NOVA TRANSPORTADORA DO SUDESTE S.A. - NTS

MANAGEMENT REPORT

2023



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1. MESSAGE FROM MANAGEMENT

In 2023, NTS reaffirmed its commitment with the development and expansion of the gas pipeline infrastructure, concluding the construction of GASIG, an 11 km gas pipeline that connects Itaboraí to Guapimirim and enabling additional injection into the system of 18 Mm3/day of natural gas from pre-salt route. GASIG is the 1st transportation pipeline built in Brazil since 2010. We maintained our focus and resources to pursuit the operational excellence, investing approximately R$180 million in the integrity and modernization of our assets and safety of our employees.

In terms of finance, our performance again demonstrated the strength of the Company's results, with robust cash generation measured by EBITDA of R$ 6.8 billion, a growth of 9% when compared to the previous year, mostly explained by indexation of our revenues on inflation. In this context, the Company's financial leverage, measured by the Net Debt/EBITDA drop to 1.4 times, demonstrating the capacity to lead with the development of the country's gas pipeline infrastructure.

Reinforcing its essential role in the expansion of the natural gas transportation pipeline, the Company signed Memorandums of Understanding (MoU) with potential customers for the implementation of transportation infrastructure and injection of biomethane into its pipeline network. At the same time, the technical study of the project to expand the gas pipeline in Extrema (located in the Minas Gerais state), is in progress, as part of the regional industrial strengthening strategy. Furthermore, the Company started conceptual engineering studies to enable the future connection of the Raio Manta and Raia Pintado fields (former BM-C 33) to its transport pipeline. Those initiatives are important to expand the system's capacity and for the new demands of market dynamics.

Another remarkable milestone is the advance of the new Japeri Compression Station. With the purpose of reinforce the NTS' network, the project was designed to mitigate the impact of the reduction in gas supply that is occurring in Bolivia (a reduction reported by the press) and replace this volume with national natural gas from the pre-salt. The conceptual and basic engineering were completed, and entire technical documentation was submitted to the regulatory agency (ANP), awaiting approval.

In order to implement the ESG Plan, throughout the year, the Company launched initiatives with relevant impact on business. Among these, we must highlight the triple certification in quality standards (ISO 9001), environmental management (ISO 14001) and safety (ISO 45001). At the same time, the Company completed the preparation of the first GHG inventory, establishing an important milestone in the monitoring and management of its methane emissions. Furthermore, the decarbonization plan, including emissions reduction target, approved by the Executive Board, with some initiatives already implemented in 2023. In this context, the Company reduced approximately 45% of the volume of purge gas[1] at the Compression Station of Campos Elíseos, representing an important step towards its commitment to reducing methane emissions. This solution will be extended to another 3 compression stations in 2024, demonstrating our commitment to promote increasingly sustainable business practices.

In the social side, during the year, the company invested R$ 33.5 million in 36 social projects focused on education, health, culture and sports in the communities where it operates.

[1] Gas is continuously vented into the atmosphere as a safety mechanism present in Compression Stations. The company carried out a project that made it possible to reduce vented gas without altering the asset's level of safety.

1.1 COMMERCIAL HIGHLIGHTS AND BUSINESS DEVELOPMENT

Since the natural gas opening market in 2021, a series of studies have been conducted to identify the main challenges of the natural gas industry and to map opportunities to efficiently expand the sector's infrastructure. The balance between supply and demand flows requires additional investments in natural gas transportation capacity, given the prominent growth in national gas production, especially in the Southeast region, while we have a reduction in natural gas from Bolivia.

In order to adapt the transport network to supply both current and future demands, we highlight below the main achievements of NTS over the last year:

GASIG Pipeline: Conclusion of the first transport gas pipeline built since 2010, with 11km of length that connects GASLUB (former named as COMPERJ). In 2023, the project was concluded, and the operating license a preliminary operating authorization were obtained as well as the public call was initiated. Furthermore, the project was recognized as strategic for the State of Rio de Janeiro.

Japeri Compression Station: Basic project concluded for the construction of a compression station in the State of Rio de Janeiro that allows increasing the flow of gas between the states of Rio de Janeiro and São Paulo, aiming to reinforce the gas supply in the region. NTS has already acquired ownership rights over the property where the compression station will be built, and it is in the final stages to obtain the environmental license (LAU) for the project. The project was also recognized as strategic investment for the State of Rio de Janeiro.

GASINF pipeline: Memorandum of Understanding (MoU) signed with Gas Natural Açu (GNA) company to prepare a technical study at the level of conceptual and basic engineering to analyze the feasibility of construct a gas pipeline with 100 km of length to connect Porto do Açu Gas hub, located in the State of Rio de Janeiro, to the GASDUC III gas pipeline.

Biomethane Receiving Point: Memorandum of Understanding (MoU) signed with the Urca Energia company to prepare a technical study at the conceptual and basic engineering level to analyze the feasibility to construct a gas receiving point for the NTS network.

Extrema Pipeline: Memorandum of Understanding (MoU) signed with Gas de Minas Gerais (GASMIG) company to prepare a technical study at the level of conceptual and basic engineering to analyze the feasibility to construct a gas pipeline with 25 km of length to connect the Campinas-Rio gas pipeline (GASCAR) to Extrema (located in the State of Minas Gerais).

In a notable advance to explore the growth agenda and evaluate new opportunities, NTS reinforces its commitment to ensure the national energy security. The announcement of the new “Programa de Aceleração do Crescimento” (PAC) noticed some of the projects considered in the company's portfolio, including the need to construct over 300 km of gas pipelines and double the current compression capacity in Rio de Janeiro and São Paulo. These initiatives aim to reduce the LNG dependence, the natural gas imported from Bolivia and allow to enable the pre-salt gas monetization as well as to get the positive externalities associated with it.

The initiatives mentioned represent a significant milestone in the expansion and strengthening of natural gas transportation infrastructure in this strategic region. Beyond to contribute to national energy security, such investments have a clear potential to promote regional socioeconomic development.

1.2 FINANCIAL HIGHLIGHTS

Throughout the year, NTS achieved outstanding financial results. Net revenue reached the mark of R$7.4 billion, an increase of 8.5% when compared to 2022, mainly due to the monetary correction of its long-term gas transport contracts (GTA).

Net income reached R$3.3 billion in 2023, up to 5.8% when to compared to 2022, reflecting the increase in revenue and costs necessary to prepare the company for market opening and development.

During the year, the total amount of investments was approximately R$180 million, mostly focused on projects dedicated to asset integrity, modernization of installations and security of its operations. Additionally, part of these resources was allocated for expansion initiatives, including the successful completion of the GASIG pipeline.

The solid financial performance enabled the distribution of dividends to shareholders, with a total of approximately R$2.8 billion in 2023.

Finally, highlighting the robustness of the Company's business model, the credit risk rating agency Fitch Ratings ("Fitch") maintained the long-term national corporate rating unchanged at "AAA (bra)", with a stable outlook.

Erick Pettendorfer
CEO

Alex Monteiro
CFO and Investor Relations

2. NOVA TRANSPORTADORA DO SUDESTE - NTS

2.1 OUR BUSINESS

NTS is relevant player of natural gas transportation in the country. With over 2,000 km of gas pipelines, the company is responsible for transporting around 50% of the natural gas in Brazil.

Located in a relevant economic region in Brazil, which concentrates near 51% of GDP and the center of national demand, NTS' assets have strong interconnection, connecting the Campos and Santos basins to the Bolivia-Brazil gas pipeline, owned by TBG and connecting the northeast region pipeline network owned by TAG. In addition, NTS network connects Guanabara Bay LNG terminal, owned by Petrobras.

NTS network owns 8 receiving points and 46 delivery points with 4 interconnection points[2].

The Company operates under an authorization scheme for an unspecified period and owns 100% of its pipeline capacity contracted in 5 long-term commercial contracts in the ship-or-pay (GTAs) modality indexed by inflation, bringing to company a predictable revenue. Currently, a minor part of the NTS network idle capacity is being commercialized with other players through other contract modalities, however with no material impact on NTS results. The first GTA contract expires in December 2025 and the others in 2030 and 2031.

In order to adjust its business model to the requirements and demands of the industry, NTS offers three distinct types of services: the Firm Transport Service (STF), the Extraordinary Transport Service (STE) and the Interruptible Transport Service (STI). It is important to highlight that the Firm Transport Service (STF) represents almost all the Company's revenue and is supported by long-term commercial contracts (GTAs), as mentioned previously. These services were designed to meet the diversity of demands of NTS customers, providing flexibility and reliability in their natural gas transportation operations.

2.2 TRANSPORTED VOLUME

Indeed, approximately 50% of the natural gas demand in the state of São Paulo is attended directly by the NTS network. Adding the demand from the States of Rio de Janeiro and Minas Gerais, a total of almost two-thirds of the national market demand is reached.

In 2023, the average volume delivered by NTS network was approximately 25.8 million m^3/day, compared to 29.1 million m^3/day in 2022. The reduction between the years is due to the low thermal power plant dispatch that occurred in period, reflecting the favorable water regime of the last 2 years.

[2] Data includes GASIG Project.

2.3 TRANSPORTATION CONTRACTS IN EFFECT

The commercial relationship between a TSO and its customers is governed by Gas Transportation Agreements (GTA) and regulated by the National Petroleum, Natural Gas, and Biofuel Agency (ANP). Each GTA refers to a gas pipeline or group of pipelines in NTS' transportation system.

Throughout 2023, there was no event that changed the firm capacity contracted in the GTAs entered by the Company for the purpose of calculating NTS's annual revenue. The table below shows, per contract, the contracted transport capacity, and the average movement per day.

Contract	Average volumes transported (MM m³/day)		Due date
	2023	2022	
Malha Sudeste	24.1	25.9	31/12/2025
Malha Sudeste II	1.2	1.7	14/10/2031
GASDUC III	10.0	10.1	11/11/2030
GASTAU	12.0	13.3	30/11/2031
Paulínia – Jacutinga	0.2	0.2	14/01/2030
Total			

In this context, in 2023, NTS signed commercial contracts in the firm modality with 4 new customers. In total, 67 contracts were signed, covering annual, monthly, and daily terms. Such diversification in contract duration reflects the company's adaptability to the needs of its customers and consolidates its presence in the market, strengthening its position as a important TSO in the sector, offering a wide set of logistics solution in the natural gas transportation segment.

2.4 THE OPERATION

After 2 years leading 100% of the operation and maintenance activities of its assets, NTS has made considerable progress in its achievements and business efficiency rates. In 2023, the Company improved its results and implemented essential actions to ensure the gas delivery continuity, always maintaining a focus to attend its customers. There was a significant improvement in safety indicators, with the recordable accident rate of 0.4 in the period and without any high-risk incidents with impact on people, communities, or the environment. The greater awareness of employees was achieved through campaigns, training and field audits, working the perception of existing risks and allowed the company to register only one occurrence of high-risk accidents in 2023. Additionally, actions focused on preventive measures enabled the Company to operate efficiently, resulting in zero operational failures in 2023.

Under this purpose, it was possible to minimize impacts and expand our actions to preserve the pipeline, with a total of 37 stress corrosion test points carried out during the year and 100% of the pipes worked on incident mitigation actions in around the pipeline.

About the projects, the revitalization and integrity of tunnels (GASTAU and GASDUC) that act as a route for receiving pre-salt gas in the pipeline were completed, improvements were made to assets and 8 inspection campaigns were promoted with PIG (maintenance, cleaning, and prevention tool).

Since the internalizing of the operations, NTS has focused its efforts on implementing and improving its procedures and systems. This approach resulted in significant advances in all areas, including the successful implementation of the first phase of the process of automation project, from gas ordering to scheduling. Furthermore, the company obtained triple certification (9001, 14001, 45001), reinforcing its commitment to quality, health, safety, and the environment.

2.4 ESG AGENDA

2023 was characterized by the progress of ESG agenda aligned with the Company's business strategy, structuring plans, defining goals, and establishing future commitments, with emphasis on the topic of decarbonization.

NTS set out a few actions based on 9 pillars of action:

1. Natural Resource Management
2. Waste, Effluents and Emissions
3. Climate Change
4. Biodiversity and Deforestation
5. Relationship with the Employees
6. Relationship with the Community
7. Relationship with the Suppliers
8. ESG Integration into the Company’s strategy
9. Transparency and Management

Aiming for recognition as a world-class company for excellence in the management of natural gas transportation, the Company focused its efforts on contributing to environmental issues. This included the preparation of the first GHG inventory considering scopes 1 and 2. Additionally, the Company established targets for reducing GHG emissions and approved a decarbonization plan.

For the 4th consecutive year, the Company published its Sustainability Report, joining to the main international reporting and management guidelines. This outcome, reaffirms NTS' commitment to the public and transparency, providing detailed information on the year's highlights, value generation and main results.

Aiming to increase its diversity program, the Company established a plan to increase the hiring of female leaders and work on diversity, health, and safety indicators, aiming to expand the inclusion of socially minoritized groups. During the year, women's participation in the Company achieved 18%, higher when compared to the previous year.

A new organizational survey allowed the company to identify areas for improvement, and for the 3rd year in the row, NTS was certified by Great Place to Work[2], with progress mainly in diversity and inclusion issues.

At the same time, NTS encouraged the socioeconomic development of the communities near to its assets, reinforcing its commitment to social and environmental responsibility with investments around R$33.5 million in 36 different projects. These initiatives reflect the Company's commitment to standing out not only as a leader in the sector, but also as an organization that values sustainability, diversity and the well-being of its employees and neighboring communities.

[2] GPTW is a global consultancy that supports organizations to obtain better results and through certification, they accredit those companies that stand out as great places to work.

3. ECONOMIC AND FINANCIAL PERFORMANCE

The Management's Report of Nova Transportadora do Sudeste S.A. - NTS ("NTS" or "Company") for the year of 2023 ("2023"), considering the period ended on December 31, 2023, compared to year of 2022 ("2022") includes the following highlights:

In thousands of reais	2023	2022	Δ%	Δ
Net Operating Income	**7,353,021**	**6,777,519**	***8.5%***	**575,502**
Cost of Services	(1,014,145)	(833,752)	*21.6%*	(180,393)
Gross Profit	**6,338,876**	**5,943,767**	***6.6%***	**395,109**
Operating Income (Expenses), net	18,864	(113,318)	*-116.6%*	132,182
Operating Income	**6,357,740**	**5,830,449**	***9.0%***	**527,291**
Net Financial Results	(1,503,142)	(1,222,909)	*22.9%*	(280,233)
Income Before Taxes	**4,854,598**	**4,607,540**	***5.4%***	**247,058**
Total Income Tax	(1,602,543)	(1,532,483)	*4.6%*	(70,060)
Net Income (for the period)	**3,252,056**	**3,075,057**	***5.8%***	**176,999**

3.1 NET OPERATING REVENUE

In 2023 NTS recorded a Net Operating Revenue of R$ 7,353 million, 8.5% higher when compared to R$ 6,777 million recorded in 2022.

The variation between the periods is explained by economic impacts, given the annual weighted indexation (IGPM index) applied on the 5 GTAs achieved approximately 6%, being responsible for generating the most part of revenue increases. During this period, there was also non-recurring revenues from tax credit and interruptible transport service contracts. Finally, company registered an increase in the gas balancing revenue, however without impact on bottom line figures, once this revenue is only a cost passthrough.

Variations in the average volume transported have no material impact on revenues, once the GTAs guarantees to TSO a predictable and stable revenue. The revenue terms are calculated based on contracted transport capacity by NTS' customers.

In thousands of reais	2023	*2022*	Δ%	Δ
Net Operating Income	**7,353,021**	**6,777,519**	***8.5%***	**575,502**
Net Operating Income	7,210,209	6,757,431	*6.7%*	452,778
Net Gas Balance [1]	142,812	20,088		122,724

[1] Amount considered net of 9.25% rate due to PIS/COFINS tax

3.2 COST OF SERVICES

In 2023, the Costs of Services totaled R$ 1,014 million, corresponding to 13.8% on net revenue, and totaled R$ 833 million, or 12.3% of net revenue in 2022. The variance of R$ 180 million is mainly explained by expenses with gas balance, which represents an increase of R$ 122 million referring to this service. However, the cost incurred was fully passed to the system, as mentioned in the previous topic.

The other components of the Cost of Services that advanced during the year represents R$ 58 million and can be explained by:

(i) R$ 18 million: commissioning of new investments done by the Company.
(ii) R$ 18 million: expenses with R&D, and higher expenses with travel and training, reflecting a full year of on-site employee attendance.
(iii) R$ 12 million: costs with operating services, maintenance, and spare parts.
(iv) R$ 8 million: costs with insurance, rental services, and general charges.
(v) R$ 2 million: costs with right of ways

In thousands of reais	2023	2022	Δ%	Δ
Total of Cost of services	**(1,014,145)**	**(833,752)**	***21.6%***	**(180,393)**
Cost of Services	**(871,509)**	**(813,664)**	*7.1%*	**(57,845)**
Gas Balance	(142,636)	(20,088)		(122,548)
% On Net Revenues	-13.8%	-12.3%	*-1.5 pp*	

3.3 GROSS PROFIT

Gross Profit in 2023 totaled R$ 6,338 million with an expansion of 6.8% when compared to the previous year and in line with the macroeconomic impacts. The gross margin performed a small reduction of 1.5 p.p. between the years.

In thousands of reais	2023	2022	Δ%	Δ
Gross Profit	**6,338,876**	**5,943,767**	***6.6%***	**395,109**
Gross Margin %	86.2%	87.7%	-1.5 pp	

3.4 OPERATING EXPENSES

In 2023, Operating Expenses totaled R$ 18.8 million positives (including extraordinary tax credits), which represents 0.3% of net revenues or 1.9 pp better when compared to previous year. The result was boosted by R$ 137 million, due to retroactive tax credits recorded in 2023.

Under General and Administrative Expenses, Personnel expenses increased by R$ 7 million or 15.5% when compared to 2022, part due the insourcing program and part by inflation impact on wage and benefit. Reinforcing its commitment with social agenda, expenses with social program sponsorship increased by R$ 7 million or 26.6% in the period. Also, the office and other expenses increased by R$ 6 million with tax credit appropriations in the total amount of R$5 million for office expenses. Finally, costs related to legal and accounting advice increased by R$ 2 million mainly due to expenses incurred to support the arbitration process.

Conversely, NTS incurred in positive variations from retroactive compensation related to tax issues (variation of R$7 million) and labor contingencies (variation of R$ 10 million).

In thousands of reais	2023	2022	Δ%	Δ
Total	**18,864**	**(113,318)**	-116.6%	**132,182**
% on net revenue	0.3%	-1.7%	2.0 pp	
Operating Income / (Expenses)	**136,995**	**-**	**-**	**136,995**
% on net revenue	1.9%	-	1.9 pp	
General and Administrative Expenses	**(118,131)**	**(113,318)**	**4.2%**	**(4,813)**
Sponsorships	*(33,186)*	*(26,219)*	26.6%	*(6,967)*
Personnel expenses	*(45,952)*	*(39,782)*	15.5%	*(6,170)*
Office and other expenses	*(11,912)*	*(6,001)*	98.5%	*(5,911)*
Legal	*(6,952)*	*(5,045)*	37.8%	*(1,907)*
Consulting	*(4,781)*	*(3,775)*	26.6%	*(1,006)*
License maintenance	*(3,642)*	*(3,529)*	3.2%	*(113)*
Accounting services	*(2,208)*	*(2,130)*	3.7%	*(78)*
Contracted services	*(438)*	*(492)*	-11.1%	*54*
Rent and fees	*(1,238)*	*(1,318)*	-6.1%	*80*
Audit	*(1,633)*	*(1,771)*	-7.8%	*138*
Recruitment and selection	*(813)*	*(1,329)*	-38.8%	*516*
Compensation	-	*(6,917)*	-100.0%	*6,917*
(Provision) / Contingency	*(5,376)*	*(15,010)*	-64.2%	*9,634*
% on net revenue	-1.6%	-1.7%	0.1 pp	

3.5 OPERATING INCOME

Operating Income totaled R$ 6,357 million during the year, achieving an operating margin of 86.5%, slightly higher than the margin of 86.0% recorded in 2022.

In thousands of reais	2023	2022	Δ%	Δ
Operating Income	**6,357,740**	**5,830,449**	***9.0%***	**527,291**
% on net revenue	86.5%	86.0%	0.4 pp	

3.6 FINANCIAL RESULT

Net Financial Result accurate in 2023 was negative by R$ 1,503 million, compared to the negative R$ 1,222 million from 2022.The variation is explained by interest rates (CDI) increasing, given that 100% of Company's loans are indexed to the CDI rate.

Both debentures and commercial papers have their remuneration based on the CDI, while the final cost of loans in foreign currency via derivatives is indexed to the CDI.

Financial Expenses for 2023 also include R$21 million related to monetary adjustments on dividends declared in 4th quarter of 2022, at the SELIC rate applied in the period between December 31, 2022, and the date of the effective payment of dividends in April of this year.

In thousands of reais	2023	2022	Δ%	Δ
Net Financial Result	**(1,503,142)**	**(1,222,909)**	***22.9%***	**(280,233)**
Finance Income	259,126	296,785	*-12.7%*	(37,659)
Finance Expenses	(1,762,268)	(1,519,694)	*16.0%*	(242,574)

3.7 INCOME BEFORE TAXES

The Company accurate income before taxes in total amount of R$ 4,854 million in 2023, a higher result in comparison to previous year, mainly due to the variation in NTS' revenues. In percentage points, however, it represents a small reduction in the percentage of net revenue of 2.0 p.p. resulting from the increase in the Company's financial expenses, as identified in the previous section.

In thousands of reais	2023	2022	Δ%	Δ
Income Before Taxes	**4,854,598**	**4,607,540**	***5.4%***	**247,058**
% on net revenue	66.0%	68.0%	-2.0 pp	

3.8 INCOME TAX AND SOCIAL CONTRIBUTION

Current and Deferred Taxes and Social Contributions in 2023 totaled R$ 1,602 million, compared to the total of R$ 1,532 million in the previous year. The rate increased by 0.3 p.p., reaching 33.3% in the period, remaining basically unchanged among the years analyzed.

In thousands of reais	2023	2022	Δ%	Δ
Total Income Tax and Social Contribution	**(1,602,543)**	**(1,532,483)**	**4.6%**	**(70,060)**
% on Income Before Taxes	-33.0%	-33.3%	0.3 pp	
Current Income Tax and Social Contribution	**(1,685,983)**	**(1,621,243)**	**4.0%**	**(64,740)**
% on income before taxes	-34.7%	-35.2%	0.5 pp	
Deferred Income Tax and Social Contribution	**83,440**	**88,760**	**-6.0%**	**(5,320)**
% on income before taxes	1.7%	1.9%	0.2 pp	

3.9 NET INCOME

In 2023, net income totaled R$ 3,252 million, that represents 44.2% of net revenues and R$ 177 million higher than the total amount of R$ 3,075 million in 2022. The variation was mainly due to the financial result previously analyzed.

In thousands of reais	2023	2022	Δ%	Δ
Net Income	**3,252,056**	**3,075,057**	**5.8%**	**176,999**
% Net Income margin	44.2 %	45.4%	-1.2 pp	

3.10 EBITDA

The Company closed the year with an EBITDA of R$ 6,800 million, comparable to the total of R$ 6,255 million in 2022. The EBITDA margin remained unchanged among periods, reaching 92.5% compared to 92.3% in 2022.

In thousands of reais	2023	2022	Δ%	Δ
Net Income	**3,252,056**	**3,075,057**	***5.8%***	**176,999**
Income Tax and Social Contribution	1,602,543	1,532,483	*4.6%*	70,060
Financial Result	1,503,142	1,222,909	*22.9%*	280,233
Depreciation and Amortization	442,842	424,850	*4.2%*	17,992
EBITDA	**6,800,582**	**6,255,299**	***8.7%***	**545,283**
% EBITDA margin	*92.5 %*	*92.3%*	*0.2 pp*	

3.11 EQUITY PERFORMANCE

In December 31, 2023, P&P, net of depreciation, totaled R$ 7.5 billion, very close to the value registered on December 31, 2022.

NTS closed the year with a Gross Debt of R$ 9,5 billion, lower than the figure reported at the end of 2022 by about R$ 0,9 million, especially due to redemption of 3rd debenture issuance. Cash position also reflected in a reduction in the period.

At the Extraordinary General Meeting (AGE) held on January 12th, 2023, the Company approved the reduction of the Capital Stock in the amount of R$ 300.6 million through the distribution of capital to the shareholders, proportionally to their respective shares in the capital stock duly reflected in its financial statements after ANP approval.

In thousands of reais	12/31/2023	12/31/2022	Δ%	Δ
Indebtedness				
Gross Debt	11,348,686	12,217,500	***-7.1%***	**(868,814)**
Derivative financial instruments, net	318,839	167,100	*90.8%*	151,739
(Cash)	(2,064,694)	(2,294,317)	*-10.0%*	229,623
Net Debt	**9,602,831**	**10,090,283**	***-4.8%***	***(487,452)***

3.12 DIVIDENDS AND INTEREST ON EQUITY

In 2023, dividend distribution totaled approximately R$ 2.8 billion. In March, the Company distributed R$ 830 million in dividends and R$21 million in monetary adjustments on declared dividends.

In July there was a distribution worth R$1,530 million and in September a distribution worth R$ 431 million.

3.13 INDEPENDENT AUDITORS

Independent external auditors are hired exclusively for external auditing whose Engagement was approved by the Company’s Board of Directors.

In a meeting held on April 5th, 2023, the Company's Board of Directors approved the hiring of Deloitte Touche Tohmatsu Auditores Independentes Ltda., which replaced Ernst & Young Auditores Independentes S.A. ("EY").

The Company clarifies that the decision to replace the independent auditor is based on the imminence of the legal obligation of rotation set in Article 31 of RCVM 23, and that EY agreed with the change mentioned herein.

3.14 RATING

NTS has a long-term national corporate rating and a rating for the Company's fifth debenture issuance of “AAA (bra)”, with a stable outlook, issued by Fitch Rating. The Fitch report is available at https://ri.ntsbrasil.com

3.15 SUBSEQUENTS EVENTS - 12/31/2023

6th Issuance of Debentures

At an Extraordinary Meeting of the Company's Board of Directors held on January 31, 2024, the issuance by the Company of simple, non-convertible debentures, of the unsecured type, in three (3) series, was approved for public distribution, under the rite of automatic registration of distribution to professional investors, in the total amount of R$ 8,000,000, due on 15 February 2029 (first series), 15 February 2031 (second series) and 15 February 2034 (third series). The debentures have remunerative interest of 100% of the accumulated variation of the CDI Rate, plus a spread equivalent to 1.20% per year, 1.40% per year and 1.70% per year, respectively.

The debentures are issued on February 15, 2024, and were paid in on February 16, 2024.

The debentures have a restrictive clause that requires the Company to comply with the financial ratio resulting from the quotient of dividing the Net Financial Debt by EBITDA, which must be equal to or less than 4.0x.

LawNo. 14,789/2023 and the change in the taxation of tax benefits (subsidies)

On December 29, 2023, Law No. 14,789/2023, which amends the rules for the taxation of tax incentives, entered into force, provides for the tax credit resulting from a subsidy for the implementation or expansion of an economic enterprise, amends Laws No. 9,249/1995, 14,592/2023, and 14,754/2023, in addition to repeals the provisions of Decree-Law No. 1,598, of December 26, 1977, and Laws No. 10,637/2002, 10,833/2003, and 12,973/2014. According to Article 22, this Law enters into force on the date of its publication and will take effect on January 1, 2024.

The impact of the taxation of IRPJ/CSLL and PIS/COFINS on the presumed ICMS credit is being evaluated by NTS due to a lawsuit pending judgment where NTS defends the unconstitutionality of the Union taxing tax benefits granted by the States. In this sense and in line with the legal guidance, the Company assessed that the judicial discussion inaugurated in the previous legislative context remains valid and can support the questioning of the taxation by IRPJ and CSLL of the presumed credit granted by ICMS Agreement 106/96, being based on constitutional precepts.

Acquisition of issued securities

At a meeting held on January 31, 2024, the Company's Board of Directors approved the acquisition of securities issued by entities with direct or indirect interest in the Company ("Notes"), in the total amount of up to R$ 8,600,000 ("Transaction"). The Notes will be privately placed, with expected remuneration between CDI + 2% p.a. and CDI + 2.50% p.a., according to their respective maturity terms, between five (5) and ten (10) years. The expected remuneration of the Notes is appropriate to the characteristics of the Operation, the Company's funding costs and presents rates compatible with securities available in the market, preserving its liquidity and financial soundness, in addition to ensuring competitive remuneration of its cash.

Lei do Bem – Disclosure for technical appearance 2021

The Ministry of Science, Technology, and Innovation (MCTI) released the technical opinion of the NTS Lei do Bem form for the calendar year 2021 on February 19, 2024, where the Technological Research and Development of Technological Innovation Activities of a legal entity benefiting from the tax incentives provided for in accordance with the Law are declared for technical analysis by SETEC/MCTI. The conclusion delivered by the MCTI determines that R, D & I activities are not recommended for the base year 2021, so that NTS does not comply with the provisions of Chapter III of Law No. 11,196/2005 and Decree No. 5,798/2006.

Management assesses that the reported projects have a technical basis for the Lei do Bem based on the criteria set forth in the Law and, therefore, will gather the necessary information for the technical response to the MCTI. In any case and considering this new fact, the Company has chosen to recognizer Provision for loss in the amount of R$8,080 as of December 31, 2023, for the recognized tax credits, considering the uncertainty in the prospect of recovery of such amounts.

Lawsuit - Penalty applied by ANP

On 02/23/2024, the Company filed a lawsuit for injunctive relief against the ANP in order to suspend the enforceability of the fine imposed by the Regulatory Body, resulting from an inspection procedure in which the ANP concluded that NTS had failed to comply with the technical regulations related to the custody transfer system of one of its facilities. The lawsuit was filed upon presentation of a surety bond considering the updated amount of the fine plus 30% of legal charges (R$672), to guarantee the judgment and prevent the registration of said debt in CADIN or in any restrictive credit registry, so that NTS could fully exercise its business activities, considering that the legality of the ANP's condemnatory decision will still be discussed in its own lawsuit. On 02/27/2024, the injunction was granted so that the debt is not registered in CADIN and the positive certificate with negative effect is issued for the benefit of NTS, allowing the continuation of its business activity.

Dividend distribution

At a meeting of the Board of Directors held on March 14, 2024, the distribution of dividends by the Company in the total amount of R$ 1,206,494 was unanimously approved, without reservations, based on a favorable opinion from the Fiscal Council, to be paid by the end of April 2024, adjusted by the SELIC monetary update computed from January 1st 2024 until the payment date.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

Nova Transportadora do Sudeste S.A.

Financial Statements
for the Year Ended
December 31, 2023 and
Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes Ltda.

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS

To the Shareholders and Management of
Nova Transportadora do Sudeste S.A.

Opinion

We have audited the accompanying financial statements of Nova Transportadora do Sudeste S.A. (“Company”) which comprise the balance sheet as of December 31, 2023, and the related statements of income, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including material accounting policies.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Nova Transportadora do Sudeste S.A. as of December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRSs, issued by the International Accounting Standards Board - IASB.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing.
Our responsibilities under those standards are further described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report. We are independent of the Company in accordance with the relevant ethical requirements set out in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council (CFC), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters - KAM are those matters that, in our professional judgment, were of most significance in our audit of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and, therefore, we do not provide a separate opinion on these matters.

Sales revenue recognition

Why it is a KAM

As disclosed in note 17 to the financial statements, as at December 31, 2023, the Company recognizes balance of R$7,353,022 thousand as net service revenue arising from the natural gas transportation activity. The revenue is recognized after the natural gas is transported to the shippers (transfer of the asset control) and the obligation set forth in the agreement is satisfied, as prescribed by accounting pronouncement CPC 47/IFRS 15 - Revenue Recognition.

This matter was considered a KAM due to the following aspects: (i) the amount of the service revenue corresponds to a material balance in the set of the financial statements, (ii) high dependence on systems and internal controls and (iii) significant volume of hours spent on the matter.

How the matter was addressed in our audit

Our audit procedures included, among others: (i) understanding and assessing the design and implementation and testing the operational effectiveness of the significant manual and systemic internal control activities related to the identification, monitoring, review and approval of the volume transported and respective commercial valuation of the revenue from gas transportation; (ii) performing substantive procedure of recalculation of the sales revenue in the year based on contractual assumptions; (iii) testing the databases used by the Company to record revenue; (iv) assessing the adequacy of the disclosures in the financial statements in light of technical pronouncement CPC 47/IFRS 15 - Revenue Recognition.

Based on the evidence obtained from performing our audit procedures described above, we consider that the revenue recognition practice, as well as the related disclosures, are acceptable in the context of the financial statements taken as a whole.

Other matters

Statements of value added

The statements of value added (“DVA”) for the year ended December 31, 2023, prepared under the responsibility of the Company’s Management and disclosed as supplemental information for purposes of the IFRSs, were subject to audit procedures performed together with the audit of the Company’s financial statements. In forming our opinion, we assess whether these statements of value added are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and are consistent in relation to the financial statements taken as a whole.

Corresponding amounts examined by other independent auditors

The financial statements for the year ended December 31, 2022, presented as corresponding amounts in the financial statements for the current year, were previously examined by another independent auditor, who issued an unqualified opinion dated March 16, 2023.

Other information accompanying the financial statements and the independent auditor’s report

Management is responsible for the other information. Such other information comprises the Management Report.

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

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

Responsibilities of Management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil and IFRSs, issued by the IASB, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Deloitte.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Rio de Janeiro, March 14, 2024

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU
Auditores Independentes Ltda.

Fernando de S. Leite
Fernando de Souza Leite
Engagement Partner

2024RJ029971

(Convenience Translation into English from the Original Previously Issued in Portuguese)

NOVA TRANSPORTADORA DO SUDESTE S.A.

BALANCE SHEETS
DECEMBER 31, 2022 AND 2023
(In thousands of reais - R$)

ASSETS	Note	12/31/2023	12/31/2022
CURRENT ASSETS			
Cash and cash equivalents	6	2,064,694	2,294,317
Accounts receivable	7	1,413,401	1,322,706
Recoverable taxes	14.1	67,219	6,259
Other Accounts Receivable	8	-	165,233
Prepaid expenses		29,574	18,503
Advances		3,919	1,625
Gas Inventory		30,200	30,200
Others		1,724	713
Total current assets		3,610,731	3,839,556
NONCURRENT ASSETS			
Derivative financial instruments	23	23,695	209,390
Other Accounts Receivable	8	206,489	-
Restricted bank deposits	9	13,925	16,570
Court deposits	21.2	18,373	17,034
Recoverable taxes	14.1	306	5,069
Consumer goods inventory		-	7,639
Other		243	244
		263,031	255,946
Property, plant & equipment	10	7,472,150	7,740,725
Total noncurrent assets		7,472,150	7,740,725
TOTAL ASSETS		11,345,912	11,836,227

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	12/31/2023	12/31/2022
CURRENT LIABILITIES			
Suppliers	11	736,245	613,179
Taxes payable	14.1	79,020	73,225
Payroll and charges payable		29,214	23,888
Debentures and financing	12	289,509	302,456
Derivative financial instruments	23	290,059	376,490
Income tax and social contribution payable	14.1	1,196,671	1,140,754
Other liabilities		6,097	74
Total current liabilities		2,626,815	2,530,066
NONCURRENT LIABILITIES			
Debentures and financing	12	11,059,177	11,915,044
Derivative financial instruments	23	52,475	-
Provision for contractual transfer	15.1	93,355	80,372
Provisions for environmental compensation	15.2	40,548	38,617
Provision with environmental constraints	15.3	23,969	30,267
Provision for legal contingencies	22.1	31,982	27,437
Provision for intersection crossing		25,596	19,858
Deferred Taxes	14.2	1,290,376	1,333,248
Other liabilities		5,047	2,923
Total noncurrent liabilities		12,622,525	13,447,766
EQUITY			
Share capital	16.1	501,000	508,712
Capital Reserve	16.2	431,546	708,824
Profit Reserve	16.3	1,542,563	1,098,145
Profit reserve		-	-
Other comprehensive income	16.5	(111,439)	(190,188)
Equity valuation adjustment	16.4	(6,267,098)	(6,267,098)
		(3,903,428)	(4,141,605)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		11,345,912	11,836,227

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

NOVA TRANSPORTADORA DO SUDESTE S.A.

INCOME STATEMENTS
DECEMBER 31, 2022 AND 2023
(In thousands of reais - R$)

	Note	12/31/2023	12/31/2022
NET REVENUE	17	7,353,022	6,777,519
Cost of services	18	(1,014,145)	(833,752)
GROSS PROFIT		6,338,877	5,943,767
General and administrative expenses	19	(118,131)	(113,318)
Other Operating Income/Expenses	20	136,995	-
OPERATING REVENUES (EXPENSES)		18,864	(113,318)
OPERATING PROFIT		6,357,741	5,830,449
Financial income	21	259,126	296,785
Financial expenses	21	(1,762,268)	(1,519,694)
NET FINANCIAL RESULT		(1,503,142)	(1,222,909)
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		4,854,599	4,607,540
Current income tax and social contribution	14.3	(1,685,983)	(1,621,243)
Deferred income tax and social contribution	14.3	83,440	88,760
PROFIT FOR THE YEAR		3,252,056	3,075,057
BASIC AND DILUTED EARNINGS PER SHARE (IN R$)	16	1.41	1.33

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

NOVA TRANSPORTADORA DO SUDESTE S.A.

STATEMENTS OF COMPREHENSIVE INCOME
DECEMBER 31, 2022 AND 2023
(In thousands of reais - R$)

	12/31/2023	12/31/2022
NET INCOME FOR THE YEAR	3,252,056	3,075,057
Other comprehensive results, net of taxes:	78,749	(190,188)
Results from cash flow hedge	119,317	(288,164)
Deferred Taxes on cash flow hedge	(40,568)	97,976
COMPREHENSIVE RESULT FOR THE YEAR	3,330,805	2,884,869

The accompanying notes are an integral part of these financial statements.

NOVA TRANSPORTADORA DO SUDESTE S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
DECEMBER 31, 2022 AND 2023
(In thousands of reais - R$)

			Capital Reserve	Profit Reserves				Equity Valuation Adjustment	Other comprehensive results	
	Note	Share capital	Capital transaction	Legal	Tax Incentive Reserve	Proposed dividends	Accrued profits	Transaction with partners	Cash Flow Hedge Reserve	Total
BALANCES AS OF DECEMBER 31, 2021		508,712	1,192,463	38,368	131,366	594,274	-	-	-	2,465,183
Net income for the year		-	-	-	-	-	3,075,057	-	-	3,075,057
NISA Incorporation Impacts (Line-by-Line):										
Elimination of the equity interest held in NTS	16.2	-	(927,904)	-	-	-	-	-	-	(927,904)
Retained earnings and legal reserve of the merged company	16.2	-	-	15,613	-	-	142,019	-	-	157,632
Deferred income tax and social contribution on goodwill & capital gains existing in the absorbed company	16.2	-	444,265	-	-	-	-	-	-	444,265
Asset valuation adjustment of the merged company	16.4	-	-	-	-	-	-	(6,267,098)	-	(6,267,098)
Interest on equity	16.3	-	-	-	-	-	(41,440)	-	-	(41,440)
Approved dividends	16.3	-	-	-	-	(594,274)	(2,262,838)	-	-	(2,857,112)
Proposed dividends	16.3					830,110	(830,110)			
Subsidies - Tax incentives	16.3	-	-	-	82,688	-	(82,688)	-	-	-
Other Comprehensive Results:										
Result of cash flow hedge	16.5	-	-	-	-	-	-	-	(288,164)	(288,164)
Deferred income tax and social contribution on the result of cash flow hedge	16.5	-	-	-	-	-	-	-	97,976	97,976
BALANCES AS OF DECEMBER 31, 2022		508,712	708,824	53,981	214,054	830,110	-	(6,267,098)	(190,188)	(4,141,605)
BALANCES AS OF DECEMBER 31, 2022		508,712	708,824	53,981	214,054	830,110	-	(6,267,098)	(190,188)	(4,141,605)
Net income for the year		-	-	-		-	3,252,056	-	-	3,252,056
Subsidies - Tax incentives	16.3	-	-	-	83,647	-	(83,647)	-	-	-
Incorporation of capital and profit reserves	16.2/16.3	292,891	(277,278)	(15,613)	-	-	-	-	-	-
Proposed dividends	16.3	-	-	-	-	1,206,494	(1,206,494)			-
Dividends paid	16.3	-	-	-		(830,110)	(1,961,915)	-	-	(2,792,025)
Capital reduction	16.1	(300,603)	-	-	-	-	-	-	-	(300,603)
Other Comprehensive Results:										-
Results from Cash Flow Hedge	16.5	-	-	-	-	-	-	-	119,317	119,317
Deferred Taxes on cash flow hedge	16.5	-	-	-	-	-	-	-	(40,568)	(40,568)
BALANCES AS OF DECEMBER 31, 2023		501,000	431,546	38,368	297,701	1,206,494	-	(6,267,098)	(111,439)	(3,903,428)

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

NOVA TRANSPORTADORA DO SUDESTE S.A.

STATEMENTS OF CASH FLOWS
DECEMBER 31, 2022 AND 2023
(In thousands of reais - R$)

	12/31/2023	12/31/2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	3,252,056	3,075,057
ADJUSTMENTS TO NON-CASH INCOME AND EXPENSES:		
Deferred income tax and social contribution	(83,440)	(88,760)
Allowance for loss on Accounts Receivable	19,930	-
Interest expense on debentures, financing and swaps	1,654,156	1,398,017
Depreciation and amortization	478,771	461,439
Provisions for bonus, annual leave and 13th salary	32,826	27,522
Other	39,765	15,408
	5,394,064	4,888,683
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable	(110,625)	(153,000)
Recoverable taxes	(56,197)	14,712
Other accounts receivable	(41,256)	(7,663)
Other assets	(4,089)	(8,572)
Accounts payable and other accounts payable	123,066	166,567
Taxes payable	1,691,778	1,613,395
Payroll expenses and charges payable	(27,500)	(25,121)
Income tax and social contribution paid	(1,630,066)	(1,520,747)
Provision for environmental constraints	(6,298)	(5,337)
Provision for legal contingencies	-	982
Gas Inventory	-	(30,200)
Other liabilities	13,629	21,778
NET CASH FROM OPERATING ACTIVITIES	5,346,506	4,955,477
Investment Activities:		
Acquisition of Property Plant & Equipment	(210,197)	(430,679)
CASH FLOW USED IN INVESTING ACTIVITIES	(210,197)	(430,679)
Financing activities:		
Payment of debentures	(580,000)	(5,200,000)
Payment of bank loan	-	(60,000)
Payment of interest on financing	(113,940)	(30,958)
Payment of interest on debentures	(1,132,578)	(1,025,274)
Cash generated on NISA incorporation	-	12,684
Payment of Income Tax Exchange Financing	(19,495)	-
Cost of early redemption of debentures / New debt	(8,060)	5,045,045
Capital reduction	(300,603)	-
Swap Payment	(397,585)	(117,272)
Payment of dividends and interest on equity	(2,813,671)	(3,090,097)
CASH FLOW APPLIED TO FINANCING ACTIVITIES	(5,365,932)	(4,465,872)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(229,623)	58,926
Change in cash and cash equivalents:		
Cash and cash equivalents at the beginning of the period	2,294,317	2,235,391
Cash and cash equivalents at the end of the period	2,064,694	2,294,317
	(229,623)	58,926

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

NOVA TRANSPORTADORA DO SUDESTE S.A.

STATEMENT OF VALUE ADDED
DECEMBER 31, 2022 AND 2023
(In thousands of reais - R$)

	12/31/2023	12/31/2022
ADDED VALUE TO BE DISTRIBUTED		
REVENUES	8,441,075	7,836,284
Services and other revenue	8,441,075	7,836,284
Inputs acquired from third parties	(502,084)	(301,447)
Materials, energy, third-party services and others	(502,084)	(301,447)
GROSS VALUE ADDED	7,938,991	7,534,837
Depreciation and amortization	(442,842)	(424,850)
Net value added by the entity	7,496,149	7,109,987
ADDED VALUE RECEIVED IN TRANSFER	396,654	295,015
Revenue from investments – includes currency and exchange rate variations	259,658	296,785
Other revenue	136,996	(1,770)
TOTAL VALUE ADDED TO BE DISTRIBUTED	7,892,803	7,405,002
DISTRIBUTION OF VALUE ADDED		
Staff	99,586	97,020
Direct remuneration	64,421	65,389
Benefits	30,201	27,096
FGTS	4,964	4,535
TAXES, FEES AND CONTRIBUTIONS	2,716,642	2,619,132
Federal	2,376,099	2,280,921
State	339,481	335,089
Municipal	1,062	3,122
REMUNERATION OF CAPITAL OF THIRD PARTIES	1,824,519	1,613,793
Interest, fines, monetary and exchange rate variations	1,752,781	1,505,353
Donations and sponsorships	33,186	26,219
Suppliers – Other	33,455	69,291
Other remuneration of third-party capital	5,097	12,930
RETURN ON EQUITY	3,252,056	3,075,057
TOTAL VALUE ADDED DISTRIBUTION	7,892,803	7,405,002

The accompanying notes are an integral part of these financial statements.

1. THE COMPANY AND ITS OPERATIONS

Nova Transportadora do Sudeste S.A. ("NTS" or the "Company") is a company that acts as an authorizer of the federal government in the operation of natural gas transportation, through a network of gas pipelines distributed between the states of Rio de Janeiro, São Paulo and Minas Gerais. Incorporated on January 15, 2002, as a subsidiary of Petróleo Brasileiro S.A. - Petrobras - its objective was the construction, installation, operation and maintenance of gas pipelines in the southeastern region of Brazil.

In September 2016, Petrobras announced to the market the sale of 90% of the shares held by Petrobras in NTS to Nova Infraestrutura Fundo de Investimentos em Participações MultiEstratégia ("FIP"), managed by Brookfield Brasil Asset Management Investimentos Ltda., an entity affiliated with Brookfield Asset Management.

On April 4, 2017, the sale of NTS was concluded with the acquisition by FIP of 90% of NTS's shares and the subsequent sale by FIP, on the same date, of 7.65% of its shares in NTS to Itaúsa S.A. ("ITAUSA")

On April 30, 2021, the purchase of all the shares held by Petrobras, corresponding to 10% of the Company's capital stock, by Nova Infraestrutura Gasodutos Participações S.A. ("NISA"), a company whose shareholders were the Company's controlling shareholders, FIP and ITAÚSA, was concluded. On December 16, 2021, shareholders FIP and ITAUSA made a net asset contribution to NISA via transfer of 741,916,697 (seven hundred and forty-one million, nine hundred and sixteen thousand, six hundred and ninety-seven) shares, corresponding to 32.09% of the Company's total shares.

Transportation pipelines correspond to pipelines, whether or not part of a natural gas transportation system, intended for the movement of natural gas or the connection of supply sources, according to the criteria established in the New Gas Law mentioned below, and may include complements and components, under the terms of ANP regulation.

The main activity carried out by the Company is subject to a monopoly by the Federal Government, and the Company holds operating authorizations, for an indefinite period, issued by the National Agency of Petroleum, Natural Gas and Biofuels ("ANP").

1.1. On April 12, 2022, the Company's merger of NISA ("Incorporation") was approved. The Merger was preceded by the preparation of an appraisal report on the value of NISA's accounting shareholders' equity, prepared by an independent expert based on the accounting balances as of March 31, 2022, and allowed the rationalization of the corporate structure, and, consequently, consolidation and reduction of expenses. In addition, the Merger was an obligation of NISA, assumed in the deeds of the 1st and 2nd issuance of simple debentures, not convertible into shares, of the unsecured type, in a single series, for public distribution, with restricted distribution efforts, guaranteed by the Company by means of a guarantee. With the completion of the Incorporation, the Company succeeded NISA, on a universal basis and without a solution of continuity, in all assets, rights, claims, faculties, powers, immunities, quotas, exceptions, duties, obligations, subjections, encumbrances and responsibilities owned by NISA, patrimonial or non-patrimonial ones, NISA being extinguished by operation of law, so that all the shares issued by the Company and held by NISA were canceled and reissued, in equal numbers, to FIP and Itaúsa shareholders, in proportion to their stakes in the Company's capital stock. All of the Company's shares are now held directly by Itaúsa and FIP, in the proportion of 8.5% and 91.5% of the shares representing the Company's capital stock, respectively.

1.2. Approval of the New Gas Law

On April 8, 2021, Law No. 14,134, the so-called "New Gas Law", was sanctioned by the President of the Republic. The law brings innovations related to the activities performed by NTS, including: (i) establishment of an authorization regime for all natural gas transportation activities, without a term of validity; (ii) new rules for operation and balancing in gas pipelines and natural gas transportation systems; and (iii) determination of rules for the independence and autonomy of natural gas transporters in relation to agents that carry out competitive activities in the natural gas industry. It also provides provisions to ensure the rights of carriers in current transportation service contracts, including those related to the protection of revenue currently earned by carriers to adapt to the new regime for contracting capacity by entry and exit.

1.3. Acquisition of gas volume for transport network stock ("Linepack")

On March 17, 2022, the Company's Board of Directors approved the acquisition process of 40,000 m3 (forty million) of gas volume to form the reference stock of the Company's transportation network ("Linepack"), necessary to enable the transportation operation with multiple loaders. This approval was supported by the decision given by the National Agency of Petroleum, Natural Gas and Biofuels - ANP, which, through Official Letter No. 17/2022/SIM/ANP-RJ of February 25, 2022, approved the acquisition of this volume as well as the inclusion of this investment in the Company's gas transportation tariffs, after technical and economic analysis of the data presented.

The acquisition of the 40,000 m3 (forty million) of volume was carried out between April and June 2022 for the equivalent of R$134,853, of which approximately 9,200 m3 (nine million two hundred thousand) or R$30,200 were classified as gas inventory and the remainder as part of the Company's fixed assets.

1.4. Signing of the Agreement for the Reduction of Flexibility of Use by Petrobras and amendment to the Transportation Service Contracts

In accordance with the commitments assumed by Petrobras with the Administrative Council for Economic Defense (CADE), within the scope of the Cease and Desist Agreement (TCC), signed on July 8, 2019, the Company and Petrobras signed on September 30, 2022, the Agreement for the Reduction of Flexibility and amendments to the 5 existing Transportation Service Contracts, with the objective of, among other aspects, formalizing the limitation of Petrobras' flexibility in such contracts, in order to, under the terms assumed within the scope of the TCC, enable the offer by NTS of firm capacity to the market, under the entry and exit regime, under the supervision of the ANP. This instrument enables the access of other agents to NTS's transportation system in an isonomic manner with Petrobras, thus reinforcing the Company's readiness to operate in a multi-client environment and making part of the firm capacity of its network available to new shippers. In this mechanism, there is no impact on the Company's operating profit, since all revenue generated is transferred to Petrobras, which owns the originally contracted capacity.

As a result of the signing of the Agreement, the Transportation Service Contracts were amended to incorporate their effects in addition to other updates, the main ones of which are detailed below: a) to formalize a mechanism for the tariff calculation corresponding to the transfer of the amounts invested by the Company in the acquisition of the gas stock, necessary for the operation of its transportation infrastructures in the entry and exit regime; b) Allow the Company to have the option of acquiring Gas for System Use (GUS) from Petrobras or third parties, with the associated costs being recharged to the shippers by the Company through a specific charge; c) add new rules for balancing and correcting imbalances, so that the transportation contracts between the Company and Petrobras can coexist with the new transportation contracts in the entry and exit regime resulting from the Flexibility Reduction Agreement, d) Inclusion of a provision disciplining the mechanism for deducting amounts to be paid by Petrobras to the Company, depending on the revenue earned and from new contracts for transportation services in the entry and exit regime that may be entered into with other shippers as a result of the Agreement.

2. BASIS FOR PRESENTATION OF FINANCIAL STATEMENTS

The financial statements were prepared and are being presented in accordance with the International Financial Reporting Standards - IFRS issued by the International Accounting Standard Board - IASB, and by the accounting practices adopted in Brazil, which include the provisions contained in the Brazilian Corporation Law, and incorporated the changes introduced through Laws No. 11,638/07 and No. 11,941/09, the rules of the Brazilian Securities and Exchange Commission (CVM) and the pronouncements of the Accounting Pronouncements Committee (CPC). The financial statements have been prepared on a historical cost basis, except for derivative financial instruments measured at fair value.

In addition, the Company considered the guidelines issued by technical guidance OCPC 07 in the preparation of its financial statements. In this way, the relevant information of the financial statements is being evidenced and corresponds to those used by the Management in its management.

These financial statements were approved by the Fiscal Council on March 8, 2024 and the Board of Directors on March 14, 2024.

NTS's functional currency is the Real, as it is the currency of its operating economic environment.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies described in detail below have been applied consistently throughout the years presented.

3.1. Financial instruments

I) Financial Assets

Initial Recognition and Measurement

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

Except for accounts receivable from customers that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus transaction costs, in the case of a financial asset not measured at fair value through profit or loss.

For a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it must generate cash flows that are "exclusively payments of principal and interest on the principal amount outstanding. This assessment is carried out at the instrument level. Financial assets with cash flows other than exclusively principal and interest payments are classified and measured at fair value through profit or loss, regardless of the business model adopted.

Sales and purchases of financial assets that require the delivery of goods within a schedule established by regulation or convention in the market (regular purchases) are recognized on the date of the transaction, i.e., the date on which the Company undertakes to buy or sell the asset.

Subsequent measurement

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

- Financial assets at amortized cost (debt instruments).
- Financial assets at fair value through other comprehensive income with reclassification accumulated gains and losses (debt instruments).
- Financial assets designated at fair value through other comprehensive income, without reclassification of gains and losses accrued at the time of their derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

Derecognition (low)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily written off (i.e., excluded from profit or loss) when:

The rights to receive cash flows from the asset expire.

The Company has transferred its rights to receive cash flows from the asset or assumed an obligation to pay in full the cash flows received, without significant delay, to a third party pursuant to a "pass-through" agreement; and (a) the Company has transferred substantially all of the risks and benefits relating to the asset, or (b) the Company has not transferred or retained substantially all of the risks and benefits relating to the asset, but has transferred control over the asset.

Where the Company has transferred its rights to receive cash flows from an asset or has executed a pass-through arrangement and has not transferred or retained substantially all risks and rewards relating to the asset, an asset is recognized to the extent of the Company's ongoing involvement with the asset.

The continued involvement takes form of a guarantee for the transferred asset is measured according to the original book value of the asset, or the maximum amount of the consideration required for the Company to amortize the asset, whichever is less.

II) Impairment of financial assets

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

Expected credit losses are recognized in two steps. For credit exposures for which there has been no significant increase in credit risk since initial recognition, expected credit losses are provisioned for credit losses resulting from possible default events over the next 12 months. For credit exposures for which there has been a significant increase in credit risk since initial recognition, a provision is required for expected credit losses over the remaining life of the exposure, regardless of the timing of the default (an expected credit loss for life).

For customer receivables and contract assets, the Company applies a simplified approach in calculating expected credit losses. Therefore, the Company does not track changes in credit risk, but recognizes a provision for losses based on lifetime expected credit losses at each base date.

Financial assets and liabilities at amortized cost

With respect to financial assets and liabilities presented at amortized cost, the Company initially assesses individually whether there is clear evidence of impairment loss for each financial asset that is individually significant, or together for financial assets that are individually significant. If the Company concludes that there is no evidence of impairment loss for an individually valued financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and is valued together against the impairment loss. Assets that are individually valued for impairment loss purposes and for which an impairment loss is, or continues to be, recognized are not included in a joint impairment loss valuation.

The value of any impairment loss is measured as the difference between the value of the asset and the present value of estimated future cash flows (excluding expected and not yet occurring future credit losses). The present value of the estimated future cash flows is discounted by the original effective interest rate for the financial asset.

The carrying value of the asset is reduced by means of an accrual, and the amount of the loss is recognized in the income statement. If, in a subsequent fiscal year, the amount of the estimated impairment loss increases or decreases due to an event that occurred after the impairment loss was recognized, the previously recognized loss is increased or reduced by adjusting the accrual. In the event of any future recovery of a write-off amount, this recovery shall be recognized in the profit and loss statement.

(III) Financial liabilities

Initial Recognition and Measurement

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

All financial liabilities are initially measured at their fair value, plus or minus, in the case of financial liabilities other than fair value through profit or loss, transaction costs that are directly attributable to the issuance of the financial liability.

The Company's main financial liabilities include suppliers and debentures and financing, measured at amortized cost.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, which can be as follows:

Financial liabilities at fair value through profit or loss include financial liabilities for trading and financial liabilities designated in the initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for short-term repurchase purposes. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on trading liabilities are recognized on the income statement.

Financial liabilities designated in the initial recognition at fair value through profit or loss are designated on the initial recognition date and only if the criteria of technical pronouncement CPC 48 are met.

Financial liabilities at amortized cost (loans and financing)

After initial recognition, interest-bearing amortized cost financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement at the time of the write-off of liabilities, as well as during the amortization process by the effective interest rate method.

Derecognition (write-off)

A financial liability is written off when the obligation is revoked, canceled, or expires.

When an existing financial liability is replaced by another from the same lender with substantially different terms, or the terms of an existing liability are significantly altered, such replacement or change is treated as a write-off of the original liability and recognition of a new liability, the difference being recognized at the corresponding carrying values in the income statement.

(IV) Derivative financial instruments

The derivative financial instruments contracted by the Company are intended to protect its debts against the risks of fluctuation in exchange and interest rates and are not used for speculative purposes.

Transactions with derivative financial instruments are referred to as cash flow hedging and unrealized gains and losses arising from fluctuations in the fair value of these instruments are recognized in the other comprehensive income account in shareholders' equity as a counterpart to the derivative financial instruments item on the balance sheet. When realized, losses and gains from derivative transactions are reclassified from shareholders' equity to profit or loss.

Derivatives are initially measured at fair value; any directly attributable transaction costs are recognized in profit or loss when incurred. After the initial recognition, the derivatives are measured at fair value and the changes in fair value are recorded in the profit or loss, except for cases in which the instruments are contracted for the purpose of hedging against exposure to financial risks and whose cash flow hedge accounting is adopted by the Company.

V) Cash Flow Hedge Accounting

Cash flow hedge accounting is applied to protect the Company from cash flow volatility attributable to a risk exposure not tolerated by the Company's risk management practices.

The Company designates as a hedge the intrinsic value of the contracted hedging instruments. The effective portion of the changes in fair value of the instruments designated and qualified as cash flow hedging is recorded in stockholders' equity as an equity valuation adjustment in the cash flow hedge income line. The gain or loss related to the ineffective portion is recognized, when applicable, in the income statement for the year in net financial expenses.

The accumulated amounts in shareholders' equity are transferred to the profit or loss for the year in the periods and items in which the hedged item affects the result for the year.

When a cash flow hedging instrument is settled, or when it no longer meets the eligibility criteria for the adoption of hedge accounting, any gain or loss accrued in Equity Valuation Adjustment is realized against profit or loss (under the same item used by the hedged item) as the hedged object is also realized against profit or loss. When the hedged operation is no longer expected to occur, the variation recorded in Shareholders' Equity is immediately transferred to the result of the year, to the financial result item.

The Company applies cash flow hedge accounting for certain derivative financial instruments contracted for the purpose of hedging foreign exchange risk in debt transactions to be effectively disbursed.

At the time of the initial assignment of the hedge, the Company formally documents the relationship between the hedging instruments and the items that are hedged, including the risk management objectives and the strategy in conducting the transaction, along with the methods that will be used to assess the effectiveness of the relationship.

Currently, the loans related to Law No. 4.131/1962 have hedging operations in the form of swaps (derivative financial instruments) that aim both at the exchange of pre-fixed rates for post-fixed rates in CDI, as well as the exchange of currency from dollars to reais, and have been classified as cash flow hedges. These swaps were contracted with the financial institutions together with the loans (debt in foreign currency + swap to reais as a percentage of the CDI). The terms and conditions of the loans and derivatives are configured as a tie-in transaction, with the economic result being the debts remunerated based on CDI and reais on the Company's balance sheet. The Company has established a 1:1 hedging ratio and conducts a qualitative and prospective analysis of the hedging on a quarterly basis.

The fair values of derivative financial instruments used for hedging purposes are disclosed in Note 23. Movements in the hedge amounts recorded in the equity valuation adjustments account are shown in Note 16.5(a).

(VI) Financial instruments - net presentation

Financial assets and liabilities are shown net on the balance sheet if, and only if, there is a current and enforceable legal right to set off the amounts recognized and if there is an intention to set-off, or to realize the asset and settle the liability simultaneously.

3.1.1. Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments, and not for investment or other purposes. These balances include cash, available bank deposits and short-term financial investments with high liquidity, maturing within three months from the date of the original contract, readily convertible into a known amount of cash and with negligible risk of change in value.

3.1.2. Accounts Receivable

They are initially accounted for at the fair value of the consideration to be received and, subsequently, measured at the amortized cost, using the effective interest rate method, and losses on doubtful accounts are deducted.

The Company recognizes losses on doubtful accounts when there is objective evidence of impairment as a result of one or more events that occur after the initial recognition of the asset, that impact estimated future cash flows and that can be reliably estimated.

3.1.3. Debentures and financing

They are initially recognized at fair value less transaction costs incurred and, after initial recognition, are measured at amortized cost using the effective interest rate.

3.2. Fixed Asset

It is shown by the construction cost, which represents the costs to put the asset in operating condition, less the accumulated depreciation and the impairment loss, when applicable.

This cost includes the cost of replacing fixed assets, financing costs for long-term construction projects, if the recognition criteria are met, and social and environmental costs related to the construction of the gas pipeline network with corresponding provision in the Company's liabilities in line with the requirements required by technical interpretation ICPC 12.

When significant portions of property, plant, and equipment need to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Similarly, when a large-scale inspection is performed, its cost is recognized in the carrying value of the property, plant, and equipment as a replacement, if the recognition criteria are met. All other repair and maintenance costs are recognized in profit or loss when incurred.

An asset item is retired when it is sold or when no future economic benefit is expected from its use or sale. Any gain or loss resulting from the write-off of the asset (calculated as the difference between the net value of the sale and the carrying value of the asset) is included in the income statement in the year in which the asset is written off.

The salvage value and useful life of the assets and the depreciation methods are reviewed at the end of each fiscal year, and adjusted prospectively, where applicable.

3.3. Impairment of assets - impairment

The Company evaluates fixed assets when there are indications of non-recovery of their book value. In the presence of indicators of recovery of the book value, the Company's policy is to hire independent appraisers who, through appraisal reports based on fair and market values, determine the need to constitute a provision or not.

3.4. Provisions, Contingent Assets and Liabilities

Provisions are recognized when an obligation exists present as a result of a past event and it is likely that an outflow of funds, including economic benefits, will be necessary to settle the obligation, the value of which can be reliably estimated.

Contingent assets are not recognized in the accounts in the financial statements. Contingent liabilities, when the probability of outflow of funds is possible, are not recognized in the balance sheet, but are disclosed in explanatory notes, including those whose values cannot be estimated.

3.5. Income tax and social contribution

Income tax and social contribution expenses for the year comprise current and deferred taxes.

1) Current income tax and social contribution

Current tax assets and liabilities from the last fiscal year and from previous years are measured at the recoverable amount expected or payable to the tax authorities. The tax rates and tax laws used to calculate the amount are those that are in effect on the balance sheet date and generate taxable income.

Income tax and current social contribution are calculated based on taxable income, applying the rates in force at the end of the fiscal year being reported.

Income tax and current social contribution are presented net.

2) Deferred income tax and social contribution

Deferred tax assets arising from deductible temporary differences, tax losses and negative basis of social contribution, when applicable, are recognized in proportion to the probability of the existence of future taxable profits, projected in accordance with a business plan approved by the Company's Management, and the existence of deferred tax liabilities arising from taxable temporary differences.

Deferred income tax and social union dues are calculated by applying the rates (and tax laws) that are in effect at the end of the fiscal year being reported.

Deferred income tax and social contribution are presented net.

3.6. Share capital and remuneration to shareholders

The capital stock is represented by common shares (Class A and B).

When proposed by the Company, the remuneration to shareholders is in the form of dividends and/or interest on shareholders' equity based on the limits defined by law and in the Company's bylaws.

3.7. Recognition of revenues, costs, and expenses

The revenue is recognized after the provision of the natural gas transportation service to the shippers (transfer of control of the asset), the largest of which is Petrobras, based on the transportation contracts, which have "ship or pay" clauses, in which Petrobras is obliged to pay for the contracted transportation capacity, regardless of the volume transported. for an amount that reflects the consideration to which the Company expects to be entitled in exchange for these services.

The Company considers whether there are other promises in the contract that are separate performance obligations, to which a portion of the transaction price needs to be allocated. In determining the transaction price for the provision of the services, the Company considers the existence of variable consideration, significant financing components, non-cash consideration and the consideration due to the client (if any). The operating costs include the expenses of the operation and maintenance services of the Company's gas pipeline network, carried out by the Company itself, the costs with the outsourced operation of the Congonhas and Mantiqueira Compression Systems (SCOMPs), the electricity with the Guararema compression station (ECOMP), right of easement/passage through points of the network that pass under stretches of Petrobras properties, costs with insurance premiums, ICMS on gas supplied by Petrobras, free of charge, for use in the operation of the system, depreciation of the network, costs associated with contracts for the supply/acquisition of gas for the purpose of balancing gas inventory volumes and other costs.

General and administrative expenses include expenses for payroll, consulting, and other contracted services, as well as expenses for the management and maintenance of the office and taxes and fees.

Financial revenues and expenses mainly include interest on financial securities, interest expenses on debentures and bank loans, results of derivative financial instruments contracted for the purpose of hedging against exposure to foreign exchange variation and interest associated with foreign currency debts, in addition to appropriations of foreign currency variations.

Revenue, costs, and expenses are recognized on an accrual basis.

3.8. Fair Value Measurement

Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an unforced transaction between market participants on the measurement date. The measurement of fair value is based on the assumption that the transaction to sell the asset or transfer the liability will occur:

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

The main or most advantageous market must be accessible by the Company.

The fair value of an asset or liability is measured based on the assumptions that market participants would use when setting the price of an asset or liability, assuming that market participants act in their best economic interest. Measuring the fair value of a non-financial asset takes into account the ability of a market participant to generate economic benefits through optimal utilization of the asset or by selling it to another market participant who would also optimally utilize the asset.

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

All assets and liabilities for which fair value is disclosed in the financial statements are categorized within the fair value hierarchy described below, based on the lowest-level information that is meaningful to the measurement of fair value as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level and most significant information for the measurement of fair value is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level and most significant information for measuring fair value is not available.

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

3.9. Cash Flow Statements

The Company classifies the interest paid as financing activities in the statement of cash flows, since it considers them to be the costs of obtaining financial resources associated with its operations, as permitted by current accounting standards.

3.10. Adjustment to present value of assets and liabilities

Long-term monetary assets and liabilities are monetarily updated and are therefore adjusted for their present value. The present value adjustment of short-term monetary assets and liabilities is calculated, and only recorded, if deemed material in relation to the financial statements taken together. For the purposes of recording and determining materiality, the present value adjustment is calculated taking into account the contractual cash flows and the explicit, and in certain cases implied, interest rate of the respective assets and liabilities. Based on the analyses carried out and Management's best estimate, it was concluded that the present value adjustment for current monetary assets and liabilities is irrelevant in relation to the financial statements taken together and, therefore, did not record any adjustment.

4. RELEVANT ESTIMATES AND JUDGMENT

The financial statements presented were prepared with the support of several valuation bases used in the accounting estimates. The accounting estimates involved in the preparation of the financial statements were supported by objective and subjective factors, based on Management's judgment in determining the appropriate amount to be recorded in the financial statements. Significant items subject to these estimates and assumptions include the selection of useful lives of fixed assets and their recoverability in operations, valuation of assets, financial liabilities, derivative financial instruments at fair value and the present value adjustment method, as well as the analysis of other risks to determine other provisions, including contingencies.

With regard to uncertain tax treatments, provided for in IFRIC 23/ICPC 22 regarding income tax and social contribution, the Administration evaluates the likelihood of acceptance and decisions of higher courts of last resort. Management has assessed the main tax treatments adopted in the open periods subject to questioning by the tax authorities and concluded that there is no significant impact to be recorded on the financial statements.

The settlement of transactions involving these estimates may result in amounts that differ significantly from those recorded in the financial statements due to the probabilistic treatment inherent in the estimation process. The Company revises its estimates periodically throughout the year.

The following is information only on accounting practices and estimates that require a high level of judgment or complexity in their application and that may materially affect the Company's financial condition and results.

4.1. Estimates related to lawsuits and contingencies

The Company is a party involved in judicial and administrative proceedings involving civil, tax and labor matters arising from the normal course of its operations. The assessment of the likelihood of loss includes the assessment of the available evidence, the hierarchy of laws, the available case law, the most recent decisions in the courts and their relevance in the legal system, as well as the assessment of external counsel. The provisions are reviewed and adjusted according to changes in circumstances, such as the applicable statute of limitations, findings of tax inspections, or additional exposures identified based on new matters or court decisions.

Information on provisioned processes and contingencies is presented in explanatory note 22.

4.2. Estimates related to environmental compensations and conditions

The Company has liabilities registered in relation to environmental compensations and conditions required by the environmental control, monitoring and inspection agencies, at the federal and state levels, as a result of the issuance of prior licenses for the installation and operation of the projects and construction of the Company's gas pipeline network.
The amounts recorded reflect the probable financial disbursements that the Company will have to incur in meeting the obligations.

Information on recorded liabilities is presented in explanatory notes 15.1 and 15.2.

4.3. Estimates related to the useful life of assets

As described in Note 1.2, the enactment of the New Gas Law brought important changes, including the establishment of an authorization regime for all natural gas transportation activities, which came into force for an indefinite period. As a result, the Company annually reevaluates the useful life estimates of its assets, taking into consideration: i) results of useful life reports contracted with specialists; and ii) historical data and observable projections associated with the dynamics of production, supply and demand of natural gas in the Brazilian market. Such variables provide evidence as to the expected technical useful life and future economic benefit of the assets (considering the dynamics of the Brazilian gas market), and the useful life estimate is defined by Management based on its judgment based on these variables.

5. NEW STANDARDS AND INTERPRETATIONS

5.1. New or revised pronouncements applied for the first time in 2023

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

5.1.1. IFRS 17 - Insurance Contracts

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

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

The new rule had no impact on the Company's financial statements.

5.1.2. Definition of Accounting Estimates - Amendments to IAS 8

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

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

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

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

The changes did not result in impacts on the Company's accounting policy disclosures, nor did they impact criteria for measuring, recognizing or presenting items in the Company's financial statements.

5.1.4. Deferred Tax related to Assets and Liabilities arising from a Simple Transaction

Amendments to IAS 12

The amendments to IAS 12 Income Tax (equivalent to technical pronouncement CPC 32 - Taxes on profit) narrow the scope of the initial recognition exception, so that it no longer applies to transactions that generate equal taxable and deductible temporary differences, such as leases and decommissioning liabilities.

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

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

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

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

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

The changes had no impact on the financial statements, as the Company is not subject to the rules of the Pillar Two model, since its operations and results are calculated exclusively in Brazil.

5.2. New and revised IFRSs issued and not yet applicable

On the date of authorization of these financial statements, the Company has not adopted the new and revised IFRSs below, which have already been issued and are not yet applicable, and in some cases, the standards have not yet been adopted by the Accounting Pronouncements Committee (CPC). Management does not expect the adoption of the standards listed above to have a material impact on the Company's financial statements in future periods, except as indicated below:

5.2.1. Amendments to IFRS 10 (technical pronouncement CPC 36 (R3)) - Consolidated Statements and IAS 28 (technical pronouncement CPC 18 (R2)) - Investments in Affiliates, Subsidiaries and Jointly Controlled Ventures - Sale or Contribution in the form of Assets between an Investor and its Affiliate or Joint Subsidiary

The amendments to IFRS 10 (technical pronouncement CPC 36 (R3)) and IAS 28 (technical pronouncement CPC 18 (R2)) address situations involving the sale or contribution of assets between an investor and its affiliate or joint venture. Specifically, gains and losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an affiliate or joint venture accounted for using the equity method are recognized in the parent's profit or loss only in proportion to the interests of the unrelated investor in that affiliate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in an old subsidiary (which has become an affiliate or joint venture accounted for by the equity method) at fair value are recognized in the former parent's profit or loss in proportion to the interests of the unrelated investor in the new affiliate or joint venture.

The effective date of the changes has not yet been set by the IASB; however, early adoption of amendments is permitted. Management expects that the adoption of these changes will have no impact on the Company's financial statements in the future, except if the Company invests in affiliates, subsidiaries and jointly controlled enterprises.

5.2.2. Amendments to IAS 1 - Presentation of Financial Statements (technical pronouncement CPC 26 (R1)) - Classification of Liabilities as Current or Non-Current

The amendments to IAS 1 published in January 2020 only affect the presentation of liabilities as current or non-current on the balance sheet and not the amount or timing of recognition of any asset, liability, income or expense, or the information disclosed on these items.

The amendments clarify that the classification of liabilities as current or non-current is based on the rights existing at the balance sheet date, specify that the classification is not affected by expectations about whether an entity will exercise its right to postpone the settlement of the liability, explain that the rights exist if restrictive clauses are complied with at the balance sheet date, and introduce the definition of 'liquidation' to clarify that liquidation refers to the transfer to a counterparty of cash, equity instruments, other assets or services.

Changes are applied retrospectively for annual periods beginning on or after January 1, 2024, and early adoption is permitted. The IASB has aligned the effective date with the 2022 amendments to IAS 1. If an entity applies the 2020 changes to a prior period, it must also apply the 2022 changes in advance.

Management expects that the application of these changes will have an impact on the Company's consolidated financial statements in the future.

5.2.3. Amendments to IAS 1 - Presentation of Financial Statements - Non-Current Liabilities with Covenants

The amendments indicate that only covenants that an entity must comply with on or before the end of the reporting period, affect the entity's right to postpone the settlement of a liability for a minimum of 12 months after the reporting date (and therefore this should be considered in assessing the classification of the liability as current or non-current). These covenants affect whether the entitlement exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g., a covenant based on the entity's financial condition at the reporting date that is assessed for compliance purposes only after the reporting date).

The IASB also provides that the right to postpone the settlement of a liability for at least 12 months after the reporting date is not affected if an entity is only required to comply with a covenant after the reporting period. However, if an entity's right to delay settlement of a liability is subject to the entity's compliance with covenants within 12 months of the reporting date, the entity discloses information that enables users of the financial statements to understand the risk of the liabilities becoming amortizable within the 12-month period after the reporting date. This would include information about the covenants (including the nature of the covenants and when the entity must comply with them), the carrying value of the corresponding liabilities, and the facts and circumstances, if any, that indicate that the entity may face difficulties in complying with the covenants.

Changes are applied retrospectively for annual periods beginning on or after January 1, 2024, and early adoption is permitted. If an entity applies the changes for a prior period, it must also apply the 2020 changes in advance.

Management expects that the application of these changes will have an impact on the Company's financial statements in the future.

5.2.4. Amendments to IAS 7 - Statement of Cash Flows and IFRS 7 - Financial Instruments: Disclosures - Supplier Financing Agreements

The amendments add a disclosure objective in IAS 7 stating that an entity must disclose information about its supplier financing arrangements that allows users of the financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 has been amended to add supplier financing arrangements as an example within the requirements to disclose information on an entity's exposure to liquidity risk concentration.

The term 'supplier financing arrangements' is not defined. Instead, the amendments describe the characteristics of an agreement for which the entity should provide the information.

To meet the disclosure objective, the entity must disclose, in the aggregate, for its supplier financing arrangements:

- The terms and conditions of the agreements.
- The carrying value, and corresponding items shown on the entity's balance sheet, of the liabilities that are part of the agreements.
- The carrying value, and corresponding items for which suppliers have already received payment from those providing the financing.
- The ranges of payment due dates for financial liabilities that are part of a supplier financing arrangement and comparable accounts payable that are not part of a supplier financing arrangement.
- Information on liquidity risk.

The amendments, which contain specific transitional measures for the first annual period in which the entity applies the amendments, are applicable for annual periods beginning on or after January 1, 2024, and early adoption is permitted.

Management expects that the application of these changes will not have an impact on the Company's financial statements, unless Supplier Financing Agreements are entered into in the future.

5.2.5. Amendments to IFRS 16 - Leases - Lease liability in a sale and leaseback transaction

The amendments to IFRS16 add follow-on measurement requirements for sale and leaseback transactions, which satisfy the requirements of technical pronouncement CPC 47 (IFRS 15), for purposes of accounting as a sale. The amendments require the seller-tenant to determine 'lease payments' or 'revised lease payments' so that the seller-tenant does not recognize a gain or loss related to the right of use retained by the seller-tenant, after the commencement date.

Changes do not affect the gain or loss recognized by the seller-lessee in connection with the termination of all or part of a lease. Without these new requirements, a seller-lessee may have recognized a gain on the right of use that it retains solely due to the remeasurement of the lease liability (e.g., following a lease modification or change in lease term) that applies the general requirements in IFRS16. This may have been particularly the case in a retrolease that includes variable lease payments that do not depend on an index or rate.

As part of the changes, the IASB amended the Illustrative Example in IFRS16 and added a new example to illustrate the subsequent measurement of the right-of-use asset and lease liability in a sale and retrolease transaction with variable lease payments that are not dependent on an index or rate. The illustrative examples also clarify that the liability resulting from a sale and leaseback transaction that qualifies as a sale under technical pronouncement CPC 47 (IFRS 15) is a lease liability.

The changes are applicable for annual terms beginning on or after January 1, 2024, and early adoption is permitted. If the seller-lessee applies the changes to an earlier period, he must disclose this fact.

The seller-lessee applies the changes retrospectively in accordance with technical pronouncement CPC 23 (IAS 8) to sale and leaseback transactions entered into after the date of initial adoption, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS16.

Management expects that the application of these changes will not have an impact on the Company's financial statements, unless "Sale & Leaseback" transactions are entered into in the future.

6. CASH AND CASH EQUIVALENTS

	12/31/2023	12/31/2022
Cash & Banks	5,490	225
Short-term financial investments (a)	2,059,204	2,294,092
	2,064,694	2,294,317

Financial investments are made in fixed income investment funds, with daily liquidity, have remuneration associated with the CDI and are readily convertible into a known amount of cash. Cash management has been able to obtain remuneration higher than the CDI. a) Among the investments made, the Company has a position in an exclusive investment fund, the composition of which is summarized below.

	12/31/2023	12/31/2022
Shares of other fixed income investment funds	590,252	440,691
CDB	-	118,473
Financial Bills	217,044	102,235
Other	19	78
Total	807,315	661,478

According to the Fund's bylaws/mandate, the funds are redeemable with daily liquidity considering the quota on the date of redemption.

7. ACCOUNTS RECEIVABLE

	12/31/2023	12/31/2022
Petróleo Brasileiro S.A. - Petrobras	1,401,897	1,317,955
GALP Energia Brasil S.A.	8,850	4,744
Shell	1,965	5
Mercurio	689	-
Gerdau	-	2
	1,413,401	1,322,706

	Current	<30	31 - 60	61 - 90	>91	Total
Amount due	1,139,309	266,103	372	6,471	1,146	1,413,401

The Company's receivables derive from Gas Transportation Agreements (GTAs) signed with Petrobras and Gas Transportation Agreements signed with GALP, Mercurio and Shell, effective until December 31, 2023.

8. OTHER ACCOUNTS RECEIVABLE

The balance of R$206,489 as of December 31, 2023 (R$165,233 as of December 31, 2022) refers to: i) expenses incurred by the Company within the scope of the activities Management and Remediation of Stress Corrosion Cracks (SCC) in the amount of R$194,026 (R$153,973 as of December 31, 2022); and ii) Lease Class in the amount of R$12,463 (R$11,260 as of December 31, 2022). Such amounts must be repaid by Petróleo Brasileiro S.A. - Petrobras as part of the remaining obligations agreed between buyer and seller for the sale of the Company. The said balance is not being monetarily updated.

As described in Note 22.3 C, the Company filed a response to the request for arbitration received and filed a counterclaim for the inclusion of SCC costs in the scope of the arbitration and, for this reason, chose to reclassify the balance to non-current.

9. RESTRICTED BANKS DEPOSITS

The balance of R$13,925 as of December 31, 2023 (R$16,570 as of December 31, 2022), refers to savings accounts held with Banco do Brasil to meet environmental compensations related to the construction of the GASAN II, GASPAL II and ECOMP gas pipelines in Guararema in the State of São Paulo, which will be used as requested by environmental agencies. Such deposits must remain linked to a savings account and follow the provisions of Federal Law No. 9.985/2000, which established the National System of Conservation Units - SNUC.

In accordance with the provisions of Official Letter CCA/SE No. 097/2022, issued by the Secretariat of Infrastructure and Environment of the State of São Paulo, on January 6, 2023, the Company transferred R$3,471 to the Special Expenditure Fund for the Preservation of Biodiversity and Natural Resources - FPBRN, for the payment of certain Environmental Compensation obligations due to CETESB, provided for in the 1st Amendment and Re-Ratification to the Environmental Compensation Commitment Term, signed on November 25, 2022.

10. PROPERTY, PLANT AND EQUIPMENT

	Balance as of December 31, 2022			Movement in the period				Balance As of December 31, 2023		
Description	Cost	Accumulated depreciation	Balance	Additions	Write-offs	Transfers	Deprec.	Cost	Accumulated depreciation	Balance
Assets under construction	542,369	503	542,872	166,722	-	(248,159)	(503)	460,932	-	460,932
Improvement in third-party assets	10,238	(2,684)	7,554	-	-	200	(1,015)	10,438	(3,699)	6,739
Environmental constraints	145,409	(47,145)	98,264	-	-	-	(5,492)	145,409	(52,637)	92,772
Equipment and other goods	12,020,747	(4,972,403)	7,048,344	12,860	-	247,959	(471,761)	12,281,566	(5,444,164)	6,837,402
Spare materials and equipment	43,691	-	43,691	30,614	-	-	-	74,305	-	74,305
	12,762,454	(5,021,729)	7,740,725	210,196	-	-	(478,771)	12,972,650	(5,500,500)	7,472,150

	Balance as of December 31, 2021			Movement in 2022				Balance as of December 31, 2022		
Description	Cost	Accumulated depreciation	Balance	Additions	Write-offs	Transfers	Deprec.	Cost	Accumulated depreciation	Balance
Assets under construction	362,518	-	362,518	410,435		(200,382)	503	542,369	503	542,872
Improvement in third-party assets	5,153	(2,043)	3,110	-	-	5,085	(641)	10,238	(2,684)	7,554
Environmental constraints	145,409	(41,653)	103,756	-	-	-	(5,492)	145,409	(47,145)	98,264
Equipment and other goods	11,794,644	(4,516,594)	7,278,050	604	-	195,297	(455,809)	12,020,747	(4,972,403)	7,048,344
Spare materials and equipment	24,051	-	24,051	19,640	-	-	-	43,691	-	43,691
	12,331,775	(4,560,290)	7,771,485	430,679	-	-	(461,439)	12,762,454	(5,021,729)	7,740,725

Assets under construction

The balance of assets under construction comprises costs with construction, maintenance and repair of pipelines (as long as they are related to the replacement of parts and equipment or in compliance with regulatory requirements that increase the useful life of the asset), compression stations/services, delivery points and the Management Plan for Correction of Stress by Corrosion or Fissure of Gas Pipelines (SCC). During 2023, the growth projects listed below stood out:

(i) GASIG

In 2023, NTS completed the construction and assembly of the Itaboraí-Guapimirim natural gas transportation pipeline (GASIG), which will be approximately 11 KM long, 24 inches in diameter and have a capacity of 18.2 MM m^3/day, and whose construction authorization was granted by the ANP in favor of the Company, through SIM-ANP Authorization No. 150. The construction and assembly stage of the pipeline was completed in January 2023 and in July this year the Operating License (LO) was obtained, enabling the pipeline, which connects the natural gas processing and treatment unit (GASLUB) to the GASDUC III pipeline, to start operating. It should be noted that the start of the operation is subject to obtaining the Operating Authorization (AO) from the ANP, as well as carrying out the Public Call process for signing the corresponding transport contracts. This new gas pipeline has so far cost R$167,515.

(ii) Cabiúnas Interconnection

In this project, the construction and assembly of a connection point between the carriers' networks in Macaé is being carried out to improve the service and the possibilities of gas transportation throughout the national territory. This project has so far disbursed R$41,239.

(iii) GNL Receiving Point

The purpose of this project is to expand the GNL receiving point that was already built and in operation. The disbursement so far is R$16,992.

(iv) Ecomp Japeri

The Compression Station to be installed in Japeri/RJ, between the Campos Elíseos Station and ECOMP Vale do Paraíba, was designed to mitigate the bottleneck of gas movement between RJ and SP. With its installation, the flow between the states will increase from 12.5 to 25 MMm^3/day. In 2023, the Company carried out basic engineering, initiated the processing of the environmental license (LAU) and Vegetation Suppression Authorization (ASV) with INEA and initiated regulatory procedures with the ANP. This project has so far disbursed R$5,843.

Transfers

The balance of transfers basically consists of the projects closed and capitalized throughout 2023, among the main capitalized projects, the following stand out:

(i) SCC ref. Passage of PIG EMAT, Excavation, Inspection and Repair added to Lease Class.

R$118,128 was invested in projects to update the analysis and repair of cracks (SCC) increased by the lease class, aiming to meet regulatory and operational safety requirements. Such projects included the adoption of measures to mitigate the risk of accidents in natural gas transportation pipelines.

(ii) Overhaul Gas & Electric Turbochargers

The investment in the Overhaul project totaled R$58,399. This is preventive and/or corrective maintenance of gas and electric turbochargers to ensure the operational continuity of NTS. This project took place only at the points identified with a need for repair or planned maintenance due to the operating time of the assets.

(iii) ARP Project - Cubatão

The project basically consists of the construction of the new Cubatão II Delivery Point, Adequacy of the Delivery Point and RPBC Receiving Point and Dismantling of the Cubatão Delivery Point, which had an investment of R$27,660.

(v) Warning Tapes for Lane Signs

In this project, the installation of screens with warning tape and totems in the pipeline strips was carried out in order to warn about the existence of gas pipelines, aiming at mitigating the risk of illegal trepanations and preventing incidents according to the indication of the regulatory agency. In this project, we had a disbursement of R$23,802.

Capitalized Borrowing Costs

During the year ended December 31, 2023 and 2022, there was no capitalization of interest on financing for construction projects in the Company's fixed assets.

Useful life assigned to assets

Depreciation is calculated based on the straight-line method over the estimated useful lives of the assets, as follows:

- Buildings and improvements - from 16 to 30 years old.
- Improvements in third-party assets - 10 to 30 years.
- Gas pipelines, equipment and other items - up to 30 years.
- Environmental constraints - up to 30 years.

The residual value, useful life of the assets and the depreciation methods are reviewed at the close of each fiscal year, and adjusted prospectively, where applicable.

NTS's gas pipeline network is composed of the following sections:

GASTAU

The Caraguatatuba-Taubaté Gas Pipeline (GASTAU), 98 km long and 28 inches in diameter, connects the Monteiro Lobato Natural Gas Processing Unit (UTGCA), in Caraguatatuba, on the north coast of São Paulo, to Taubaté, a city in the Middle Paraíba, to the Campinas Rio Gas Pipeline and to the rest of the Southeast network.

GASDUC III

The Cabiúnas-REDUC GAS PIPELINE (GASDUC III), 180 km long and 38 inches in diameter, is the largest diameter in South America and has the largest transport capacity (40 million m3/day) among Brazilian gas pipelines.

GASPAJ

The Paulínia-Jacutinga Gas Pipeline (GASPAJ), 93 km long and 14 inches in diameter, aims to meet the demand for natural gas in the southern region of the state of Minas Gerais. The gas pipeline originates in the city of Paulínia/SP, where the Paulínia-Jacutinga, Campinas-Rio (GASCAR), REPLAN-Guararema gas pipelines of the Bolivia-Brazil Gas Pipeline (GASBOL) are interconnected, as well as the REPLAN Delivery Point.

Malhas Sudeste

The Southeast Network is composed of five gas pipelines and two branches:

GASAN

The RECAP-RPBC (GASAN) Gas Pipeline, 41.6 km long and 12 inches in diameter, connects the municipality of Capuava/SP to the municipality of Cubatão/SP.

GASCAR

The Campinas-Rio Gas Pipeline (GASCAR), 453 km long and 28 inches in diameter, aims to increase the flow capacity of Bolivian gas to Rio de Janeiro. The gas pipeline begins at the Planalto Refinery (REPLAN), in the city of Paulínia/SP, extending to the municipality of Japeri/RJ, where it interconnects to the GASVOL and GASJAP gas pipelines, both in the state of Rio de Janeiro.

GASPAL

The ESVOL-RECAP (GASPAL) Gas Pipeline, 325.5 km long and 22 inches in diameter, begins in the municipality of Piraí/RJ and ends in the municipality of Mauá/SP.

GASVOL

The REDUC-ESVOL (GASVOL) Gas Pipeline, 95 km long and 18 inches in diameter, begins in the municipality of Duque de Caxias/RJ and ends in the municipality of Volta Redonda/RJ, also having a 5.5 km long branch within the municipality of Volta Redonda/RJ.

GASBEL I

The Rio de Janeiro-Belo Horizonte I GAS PIPELINE (GASBEL I), 357 km long and 16 inches in diameter, begins in the municipality of Duque de Caxias/RJ and ends at the Gabriel Passos Refinery, in the city of Betim/MG.

Champs-Elysées Branch Line 16''

The Campos Elíseos Branch, 2.7 km long and 16 inches in diameter, is located in the municipality of Duque de Caxias/RJ.

Malhas Sudeste II

The Southeast Grid II is composed of the following gas pipelines:

GASJAP

The JAPERI-REDUC GAS PIPELINE (GASJAP), 45 km long and 28 inches in diameter, begins in the municipality of Japeri/RJ and ends in the municipality of Duque de Caxias/RJ, connecting the Caxias Hub to the Campinas-RIO Gas Pipeline (GASCAR). The Gas Pipeline has a Compression Station in Champs-Elysées.

GASAN II

The RECAP-RPBC (GASAN II) Gas Pipeline, 39 km long and 22 inches in diameter, begins in the municipality of Mauá/SP and ends in the municipality of São Bernardo do Campo, allowing the expansion, together with GASPAL II, of the natural gas transportation capacity of the Guararema-RPBC system.

GASPAL II

The Guararema-Mauá Gas Pipeline (GASPAII), 54 km long and 22 inches in diameter, begins in the municipality of Guararema/SP and ends in the municipality of Mauá, allowing the expansion, together with GASAN II, of the natural gas transportation capacity of the Guararema-RPBC system.

GASBELII

The Rio de Janeiro-Belo Horizonte II (GASBEL II) Gas Pipeline, 267 km long and 18 inches in diameter, starting in the municipality of Volta Redonda/RJ and ending in the municipality of Queluzito/MG, expanded the supply of natural gas to the state of Minas Gerais, mainly in the metropolitan region of Belo Horizonte and Vale do Aço.

Impairment of assets

Management annually reviews events or changes in the economic, operational or technological circumstances of its assets to assess whether there are any prior indications of deterioration or loss of recoverable value. No indications of impairment of fixed assets were identified during the years ended December 31, 2023 and 2022.

11. TRADE ACCOUNTS PAYABLE

Supplier	12/31/2023	12/31/2022
Petróleo Brasileiro S.A. - Petrobrás	612,270	441,502
Petróleo Transportes S.A. - Transpetro	10,248	27,999
Atmos International Limited	1,008	-
Rosenbra Engenharia Brasil Ltda.	5,579	5,880
Alvaro Aguiar Engenharia e Construção	-	3,090
Starr International Brasil	2,061	2,284
Spiecapag Intech Construção	2,446	2,305
Worley Engenharia Ltda.	205	2,441
Industec Comércio e Montagens	-	14,123
Chubb Seguros Brasil S.A.	872	12,959
Elecnor Do Brasil Ltda.	-	12,476
Solar Turbines International Company	1,563	9,351
Softtek Soluções Em Sistemas Ltda.	1,216	277
Acv Tecline Engenharia Ltda.	796	-
Aig Seguros Brasileira S.A.	987	1,053
Applus Qualitec Serviços de Engenharia Ltda.	764	-
Avipam Viagens e Turismo Ltda.	703	-
Enerflex Energia Ltda.	629	-
Tisi Do Brasil Serviços Industriais Ltda.	923	-
Other Suppliers	93,975	77,439
	736,245	613,179

12. DEBENTURES AND FINANCING

Operation/Instrument	Index	Currency	Amount raised	Initial Date	Maturity	Principal	Interest	Funding cost	12/31/2023	12/31/2022
Commercial Notes	Permanent contract +1,90%	R$	(1,500,000)	Mar-22	Mar-32	1,500,000	53,011	(12,018)	1,540,993	1,545,338
Debêntures_1 th NISA issuance	Permanent contract +1,99%	R$	(1,547,187)	Apr-21	Apr-28	967,187	21,799	(5,705)	983,281	1,580,574
Debêntures_2 NISA Issuance	Permanent contract +1,90%	R$	(1,500,000)	Mar-22	Mar-32	1,500,000	53,011	(12,017)	1,540,994	1,545,338
Debêntures_5 Issue - 1st Grade	Permanent contract + 1,30%	R$	(1,000,000)	Oct-22	Sep-27	1,000,000	38,217	(375)	1,037,842	1,032,479
Debêntures_5 Issue - 2nd Grade	Permanent contract + 1,60%	R$	(1,500,000)	Oct-22	Sep -29	1,500,000	58,659	(591)	1,558,068	1,549,791
Debêntures_5 Issue - 3rd Grade	Permanent contract + 1,85%	R$	(1,000,000)	Oct-22	Sep -32	1,000,000	39,846	(8,861)	1,030,985	1,023,698
Scotia Bank Loan (a)	USD/BRL +2,08%	US$	(300,000)	Apr-22	Apr-27	1,452,390	7,462	-	1,459,852	1,573,353
Scotia Bank Loan (2) (a)	USD/BRL +3,63%	US$	(170,000)	Aug-22	Aug-25	823,021	10,289	-	833,310	897,919
MUFG Loan (a)	USD/BRL +2,98%	US$	(59,000)	Apr-22	Apr-27	285,637	2,124	-	287,761	310,042
CITI Loan (a)	USD/BRL +2,3%	US$	(90,000)	Apr-22	Apr-27	435,717	2,505	-	438,222	472,263
SMBC Loan (a)	USD +4,34%	US$	(50,000)	Sep-22	Sep -25	242,065	3,327	-	245,392	264,470
BNP Loan (a)	USD + 4,89%	US$	(80,000)	Oct-22	Sep -25	387,304	4,682	-	391,986	422,235
						11,093,321	294,932	(39,567)	11,348,686	12,217,500
Current									289,509	302,456
Noncurrent									11,059,177	11,915,044
Total									11,348,686	12,217,500

(a) Derivative financial instruments (swaps) were contracted with financial institutions in conjunction with loans (debt in foreign currency + swap for reais in CDI). The terms and conditions of the loans and derivatives are configured as a tie-in transaction, with the economic result being an interest-bearing debt based on CDI and reais on the Company's balance sheet. The contracting of derivatives is consistent with the Company's financial risk management strategy, which aims to substantially eliminate cash flow volatility attributable to exposure to foreign currency-denominated foreign exchange variation. For this reason, the Company has adopted cash flow hedge accounting, as per explanatory notes 16.5 and 23(b). The outstanding amounts of these loans are presented without taking into account the hedging effects of the corresponding swaps.

12.1. Debentures

First Issuance of Simple, Non-Convertible Debentures, of the Unsecured Type, with a Fiduciary Guarantee, in a Single Series, for Public Distribution, with Restricted Distribution Efforts of NISA, as amended to Third Issuance of Simple, Non-Convertible Debentures, of the Unsecured Type, in a Single Series, for Public Distribution, with Restricted Distribution Efforts of NTS, on May 10, 2022, by virtue of the Merger ("3rd Issuance of Debentures")

On April 27, 2021, NISA executed a Private Deed Instrument for the 3rd Issuance of Debentures in the total amount of R$1,547,187, maturing in seven (7) years, i.e., April 27, 2028.
The debentures have remunerative interest of 100% of the accumulated variation of the CDI Rate, plus a spread equivalent to 1.99% per year, semiannual interest payments in April and October, do not have intermediate amortizations and debt renegotiation or automatic renewal clauses.

According to the terms of the deed of the 3rd Issuance of Debentures (originally issued by Nova Infraestrutura Gasodutos Participações S.A.), there was an obligation constituted by NISA to be reversely incorporated by the Company within a maximum period of 13 months from the date of conclusion of the sale transaction (May 2022), under penalty of early maturity of the obligations contained in the deed. The reverse merger was completed on April 12, 2022, when from then on, the Company became NISA's universal successor in relation to the terms and conditions of these debentures, and the second amendment to the 3rd Debenture Issuance deed was executed on May 10, 2022, to formally reflect the necessary changes in the deed. as well as the loss of validity of the guarantee granted by NTS, so that the debentures no longer have any guarantee.

The debentures have restrictive clauses that require the Company to comply with the following financial ratios:

a) The financial ratio resulting from the quotient of dividing the Net Financial Debt by the EBITDA shall be equal to or less than 4.5, based on the Company's Consolidated Financial Statements for the immediately preceding 12 months disclosed at the time of raising new funds through the issuance of debt instruments.

b) Financial ratio resulting from the quotient of dividing EBITDA by Net Financial Expenses and calculated based on the Company's Consolidated Financial Statements for the immediately preceding 12 months disclosed, which shall be equal to or greater than:

   a. 1.0 time, on the occasion of distribution of dividends to shareholders (dividends, interest on equity or any other profit distributions).

   b. 1.1 times, on the occasion of raising new funds through the issuance of debt instruments.

On June 13, 2023, the offer of partial early redemption of 580,000 debentures of the Company's third issuance of debentures was made, with consequent cancellation of such debentures. The Offer was previously approved by the Company's Board of Directors, through the Board of Directors' Meeting held on May 23, 2023.

The offer was pursuant to clause 5.3 of the deed of the 3rd issuance of debentures and applicable legislation, and was formally communicated to the fiduciary agent, disclosed to the debenture holders and the market, as well as, subsequently, communicated to B3 for adjustments of the applicable positions.

The amount paid by the Company totaled R$599,302, of which: a) R$580,000 equivalent to the nominal unit value of the debentures, plus b) R$10,632 as corresponding pro rata remuneration and c) R$8,670 equivalent to the early redemption premium of 0.30% per year, calculated pro rata.

At the closing of the financial statements ended December 31, 2023, the Company calculated the ratios and concluded that the restrictive clauses were being complied with.

<u>Second Issuance of Simple, Non-Convertible Debentures, Unsecured Debentures, with Fiduciary Guarantee, in a Single Series, for Public Distribution, with Restricted Distribution Efforts of NISA as amended to Fourth Issuance of Simple, Non-Convertible Debentures, of the Unsecured Type, in a Single Series, for Public Distribution, with Restricted Distribution Efforts of NTS, on May 10, 2022, by virtue of the Merger ("4th Issuance of Debentures")</u>

On March 15, 2022, NISA's Board of Directors approved the execution of a Private Deed Instrument for the 4th issuance of debentures in the amount of R$1,500,000, maturing in March 2032. The debentures have remunerative interest of 100% of the accumulated variation of the CDI Rate, plus a spread equivalent to 1.90% per year, semiannual interest payments in March and September, with intermediate amortizations in 3 (three) annual installments, in the 8th, 9th and 10th years, without debt renegotiation or automatic renewal clauses.
The debentures were paid in on March 24, 2022 and with the completion of the reverse merger of NISA by the Company, on April 12, 2022, the Company became NISA's universal successor in relation to the terms and conditions of the debentures, with the first amendment to the deed of the 4th Debenture Issue being executed on May 10, 2022, to formally reflect the necessary changes in the deed and the loss of validity of the guarantee granted by NTS, so that the 4th Issue Debentures no longer have any guarantee.

The debentures have a restrictive clause that requires the Company to comply with the financial ratio resulting from the quotient of dividing the Net Financial Debt by EBITDA, which must be equal to or less than 4.0x, calculated based on the Company's Consolidated Financial Statements for the 12 immediately preceding months disclosed.

At the close of the financial statements ended December 31, 2023, the Company calculated the ratio and concluded that the restrictive clause was being complied with.

<u>First Issuance of Book-entry Commercial Notes, with a Fiduciary Guarantee, in a Single Series, for Public Distribution, with Restricted Distribution Efforts of NISA, as amended to First Issuance of Book-entry Commercial Notes, in a Single Series, for Public Distribution, with Restricted Distribution Efforts of NTS, on May 10, 2022, by virtue of the Merger ("1st Issuance of Commercial Notes")</u>

On March 15, 2022, NISA's Board of Directors approved the 1st issuance of Book-entry Commercial Notes, in the total amount of R$1,500,000 ("Commercial Notes"), maturing in March 2032.

The Commercial Notes have remunerative interest of 100% of the accumulated variation of the CDI Rate, plus a spread equivalent to 1.90% per year, semiannual interest payments in March and September, with intermediate amortizations in 3 (three) annual installments, in the 8th, 9th and 10th years, without debt renegotiation or automatic renewal clauses.

The Commercial Notes were paid in on March 24, 2022 and with the completion of the Merger, on April 12, 2022, the Company became NISA's universal successor in relation to the terms and conditions of the Commercial Notes, with the first amendment to the term of issuance of the 1st Issuance of Commercial Notes being executed on May 10, 2022, to formally reflect the necessary changes in the term of issuance and the loss of validity of the guarantee granted by NTS, so that the commercial notes no longer have any guarantee.

The Commercial Notes have a restrictive clause that requires the Company to comply with the financial ratio resulting from the quotient of dividing the Net Financial Debt by EBITDA, which must be equal to or less than 4.0x, calculated semiannually based on the Company's Consolidated Financial Statements for the immediately preceding 12 months disclosed.

At the close of the financial statements ended December 31, 2023, the Company calculated the ratio and concluded that the restrictive clause was being complied with.

Fifth Issuance of Simple Debentures, Non-Convertible into Shares, of the Unsecured Type, in Three (3) Series, for Public Distribution, with Restricted Distribution Efforts, of NTS ("5th Issuance of Debentures")

At an Extraordinary Meeting of the Company's Board of Directors held on September 9, 2022, the issuance by the Company of simple, non-convertible debentures, of the unsecured type, in three (3) series, for public distribution, with restricted distribution efforts, in the total amount of R$3.5 billion maturing on September 13, 2027 (1st series), was approved on September 13, 2029 (2nd series), and on September 13, 2032 (3rd series). The debentures have remunerative interest of 100% of the accumulated variation of the CDI Rate, plus a spread equivalent to 1.30% per year, 1.60% per year and 1.85% per year, respectively. The debentures are issued on September 13, 2022 and were paid in on October 6, 2022.

The debentures have a restrictive clause that requires the Company to comply with the financial ratio resulting from the quotient of dividing the Net Financial Debt by EBITDA, which must be equal to or less than 4.0x, calculated based on the Company's Consolidated Financial Statements for the 12 immediately preceding months disclosed.

At the close of the financial statements ended December 31, 2023, the Company calculated the ratio and concluded that the restrictive clause was being complied with.

12.2. Foreign currency loans under Law 4,131/1962, obtained by NISA, subsequently incorporated by NTS on April 12, 2022

On April 1, 2022, NISA completed the raising of US$449 million, through foreign currency loan agreements, pursuant to Law No. 4,131/62, as approved at NISA's Extraordinary General Meeting, held on December 16, 2021, as follows:

a) US$300 million, signed with Bank of Nova Scotia, with remunerative interest of 2.0783% p.a., paid semiannually.

b) US$90 million, signed with Citibank, N.A., with remunerative interest of 2.2999% p.a., paid quarterly.

c) US$59 million, signed with MUFG Bank. Ltd, with remunerative interest of 2.9750% p.a. paid semi-annually.

To protect against foreign exchange exposure, NISA contracted derivative operations (foreign exchange swaps), whose principal and interest values replicate the amount of principal and interest on loans. All loan agreements have amortizations with equal annual installments in the 4th and 5th years, with no debt renegotiation or automatic renewal clauses.

Upon completion of the Merger on April 12, 2022, the Company became NISA's universal successor with respect to the terms and conditions of these loans.

These loans have a restrictive clause that requires the Company to comply with the financial ratio resulting from the quotient of dividing the Net Financial Debt by EBITDA, which shall be equal to or less than 4.0x, calculated based on the Company's Consolidated Financial Statements for the immediately preceding 12 months disclosed.

At the close of the financial statements ended December 31, 2023, the Company calculated the ratio and concluded that the restrictive clause was being complied with.

12.3. Loans in foreign currency under the terms of Law No. 4,131/1962, obtained by NTS in 2022

At an Extraordinary Meeting of the Company's Board of Directors held on August 16, 2022, the Company approved the raising of financing through the contracting of loan(s) in foreign currency, which could total the amount of up to US$300 million, pursuant to Law No. 4,131/62, having been contracted:

a) US$170 million, through a loan agreement signed with Bank of Nova Scotia in August 2022, with remunerative interest of 3.63% p.a., paid semiannually.

b) US$50 million, through a loan agreement signed with Sumitomo Mitsui Banking Corporation (SMBC) in September 2022, with remunerative interest of 4.34% p.a., paid semiannually.

c) US$80 million, through a loan agreement signed with BNP Paribas (BNP) in October 2022, with remunerative interest of 4.89% p.a., paid annually.

To protect against foreign exchange exposure, the Company contracted derivatives operations (foreign exchange swaps), whose principal and interest values replicate the amount of principal and interest on loans. All loan agreements have repayments at maturity, with no debt renegotiation or automatic renewal clauses.

These loans have a restrictive clause that requires the Company to comply with the financial ratio resulting from the quotient of dividing the Net Financial Debt by EBITDA, which must be equal to or less than 4.0 times, calculated semiannually based on the Company's Consolidated Financial Statements for the immediately preceding 12 months disclosed.

At the close of the financial statements ended December 31, 2023, the Company calculated the ratio and concluded that the restrictive clause was being complied with.

Scale of payments and amortization of funding costs

Year	Principal	Funding cost
2024	-	5,388
2025	1,452,390	5,388
2026	1,586,872	5,388
2027	1,586,872	5,363
After 2028	6,467,187	18,040
Total	11,093,321	39,567

13. RELATED PARTY TRANSACTIONS

a) Transactions between legal entities

	Ouro Verde
Income Statement	
Cost of services	(1,738)
	(1,738)
Liabilities	
Trade accounts payable	(625)
	(625)

In the years ended December 31, 2023, the Company carried out transactions with shareholders and other related parties, as described below:

(i) Ouro Verde Lease and Services - In 2023, a transaction was entered into with Ouro Verde Lease and Services S.A. ("UNIDAS"), within the scope of the Vehicle Lease Agreement signed between the Company and UNIDAS, whose object involves the leasing of a fleet of vehicles and through spot (sporadic) demands by the Company, with a duration of 36 months and an estimated total value of approximately R$12 million, such hiring having been previously approved by the Company's Board of Directors, on an extraordinary basis on November 7, 2022, as well as ratified at a regular meeting of the Board on November 18, 2022. The conditions of this contract were negotiated and defined between the parties, and payments will be made monthly within 30 days from the date of provision of the service. In case of late payment, the principal amount will be increased by monetary correction by the IGPM, default interest of 1% (one percent) per month, calculated pro rata die, and a fine of 2% (two percent) per month, without prejudice to any applicable penalties provided for in the contract. In addition, it should be noted that the price adjustment occurs every 12 months based on the variation of the IPCA. The portion recorded in the liabilities arises from the outstanding payment obligations with less than 30 days owed by the Company to Ouro Verde for the services rendered.

b) Operations with key management personnel

The Company provides its managers with health care, life insurance, private pension and food allowance benefits, presented in the short-term benefits line below. Benefits are partially funded by its administrators and are recorded as expenses when incurred.

The amounts referring to the remuneration and benefits of the key personnel of the management, represented by its directors, are presented below:

	12/31/2023	12/31/2022
Management compensation	10,453	12,317
Short-term benefits	1,038	797
	11,491	13,114

14. TAXES

14.1. Current taxes

	Current Assets		Non-Current Assets		Current liabilities	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Income tax (b)	-	-	-	3,936	(849,366)	(814,038)
Social contribution (b)	-	-	-	828	(347,305)	(326,716)
PIS/COFINS (a)	67,205	6,053	-	-	(50,868)	(48,278)
ICMS	-	-	-	-	(21,376)	(21,986)
ISS	-	-	306	305	(1,546)	(201)
IRRF	8	206	-	-	(773)	(255)
Other	6	-	-	-	(4,457)	(2,505)
	67,219	6,259	306	5,069	(1,275,691)	(1,213,979)

(a) PIS and COFINS credits recorded in the short term correspond to the amounts recognized in 2023 on the tariff adjustment corresponding to the period between 2018 and 2023 and to the final and unappealable balances of a lawsuit favorably filed for the Company, which recognized the right to exclude ISS from the PIS and COFINS calculation basis.

(b) The balance of R$26,752 in Income Tax and Social Contribution corresponding to the negative amounts of IR and CSLL for the years 2019 and 2020 resulting from the benefit of the Good Law, which have a favorable opinion from the MCTI (Ministry of Science, Technology and Innovation) and were transformed into PER with the forecast of starting compensation in 2024, are being offset against the Company's current liabilities.

14.2. Deferred Taxes

a) Composition of income tax and social contribution

	Based on 12/31/2023	Deferred Income Tax and Social Contribution at 34%	Based on 12/31/2022	Deferred Income Tax and Social Contribution at 34%
Deferred Tax assets				
Provision for PIS/COFINS loss	69,789	23,728	56,807	19,314
Provision for Clandestine Derivation	1,559	530	1,559	530
Provision for contingencies and other	40,818	13,879	42,358	14,402
Provision for intersection crossings	25,596	8,703	14,664	4,986
Provision - expenses with environmental compensation	40,548	13,786	38,617	13,130
Provision for bonuses	19,714	6,703	17,132	5,825
Tax benefit arising from the merger recognized in the Equity (a)	1,187,531	403,760	1,262,535	429,262
Cash Flow Hedging Result (allocated to ORA)	168,847	57,408	288,164	97,976
Effects of the Foreign Exchange Swap arising from the incorporation of NISA	59,998	20,399	70,472	23,960
	1,614,400	548,896	1,792,308	609,385
Deferred Tax Liability				
Fixed Assets - Difference between corporate and tax depreciation rate (b)	(5,378,765)	(1,828,780)	(5,676,836)	(1,930,124)
Law of Good - technological development and innovation	(41,968)	(10,492)	(50,036)	(12,509)
	(5,420,733)	(1,839,272)	(5,726,872)	(1,942,633)
Net Deferred Tax Balance	(3,806,333)	(1,290,376)	(3,934,564)	(1,333,248)

(a) Details of the transaction, the initial recognition of which was made directly against shareholders' equity, are described in Note 16.2(a). The amortization of goodwill and capital gains for tax purposes began in June 2022.

(b) The amounts of deferred tax liabilities on property, plant and equipment refer to the difference between the tax and corporate depreciation of the gas pipeline network and other facilities of the Company.

b) Movement of deferred income tax and social contribution assets and liabilities for the period ended December 31, 2023:

	Deferred Income Tax and Social Contribution on balance 12/31/2022	Other Comprehensive results	Result	Deferred Income Tax and Social Contribution on balance 12/31/2023
Deferred Tax assets				
Provision for PIS/COFINS loss	19,314	-	4,414	23,728
Clandestine Derivation Provision	530	-	-	530
Provision for contingencies and other	14,402	-	(523)	13,879
Provision for intersection crossings	4,986	-	3,717	8,703
Provision - expenses with environmental compensation	13,130	-	656	13,786
Provision for bonuses	5,825	-	878	6,703
Tax benefit arising from the merger recognized in the Equity (a)	429,262	-	(25,502)	403,760
Cash Flow Hedging Result (Other Comprehensive Income)	97,976	(40,568)	-	57,408
Effects of the Foreign Exchange Swap arising from the incorporation of NISA	23,960	-	(3,561)	20,399
	609,385	(40,568)	(19,921)	548,896
Deferred Tax Liability				
Fixed Assets - Difference between corporate and tax depreciation rate	(1,930,124)	-	101,344	(1,828,780)
Law of Good - technological development and innovation	(12,509)	-	2,017	(10,492)
	(1,942,633)	-	103,361	(1,839,272)
Net Deferred Tax Balance	(1,333,248)	(40,568)	83,440	(1,290,376)

	2024	2025	2026	2027 +	Total
Recoverability of deferred tax assets	32,204	25,502	25,502	465,688	548,896

14.3. Reconciliation of income and social contribution taxes

	12/31/2023	12/31/2022
Profit before income tax and social contribution	4,854,599	4,607,540
Adjustments for the calculation of the effective tax rate:		
(Exclusions)/Net Permanent Additions	19,153	(23,372)
(Exclusions)/ Net Temporary Additions	242,561	269,223
Temporary additions	343,978	276,948
(+) Tax vs. corporate depreciation	298,071	211,736
(+) Provision for contingency	2,207	13,491
(+) Exchange Rate Variation	-	15,715
(+) Provision for bonuses	17,635	17,132
(+) Environmental provision	1,930	-
(+) Provision for contractual transfer	9,389	14,474
(+) Environmental conditioning	2,790	2,790
(+) Lane crossing	5,738	1,610
(+) Swap Effects	-	-
(+) Allowance for loss accounts receivable	-	-
(+) Other	6,218	-
Temporary (Exclusions)	(101,417)	4,671
(-) Tax vs. corporate depreciation	-	-
(-) Bonus	(16,561)	(15,218)
(-) Environmental conditioning	(2,790)	(2,790)
(-) Provision for contractual transfer	3,593	(3,668)
(-) Amortization of tax benefit resulting from merger	(75,004)	(44,125)
(-) SWAP Gain	(10,655)	70,472
(-) Other	-	-
Basis for calculation of income tax and adjusted social contribution	5,116,313	4,853,391
Income tax and social contribution	(1,719,500)	(1,643,511)
Sponsorship Discount Rouanet Law + Other Tax Incentives	33,517	22,268
Current income tax and social contribution	(1,685,983)	(1,621,243)
Deferred income tax and social contribution	83,440	88,760
	(1,602,543)	(1,532,483)
Effective IR and CS tax rate	33,01%	33,26%

15. PROVISION FOR CONTRACTUAL TRANSFER, ENVIRONMENTAL COMPENSATION AND ENVIRONMENTAL CONSTRAINTS

15.1. Provision for contractual transfers

The Company recognized a provision of R$93,355 (R$80,372 as of December 31, 2022) for the transfer to its majority shareholder of tax credits recovered and resulting from a final and unappealable lawsuit in favor of the Company. For the registration of the provision, the Management considered the interpretation and legal analysis of the terms and conditions provided for in the existing gas transportation contracts, having concluded that the event should be registered in the non-current as a result of the ongoing negotiations with the shipper for the transfer being at an early stage.

Management will evaluate the developments and future reclassification to the current company, considering the emergence of future facts that justify such a measure, as well as the eventual settlement deadlines agreed between the parties.

15.2. Provision for environmental compensation

It refers to provisioned amounts, in the amount of R$40,548 (R$38,617 on December 31, 2022), based on Federal Law No. 9,985/2000, which constituted the National System of Conservation Units - SNUC, which aims to ensure the preservation of nature and sustainable development from natural resources and which will be spent according to the deliberation of the Environment Foundation - FATMA and the Public Prosecutor's Office.

15.3. Provision with environmental constraints

The balance recorded, in the amount of R$23,969 (R$30,267 as of December 31, 2022), refers to environmental conditions required by the environmental control, monitoring and inspection agencies, at the federal and state levels, as a result of the issuance of prior licenses for the installation and operation of the projects and construction of the Company's gas pipeline network, under the terms of Resolution No. 237/1997 of the National Council for the Environment - CONAMA.

The Company treats the events related to these conditions in accordance with the principles of technical interpretation ICPC12 - Change in Liabilities due to Deactivation, Restoration and Other Similar Liabilities - and recognizes the corresponding portion in fixed assets (initial measurement and future remeasurement). The expenses incurred in compliance with the conditions are deducted from the value of the provision and the corresponding fixed assets are being amortized, by the linear method, as a function of the remaining useful life of the gas pipelines to which the conditions are linked.

16. EQUITY

16.1. Share Capital

At the Company's Extraordinary General Meeting held on January 12, 2023, the shareholders approved the increase in the Company's capital stock, in the amount of R$292,891, through capitalization of a portion of: a) the capital reserve; b) special goodwill reserve and c) legal reserve, resulting in capital stock equivalent to R$801,603, by increasing the nominal value of the Company's shares to R$0.35 per share.

On the same date, the Company's shareholders approved the reduction of the capital stock, pursuant to article 173 of Law No. 6,404/76, in the amount of R$300,603, through the restitution of capital to the shareholders, in local currency, proportional to their respective interests in the capital stock, and with the reduction of the nominal value of the shares to R$0.22 per share. without cancellation of shares and keeping the number of shares of the Company and the percentage of shareholder participation unchanged. The effective reduction and payment of said refund to shareholders was subject to the fulfillment of certain conditions precedent, namely: (i) publication of the extract of the minutes that resolved on the reduction, pursuant to article 135, paragraph 1 of Law No. 6,404/76, which was held on January 13, 2023 in the Commercial Gazette; (ii) the expiration of the legal period of 60 days, counted from the publication mentioned in item (i), without any opposition from unsecured creditors or, if there has been opposition, upon proof of payment and/or judicial deposit of the amounts due to such creditors, as established in article 174, paragraph 2 of Law No. 6,404/76, and such period ended on March 13, 2023; and (iii) prior approval by the National Agency of Petroleum, Biofuels and Natural Gas - ANP, pursuant to article 4, paragraph 3 of Law No. 14,134/21, which took place on May 25, 2023. And once the above conditions were met, the capital reduction was effected, resulting in a remaining capital stock of R$501,000, fully subscribed and paid-in, consisting of 2,312,328,578 shares (two billion, three hundred and twelve million, three hundred and twenty-eight thousand, five hundred and seventy-eight).

16.2. Capital Reserve

a) Capital Transactions

It refers to transactions with shareholders, in their capacity as owners, and to the recognition of gains in an unusual operation of undoing financial leasing between companies of the same economic group.

In October 2016, due to the corporate restructuring of the companies Transportadora Associados de Gás (TAG), Nova Transportadora do Nordeste (NTN) and the Company and the closure of the Malhas Consortium, Petrobras' leasing with NTS was reversed on the base date of October 25, 2016, generating a gain of R$1,360,199, recorded as a capital transaction in shareholders' equity.

In August 2020, part of the capital reserve in the amount of R$167,736 was incorporated into the Company's capital, reducing the amount recorded as a capital transaction in shareholders' equity from R$1,360,199 to R$1,192,463.

In April 2022, as part of the reverse merger of NISA by the Company described in Explanatory Note 1, a negative impact corresponding to the elimination of R$930,556 was recognized, equivalent to the write-off of the 42.09% stake held by NISA in the Company at book value, which was partially offset by the positive impact of R$2,652 corresponding to the capital stock subscribed and paid in NISA. These events resulted in a net impact of R$927,904 on this account, reducing its balance from R$1,192,463 to R$264,559.

As part of NISA's reverse merger process, the Company recognized deferred Income Tax and Social Contribution on the difference between the amount paid and the equity value calculated in the transaction of 10% of its capital stock by NISA from Petrobras, on April 30, 2021 and corresponding to the overprice in relation to the book value of the acquired interest, as described in explanatory notes 1 and 16.4 a).

The recognition of the tax benefit was preceded by the preparation of the Appraisal Report on the Allocation of the Fair Value of Assets and Liabilities Assumed on the Price Paid, prepared by an independent expert and usually known as the PPA ("Purchase Price Allocation") Report, the result of which indicated that of the R$1,306,661 of surcharge paid in relation to the book value of the interest acquired by NISA in the Company, R$1,298,183 was equivalent to capital gains and R$8,478 to goodwill, both calculated for tax amortization purposes, with consequent tax benefits.

In compliance with the requirements set forth in paragraph 3 of article 20 of Decree-Law No. 1,598, of December 26, 1977, the summary of the Report was filed at the Registry of Deeds and Documents, on April 11, 2022, to comply with the deadline to do so within 13 months after the conclusion of the transaction, as provided for in this same legislation.

The amount of the tax benefit of R$444,265 corresponds to the application of the combined corporate income tax rate and social contribution of 34%, applied to goodwill and capital gains for tax purposes of R$1,306,661.

The Company evaluated the transaction in light of technical interpretation ICPC 22 - Uncertainty about the Treatment of Taxes on Profit - and concluded to make the accounting record of the tax benefit calculated on goodwill and capital gains presented in the PPA Report, since it considers it is likely that the tax authority will accept the treatment provided for this transaction, or otherwise understands that success in any administrative and/or legal dispute involving the matter is likely.

At the Company's Extraordinary General Meeting held on January 12, 2023, the shareholders approved the increase in the Company's capital stock, in the amount of R$292,891, of which R$277,278 from the Capital Reserve, through capitalization of portion: the capital reserve and the special goodwill reserve. Upon completion of the transaction, the Company's Capital Reserve is equivalent to R$431,546.

16.3. Profit Reserves

a) Legal Reserve

Constituted up to the limit of 20% of the capital stock, through appropriation of 5% of the net income for the year, in accordance with article 193 of the Brazilian Corporation Law. This reserve may only be used for the absorption of losses or an increase in share capital.

The Company may be exempt from the constitution of this reserve as long as it reaches the limit of 20% of the capital stock, mentioned in the previous paragraph, or the sum of its balance and that of the capital reserve exceeds 30% of the capital stock. As presented in note 16.3 b), Management did not establish a Legal Reserve in the years ended December 31, 2023 and 2022.

The Company recognized R$15,613 corresponding to the balance of the Legal Reserve that was recorded in NISA's books, as part of its reverse merger process by the Company described in Note No. 1.

At the Company's Extraordinary General Meeting held on January 12, 2023, the shareholders approved the increase in the Company's capital stock, in the amount of R$292,891, of which R$15,613 came from the Legal Reserve. Upon completion of the transaction, the Company's Legal Reserve corresponds to R$38,368.

b) Dividends

Dividends Paid

On March 16, 2023, the Company's Management approved the total distribution of R$830,110 in interim dividends for the fourth quarter of 2022. On the same date, the Company's Management approved the payment of R$21,646 corresponding to the monetary adjustment on dividends for the fourth quarter of 2022, at the SELIC rate applied in the period between December 31, 2022 and the date of effective payment of dividends in March, having recognized this effect within the financial results of the current period.

On July 17, 2023, the Company's Management approved the distribution of interim dividends in the total amount of R$1,530,371 in dividends for the first half of 2023, which were paid in July 2023.

On September 19, 2023, the Company's Management approved the distribution of interim dividends in the total amount of R$431,544 in dividends for the third quarter of 2023, which were paid in September 2023.

Proposed additional dividend

On December 31, 2023, the Company's Management proposed the distribution of dividends in the amount of R$1.206.494, based on net income in the 2023 financial year and in addition to interim dividends distributed to shareholders in 2023. The proposed dividends will be kept in the Profit Reserve until they are resolved by the Board of Directors and at the Company's Annual Meeting.

The table below shows the calculation of the proposed dividends.

	2023(*) (**)	2022(*)
Net income for the year	3.252.056	3.075.057
(-) Interim dividends for the year	(1.961.915)	(2.262.838)
(-) JCP paid in the year	-	(41.440)
(+) Accrued Profits _ NISA Merger	-	142.019
(=) Base Profit for Dividend Determination	1.290.141	912.798
Mandatory dividends	-	-
Tax Incentives Reserve	(83.647)	(82.688)
Additional dividends proposed	1.206.494	830.110

(*) Management did not establish a Legal Reserve in the years ended December 31, 2023 and 2022, since the combined balances of the Capital and Legal Reserve recorded exceed the 30% limit provided for pursuant to paragraph 1 of article 193 of Law No. 6,404/76.

(**) Due to the interim dividend distributions made by the Company to its shareholders in 2023, the proposed additional dividends will remain recorded in the Profit Reserve until resolution of the Board of Directors and General Meeting.

c) Tax Incentives Reserve

NTS set up a profit reserve on tax incentives in the amount of R$83,647 in 2023, accumulating a total of R$297,701 (R$214,054 on December 31, 2022) resulting from an investment subsidy related to the appropriation of ICMS credit arising from the option for ICMS Agreement No. 106/96, which grants a credit of 20% of the amount of ICMS due to companies providing transportation services. These credits were recorded in the result of the year and monthly allocated to the tax incentive reserve, being excluded from the calculation of the dividend calculation basis.

d) Period earnings per share

The calculation of basic and diluted earnings per share for the years ended December 31, 2023 and 2022, as shown below:

	2023	2022
Net Income for the period (in thousands of Reais)	3,252,056	3,075,057
Total shares issued	2,312,328,578	2,312,328,578
Basic and diluted earnings per share in Reais	1.41	1.33

16.4. Equity Valuation Adjustment

a) Transaction with partner

On April 30, 2021, NISA recognized in this item the effect of the transaction between the shareholders, in the amount of R$1,306,661, related to the acquisition of 10% (ten percent) of the Company's shares, which was calculated by the difference between the amount paid in the acquisition and the equity value of the Company.

On December 16, 2021, NISA's shareholders carried out the capital increase through a positive net equity contribution, including a 32.09% stake, equivalent to the amount of R$5,658,204. This transaction generated a goodwill in transactions between the shareholders in the amount of R$4,960,437, calculated by the difference between the value of the shares paid in by the shareholders and the equity value evaluated by the equity method.

Due to the fact that NISA and the Company belong to the same economic group, under common control, the above transactions were characterized as capital transactions between NISA and its shareholders, as provided for in the technical interpretation ICPC 09 (R1), being recorded as equity valuation adjustment. This amount was absorbed into the Company's Shareholders' Equity, due to the merger of NISA, described in Explanatory Note 1.

16.5. Other comprehensive results

a) Cash Flow Hedging Reserve

The amount of R$111,439 (R$190,188 as of December 31, 2022) refers to the effective portion of the net change in the fair value of cash flow hedging financial instruments, according to note 23 (b).

	2023	2022
Beginning Balance	(190,188)	-
Swap result before fair value adjustment	269,881	121,362
(-) Fair Value Swap Result (cfme NE 23 (b))	(150,564)	(166,801)
(=) Cash Flow Hedging Result	119,317	(288,164)
(+) Deferred IR/CS s/res. Cash Flow Hedging	(40,568)	97,976
Cash flow hedging result, net of taxes	(111,439)	(190,188)

17. NET REVENUE

	2023	2022
Gross Service Revenue	8,326,146	8,181,433
Service charges	(1,088,053)	(1,058,766)
Gas balance	157,369	22,290
Tariff adjustment	(42,440)	(367,438)
	7,353,022	6,777,519

18. COST OF SERVICES

	2023	2022
Depreciation and Amortization	(442,842)	(424,850)
Contracted services, freight, rents and overheads	(33,376)	(29,536)
Operation and Maintenance	(61,384)	(49,387)
Right of Way	(138,566)	(135,850)
Electrical energy	(13,310)	(19,517)
Insurance	(24,782)	(20,877)
ICMS on the gas used in the system	(10,626)	(8,327)
Environmental costs	(4,210)	(2,428)
Consulting Services	(16,187)	(16,624)
Trainings & Seminars	(2,014)	(1,980)
Personnel costs	(62,740)	(60,764)
Gas balance	(142,636)	(20,088)
Other Costs	(61,472)	(43,524)
	(1,014,145)	(833,752)

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Personnel expenses	(45,952)	(39,782)
Legal advice	(6,952)	(5,045)
Audit	(1,633)	(1,771)
Accounting advice	(2,208)	(2,130)
Consultancy	(4,781)	(3,775)
Sponsorships	(33,186)	(26,219)
(Provision) / Contingency Reversal	(5,376)	(15,010)
License Maintenance	(3,642)	(3,529)
Recruitment and selection	(813)	(1,329)
Rents & Fees	(1,238)	(1,318)
Contracted services	(438)	(492)
Indemnities received/paid	-	(6,917)
Office and other expenses	(11,912)	(6,001)
	(118,131)	(113,318)

20. OTHER OPERATING INCOME/EXPENSES

	2023	2022
Recovery/(Loss) Tax Credits (a)	133,992	-
Indemnities received/paid	3,003	-
	136,995	-

(a) The amounts of Recovery/(Loss) tax credits correspond to the PIS and COFINS credits recognized in 2023 on the tariff adjustment corresponding to the period between 2018 and 2023.

21. NET FINANCIAL RESULT

	2023	2022
Financial revenues		
Income from financial investments	219,537	285,900
Monetary adjustment	39,289	10,192
Other financial income	300	693
Total Financial Revenues	259,126	296,785
Financial expenses		
Interest on loans, taxes and charges (a)	(1,636,036)	(1,412,249)
Taxes on financial results	(29,513)	(19,074)
Penalties and interest	(288)	(1,575)
Monetary adjustment - Expenditure	(95,248)	(85,822)
Other financial expenses	(1,183)	(974)
Total financial expenses	(1,762,268)	(1,519,694)
Net Financial Result	(1,503,142)	(1,222,909)

(a) The Company has contracted derivative financial instruments (swaps) for the purpose of hedging foreign exchange risk and converting charges to Reais into CDI in relation to debts contracted in foreign currency. For this reason, the financial charges of the Company's debts and financing are presented in this explanatory note net of the effects of the protections contracted in the swaps. Further details on these derivative instruments are described in notes 12, 16.5 and 23(b) and (f).

22. LAWSUITS AND CONTINGENCIES

22.1. Accrued legal proceedings

The Company sets up provisions in an amount sufficient to cover losses considered probable and for which a reliable estimate can be made.

The provisioned amounts are as follows:

	Civil	Labor and employment	Tax	Regulatory	Total
Balances as of December 31, 2022	(35)	(22,714)	(4,688)	-	(27,437)
New Causes	-	-	(1,720)	(430)	(2,150)
Monetary Update	(1)	(2,206)	(202)	(22)	(2,431)
Change of Prognosis	36	-	-		36
Balances as of December 31, 2023	-	(24,920)	(6,610)	(452)	(31,982)

(a) The principal amount provisioned refers to labor lawsuits related to the incidence of labor and social security charges on past events, the outcome of which may result in future cash disbursement.

22.2. Judicial deposits

	12/31/2023	12/31/2022
Non-current assets		
Labor	47	9
Tax	18,301	17,007
Sundry	25	18
	18,373	17,034

22.3. Non-accrued legal proceedings

Lawsuits that constitute present obligations in which the outflow of funds is not likely or that a sufficiently reliable estimate of their values cannot be made, are not recognized, but are disclosed. Cases classified as remote are not the subject of any disclosures in these financial statements.

The estimated contingent liabilities for the lawsuits as of December 31, 2023 and 2022 for which the probability of loss is considered possible are set out below:

	Civil	Labor	Tax	Environmental	Total
Balances as of December 31, 2022	(75,784)	(399)	(330,118)	(63,526)	(469,827)
New Causes	(797)	(1,674)	(17,774)	-	(20,245)
Monetary adjustment	-	(19)	(33,516)	(2,860)	(36,395)
Change of Prognosis	36	-	68,736	-	68,772
write-down	67,658	100	7,262	-	75,020
Balances as of December 31, 2023	(8,887)	(1,992)	(305,410)	(66,386)	(382,675)

(a) Tax Causes

The main administrative tax cases refer to several administrative lawsuits filed by the RFB and are related to the contestation of tax credits used by NTS and not approved by the tax authority, as well as tax assessments. The main causes total R$305,410 (R$330,118 as of December 31, 2022). It should be noted that there was a change in the prognosis of R$68,736, which are related to the judgments that upheld the challenges presented by NTS in order to, in view of the "declaration of unconstitutionality by a final plenary decision of the Federal Supreme Court", annul in full the corresponding tax entries and credits.

(b) Environmental Causes

Environmental causes refer to environmental compensation processes under discussion between environmental agencies and NTS involving the following topics: (i) the maximum percentage that can be applied to the calculation of environmental compensation within the scope of licensing related to GASCAR; (ii) the index applicable for the purposes of monetary adjustment of the environmental compensation due under the licensing related to GASCAR, GASTAU, GASPAJ and GASBEL II; and (iii) the base date for the application of the monetary correction in the case of environmental compensation within the scope of the GASTAU licensing.

(c) Civil Cases

In November 2022, arbitration was requested against the Company's majority shareholder and against the Company, whose information is protected by confidentiality, regarding the sharing of infrastructures resulting from the sale of control of the Company in April 2017. A counterclaim was filed requesting the reimbursement of expenses incurred by the Company in the remediation of assets owned by it, also resulting from the sale of control. There is a contractual provision with the plaintiff in the sense that, in view of the initiation of the arbitration, the Company has the right to enforce a guarantee for reimbursement of the disputed portion before the court's decision and may exercise it when it deems it convenient. The Company awaits the assessment of the response and counterclaim, as well as other developments of the arbitration proceeding in order to, together with its legal advisors, assess the impacts on the recognized balances.

The movement for the period refers to the reduction in the amount at risk associated with the arbitration proceeding, which corresponds to the difference between the amount claimed by the counterparty in the arbitration proceeding and the amount recognized by the Company in its financial statements.

23. FINANCIAL INSTRUMENTS

The Company operates with financial instruments. The management of these instruments is carried out through operational strategies and internal controls aimed at ensuring liquidity, profitability and safety. The control policy consists of permanent monitoring of the contracted conditions versus prevailing market conditions.

As of December 31, 2023, the Company had 6 derivative financial instruments to mitigate the foreign exchange risk and exposure to the fixed interest rate associated with debts raised in foreign currency. The results are consistent with the policies and strategies defined by the Company's Management. In addition, during the fiscal years, the Company did not make speculative investments.

a) Liquidity risk

The Company uses its resources to meet its operating obligations and to pay creditors. The sources of funds added to the Company's financial position as of December 31, 2023 are sufficient to settle its short-term obligations. The liquidity risk is managed by the Company, investing its cash in Fixed Income, with liquidity not exceeding 90 days and renegotiating (when necessary) the maturity of its debts.

	2024	2025	2026+	Total
Financial debts (i)	930,143	2,385,462	12,736,150	16,051,755
Derivative financial instruments (ii)	290,059	185,855	(157,075)	318,839
Suppliers	736,245	-	-	736,245
Total	1,956,447	2,571,317	12,579,075	17,106,839

(i) The debt projections consider the probable scenario of NE 23(d), disregarding the effect of the respective funding costs.

(ii) Derivative financial instruments correspond to the net between the balances recorded in the assets and liabilities of the derivatives contracted for the purpose of hedging debts contracted in foreign currency, as detailed in section b) of this Explanatory Note. In other words, derivatives contracted for the purpose of hedging for other purposes are not included in the projection of the table above.

b) Exchange Rate Risk

It arises from the possibility of fluctuations in the exchange rates of foreign currencies involving certain loans and financing of the Company and is used for debt refinancing and acquisition of equipment or services and the contracting of financial instruments. The value of R$318.839 corresponds to the net position with the balance of the supplier swap.

The Company's policy is to eliminate market risks, avoiding taking positions exposed to fluctuations in market values and operating only instruments that allow risk control. As of December 31, 2023, as described in Note 1 and as a result of the reverse merger of NISA, the Company holds debts denominated in U.S. Dollars, the amounts raised totaling US$749,000, and for which derivative operations (Foreign Exchange Swap) were contracted, whose terms, principal and interest amounts replicate the principal and interest terms of the loans.

The fair value of derivative financial instruments is determined by the future flow, calculated by applying the contractual interest rates and future dollar or foreign exchange coupon up to the date of and payment of interest and principal, discounted at present value on the date of the financial statements at the prevailing market rates.

Institution	Description	Operation/Fee	Salary	Reference value (notional)	12/31/2023	12/31/2022
	Swap (cambial)					
	Active Position	USD/BRL +2.45%	April/2027	US$300,000	1,345,011	1,463,258
Scotia Bank	Passive position	Permanent contract + 1.35%	April /2027	R$1,421,250	(1,459,060)	(1,534,453)
				MTM Swap	(114,049)	(71,195)
	Active Position	USD/BRL +4.27%	August/2025	US$170,000	814,031	893,426
Scotia Bank (2)	Passive position	Permanent contract + 1.13%	August /2025	R$880,090	(912,603)	(941,997)
				MTM Swap	(98,572)	(48,571)
	Active Position	USD/BRL +3.40%	April/2027	US$59,000	272,103	293,345
MUFG (a)	Passive position	Permanent contract + 1.35%	April/2027	R$279,512	(286,948)	(301,776)
				MTM Swap	(14,845)	(8,431)
	Active Position	USD/BRL +2.71%	April/2027	US$90,000	406,875	442,312
OTHER	Passive position	112,7% do CDI	April/2027	R$426,375	(435,982)	(462,796)
				MTM Swap	(29,107)	(20,484)
SMBC	Active Position	USD/BRL +4.96%	September/2025	US$50,000	242,302	266,709
	Passive position	Permanent contract + 1.13%	September/2025	R$260,000	(268,570)	(277,654)
				MTM Swap	(26,268)	(10,945)
	Active Position	UDS + 5.75%	September/2025	US$80,000	391,611	433,584
NPP	Passive position	Permanent contract + 1.13%	September/2025	R$416,440	(426,137)	(440,760)
				MTM Swap	(34,526)	(7,176)
					(317,367)	(166,801)

(a) The charges of the passive end of the swap with MUFG are 3.30% p.a. until March 31, 2023 and 3.40% p.a., from 04/01/2023 until maturity.

	Assets		Liabilities		Net Position	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Working capital (*)	-	-	(290,059)	(376,490)	(290,059)	(376,490)
Non-current	23,695	209,390	(52,475)	-	(28,780)	209,390
Total	23,695	209,390	(342,534)	(376,490)	(318,839)	(167,100)

(*) Balance incorporates, in addition to the derivatives associated with the debts presented in the previous table, a derivative instrument for exchange rate hedging in contracts with suppliers.

c) Credit risk

As part of the Share Purchase and Sale Agreement signed between the Company's shareholders, Petrobras signed a Linked Account Management Agreement with Banco Bradesco S.A. aimed at diversifying NTS's credit risk in relation to the Gas Transportation Contracts (GTAs) it holds with Petrobras and so that the Company does not depend exclusively on its main customer to obtain its revenues.

The receivables pledged refer to the deposits made in the escrow account, arising from the Natural Gas Purchase and Sale Agreements (GSAs) in which Petrobras acts as seller. The deposits made in this account are intended to cover at least 120% of the expected amount of the Company's monthly revenues, due by Petrobras under the GTAs, in addition to any fees and taxes that may be deducted by Banco Bradesco each month.

Additionally, in March 2022, Petrobras presented five (5) bank guarantee letters, valid for 2 years, as of 03/30/2022, in the form agreed in each of the GTAs, corresponding to a period of 150 days multiplied by the sum of capacity, entry and exit tariffs, up to the limit of R$2,885,931.

d) Sensitivity Analysis

On December 31, 2023, the Management carried out a sensitivity analysis for financial instruments with interest rate risk, considering that the exposure is the value of debentures and financing, described in note 12, and financial investments, exposed to the variation of the CDI.

Instruments	Exposure	Risk	Base Scenario (*)	Probable (*)
Financial Asset				
Cash and cash equivalents	2,064,694	Reduction of CDI	240,537	185,822
Financial Liabilities				
Debentures and loans (a) & (b)	11,388,255	Increase in CDI	(2,075,296)	(1,755,740)

(*) Scenarios projected for 12 months.

(a) The value of debentures and loans and the interest to be incurred/projected financial charges do not include the costs of raising debt.

(b) The balances of these debts take into account the hedging effects of the corresponding Swaps, which aim to eliminate the risk of foreign exchange exposure, as well as the conversion of the risk of exposure to pre-fixed rates in foreign currency into the CDI. For this reason, Management understands that the risk of exposure to foreign currency is not relevant to the Company's equity and financial position.

The "Base" scenario was calculated considering a CDI rate of 11.65% as of December 31, 2023, applicable to the floating portion of the interest rate on debts and the balance of cash and cash equivalents.

While in the "Probable" scenario, a CDI rate of 9% was calculated, a projection based on the Focus Market Report - Central Bank of Brazil of 01/26/2024, applicable to the floating portion of the interest rate on debts and the balance of cash and cash equivalents.

e) Fair Value Estimate:

The table below shows the book and fair values of the Company's financial instruments and other assets and liabilities, as well as their level of measurement. On December 31, 2023 and 2022.

			12/31/2023		12/31/2022	
Financial assets (current and non-current)		Level	Book Value	Fair Value	Book Value	Fair Value
Cash and cash equivalents	Fair value through profit or loss	2	2,064,694	2,064,694	2,294,317	2,294,317
Accounts Receivable	Amortized cost		1,422,649	1,422,649	1,322,706	1,322,706
Other Accounts Receivable	Amortized cost		206,489	186,998	165,233	165,233
Linked Deposits	Amortized cost		13,925	13,925	16,570	16,570
Derivative Financial Instruments	Fair value through other comprehensive income (a)	2	23,695	23,695	209,390	209,390
Total			3,731,452	3,711,961	4,008,216	4,008,216

			12/31/2023		12/31/2022	
Financial liabilities (current and non-current)		Level	Book Value	Fair Value	Book Value	Fair Value
Suppliers	Amortized cost		736,245	736,245	613,179	613,179
Debentures and financing	Amortized cost		11,348,686	11,988,677	12,217,500	13,073,651
Derivative Financial Instruments	Fair value through other comprehensive income (a)	2	342,534	342,534	376,490	376,490
Total			12,427,465	13,067,456	13,207,169	14,063,320

(a) The Company has adopted cash flow hedge accounting for transactions with derivative instruments, as described in section b) of this note of the note, and has therefore recorded the effect of the fair value adjustment on Other Comprehensive Income.

The level of measurement of each financial instrument follows the following fair value hierarchy:

- Level 1 - for prices quoted without adjustments in active markets for instruments identical to those of the Company.
- Level 2 - for observable information for the asset or liability, directly or indirectly, except quoted prices included in the previous level.
- Level 3 - for unobservable data for the instrument in question.

The Company understands that the fair value of accounts receivable and suppliers, as they have most of the maturities in the short term, are substantially similar to those that would be obtained if they were traded in the market. However, since there is no active market for these instruments, differences may exist if they are settled early.

f) Movement of cash flow liabilities from financing activities

As required by technical pronouncement CPC 03, the Company shows below the movement of cash flow liabilities from financing activities, from its Cash Flow Statement:

		Cash Changes				Non-CashChanges						
Financing, Derivatives, Dividends, Interest on Equity and Capital Reduction	Balance as of December 31, 2022	Principal	Interest	Funding Cost	Early Redemption Cost	Dividends, interest on equity and capital reductions approved	Interest	Exchange Rate Variation	Funding cost	Fair Value Adjustment	Early Redemption Cost	Balance as of December 31, 2023
Commercial Notes	(1,545,338)	-	225,490	-	-	-	(219,717)	-	(1,428)	-	-	(1,540,993)
Debêntures_1 th NISA Issuance (3rd NTS Issuance)	(1,580,574)	580,000	200,416	-	-	-	(181,808)	-	(1,315)	-	-	(983,281)
Debêntures_2 th NISA Issuance (4th NTS Issuance)	(1,545,338)	-	225,490	-	8,671	-	(219,717)	-	(1,429)	-	(8,671)	(1,540,994)
Debêntures_5 issue (1st series)	(1,032,479)	-	134,687	-	-	-	(139,950)	-	(100)	-	-	(1,037,842)
Debêntures_5 Issuance (2nd Series)	(1,549,791)	-	206,432	-	-	-	(214,606)	-	(103)	-	-	(1,558,068)
Debêntures_5 Issue (3rd Series)	(1,023,698)	-	140,063	(632)	20	-	(145,668)	-	(1,070)	-	-	(1,030,985)
Scotia Bank Loan	(1,573,353)	-	32,076	-	-	-	(31,496)	112,921	-	-	-	(1,459,852)
Scotia Loan (2) Bank	(897,919)	-	31,385	-	-	-	(30,764)	63,988	-	-	-	(833,310)
MUFG Loan	(310,042)	-	8,819	-	-	-	(8,746)	22,208	-	-	-	(287,761)
CITI Loan	(472,263)	-	10,597	-	-	-	(10,432)	33,876	-	-	-	(438,222)
SMBC Loan	(264,470)	-	11,182	-	-	-	(10,923)	18,819	-	-	-	(245,392)
BNP Loan	(422,235)	-	19,881	-	-	-	(19,744)	30,112	-	-	-	(391,986)
Derivative Financial Instrument (1)	(166,801)	-	397,533	-	7	-	(386,437)	(281,924)	-	119,317	(534)	(318,839)
IR Currency Exchange	-	-	19,495	-	-	-	(19,495)	-	-	-	-	-
Dividends, interest on equity and Capital Reduction		3,114,272	-	-	-	(3,114,272)	-	-	-	-	-	-
	(12,384,301)	3,694,272	1,663,546	(632)	8,698	(3,114,272)	(1,639,503)	-	(5,445)	119,317	(9,205)	(11,667,525)

(1) It corresponds to the net position of the Derivative Financial Instruments described in Note 23. B) and excludes the position of derivatives contracted for purposes other than those of hedging against the effects of debts. As of December 31, 2023, the balance of these derivatives totals R$319 (R$167 as of December 31, 2022).

24. COMMITMENTS

a) Contractual commitments

The table below shows the minimum annual future payments, related to the contractual commitments assumed by the Company, as of December 31, 2023:

Class of Contracts	2024	2025	2026	2027	2028+	Total
Rent	24,406	10,013	-	-	-	34,419
Procurement of materials	31,053	3,467	-	-	-	34,520
Consultancy	40,559	8,909	4,630	2,440	1,200	57,738
Services & Construction & Assembly	15,938	60,327	37,902	-	4,529	118,696
IT Services	2,707	981	3,157	282	-	7,127
Legal Services	1,727	1,394	1,015	-	3,946	8,082
Telecommunications	1,186	-	-	-	-	1,186
Employee outsourcing	7,958	-	-	5,653	-	13,611
Operation, Maintenance and Integrity Services	137,024	21,746	4,124	-	-	162,894
Facilities & Travel Services	20,571	4,039	3,323	19	-	27,952
Other	1,354	620	16	-	-	1,990
Use and Sharing of Gas Pipeline Tracks	87,314	87,314	87,314	87,314	1,135,087	1,484,343
Total	371,797	198,810	141,481	95,708	1,144,762	1,952,558

b) Guarantees

As of December 31, 2023, the Company had seven lease surety insurance policies to meet the guarantees required in its lease agreements, which totaled R$3,670 in indemnifiable limit, distributed as follows:

Local	Coverage Limit
Praia do Flamengo, 22nd floor, Flamengo, Rio de Janeiro, RJ	1,696
Praia do Flamengo, 23rd floor, Flamengo, Rio de Janeiro, RJ	1,687
Rua Adelelmo Piva, 36, Jardim Vista Alegre, Paulínia, SP	50
Est. Hélio Rosa dos Santos, 1000, rooms 105 and 205, Imboassica, Macaé, RJ	39
Rua Messia Assú, nº 293, Itararé, São Vicente, SP	58
Rodovia BR 040, KM 800, rooms nº 20, 21 and 22, Matias Barbosa, MG	34
Rua Dois, nr. 21, Aterrado, Bairro Conforto, Volta Redonda, RJ	106

25. INSURANCE

The Company adopts the policy of contracting insurance coverage for assets subject to risks for amounts considered sufficient to cover any claims, considering the nature of its activity.

The Company has several insurance policies, including Operating Risks and Loss of Profits, General Civil Liability, Environmental Risks, D&O Civil Liability, E&O Professional Civil Liability, property liability, among others.

The following table summarizes the coverage and validity of the insurance contracted by the Company:

Type of Insurance	Start of Coverage Period	End of Coverage Period	Coverage
Operational Risks and Loss of Profits	October 3, 2023	April 3, 2025	1,500,000
General civil liability	October 3, 2023	April 3, 2025	400,000
Environmental Hazards	October 3, 2023	April 3, 2025	300,000
D&O Liability	October 3, 2023	April 3, 2025	300,000
Professional Indemnity (E&O)	October 3, 2023	April 3, 2025	15,000
Data protection and resp. Cyber	October 3, 2023	October 3, 2024	35,000
Corporate Fraud (Crime)	October 3, 2023	April 3, 2025	5,000
Business Comprehensive (Office)	November 11, 2023	November 11, 2024	19,000
Risks Engineering Works GASIG	May 12, 2022	July 31, 2024	130,829
Total			2,704,829

Insurance premiums paid in relation to insurance policies are recorded in assets as anticipated expenses and are appropriated in proportion to profit or loss as a function of the life of the policies.

The following table summarizes the amounts recorded on the base date of December 31, 2023 as anticipated expenses:

Description	12/31/2023	12/31/2022
Operating Risks and Loss of Profits	19,069	11,933
General Liability	3,435	2,284
Environmental Hazards	1,453	1,025
D&O Liability	1,076	647
Civil Liability Works	-	43
Engineering Risks	-	206
Corporate Insurance	1,201	1,013
Other - insurance	1,628	1,351
Total Insurances	27,862	18,503
Other Anticipated Expenses	1,712	1,351
Total	29,574	19,854

26. SUBSEQUENT EVENTS

6th issuance of debentures

At an Extraordinary Meeting of the Company's Board of Directors held on January 31, 2024, the issuance by the Company of simple, non-convertible debentures, of the unsecured type, in three (3) series, was approved for public distribution, under the rite of automatic registration of distribution to professional investors, in the total amount of R$8,000,000, due on February 15, 2029 (first series), February 15, 2031 (second series) and February 15, 2034 (third series). The debentures have remunerative interest of 100% of the accumulated variation of the CDI Rate, plus a spread equivalent to 1.20% per year, 1.40% per year and 1.70% per year, respectively.

The debentures are issued on February 15, 2024 and were paid in on February 16, 2024.

The debentures have a restrictive clause that requires the Company to comply with the financial ratio resulting from the quotient of dividing the Net Financial Debt by EBITDA, which must be equal to or less than 4.0x.

Acquisition of issued securities

At the meeting held on January 31, 2024, the Company's Board of Directors approved the acquisition of securities issued by entities with direct or indirect interest in the Company ("Notes"), in the total amount of up to R$8,600,000 ("Transaction"). The Notes will be privately placed, with expected remuneration between CDI + 2% p.a. and CDI + 2.50% p.a., according to their respective maturity terms, between five (5) and ten (10) years. The expected remuneration of the Notes is appropriate to the characteristics of the Operation, the Company's funding costs and presents rates compatible with securities available in the market, preserving its liquidity and financial soundness, in addition to ensuring competitive remuneration of its cash.

Law No. 14,789/2023 and the change in the taxation of tax benefits (subsidies)

On December 29, 2023, Law No. 14,789/2023, which amends the rules for the taxation of tax incentives, entered into force, provides for the tax credit resulting from a subsidy for the implementation or expansion of an economic enterprise, amends Laws No. 9,249/1995, No. 14,592/2023, and No. 14,754/2023, in addition to repeals the provisions of Decree-Law No. 1,598, of December 26, 1977, and Laws No. 10,637/2002, No. 10,833/2003, and No. 12,973/2014. According to Article 22, this Law enters into force on the date of its publication and will take effect on January 1, 2024.

The impact of the taxation of IRPJ/CSLL and PIS/COFINS on the presumed ICMS credit is being evaluated by NTS due to a lawsuit pending judgment where NTS defends the unconstitutionality of the Union taxing tax benefits granted by the States. In this sense and in line with the legal guidance, the Company assessed that the judicial discussion inaugurated in the previous legislative context remains valid and is capable of supporting the questioning of the taxation by IRPJ and CSLL of the presumed credit granted by ICMS Agreement No. 106/96, being based on constitutional precepts.

Lei do Bem 2021 - Disclosure of technical opinion

The Ministry of Science, Technology and Innovation (MCTI) released the technical opinion of the Lei do Bem form for the calendar year 2021 on February 19, 2024, where the Technological Research and Development of Technological Innovation Activities of a legal entity benefiting from the tax incentives provided for in accordance with the Law are declared for technical analysis by SETEC/MCTI.
The conclusion delivered by the MCTI determines that R,D&I activities are not recommended for the base year 2021, so that NTS does not comply with the provisions of Chapter III of Law No. 11,196/2005 and Decree No. 5,798/2006.

Management assesses that the reported projects have a technical basis for the Lei do Bem based on the criteria set forth in the Law and, therefore, will gather the necessary information for the technical response to the MCTI. In any case and considering this new fact, the Company has chosen to recognizer Provision for loss in the amount of R$8,080 as of December 31, 2023 for the recognized tax credits, considering the uncertainty in the prospect of recovery of such amounts.

Lawsuit - Penalty applied by ANP

On 02/23/2024, the Company filed a lawsuit for injunctive relief against the ANP in order to suspend the enforceability of the fine imposed by the Regulatory Body, resulting from an inspection procedure in which the ANP concluded that NTS had failed to comply with the technical regulations related to the custody transfer system of one of its facilities. The lawsuit was filed upon presentation of a surety bond considering the updated amount of the fine plus 30% of legal charges (R$672), to guarantee the judgment and prevent the registration of said debt in CADIN or in any restrictive credit registry, so that NTS could fully exercise its business activities, considering that the legality of the ANP's condemnatory decision will still be discussed in its own lawsuit. On 02/27/2024, the injunction was granted so that the debt is not registered in CADIN and the positive certificate with negative effect is issued for the benefit of NTS, allowing the continuation of its business activity.

Dividend distribution

At a meeting of the Board of Directors held on March 14, 2024, the distribution of dividends by the Company in the total amount of R$1,206,494 was unanimously approved, without reservations, based on a favorable opinion from the Fiscal Council, to be paid by the end of April 2024, adjusted by the SELIC monetary update computed from January 1,2024 until the payment date.