incurred and not yet billed at the end of the year; (d) Recalculation of the estimate of revenue incurred and not yet billed at the end of the year, as well as the comparison of this estimate with the revenue actually billed in the subsequent month after the closing of the balance sheet; and (e) Review of the adequacy of the disclosures presented in the explanatory note.

Based on the evidence that was obtained, through the main procedures of audit described above, we consider that the internal controls maintained by the Company and its subsidiaries, the estimates used by Management, as well as the disclosures made, provided a reasonable basis for revenue recognition.

Provision for tax and regulatory contingencies

The Company and its subsidiaries are parties to several judicial and administrative proceedings related to matters in the tax, regulatory, civil and labor areas, which arise in the normal course of its business, as disclosed in explanatory notes 8(g) and 20. On December 31, 2023, the Company and its subsidiaries had matters under discussion in various spheres, in relation to the tax and regulatory areas, in the amounts of R$70,293,748 thousand and R$8,526,044 thousand, respectively, of which R$2,951,528 thousand and R$1,760,866 thousand, respectively, were provisioned due to presenting a prognosis of probable loss, as assessed by Management based on the position of their legal advisors.

The determination of the provision and disclosed values depends on critical judgments made by management, based on the analysis of legal proceedings and their corresponding forecasts for final resolution by legal advisors. Considering the complexity of the tax and regulatory environment and the relevance of the values involved, any change in forecast and/or judgment may have a significant impact on the individual and consolidated financial statements of the Company. For these reasons, we consider this matter as material to our audit.

How our audit addressed this matter:

Our audit procedures included, among others: (a) Understanding and evaluating the relevant internal controls related to the process of identifying, measuring, recording and disclosing contingencies; (b) For tax positions related to income taxes, we met with the Management to understand and evaluate internal controls related to identification and monitoring uncertain tax treatments, measurement and recognition of the obligation, when applicable; (c) Obtaining confirmation from the Company's legal advisors for tax proceedings and regulations in progress, as well as the respective assessment by Management of the amounts and loss probabilities; (d) Selection, on a sample basis, of relevant tax and regulatory processes, for the evaluation of our specialists regarding the reasonableness of the loss forecasts, arguments and/or defense theses; (e) Meeting with Management and those charged with governance to discuss and evaluate, when applicable, the conclusions obtained by the Company for the most relevant; and (f) Review of the adequacy of the disclosures presented in the explanatory note.

Based on the evidence that was obtained, through the main procedures of audit described above, we consider that the criteria and assumptions adopted by Management for the determination and recording of provisions, as well as for the disclosures made, are consistent with the positions of legal counsel and reasonably represented.

Goodwill impairment test

As described in note 14 and note 15 to the financial statements, the Company and its subsidiaries has recorded in its intangible assets, goodwill in the amount of R$26,390,696 thousand (consolidated) on December 31, 2023, based on expected future profitability, resulting from combinations of deals that have taken place over the years. Management performs at least once a year the test of recovery of goodwill associated with the only Cash Generating Unit ("CGU") of the Company that provides all telecommunications services through a tightly integrated network.

Management determined the recoverable amount of its single CGU using the value-in-use approach, calculated based on the discounted cash flow methodology. Cash projections include data and assumptions that involve significant judgments by Management, such as growth revenue, discount rate and perpetuity growth rate. This matter was considered one of the main ones in our audit in view of the relevance of the goodwill balance, as well as the fact that variations in the main assumptions used can significantly impact cash flows projected and the recoverable value of the goodwill, with the consequent impact on the financial statements.

How our audit addressed this matter:

Our audit procedures included, among others: (a) Evaluating and testing relevant internal controls related to the process of measuring the recoverable value of the UGC, including goodwill; (b) With the support of our asset valuation experts and third parties, we reviewed the reasonableness the calculation model used by Management to prepare the projections and the main assumptions used, such as revenue growth, discount rate and perpetuity growth rate, comparing them, when available, with market data; (c) Logical coherence and arithmetic consistency of the model prepared by the Company, as well as confronting the main assumptions of the cash projections with budgets approved by the Company's Board of Directors; (d) Sensitivity analysis of the main assumptions to assess situations in which variations would result in the event of the need to record impairment; and, (e) Review of adequacy of disclosures presented in an explanatory note.

Based on the evidence that was obtained, through the main procedures of audit described above, we consider that the criteria and assumptions adopted by the Management of the Company in assessing the recoverable value for the purposes of goodwill impairment testing are reasonable.

Other matters

Added value statements

The individual and consolidated statement of added value ("DVA") for the year ended December 31, 2023, prepared under the responsibility of the Company's Management and presented as supplementary information for IFRS purposes, has been subject to audit procedures performed together with the audit of the Company's financial statements. For the formation of our opinion, we assess whether this statement is reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Demonstration of Added Value". In our opinion, this added value statement has been adequately prepared, in all material respects, according to the criteria defined in this Technical Pronouncement and is consistent with the individual and consolidated financial statements taken as a whole.

Other information accompanying the individual and consolidated financial statements and the auditors' report

The Company's Management is responsible for these other informations that comprise the Management Report. Our opinion on the individual and consolidated financial statements does not cover the Management Report and, therefore, we do not express any form of audit conclusion on this report.

In connection with the 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 carried out, we conclude that there is a material misstatement in the Management Report, we are required to communicate this fact. We have nothing to report in this regard.

Management and governance responsibilities for individual and consolidated financial statements

The Company's Management is responsible for preparing and properly presenting the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and with international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB), and for internal controls that it has determined necessary to enable the preparation of financial statements that are free from material misstatement, whether caused by fraud or error.

In preparing the individual and consolidated financial statements, the Management is responsible for assessing the Company's capacity to continue operating, disclosing, when applicable, the matters related to its operational continuity and the use of this accounting base in the preparation of the financial statements, unless the Management intends to liquidate the Company and its subsidiaries or cease operations, or has no realistic alternative to avoid the closure of operations.

Those responsible for the governance of the Company and its subsidiaries are those with responsibility for supervising the process of preparing the individual and consolidated financial statements.

Responsibilities of auditors for auditing the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance that the individual and consolidated statements, taken as a whole, are free from material misstatement, whether caused by fraud or error, and issue an audit report containing our opinion. Reasonable security is a high level of security, but not a guarantee that the audit performed in accordance with the Brazilian and international auditing standards always detect any material existing distortions. Misstatements can arise from fraud or error and are considered material when, individually or jointly, could reasonably be expected to influence users' economic decisions based on said financial statements.

As part of the audit carried out in accordance with Brazilian and international auditing standards, we exercised professional judgment and maintained professional skepticism throughout the audit. Furthermore:

- We identify and assess the risks of material misstatement in the individual and consolidated financial statements, whether caused by fraud or error, we plan and execute audit procedures in response to such risks, as well as obtaining audit evidence appropriate and sufficient to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is greater than that arising from error, as fraud may involve the circumventing internal controls, collusion, forgery, omission or intentional misrepresentation;

• We obtained an understanding of the internal controls relevant to the audit in order to plan audit procedures that are appropriate to the circumstances, but not for the purpose of expressing opinion on the effectiveness of the internal controls of the Company and its subsidiaries;

• We evaluated the adequacy of the accounting policies used and the reasonableness of the accounting estimates and respective disclosures made by Management;

• We conclude on the adequacy of the use, by Management, of the accounting basis of operational continuity and, based on the audit evidence obtained, whether there is material uncertainty regarding to events or conditions that could cast significant doubt on the ability to operational continuity of the Company and its subsidiaries. If we conclude that there is material uncertainty, we must draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or modify our opinion, if the disclosures are inappropriate. Our conclusions are based on evidence from audit data obtained up to the date of our report. However, future events or conditions may lead to the Company and its subsidiaries to no longer remain in operational continuity;

• We evaluated the overall presentation, structure and content of the financial statements, including the disclosures and whether the individual and consolidated financial statements represent the corresponding transactions and events in a manner consistent with the purpose of proper presentation;

• We have obtained sufficient and appropriate audit evidence regarding the financial information of the entities or business activities of 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 and, consequently, for the audit opinion.

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

We also provided those charged for the governance with a statement that we have complied with the relevant ethics requirements, including applicable independence requirements, and communicated any relationships or matters that could materially affect our independence, including, when applicable, the respective safeguards.

Of the matters that were the object of communication with those responsible for governance, we determined those that were considered to be most significant in the audit of the financial statements of the current financial year and which, accordingly, constitute the main audit matters. We described these matters in our audit report, unless law or regulation prohibits public disclosure of the matter, or when, in extremely rare circumstances, we determine that the matter must not be communicated in our report because the adverse consequences of such communication may, within a reasonable perspective, outweigh the benefits of communication to the public interest.

São Paulo, February 07, 2024.

Baker Tilly 4Partners Auditores Independentes S.S.

CRC 2SP-031.269/O-1

Nelson Varandas dos Santos

Accountant CRC 1SP-197.110/O-3

DIRECTOR'S STATEMENT ON THE INDEPENDENT AUDITORS' REPORT

In compliance with the provisions of article 27, paragraph 1, item V, of CVM Resolution No. 80 of 29 March 2022, the CFO and Investor Relations Officer of Telefônica Brasil S.A. ("Company") undersigned declares that it has reviewed, discussed and agrees with the opinions expressed in the draft report of independent auditors Baker Tilly 4Partners Auditores Independentes S.S. on the Company's Financial Statements for the fiscal year ended on December 31, 2023, without reservations, which will be signed, without changes, after the approval of the Financial Statements by the Board of Directors, on this date.

São Paulo, February 07, 2024

David Melcon Sanchez-Friera

Finance and Investor Relations Officer

DIRECTOR'S STATEMENT ON THE FINANCIAL STATEMENTS

In compliance with the provisions of article 27, paragraph 1, item V, of CVM Resolution No. 80 of 29 March 2022, the CFO and Investor Relations Officer of Telefônica Brasil S.A. (“Company”) undersigned declares that it has reviewed, discussed and agrees with the Company's Financial Statements for the fiscal year ended on December 31, 2023.

São Paulo, February 7th, 2024.

David Melcon Sanchez-Friera
CFO and Investor Relations Officer

OPINION OF THE FISCAL COUNCIL

The members of the Fiscal Council of Telefônica Brasil S.A. (“Company” or “Telefônica Brasil”), in the exercise of their legal duties and responsibilities, as provided for in Article 163 of Law No. 6,404, of December 15th, 1976 (“Corporations Law”) and in compliance with the provisions of Article 27, paragraph 1, item III of CVM Resolution No. 80 of March 29th, 2022, examined and analyzed the Company's Financial Statements, accompanied by the Independent Auditors' Report and the Annual Management Report, relating to the fiscal year ended on December 31st, 2023 ("2023 Annual Financial Statements”), as well as the proposal for allocation of income for the fiscal year 2023 (“Results Allocation Proposal”) and, considering the information provided by the Management of Telefônica Brasil and by Baker Tilly 4Partners Auditores Independentes Ltda., the Company’s independent auditors, unanimously expressed a favorable opinion regarding the 2023 Financial Statements and the Results Allocation Proposal, and recommend submission to the Ordinary Shareholders’ Meeting of Telefônica Brasil, pursuant to the Corporations Law.

São Paulo, February 7th, 2024.

Gabriela Soares Pedercini	**Luciana Doria Wilson**	**Stael Prata Silva Filho**
(effective) Member of the Fiscal Council	(effective) Member of the Fiscal Council	(effective) Member of the Fiscal Council

OPINION OF THE BOARD OF DIRECTORS

The members of the Board of Directors of Telefônica Brasil S.A. (“Company” or “Telefônica Brasil”), in the exercise of their legal duties and responsibilities, as provided for in Law No. 6,404, of December 15th, 1976 (“Corporations Law”), and in its Bylaws, examined and analyzed the Company's Financial Statements, accompanied by the Independent Auditors' Report and the Annual Management Report, for the fiscal year ended on December 31st, 2023 ("2023 Financial Statements”), as well as the Management Proposal for Allocation of the Net Profits for the fiscal year 2023 (“Results Allocation Proposal ") and, considering the information provided by the Management of Telefônica Brasil, by Baker Tilly 4Partners Auditores Independentes Ltda., the Company’s independent auditors, and the favorable opinion of the Fiscal Council members and Audit and Control Committee members, unanimously express a favorable opinion regarding the 2023 Financial Statements and the Results Allocation Proposal, and determine their submission to the Ordinary Shareholders’ Meeting of Telefônica Brasil for appraisal, pursuant to the Corporations Law.

São Paulo, February 7th, 2024.

Eduardo Navarro de Carvalho
Chairman of the Board of Directors

Alfredo Arahuetes García
Member

Ana Theresa Masetti Borsari
Member

Andrea Capelo Pinheiro
Member

Christian Mauad Gebara
Member

Denise Soares dos Santos
Member

Ignácio Moreno Martínez
Member

Francisco Javier de Paz Mancho
Member

José María Del Rey Osorio
Member

Jordi Gual Solé
Member

Solange Sobral Targa
Member

Juan Carlos Ros Brugueras
Member

MANAGEMENT COMPOSITION

Christian Mauad Gebara
Chief of Executive Officer

David Melcon Sanchez-Friera
CFO and Investor Relations Officer

Breno Rodrigo Pacheco de Oliveira
General Secretary and Legal Officer

Ricardo Guillermo Hobbs
Strategy Officer

Alex Martins Salgado
Businesses Officer

Carlos Cesar Mazur
Accountant – CRC – 1PR-028067