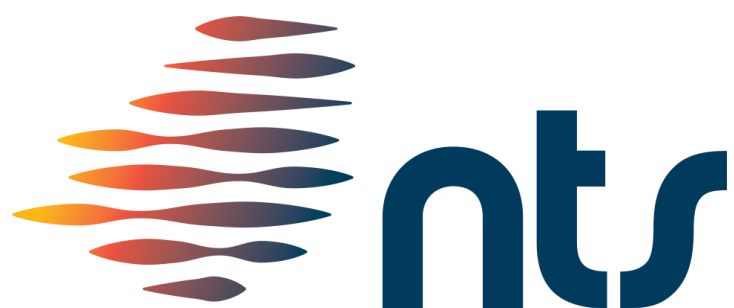


NOVA TRANSPORTADORA DO SUDESTE S.A. - NTS

MANAGEMENT REPORT - 2022



MESSAGE FROM MANAGEMENT

1.1 SUMMARY

The year 2022 marks NTS's commitment to the opening and strengthening of Brazil's natural gas market. The entry of new shippers into its pipeline network, the execution of an agreement to reduce flexibility with Petrobras, and, mainly, the strategic plan proposing integrated solutions for monetizing pre-salt gas and reducing dependence on imported gas have given the Company a leading role in the development of the logistics infrastructure that is key to Brazil's energy security.

At the Operational level, the Company continues its journey for zero harm, reporting a Recordable Accident Rate (TAR) of 1.31 per million man-hours, below the maximum operational limits defined by the Company.

The Company invested R\$430 million mainly in capacity expansion, pipeline integrity, and multi-client system adequacy. The works of the GASIG project, an 11-km long gas pipeline that will enable the flow of route 3 pre-salt gas, with a transportation capacity of 18 Mm³/day, were nearly concluded and the pipeline is available to operate as of the first quarter of 2023.

Regarding its financial plan, NTS carried out a broad corporate and debt restructuring by lengthening and diluting maturities, raising more than R\$11 billion through bilateral contracts in foreign currency and the issue of debentures and commercial notes with wide distribution in the local capital market with maturities of up to 10 years. Financial leverage, measured by the Net Debt / EBITDA ratio, did not exceed 1.8xx, while its cash generation grew by 22% to R\$6.3 billion, reinforcing the Company's financial strength.

NTS' net revenue reached R\$6.8 billion in 2022, while net income totaled R\$3.1 billion, with growths of 17.5% and 13.2% over 2021, respectively, reflecting the 100% indexation of its revenues.

On the ESG agenda, NTS has made important commitments by joining the UN Global Compact and the Oil & Gas Methane Partnership (OGMP 2.0), proving its commitment to transparency and adhering to the best international practices on the matter. Within the "S" pillar, the Company became a signatory to the Women's Empowerment Principles (WEP), which provide a guide for the Company on how to promote gender equality and women empowerment by delegating power in the workplace, labor market, and the community.

1.2 COMMERCIAL HIGHLIGHTS AND BUSINESS DEVELOPMENT

Given a challenging international scenario with the outbreak of the Russia x Ukraine conflict and, consequently, the strong volatility in LNG prices, NTS presented a comprehensive and prospective analysis of the supply and demand scenario in Brazil, showing its prominent position in enabling national gas supply to the market in the medium and long terms, and fostering the transformation and expansion of natural gas transportation logistics in Brazil.

In terms of price instability and supply shock in the international scenario, the Company has been developing several initiatives that aim to provide sustainability to an environment of greater stability and competitiveness for the national gas market, among which:

Execution of Interruptible Contracts: A total of seven transportation contracts were signed in the interruptible modality with SHELL, GALP, and GERDAU. These contracts are a key step toward the democratization of access to the gas transportation infrastructure in the Brazilian market;

Execution of an Agreement to Reduce Petrobras' Flexibility of Use: This instrument allows other agents to access NTS' transportation system in "firm modality", thus strengthening 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;

Acquisition of Linepack: Acquisition of 40 million m³ of gas to form the reference stock of NTS' transportation network, which is a key mechanism to allow the entry of new shippers into the system;

Execution of Gas Balancing Agreements: such agreements provide for the purchase and sale of molecules for the exclusive use of gas balancing in the system. Through contracts signed with GALP in 2022 and with Petrobras in January 2023, NTS can inject (through purchases) or remove (through sales) gas shortages or surplus that may unbalance the system.

GASIG Project: progress of approximately 81% of the works of the first expansion project of the natural gas transportation pipeline in Brazil after the implementation of the sector's new regulatory framework in 2021. GASIG's pipeline will be 11 km long, interconnecting Itaboraí to Guapimirim, enabling the flow of pre-salt gas through Route 3, with a transportation capacity of 18 Mm³/day;

Commissioning of the New Delivery Point – PE Cubatão II: the start-up of this asset allows the supply of natural gas directly from the GASAN pipeline to Comgás, the local distributor. This new facility, with a 1.5 M m³/d capacity, will contribute to greater operational reliability.

The investments in the year were mostly aimed at the GASIG project, the acquisition of gas reference stock (linepack), and the conclusion of the Cubatão II delivery point. These projects aim at the expansion of our new system and the adequacy of our network to new shippers.

Also in this period, the Company continued to focus on its project portfolio to ensure the integrity, availability, and reliability of the network's pipelines and equipment. It is worth noting the overhaul of the turbines in two compression stations, the continuation of the SCC (stress corrosion) mitigation plan, and the PIG campaign for cleaning, inspecting, and maintenance of pipelines.

Closing the year NTS executed a Memorandum of Understanding (MoU) with GNA (Gás Natural Açú), which is the first step for the project's feasibility study and licensing of a new gas pipeline, GASINF (Gasoduto de Integração Norte Fluminense). This new infrastructure is intended to connect GNA's natural gas-filled thermoelectric plant, at Porto do Açú, to NTS' transportation network in Macaé, Rio de Janeiro.

Under the agreement, NTS is responsible for the project development, including technical studies, for the implementation of a connected infrastructure composed of a gas pipeline with approximately 105 km, and additional assets required to connect GNA's Natural Gas Thermoelectric Plant.

1.3 FINANCIAL HIGHLIGHTS

In terms of financial and corporate governance, the Company carried out some important transactions in 2022 which allowed the simplification of the corporate structure and the re-negotiation of the maturity of its corporate debts.

Absorption of NISA: In April 2022, we concluded the absorption of Nova Infraestrutura Gasodutos Participações S.A. (“NISA”). Shares representing 8.5% and 91.5% of NTS’s total share capital are now directly and respectively held by Itaúsa S.A. and Nova Infraestrutura Fundo de Investimento em Participações Multiestratégia. The absorption included NISA’s obligation provided for in the instruments, debentures, and commercial notes collateralized by the Company through suretyship, and allowed the rationalization of the corporate structure and the reduction of administrative expenses. With the conclusion of the transaction, NTS succeeded NISA in all rights and obligations.

Funding - NISA: In the first half of 2022, NISA successfully concluded the contracting of approximately R\$5 billion of debts collateralized by the Company through personal guarantee in the form of suretyship.

Funding - NTS: In the second half, to anticipate some volatility arising from the ongoing election scenario and the international geopolitical crisis triggered by the Russia x Ukraine conflict in October 2022, the Company concluded a fundraising of approximately R\$5 billion to bring forward the due date of the debenture maturing in April 2023.

Finally, the financial results presented by NTS in 2022 reinforce the Company’ solid business model and its strong capacity to generate value. EBITDA reached R\$6.3 billion in the period, up by 20% over the previous year.

In January 2023, Fitch Ratings reaffirmed the long-term national rating, maintaining the “AAA(bra)” rating with the stable outlook granted in 2022.

We would like to thank the trust our shareholders placed in us in 2022, the dedication and support received by the Fiscal Board and Board of Directors, our Executive Officers, managers, and all teams for the work performed during the period.

Erick Portela Pettendorfer

Alex Monteiro

Chief Executive Officer

Chief Financial and Investor Relations Officer

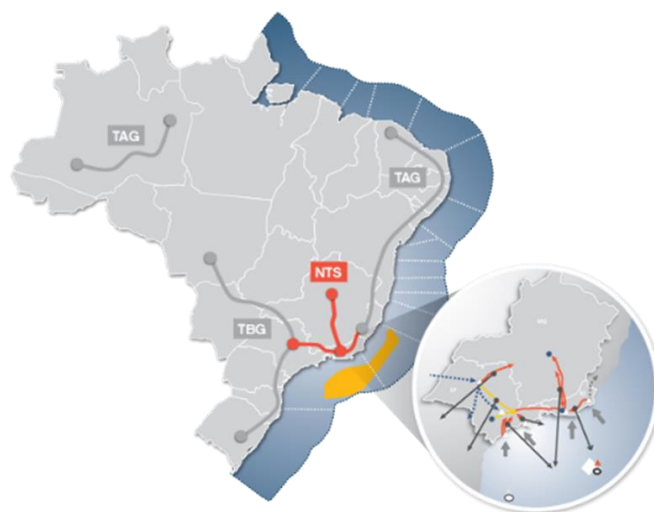
NOVA TRANSPORTADORA DO SUDESTE - NTS

2.1 OUR BUSINESS

NTS (Nova Transportadora do Sudeste S/A – NTA) is a company that belongs to the natural gas transportation segment in Brazil that transports gas through a solid system of gas pipelines, connecting the Southeast region of the country, which currently accounts for more than 50% of Brazil’s GDP, and is responsible for transporting approximately 50% of the national consumption of gas through more than 2 thousand km of high-pressure pipelines.

Its assets are connected in the region that concentrates nearly all national gas supply (including pre-salt) and in the region with the highest capacity of LNG terminals and consumption. NTS’ pipeline network is connected to other major Brazilian carriers, thus allowing for better rebalancing.

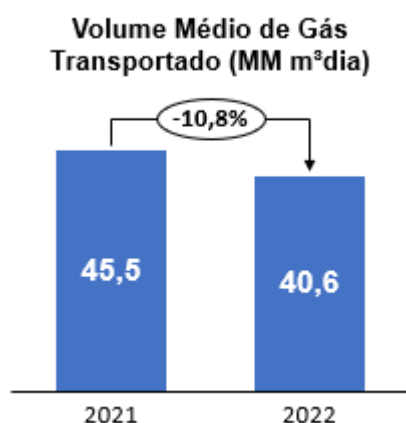
The Company operates under an authorization regime, with 100% of its capacity contracted in long-term commercial ship-or-pay agreements maturing in 2025, 2030, and 2031. NTS has six gas compression stations in the network, five of which are owned by the Company.



NTS’s network has strong interconnection between its gas pipelines, connecting to the national production coming mainly from the Campos and Santos basins, the Bolivia-Brazil pipeline, owned by Transportadora Brasileira Gasoduto Bolívia-Brasil (TBG), the gas pipelines in the Northeast region of Brazil, owned by Transportadora Associada de Gás (TAG), and the Guanabara Bay LNG terminal, owned by Petrobras, totaling nine points for receiving and 47 points for delivering gas in the region.

2.2 VOLUME TRANSPORTED IN 2022

NTS’s network serves Brazil’s major gas consumers, i.e. the States of São Paulo, Rio de Janeiro, and Minas Gerais. In 2022, these three States consumed approximately 50%, 37%, and 13% of the gas delivered by NTS, respectively.



In 2022, the average volume delivered by NTS was 40.6 million m³/day, compared to 45.4 million m³/day in 2021. This reduction was due to lower demand for electricity resulting from the reduced dispatch of the thermoelectric plants connected to NTS’s network, mainly as of the second half of 2022. The maintenance of the water reservoirs at hydroelectric plants at high levels is expected to maintain the transportation level in 2023.

2.3 TRANSPORTATION CONTRACTS IN EFFECT

The trade relation between a gas carrier company and its customers called shippers, 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.

In 2022 no events changed the firm transportation capacity contracted in the GTAs executed by the Company for purposes of calculation of NTS' annual revenue.

The table below shows the contracted transportation capacity and the average volume transported per day, per contract.

Contract	Contracted capacity *	Average volumes transported (MM m ³ /day)		Maturity
		2022	2021	
Southeast Pipeline	43.8	25.9	33.8	12/31/2025
Southeast II Pipeline	49.4	1.7	3.6	10/14/2031
GASDUC III	40.0	10.1	15.6	11/11/2030
GASTAU	20.0	13.3	10.4	11/30/2031
Paulínia - Jacutinga	5.0	0.2	0.3	01/14/2030
Total	158.2			

**The operational data in this table were not audited by Ernst & Young Auditores Independentes S.S. Ltda.*

In September 2022, NTS executed with Petrobras an Agreement to Reduce Flexibility and Amendments to the GTAs, releasing around 20% of the capacities in the Entry Points and Exit Zones, allowing the entry of new shippers into NTS' Transportation Network.

Furthermore, in 2022, it executed seven interruptible contracts for natural gas transportation, all of them maturing in December 2022, of which four with GALP, two with Shell, and one with Gerdau, based on gas transportation using the idle capacity of the five aforementioned GTAs.

2.4 THE OPERATION

In 2022, NTS celebrated its first anniversary after definitely taking over the operation and maintenance activities of its gas pipelines, which were previously carried out by Petrobras Transporte S.A. (Transpetro).

Also in 2022, it received the SPIE (Proprietary Equipment Inspection Service) certification, granted by the Brazilian Petroleum Institute (IBP). Thus, NTS plans and executes inspection and maintenance activities in gas pipelines, delivery points, compression stations, and other facilities of the pipeline network.

Maintenance and inspection activities are necessary to ensure the reliability, availability, integrity, and operational security of the natural gas transportation infrastructure, based on the best technologies and market practices. We regularly audit assets to check the adequacy of the activities, facilities, and service providers.

In 2022 NTS carried out inspections in six pipelines, including the launch of 25 PIG (pipeline maintenance, cleaning, and prevention tools), highlighting innovations in the methods used by the Company, which enabled the launch of cleaning PIG with no need to release natural

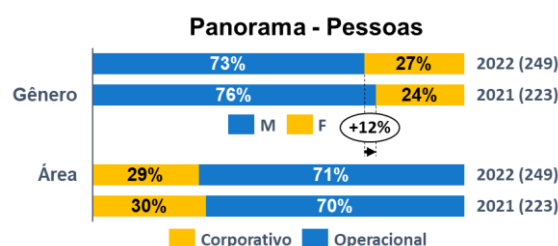
gas into the atmosphere, thus contributing to an environmentally sustainable and economically profitable operation.

The Company monitors the transformation of the populational panorama and the changes in the conditions of its network by continuously improving its operations with the Lease Class (*Classe de Locação*) project, whose purpose is to work on actions to mitigate the effects of the populational growth around the pipelines.

In addition to defining safety standards because of the risk related to the proximity of the communities in the places where the pipelines are installed, the Company reassesses compliance with such criteria and takes measures aiming at everyone's safety, which include reducing pressure, installing concrete slabs, tapes and signaling totems, and replacing gas pipeline stretches.

2.5 PEOPLE

We closed 2022 with 249 filled work positions and intensively worked on the Diversity & Inclusion and innovation agenda, in addition to other matters, and ensured constant care regarding pandemic prevention.



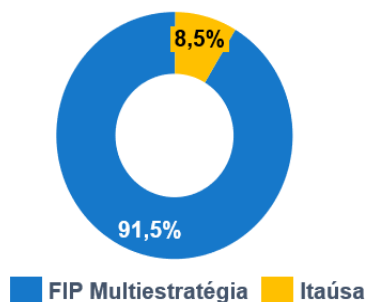
In 2022, with the end of the public health emergency caused by the COVID-19 pandemic, as formalized by Brazilian authorities, and a significant improvement in epidemiological indicators, NTS' in-person activities resumed in all its facilities, with greater flexibility on certain health protocols.

The Diversity Program continues to focus on valuing a culture of diversity and equality. As a result, the proportion of women working at NTS moved up by 12%, and the proportion of women holding leadership positions grew even more, by 33% over 2021.

The Company also complemented its culture of diversity and inclusion by offering training sessions and workshops on the matter, including topics on the inclusion of people with disabilities in the labor market, racial-ethnic diversity, and LGBTQI+. In addition, several positive workplace and team integration practices were implemented, including team building, quality of life and relaxation actions to reinforce our culture and values.

2.6 ABSORPTION OF NISA

Composição Acionária



On April 12 the absorption of Nova Infraestrutura Gasodutos Participações S.A. (“NISA”), holder of shares representing 42.09% of the Company’s share capital, was approved (“Absorption”). With the completion of the absorption, NISA was extinguished by operation of law and the shares representing 8.5% and 91.5% of NTS’s total share capital are now directly and respectively held by ITAUSA and Nova Infraestrutura Fundo de Investimento em Participações Multiestratégia (“FIP”).

ECONOMIC AND FINANCIAL PERFORMANCE

Below are the highlights of NTS's Management Report for the fiscal year ended on December 31, 2022, compared to the fiscal year ended on December 31, 2021:

<i>In thousands of reais</i>	2022	2021	Var.	Var. 2022 x 2021
Net Operating Income	6,777,519	5,765,779	17.5%	1,011,740
Cost of services	(833,752)	(887,538)	-6.1%	53,786
Gross Profit	5,943,767	4,878,241	21.8%	1,065,526
Operating income (expenses), net	(113,318)	(86,989)	30.3%	(26,329)
Operating Income	5,830,449	4,791,252	21.7%	1,039,197
Net Financial Result	(1,222,909)	(210,094)	482.1%	(1,012,815)
Income before Taxes	4,607,540	4,581,158	0.6%	26,382
Total income tax and social contribution	(1,532,483)	(1,521,484)	0.7%	(10,999)
Net income for the period	3,075,057	3,059,674	0.5%	15.383

3.1 NET OPERATING REVENUE

In 2022, Net Operating Revenue totaled R\$6.8 billion, up by 17.5% over the R\$5.8 billion recorded in 2021.

NTS' operating revenue is fully generated by its firm and uninterrupted GTAs. The variations in the average volume transported have no material impact on revenues since the firm GTAs executed with Petrobras have a Ship-or-Pay clause, i.e., a contractual condition that guarantees the carrier revenue predictability and stability, since revenue is calculated based on contracted transportation capacity, regardless of the volume actually transported.

The YoY revenue variation is explained by the inflation-adjusted contracts for inflation. The annual IGP-M weighted index of the five GTAs was approximately 17.8%, positively impacting revenue between 2021 and 2022.

Charges on services totaled R\$1.1 billion in 2022, and R\$938 million in 2021, at the federal (PIS/COFINS) and state and municipal (ICMS/ISS) levels. The variation was due to higher revenue.

<i>In thousands of reais</i>	2022	2021	Var.	Var. 2022 x 2021
Net Operating Income	6,777,519	5,765,779	17.5%	1.11.740

3.2 COST OF SERVICES

The Cost of Services totaled R\$833 million in 2022, or 12.3% of net revenue, compared to the R\$888 million, or 15.4% of net revenue reported in 2021. YoY, the cost of services fell by around R\$54 million, or 6.1%, in 2022.

The main item that contributed to the decrease in the cost of services was the change in the Operation & Maintenance (O&M) costs, which is explained by the prioritization of the transaction in July 2021, and the termination of technical monitoring contracts with Transpetro.

The YoY decline in the Operation & Maintenance (O&M) costs totaled R\$155 million in 2022, of which R\$80 million less in asset operation, R\$61 million lower in maintenance services, and R\$27 million less referring to the operational support agreement with Transpetro (TSA), offset by higher expenditures of R\$13 million with geotechnical repairs and other services.

The maintenance of green tariff flag throughout most of the compared to the previous year, led to a 23% reduction in electricity expenses, nearly R\$6 million lower than in the previous cycle.

ICMS charged on the gas used in the system (ICMS-GUS) was R\$3 million less in 2022 compared to 2021, due to the lower volume transported.

Personnel costs increased by R\$11 million, due to the hiring of technical and specialized labor in the process to prioritize operational activities.

The Company executed gas balancing agreements that allow the purchase and sale of molecules, exclusively aimed at balancing the system. When in force, these agreements have fixed and variable costs, thus allowing NTS to inject or remove any gas surplus or shortage that might jeopardize the balance of the system.

This service increased by R\$20 million in 2022. However, the mechanism has no impact on the Company's operating profit since the cost incurred is fully transferred to the system (pass-through).

Right-of-way costs increased by R\$47 million YoY in 2022, mainly due to higher rental and maintenance/preservation costs charged by Petrobras and Transpetro.

<i>In thousands of reais</i>	2022	2021	Var.	Var. 2022 x 2021
Cost of services	(833,752)	(887,538)	-6.1%	53,786
Operation and maintenance	(49,387)	(204,250)	-75.8%	154,863
Training and seminars	(1,980)	(8,554)	-76.9%	6,574
Electricity	(19,517)	(25,417)	-23.2%	5,900
ICMS on the gas used in the system	(8,327)	(11,143)	-25.3%	2,816
Environmental costs	(2,428)	(2,555)	-5.0%	127
Services, freight, rentals, and general charges	(29,536)	(27,800)	6.2%	(1,736)
Consulting services	(16,624)	(13,119)	26.7%	(3,505)
Insurance	(20,877)	(16,452)	26.9%	(4,425)
Depreciation	(424,850)	(414,265)	2.6%	(10,585)
Personnel costs	(60,764)	(49,363)	23.1%	(11,401)
Other costs	(43,524)	(25,563)	70.3%	(17,961)
Balancing gas	(20,088)	-	n.a.	(20,088)
Right of way	(135,850)	(89,057)	52.5%	(46,793)
<i>% on net revenue</i>	<i>-12.3</i>	<i>-15.7</i>	<i>3.4 p.p.</i>	

3.3 GROSS PROFIT

NTS has counted on this year a Gross Profit of R\$5.9 billion, up by R\$1.1 billion or 21.8% over the R\$4.9 billion reported in 2021. The gross margin increased by 3.1 p.p., to 87.7% compared to the 84.6% reported in 2021. The increase in profit and gross margin was mainly due to the 17.8% growth in the net operating income and the 6.1% decrease in the cost of services year over year.

<i>In thousands of reais</i>	2022	2021	Var.	Var. 2022 x 2021
Gross Profit	5,943,767	4,878,241	21.8%	1,065,526
Gross Margin %	87.7	84.6	3.1 p.p.	

3.4 OPERATING INCOME/EXPENSES

Operating Income/Expenses totaled a negative R\$113 million in 2022, equivalent to 1.7% of net operating income, compared to the positive balance of R\$87 million reported in 2021. Administrative Expenses increased by R\$26 million in the period, or 30.3%, due to higher expenses with incentive sponsorship, personnel, and labor provisions.

With the return of in-person activities, office expenses increased as well as the costs of legal and specialized consulting, which negatively impacted the result by around R\$5 million YoY in 2022.

Reinforcing its commitment to support the cultural, professional, and educational development of the communities neighboring our assets, the Company increased the number of incentive funds aimed at social projects and programs by around R\$6 million.

Impacted by inflationary indexation in payroll and the effect of the increase in specialized and leadership positions started in 2021, personnel costs increased by around R\$10 million in the period.

Finally, the Company recognized nearly R\$15 million in the period related to labor, legal, and civil contingencies, due to the reclassification from possible to probable losses.

These figures were mitigated by the end of donations to face COVID in 2022, and the inexistence of tax credit reversal in the period, totaling R\$6 million and R\$9 million, respectively.

<i>In thousands of reais</i>	2022	2021	Var.	Var. 2022 x 2021
Operating Income/(Expenses)	(113,318)	(86,989)	30.3%	(26,329)
General and administrative expenses	(113,318)	(78,151)	45.0%	(35,167)
Donations	-	(6,000)	<i>n.a.</i>	6,000
Recruitment and selection	(1,329)	(2,167)	-38.7%	838
Contracted services	(492)	(1,191)	-58.7%	699
Rentals and fees	(1,318)	(1,149)	14.8%	(170)
License maintenance	(3,529)	(2,897)	21.8%	(632)
Office expenses and other	(6,001)	(5,268)	13.9%	(733)

Audit	(1,771)	(950)	86.5%	(822)
Legal, accounting, and consulting services	(10,949)	(8,694)	25.9%	(2,256)
Sponsorships	(26,219)	(20,475)	28.1%	(5,744)
Personnel expenses	(39,782)	(30,101)	32.2%	(9,682)
Labor and legal contingency	(15,010)	740	n.a.	(15,749)
Compensations Received	(6,917)	-	n.a.	(6,917)
% on NOI	-1.7%	-1.5%	0.2 p.p.	
Tax Recovery	--	(8,837)	n.a.	8,837.
% on NOI	--	-0.2%	n.a.	
Asset write-offs	--	--	--	--
% on NOI	--	--	--	--

3.5 OPERATING INCOME

Operating Income totaled R\$5.8 billion in 2022, accounting for 86% of the net operating income, an increase of 21.7% over 2021.

<i>In thousands of reais</i>	2022	2021	Var.	Var. 2022 x 2021
Operating Income	5,830,449	4,791,252	21.7%	1,039,197
% on net revenue	86.0	83.1	2.9 p.p.	

3.6 NET FINANCIAL RESULT

Net Financial Result was negative by R\$1.223 million in 2022, compared to the negative R\$210 million reported in 2021. The variation was mainly due to the contracting of additional loans, totaling R\$5 billion, and the absorption of NISA debentures, totaling R\$1.7 billion, as a result of the reverse absorption of NISA.

<i>In thousands of reais</i>	2022	2021	Var.	Var. 2022 x 2021
Gross Debt	12,217,500	5,342,018	128.7%	6,875,482

Furthermore, the rise in the interest rate helped the average CDI rate to get to its highest level in seven years, reaching 12.4% in 2022, compared to 4.4% in 2021. 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 Revenues totaled R\$297 million in the period, an increase of R\$217 million over 2021, mainly due to the rise in the interest rate (CDI) in the period.

<i>In thousands of reais</i>	2022	2021	Var.	Var. 2022 x 2021
Net Financial Result	(1,222,909)	(210,094)	482.1%	(1,012,815)
Finance income	296,785	79,540	273.1%	217,245
Financial expenses	(1,519,694)	(289,634)	424.7%	(1,230,060)

The company ended the year with a total gross debt equivalent to R\$ 12.21 billion, of which R\$ 12 billion refers to the principal of the debt and R\$ 250 thousand refers to interest plus funding costs, as summarized in the table below.

Indebtedness	Original Issuer	Currency	Main US\$	Main R\$	Final Cost
Commercial notes	NISA	R\$	-	1,500,000	CDI + 1.90%
Debentures_1 st issue	NISA	R\$	-	1,547,187	CDI+1.99%
Debentures_2 nd issue	NISA	R\$	-	1,500,000	CDI+1.90%
Debentures_5 th issue 1 st series	NTS	R\$	-	1,000,000	CDI+1.30%
Debentures_5 th issue 2 nd series	NTS	R\$	-	1,500,000	CDI+1.60%
Debentures_5 th issue 3 rd series	NTS	R\$	-	1,000,000	CDI+1.85%
Scotia Bank loan	NISA	US\$	300,000	1,565,310	CDI+1.35%
Scotia Bank loan (2)	NTS	US\$	170,000	887,009	CDI+1.13%
MUFG loan	NISA	US\$	59,000	307,844	CDI+1.35%
CITI loan	NISA	US\$	90,000	469,593	112% of CDI
SMBC loan	NTS	US\$	50,000	260,885	CDI+1.13%
BNP loan	NTS	US\$	80,000	417,416	CDI+1.90%
Total				11,955,244	

3.7 INCOME BEFORE TAXES

Income before Taxes totaled R\$4.6 billion in 2022, similar to the figure reported in 2021, but it represents an 11.5 p.p. decrease in net income, due to the decline in the Company's Net Financial Result, as identified in the previous item, virtually annulling the positive impact of the higher Operating Income reported in the period.

In thousands of reais	2022	2021	Var.	Var. 2022 x 2021
Income before Taxes	4,607,540	4,581,158	0.6%	26,382
% on net revenue	68.0	79.5	-11.5 p.p.	

3.8 INCOME TAX E SOCIAL CONTRIBUTION

Current and deferred income tax and social contribution totaled R\$1.5 billion in 2022, compared to the R\$1.5 billion reported in 2021, with the effective rate roughly unchanged, at 33.3% in the year.

In thousands of reais	2022	2021	Var.	Var. 2022 x 2021
Total income tax and social contribution	(1,532,483)	(1,521,484)	0.7%	(10,999)
% on income before taxes	-33.3	-33,2	-0.0 p.p.	
Current income tax and social contribution	(1,621,243)	(1,257,511)	28.9%	(363,732)
% on income before taxes	-35.2	-27.4	-7.7 p.p.	
Deferred income tax and social contribution	88,760	(263,973)	-133.6%	352,733
% on income before taxes	1.9	-5.8	7.7 p.p.	

3.9 NET INCOME

Company has counted on this year a Net Income of R\$3.1 billion, equivalent to 45.4% of net revenue and R\$15 million higher than the R\$3.1 billion reported in 2021.

<i>In thousands of reais</i>	2022	2021	Var.	Var. 2022 x 2021
Net income	3,075,057	3,059,674	0.5%	15,383
% on net revenue	45.4	53.1	-7.7 p.p.	

3.10 EBITDA

EBITDA totaled R\$6.3 billion in 2022, compared to the R\$5.2 billion reported in 2021. The EBITDA margin increased by 2.0 p.p., to 92.3%, compared to the 90.3% reported in 2021, positively impacted by higher net operating income and lower service costs.

<i>EBITDA Reconciliation (In thousands of reais)</i>	2022	2021	Var.	Var. 2022 x 2021
Net Income	3,075,057	3,059,674	21.0%	15,383
Income Tax and Social Contribution	1,532,483	1,521,484	22.5%	10,999
Financial Result	1,222,909	210,094	95.6%	1,012,815
Depreciation and Amortization	424,850	414,265	7.9%	10,585
EBITDA	6,255,299	5,205,517	22.2%	1,049,782
EBITDA Margin %	92.3	90.3	2.0 p.p.	

3.11 EQUITY PERFORMANCE

On December 31, 2022, PP&E, net of depreciation, totaled R\$7.7 billion, compared to the R\$7.8 billion reported on December 31, 2021. The decrease in the balance was basically due to the YoY depreciation, net of new investments.

We closed the year with a gross debt of R\$12.2 billion, higher than the figure reported at the end of 2021, due to the contracting of new debt and the absorption of debentures and commercial notes resulting from the reverse absorption of NISA, concluded in April 2022.

The cash amount continues in line with the total reported at the end of 2021, remaining at R\$2.3 billion.

Indebtedness <i>(In thousands of reais)</i>	12/31/2022	December 31, 2021
Gross Debt	12,217,500	5,342,018
Commercial notes	1,545,338	
Debentures_2 nd issue	--	5,279,848
Debentures_1 st issue NISA	1,580,574	
Debentures_2 nd issue NISA	1,545,338	
Debentures_5 th issue 1 st series	1,032,479	
Debentures_5 th issue 2 nd series	1,549,791	
Debentures_5 th issue 3 rd series	1,023,698	
Santander loan (CCB)	--	62,170
Scotia Bank loan (a)	1,573,353	
Scotia Bank loan (2) (a)	897,919	
MUFG loan (a) / (b)	310,042	
CITI loan (a)	472,263	
SMBC loan	264,470	
BNP loan	422,235	
Derivative financial instruments, net	167,100	
Cash	(2,294,317)	(2,235,391)
Net Debt	10,090,283	3,106,627

In October 2022, the Company concluded a fundraising of approximately R\$5 billion to bring forward the redemption of the 2nd Debenture issued in 2018 and maturing in April 2023.

The fundraising involved, among other instruments, the issue of debentures (CVM Instruction 476) totaling R\$3.5 billion, maturing in 5, 7, and 10 years, which was the largest issue with broad distribution in the Brazilian capital market in 2022.

In addition, 4131 foreign-currency loans were contracted with financial institutions. The amount of R\$1.5 billion was fully converted into Brazilian reais and CDI by contracting derivative instruments.

With the contracting of such derivative instruments, the Company's financial loan portfolio is 100% exposed to Brazilian reais and CDI.

3.12 INVESTMENTS MADE IN 2022

NTS operates regulated assets that must be maintained in operating conditions at full capacity during the validity of the operating authorizations.

In 2022, investments totaled R\$430 million, compared to the R\$202 million reported in 2021. The Company's investments can be grouped into two major categories.

The first investment category aims to assure the integrity, availability and reliability of gas pipelines and equipment, either through improvements, adequacy, or modernizations. The main projects executed with such purpose in 2022 were:

- Overhaul of turbines at ECOMPs in Taubaté and Vale do Paraíba;
- SCC (stress corrosion) migration plan with 35 excavations in the year;
- PIG campaigns for pipeline cleaning, inspection, and repair;
- Remodeling of operating bases.

The Company must maintain the transportation capacity in line with the contractual obligations of each GTA, and make investments that comply with legal and regulatory requirements.

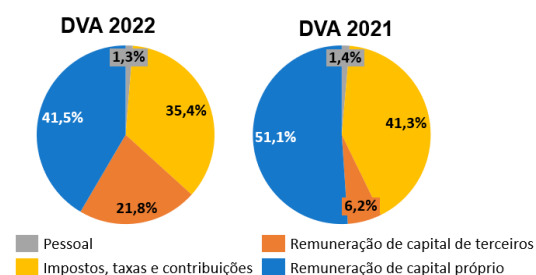
The second investment category is directly related to system expansion or technical adequacy that allows the entry of new shippers and enables the Company to comply with multi-client demand. The main projects executed with such purpose in 2022 were:

- GASIG Project;
- Acquisition of Linepack;
- Cubatão II Delivery Point

Among the aforementioned investments, we highlight the physical-financial beginning and conclusion of more than 80% of GASIG works, a project under the exclusive responsibility of NTS that translates into the construction of an 11-km stretch of pipelines and capacity for 18.2 million m³/day. With the physical progress reaching 81% in December the Itaboraí receiving point was concluded, marking the beginning of the pipeline.

3.13 VALUE-ADDED DISTRIBUTION

The value-added distribution achieved nearly R\$7.4 billion in 2022, up by 23.6% over the figure reported in 2021, 41.5% of which was aimed at return on equity, in the form of dividends and interest on equity, 35.4% at taxes, fees, and contributions, 21.8% at remuneration on third-party capital, and 1.3% at personnel.



<i>In thousands of reais</i>	2022	2021	Var.
Personnel	97,020	85,129	14.0%
Taxes, fees, and contributions	2,619,132	2,474,858	5.8%
Remuneration of third-party capital	1,613,793	370,027	336.1%
Value distributed to shareholders	3,075,057	3,059,674	0.5%
TOTAL VALUE-ADDED DISTRIBUTION	7,405,002	5,989,688	23.6%

3.14 INDEPENDENT AUDITORS

The independent external audit, whose hiring was approved by the Company's Board of Directors, analyzes the Company's financial statements after the end of each of the first three quarters of the current fiscal year and in the 4 (four) months following the end of the fiscal year.

Such statements are approved by NTS' shareholders at a General Meeting based on a statement of the Board of Directors and an opinion prepared by the Fiscal Council. Every five consecutive fiscal years, the contracted company must be replaced to ensure equality, independence, and transparency to the audit process.

In 2022, the external audit fees related to the quarterly reviews performed by the auditors on the Company's quarterly and annual statements totaled R\$845 thousand (R\$769 thousand in 2021).

3.15 RATING

NTS has a long-term national corporate rating and also a rating for the Company's second debenture issue of "AAA (bra)", with a stable outlook, issued by Fitch Ratings.

The rating was reaffirmed in January 2023 and reflects NTS' strong business model underpinned by long-term contracts with no volumetric risk and the low-risk profile of Brazil's natural gas transportation industry. Fitch's report is available at <https://ri.ntsbrasil.com>.

3.16 RISK MANAGEMENT

We annually inventory corporate risks, measure qualitative impact, probability of occurrence and vulnerability, and define action plans for each risk aiming at reducing them to an acceptable residual level. Accordingly, NTS seeks to address risks that may affect its operational continuity and the achievement of the Company's strategy and objectives, and analyze ESG risks considering operational to corporate impacts.

NTS adopts the Enterprise Risk Management (ERM) model, based on the principles of the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2017), to support the corporate risk management process, and takes subsequent actions to prevent or mitigate such risks. Furthermore, NTS has created a Risk and ESG Committee composed of the CEO, the risks owners of each area, the internal audit, and members of the ESG and risk management group who meet every quarter to monitor results and discuss any need for action.

The purpose of the Risk and ESG Committee is to advise management on the main risk matters by analyzing the measurement results and risk indicators, promoting and prioritizing actions based on the criticality and relevance of each risk, and supporting the Executive Boards in their decision-making. Finally, the management and status of the risk mitigation plans are quarterly shared with the Board of Directors.

Another important tool used in risk analysis is the contracting of insurance. NTS has a policy of taking out insurance coverage for the assets subject to risks in amounts considered sufficient to cover possible losses, considering the nature of its activities.

The Company has several policies to cover operational risk and loss of profit, environmental risks, general civil liability, civil liability, D&O, professional civil liability (E&O), engineering risks, civil construction liability, property, corporate fraud, data protection, and cyber liability. At the end of 2022, the coverage of all policies totaled approximately R\$2.6 billion.

It is also worth noting that for the fifth consecutive year, NTS's internal control environment (SOX) was certified by external auditors in 2022.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE ASPECTS (ESG)

4.1 ENVIRONMENTAL

Reinforcing its commitment to the agenda the Company carried out an evaluation, with the support of an external consulting firm, to further understand NTS' level of maturity on the ESG agenda and the progress made to date. Based on this evaluation the Company prepared an action plan that provides for actions and initiatives in the three axes: environmental, social, and governance.

Because of the Company's business model and recent operational transition, the major opportunities for improvement are in the environmental agenda with a focus on climate change, natural resource management, and biodiversity preservation. The non-exhaustive plan includes actions that seek to increase transparency and integrate ESG practices into the Company's strategy, in addition to increasing the focus on the relationship with communities and critical suppliers.

The plan, which started in 2022 and is expected to last three years included some initiatives in 2022, such as:

- Adhesion to the UN Global Compact in Brazil, in a voluntary cooperation agreement in which companies are called upon to develop actions that contribute to society's challenges, in addition to aligning their strategies and operations to the Ten Universal Principles in the areas of Human Rights, labor, environment, and anti-corruption.
- NTS also became the first Brazilian company to join the Oil & Gas Methane Partnership 2.0 (OGMP 2.0), a global initiative coordinated by the UN that promotes transparency and accuracy in methane emission reports focusing on mitigating climate change.
- Preparation of the pilot Inventory for fugitive emissions of greenhouse gases covering scopes 1, 2, and 3. The final inventory (base year 2022) is expected to be disclosed in the first half of 2023, thus allowing the Company to define clear goals to reduce emissions.

4.2 SOCIAL

NTS' social investment aim at encouraging social engagement between the Company and the communities where it operates, in an area that covers 93 municipalities and around 200 communities located in the direct area of influence of our network in the States of Rio de Janeiro, São Paulo, and Minas Gerais.

Because of that, we believed it was necessary to analyze the social feature of the municipalities through a survey of social indicators, defining the most vulnerable locations and, therefore, priorities for targeting our social investments.

To further improve our contribution, we conducted social diagnoses of the priority municipalities by mapping their interlocutors to understand local reality and how we can

contribute to their development. Between 2021 and 2022, we diagnosed 22 municipalities. Our goal is to map another 14 municipalities by 2024.

This methodology for recognizing the territories supports us in the creation of communication channels and more precise locations of the places where our projects can be implemented, so these localities increasingly recognize NTS as the owner of the gas pipelines that safely and sustainably transport natural gas.

We also started visiting all the owners of the pipeline network to present NTS as the owner of the assets and natural gas carrier of the Southeast region, creating a direct relationship channel with this public. This project progressed by 25% in 2022 and is expected to be concluded in May 2023.

In terms of community relationships, our team of social communicators made around 370 field visits, supporting the cleaning of the area for pipeline integrity investigations by monitoring sponsored social projects, and participating in emergency simulations and warnings of maintenance activities in the communities.

Our social responsibility actions focus on the sponsorship of social projects by tax incentive laws that have been carried out since 2018. Until 2021, 67 projects were sponsored and R\$62 million were invested. In 2022, we invested R\$25.5 million in 38 projects, totaling R\$87.5 million over four years.

Our portfolio is composed of projects that benefit social institutions based in the municipalities where we operate, environmental education projects, professional training, and itinerant cultural and theatrical activities in the municipalities where we operate. Accordingly, NTS also brings social benefits where it is present.

In 2022, NTS positively impacted around 60 thousand direct beneficiaries in 73 municipalities, 52% of which were in the area of direct influence of the pipelines, directly benefiting our neighbors.

Some sponsored institutions:

Projeto Condomínio Cultural (Cultural Condominium Project) – Instituto Dagaz in Volta Redonda/RJ - movie sessions, workshops to encourage reading and the environment, and dance, theater, capoeira, and circus classes in the communities of Santo Agostinho.

Projeto Mão na Massa (Hands-on Project), Associação Lar Feliz in Jagariuna/SP – This project offers cooking courses for young offenders in order to provide them a professionalization opportunity, involving their family members in their resocialization.

Jovens Conectados (Connected Young Adults), União Saúde Sem Fronteiras in Mauá/SP – The project offers scholarships for socially and economically vulnerable teenagers in the Mauá region, through training in communication technology, providing alternatives for entry into the job market and entrepreneurship in the digital world.

Projeto Itinerante Monet à Beira D'Água (Monet's on the Waterfront Itinerant Project) – An itinerant project that took the Monet's on the Waterfront exhibition to

public schools in the State of Rio de Janeiro, bringing art closer to more than 9 thousand students.

4.3 HEALTH AND SAFETY

NTS has continuously reinforced its culture of safety by applying behavioral audits performed by the Company's leadership and instructing the teams toward behavioral change, reinforcing commitment and genuine active care - take care of yourself, take care of others, and allow yourself to be taken care of.

Safely operating assets in harmony with the environment is a commitment and obligation of all employees and contractors that extends to the surrounding communities. To this end, we adopt healthy, safe, environmental and quality management systems and practices in all operations, ensuring the strategic understanding of the matters related to these topics, which are key to achieving the results expected by the organization.

NTS believes that all work can be performed with zero harm, no accidents or high-potential incidents. Our Zero Harm Program is achievable and based on three pillars:

Our people, aiming to strengthen the preventive culture in Health, Safety, and the Environment;

Our facilities, to ensure risk-free workplaces and a preventive view of process safety;

Integrated Management System (SGI), so that procedures and documents are aligned with good practices in Health, Safety, Quality, and the Environment.

NTS' calculation of the Recordable Accident Rate (TAR) reached 1.31 per million man-hours, below the maximum operational limits defined by the Company. The year 2022 mobilized 100% of NTS in the adequacy of the management system to the certification criteria defined in ISO 9001 (Quality), ISO 45001 (Health and Safety), and ISO 14001 (Environment). At the end of 2022, NTS received the phase 1 audit, where the classifier recommended that NTS conduct the certification audit in early 2023.

4.4 ETHICS AND INTEGRITY

One of the guiding behaviors within NTS' culture translates into acting with integrity, transparency, and legality. The Company has a permanent Compliance program supported by the Ethics and Integrity Committee.

The management and evaluation of corruption risks are conducted by the Compliance and Internal Controls and Risks areas that work together to strengthen NTS' commitment to acting ethically and in compliance with applicable laws.

As provided for in our Program, we periodically prepare and review a corruption and bribery risk matrix that maps the potentially most exposed processes. During the year, the mapped processes are monitored and support the planning of communication actions, training content, and adjustments to policies and regulations.

In addition, to mitigate risks when hiring certain suppliers, NTS evaluates compliance (due diligence), which is periodically reviewed and includes anti-corruption and compliance clauses to the Code of Ethics in the contracts it executes. The Company also offers anti-bribery and anti-corruption training for certain third parties, and periodically monitors several aspects of its Compliance Program.

Some of the instruments that support corporate integrity management are:

- NTS Code of Professional Ethical Conduct,
- Anti-bribery and Anti-corruption Policy,
- Information Disclosure Policy,
- Positive Work Environment and Whistleblowing Channel.

Compliance standards and policies are annually updated and reviewed according to the best practices. All employees and third parties performing activities at NTS undergo annual training on the Code of Ethics, Anti-bribery and Anti-corruption Policy, Conflicts of Interest, and Interactions with the Government. They are also required to update the statements of non-existence of Conflict of Interest, Compliance with the Code of Ethics, and compliance with the Anti-bribery and Anti-corruption Policy.

4.5 CORPORATE GOVERNANCE

NTS is managed by a Board of Directors and an Executive Board, according to its Bylaws. The Board of Directors is NTS' highest governing and guiding body that has deliberative duties, while the Executive Board is responsible for managing the social business in general and the practice of all necessary or appropriate acts, except those for which the responsibility is attributed to the Board of Directors or General Meeting.

NTS' corporate governance structure also includes a permanent Fiscal Council, whose attributions and duties are provided for in Brazilian Corporation Law (Law 6,404/76), without prejudice to other attributions that may be granted to it under a legal provision, the Bylaws, or established by the General Meeting.

The Company's Board of Directors is composed of up to 10 sitting members and their alternates. All sitting and alternate members have a term of office until the next Annual Shareholders' Meeting (ASM), to be held in April 2023. The Statutory Executive Board is composed of three members, of which one CEO, one COO, and one Chief Financial and Investor Relations Officer.

NTS is also supported by the internal audit structure, which is responsible for independently analyzing the effectiveness of processes, standards, and policies, as well as ethical issues received through the **Whistleblowing** Channel, according to NTS Code of Professional Ethical Conduct. The internal audit directly reports to the Board of Directors.

Another important governance tool refers to the adoption of several policies and standards, such as:

- Code of Professional Ethical Conduct;
- Anti-bribery and Anti-corruption Policy;

- Image Crisis Management Policy;
- Related-Party Transactions Policy;
- Information Security Policy;
- Sustainability Policy;
- Positive Work Environment Policy;
- Risk Management Policy;
- Personal Data Governance Policy;
- Atmospheric Emissions and Environmental Noise Management Procedure;
- Solid Waste Management Procedure;

Financial Statements

Nova Transportadora do Sudeste S.A. - NTS

On December 31, 2022
and Independent Auditor's Report

Nova Transportadora do Sudeste S.A. - NTS

Financial Statements

December 31, 2022

Table of Contents

Independent auditor's report on financial statements	1
Audited Financial Statements	
Statements of financial position.....	8
Statements of income	10
Statements of comprehensive income	11
Statements of changes in equity	12
Cash flow statements.....	14
Statements of value added	15
Notes to the financial statements	16

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

Independent auditor's report on financial statements

To
The Board of Directors and Officers of
Nova Transportadora do Sudeste S.A. - NTS
Rio de Janeiro - RJ

Opinion

We have audited the financial statements of Nova Transportadora do Sudeste S.A. (Company), which comprise the statement of financial position as at December 31, 2022, and the statements of profit or loss, of comprehensive income, of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

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 principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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



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

Corporate reorganization

As disclosed in Note 2, the reverse merger of Nova Infraestrutura Gasodutos Participações S.A. ("NISA") by the Company was approved at the Special General Meeting held on April 12, 2022. Consequently, the Company's total assets and liabilities increased by R\$18,172 thousand and R\$6,611,280 thousand, respectively, and equity decreased by R\$6,593,108 thousand. The merger was an obligation of NISA, assumed in the indentures of the 1st and 2nd issue of nonprivileged, nonconvertible, unsecured debentures, in a single series, for public distribution, with restricted distribution efforts, guaranteed by the Company.

The monitoring of this matter was considered significant for our audit, in view of the effects on the Company's statement of financial position with the merger of assets, liabilities and equity of NISA.

How our audit addressed this matter

Our audit procedures included the following, among others: (i) obtaining an understanding of the procedures and controls designed and implemented by the Company related to the merger and the accounting impacts; (ii) analysis of the corporate legal documents referring to the corporate reorganization; (iii) analysis of the reports that formalized the determination of the value of NISA's equity; and (iv) assessment of the adequacy of the disclosures made by the Company on this matter in the financial statements.

Based on the result of the audit procedures conducted, which is consistent with the executive board's assessment, we consider that the criteria and assumptions adopted by the executive board, as well as the respective disclosures in Note 2, are acceptable in the context of financial statements taken as a whole.

Recognition of deferred income and social contribution taxes arising from the reverse merger of NISA

As disclosed in Note 17.2(b), the Company carried out the reverse merger of NISA, which held shares corresponding to 10% of its capital. As a result, the Company will deduct the benefit from amortization of the surplus value and goodwill, calculated for tax purposes, in the amount of R\$1,306,661 thousand. This merged amount corresponds to the difference between the amount paid by NISA upon acquisition of the equity interest and the Company's equity value assessed by the equity method, which resulted in an economic benefit from the future reduction of taxes of R\$444,265 thousand.



The Company recognized deferred income and social contribution taxes on the tax benefit in the light of Accounting Interpretation ICPC 22 - Uncertainty over Income Tax Treatments, based on a more-likely-than-not assessment that the tax authorities will accept the treatment given for this operation.

As of December 31, 2022, the deferred income and social contribution tax balances recorded by the Company referring to the tax benefit total R\$429,262 thousand, as disclosed in Note 15.2 to the financial statements.

Monitoring of this matter was considered significant for our audit in view of the materiality of the amounts involved, as well as the complexity and subjectivity of the assessment by the executive board and external legal advisors as to the likelihood of a favorable outcome in a possible administrative and/or legal dispute involving the tax treatment given.

How our audit addressed this matter

Our audit procedures included the following, among others: (i) obtaining an understanding of the procedures and controls designed and implemented by the Company related to recognition of the tax benefit; (ii) discussions with the executive board and its legal advisors about the assumptions adopted in defining the likelihood of a favorable outcome and an independent analysis of the legal opinion obtained by the Company; (iii) evaluation of the accounting treatment adopted by the executive board based on the facts and circumstances observed in the related documents; (iv) involvement of our tax specialists to assess the deductibility of the tax benefit generated in the reverse merger operation, as well as the documents required for the operation, in its form, to allow the deductibility; (v) assessment of the adequacy of the disclosures made by the Company about the recognition criteria included in Note 15.2 to the financial statements.

Based on the result of the audit procedures conducted, which is consistent with the executive board's assessment, we consider that the criteria and assumptions adopted by the executive board, as well as the respective disclosures in Note 15.2, are acceptable in the context of financial statements taken as a whole.

Debentures and financing

The Company has nonprivileged and nonconvertible debentures for public distribution, with restricted distribution efforts, as well as promissory notes and loans in foreign currency pursuant to the terms of Law No. 4131/1962. These debentures and financing total R\$12,217,500 thousand as of December 31, 2022. As described in Note 13, the debentures and financing contain covenants that require the Company to comply with financial indices, determined on a quarterly basis.

Monitoring of this matter was considered significant for our audit, in view of the materiality of the amounts involved and the possible effects on the Company's financial statements and liquidity in the event of non-achievement of the financial ratios to be determined.



How our audit addressed this matter

Our audit procedures included the following, among others: (i) obtaining an understanding of the procedures and controls designed and implemented by the Company related to monitoring of compliance with the covenants; (ii) assessment of the accounting treatment adopted by the executive board based on the facts and circumstances observed in the related documents; (iii) assessment of the methodology for calculation of the indices established in the covenants and compliance with the requirements of the respective contracts; and (iv) assessment of the calculations prepared by the executive board.

Based on the result of the audit procedures conducted, which is consistent with the executive board's assessment, we consider that the criteria and assumptions adopted by the executive board, as well as the respective disclosures in Note 13, are acceptable in the context of financial statements taken as a whole.

Other matters

Statements of value added

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

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

Management is responsible for such other information, which comprise the Management Report.

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

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



Responsibilities of 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 the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of 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 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's 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 of material misstatement,

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



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

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 to cease to continue as a going concern.
- Evaluated the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the 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 provided those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We 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.

Rio de Janeiro, March 16, 2023

ERNST & YOUNG
Auditores Independentes S/S Ltda.
CRC SP-015199/F

A handwritten signature in blue ink, appearing to read 'Diogo Afonso da Silva', is written over the printed name.

Diogo Afonso da Silva
Accountant CRC-RJ114783/O

Nova Transportadora do Sudeste S.A - NTS

Statements of financial position

Fiscal years ended December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

Assets	Note	2022	2021
Current			
Cash and cash equivalents	7	2,294,317	2,235,391
Accounts receivable	8	1,322,706	1,169,706
Taxes recoverable	15.1	6,259	199
Other accounts receivable	9	165,233	157,570
Prepaid expenses	25	18,503	15,774
Advances		1,625	3,396
Gas Stock		30,200	-
Other		713	545
		3,839,556	3,582,581
Non-current			
Derivative financial instruments	23	209,390	-
Restricted bank deposits	10	16,570	15,651
Court deposits	22.2	17,034	17,468
Taxes recoverable	15.1	5,069	20,353
Consumer goods inventory		7,639	2,295
Other		244	-
		255,946	55,767
Property, plant, and equipment - PP&E	11	7,740,725	7,771,485
Total Assets		11,836,227	11,409,833

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

Nova Transportadora do Sudeste S.A - NTS

Statements of financial position

Fiscal years ended December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

Liabilities	Note	2022	2021
Current			
Trade payables	12	613,179	447,121
Taxes payable	15.1	73,225	80,922
Payroll and charges payable		23,888	28,402
Debentures and financing	13	302,456	80,659
Derivative financial instruments	23	376,490	-
Dividends and interest on equity		-	7,576
Income tax and social contribution payable	15.1	1,140,754	913,061
Other liabilities		74	-
		2,530,066	1,557,741
Non-current			
Debentures and financing	13	11,915,044	5,261,359
Provision for contractual transfer	16.1	80,372	69,566
Provisions for environmental compensation	16.2	38,617	36,373
Provision for environmental constraints	16.3	30,267	35,604
Provision for legal contingencies	22.1	27,437	3,264
Provision for intersection crossings		19,858	13,054
Deferred taxes	15.2	1,333,248	1,966,320
Other liabilities		2,923	1,368
		13,447,766	7,386,908
Shareholders' Equity			
Share capital	17.1	508,712	508,712
Capital reserve	17.2	708,824	1,192,463
Profit reserve	17.3	1,098,145	764,009
Other comprehensive income	17.5	(190,188)	-
Equity valuation adjustment	17.4	(6,267,098)	-
		(4,141,605)	2,465,184
Total Liabilities		11,836,227	11,409,833

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

Nova Transportadora do Sudeste S.A - NTS

Income statement

Fiscal years ended December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

	Note	2022	2021
Net revenue	18	6,777,519	5,765,779
Cost of service	19	(833,752)	(887,538)
General and administrative expenses	20	(113,318)	(86,989)
Operating profit		5,830,449	4,791,252
Financial income	21	296,785	79,540
Financial expenses	21	(1,519,694)	(289,634)
Net financial result		(1,222,909)	(210,094)
Income before income and social contribution taxes		4,607,540	4,581,158
Current income tax and social contribution	15.3	(1,621,243)	(1,257,511)
Deferred income tax and social contribution	15.2	88,760	(263,973)
Net income for the Fiscal Year		3,075,057	3,059,674
Basic and diluted earnings per share (in R\$)		1.33	1.32

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

Nova Transportadora do Sudeste S.A - NTS

Statements of comprehensive income
Fiscal years ended December 31, 2022 and 2021
(In thousands of Reais, unless otherwise stated)

	2022	2021
Net income for the year	3,075,057	3,059,674
Other comprehensive income	(190,188)	-
Result of cash flow hedge	(288,164)	-
Deferred income tax and social contribution on the result of cash flow hedge	97,976	-
Comprehensive income for the year	2,884,869	3,059,674

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

Nova Transportadora do Sudeste S.A - NTS

Statements of changes in equity
Fiscal years ended December 31, 2022 and 2021
(In thousands of Reais, unless otherwise stated)

	Share Capital	Capital Reserve	Profit Reserves			Equity Valuation Adjustment	Other Comprehensive Income	Total
		Capital Transaction	Legal	Tax Incentive Reserve	Additional proposed dividends	Retained earnings (accumulated loss)	Transaction with partners	
Balance 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
<i>Impacts from the absorption of NISA (line by line)</i>								
Elimination of the equity interest held in NTS	-	(927,904)	-	-	-	-	-	(927,904)
Retained earnings from the absorbed company	-	-	15,613	-	-	142,019	-	157,632
Deferred income tax and social contribution on goodwill & capital gains existing in the absorbed company	-	444,265	-	-	-	-	-	444,265
Asset valuation adjustment of the merged company	-	-	-	-	-	-	(6,267,098)	(6,267,098)
Interest on equity	-	-	-	-	-	(41,440)	-	(41,440)
Approved dividends	-	-	-	-	(594,274)	(2,262,838)	-	(2,857,112)
Proposed dividends	-	-	-	-	830,110	(830,110)	-	-
Subsidies - Tax incentives	-	-	-	82,688	-	(82,688)	-	-
Result of cash flow hedge	-	-	-	-	-	-	(288,164)	(288,164)
Deferred income tax and social contribution on the result of cash flow hedge	-	-	-	-	-	-	97,976	97,976
Balance as of December 31, 2022	508,712	708,824	53,981	214,054	830,110	-	(6,267,098)	(190,188)

Nova Transportadora do Sudeste S.A - NTS

Statements of changes in equity
 Fiscal years ended December 31, 2022 and 2021
 (In thousands of Reais, unless otherwise stated)

	Share Capital	Capital Reserve	Profit Reserve			Retained earnings	Total
		Capital Transaction	Legal	Tax Incentive Reserve	Additional proposed dividends		
Balances as of December 31, 2020	508,712	1,192,463	38,368	58,212	345,815	-	2,143,570
Net income for the year	-	-	-	-	-	3,059,674	3,059,674
Interest on equity	-	-	-	-	-	(87,318)	(87,318)
Approved dividends	-	-	-	-	(345,815)	(2,304,928)	(2,650,743)
Grants - Tax incentives	-	-	-	73,154	-	(73,154)	-
Additional proposed dividends	-	-	-	-	594,274	(594,274)	-
Balance as of December 31, 2021	508,712	1,192,463	38,368	131,366	594,274	-	2,465,183

Nova Transportadora do Sudeste S.A - NTS

Statements of cash flows

Fiscal years ended December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

	2022	2021
Operating Activities		
Net income for the year	3,075,057	3,059,674
<i>Adjustments to non-cash income and expenses:</i>		
Deferred income tax and social contribution	(88,760)	263,973
Interest expense on debentures, financing and amortization transaction cost	1,398,017	251,838
Depreciation and amortization	461,439	450,910
Provisions for bonus, annual leave and Christmas bonus	27,522	22,992
Other	15,408	6,503
	4,888,683	4,055,890
<i>Changes in assets and liabilities</i>		
Accounts receivable	(153,000)	(208,466)
Taxes recoverable - ST + LT	14,712	84,683
Other accounts receivable	(7,663)	(64,456)
Gas Inventory	(30,200)	-
Other assets	(8,572)	(102)
Trade accounts payable and other accounts payable	166,567	136,407
Payroll expenses and charges payable	1,613,395	(19,012)
Taxes payable	(25,121)	1,270,702
Income tax and social contribution paid	(1,520,747)	(914,509)
Provisions for environmental constraints	(5,337)	(3,215)
Provision for legal contingencies	982	281
Other liabilities	21,778	67,662
Net cash flow from operating activities	4,955,477	4,405,865
Operating Activities		
Acquisition of fixed assets	(430,679)	(202,324)
Cash flow used in investment activities	(430,679)	(202,324)
Financing Activities		
Payment of Principal_Debentures	(5,200,000)	-
Funding of Principal_Debentures net from the cost of transaction	3,488,515	-
Payment of interest on debentures	(1,025,274)	(183,132)
Payment of bank loan_principal	(60,000)	-
Payment of bank financing_interest	(30,958)	(2,366)
Payment of Swap	(117,272)	-
Funding of bank loan	1,556,530	-
Payment of dividends and interest on equity	(3,090,097)	(2,736,741)
Cash generated in the absorption of NISA	12,684	-
Cash flow used in financing activities	(4,465,872)	(2,922,239)
Increase in cash and cash equivalents	58,926	1,281,302
Changes in cash and cash equivalents		
Cash and cash equivalents at beginning of period	2,235,391	954,089
Cash and cash equivalents at end of period	2,294,317	2,235,391
	58,926	1,281,302

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

Nova Transportadora do Sudeste S.A - NTS

Value added statements

Fiscal years ended December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

	2022	2021
Value added to be distributed		
REVENUES	7,836,284	6,703,518
Services and other revenues	7,386,284	6,703,518
INPUTS ACQUIRED FROM THIRD PARTIES	(301,447)	(378,989)
Services rendered, electricity, third-party services and other	(301,447)	(378,989)
GROSS VALUE ADDED	7,534,837	6,324,529
Depreciation	(424,850)	(414,265)
NET ADDED VALUE BY THE COMPANY	7,109,987	5,910,264
VALUE ADDED RECEIVED IN TRANSFER	295,015	79,424
Short-term investment yield – includes monetary/exchange differences	296,785	79,424
Other expenses/revenues	(1,770)	-
TOTAL VALUE ADDED TO BE DISTRIBUTED	7,405,002	5,989,688
DISTRIBUTION OF VALUE ADDED		
PERSONNEL	97,020	85,129
Direct compensation	65,389	56,922
Benefits	27,096	24,567
FGTS	4,535	3,640
TAXES, CHARGES AND CONTRIBUTIONS	2,619,132	2,474,858
Federal	2,280,921	2,156,515
State	335,089	297,172
Municipal	3,122	21,171
REMUNERATION OF THIRD-PARTY CAPITAL	1,613,793	370,027
Interest, fines, monetary and exchange variations	1,505,353	285,100
Donations and sponsorships	26,219	26,475
Trade accounts payable – non-operational services	69,291	60,621
Other third-party capital remuneration	12,930	(2,169)
VALUE DISTRIBUTED TO SHAREHOLDERS	3,075,057	3,059,674
Interest on equity	41,439	87,318
Dividends paid	2,262,838	2,304,928
Retained earnings	770,780	667,428
TOTAL DISTRIBUTION OF VALUE ADDED	7,405,002	5,989,688

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

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

1. Operating Context

Nova Transportadora do Sudeste S.A. - NTS ("NTS" or "Company") was incorporated on January 15, 2002, and its business purpose is the construction, installation, operation and maintenance of gas pipelines in the southeast region of Brazil, including gas pipeline networks that interconnect the states of São Paulo, Minas Gerais and Rio de Janeiro.

The Company's current main activity is the transportation of natural gas, which is not subject to seasonality.

Transportation gas pipelines consist of pipelines that may or may not be part of a natural gas transportation system aimed at transporting natural gas or connecting supply sources, according to the criteria established in the New Gas Regulation mentioned below, and may include complements and components, according to ANP regulation.

Main The activity performed by the Company is subject to a Federal Government monopoly, and the Company holds operating authorizations issued by the National Petroleum, Natural Gas and Biofuel Agency ("ANP").

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

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

On April 30, 2021, the acquisition of all the shares held by Petrobras, corresponding to 10% of the Company's share capital, by Nova Infraestrutura Gasodutos Participações S.A. ("NISA"), a company whose shareholders were FIP and ITAUSA, the Company's controlling shareholders. On December 16, 2021, FIP and ITAUSA contributed net assets at NISA by transferring 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.

On April 12, 2022, the absorption of NISA by the Company was approved ("Absorption"). The Absorption was preceded by the preparation of an appraisal report of NISA's accounting equity, prepared by independent experts based on the accounting balances of March 31, 2022, and provided for the rationalization of the corporate structure and, consequently, the consolidation and reduction of expenses. After the conclusion of the transaction, all Company shares are now held by Itaúsa and FIP, in the proportion of 8.5% and 91.5% of the shares representing the Company's share capital, respectively.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

1. Operating context (continuation)

1.2. Approval of the New Gas Law

On April 8, 2021, the Brazilian President approved Law 14.134, known as “New Gas Law”. The Law introduces new provisions related to the activities performed by the NTS, among which: (i) establishment of an authorization regime for all natural gas transportation activities, without an expiration date; (ii) new regulations for operation and balancing in natural gas pipelines and transportation systems; and (iii) establishment of independence and autonomy regulations for natural gas transportation companies regarding agents performing competitive activities in the natural gas industry. It also includes provisions to ensure the rights of transporters in current transportation service contracts, including those related to protecting the revenue currently received by transporters to comply with the new entry-exit capacity contracting regime.

1.3. Acquisition of gas volume for stock of the transportation network (“Linepack”)

On March 17, 2022, the Company’s Board of Directors approved the process of acquiring 40.000 million m³ (forty million) of gas volume to form the reference stock of the Company’ transportation network (“Linepack”), necessary to enable the transportation operation with multiple shippers. The approval was backed by the decision of the National Agency of Petroleum, Natural Gas, and Biofuels (ANP), which, through Official Letter 17/2022/SIM/ANP-RJ of February 25, 2022, approved the acquisition of the aforementioned volume and the inclusion of such an investment in the Company’s gas transportation fees, after technical and economical analysis of the data presented.

The acquisition of the 40,000 m³ (forty million) of volume was carried out between April and June de 2022 for R\$134,853, of which approximately 9,200 m³ (nine hundred million and two hundred thousand) or R\$30,200 were classified as gas inventory and the remaining as part of the Company’s PP&E.

1.4. Execution of an Agreement to Reduce Petrobras’ Flexibility of Use and amendment to Transportation Service Agreements

On September 30, 2022, following the commitments assumed by Petrobras before the Brazilian Antitrust Authority (CADE), under the Consent Decree (TCC), executed on July 8, 2019, the Company and Petrobras signed an Agreement to Reduce Flexibility and amendments to the five Transportation Service Agreements, executed between the parties, with the purpose of, among others, formalize the limitation of Petrobras’ flexibility in such agreement to, under the terms assumed in the scope of the TCC, enable NTS’ supply of firm capacity to the market, under the entry and exit regime, supervised by ANP. This instrument allows other agents to access NTS’ transportation system in equal terms with Petrobras, thus strengthening 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. Such a mechanism has no impact on the Company’s operating profit since 100% of revenue generated is transferred to Petrobras, which owns the originally-contracted capacity.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

1. Operating context (continuation)

Due to the signing of the Agreement, the Transport Service Agreements were amended to incorporate their effects in addition to other updates, the main ones of which are detailed below: a) formalize the 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 transport 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 recovered from shippers by the Company through a specific charge; c) add new balancing rules and correction of imbalances, so that the transport contracts between the Company and Petrobras can coexist with the new transport contracts in the entry and exit regime resulting from the Flexibility Reduction Agreement, d) Inclusion of a device regulating a mechanism for deducting amounts to be paid by Petrobras to the Company, depending on the revenue earned and arising from new transport service contracts in the entry and exit regime that may be entered into with other shippers as a result of the Agreement.

2. Corporate restructuring

On October 21, 2016, NTS began its corporate restructuring process. The Extraordinary Shareholders' Meeting held by NTS approved (i) a capital contribution with net assets from TAG's assets and liabilities, appraised at book value on August 31, 2016, (ii) the transfer of the operating authorizations issued by the National Agency of Petroleum, Natural Gas, and Biofuels (ANP) to NTS, and (iii) the granting of natural gas transportation agreements (GTAs) related to contributed assets.

NTS's net assets, in the amount of R\$2,308,843, were comprised of assets in the Southeast of Brazil (R\$8,050,238) and debt (R\$5,741,395) referring to the Promissory Notes issued by NTS in favor of Petrobras Global Trading (PGT).

Also on October 21, 2016, the Extraordinary Shareholders' Meeting held by TAG approved the reduction of its share capital through the transfer of all its shares at NTS to Petróleo Brasileiro S.A. - Petrobras.

On October 24, 2017, ANP issued definitive operation authorizations on behalf of NTS regarding 100% of its gas pipelines.

On the same date, amendments were made to the Consórcio Malhas composition and operational agreements to exclude NTS from the consortium.

On October 25, 2016, as a result of the corporate restructuring conducted by Petrobras and TAG, as well as TAG's contribution of its net assets to NTS, certain contracts were assigned by TAG to NTS, with highlights to the following:

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

2. Corporate restructuring (continuation)

- (a) Malha Sudeste Transportation Service Agreement with a length of 1,274.67 km, for daily gas transportation, with a contracted volume of 43.8 m³/day, maturing in 20 years, and effective until December 2025. The following gas pipelines are part of this agreement: RECAP-RPCB (GASAN), Campinas-Rio (GASCAR), ESVOL-RECAP (GASPAL), REDUC-ESVOL (GASVOL), Rio de Janeiro-Belo Horizonte (GASBEL), Ramal de Campos Elíseos (16 inches in diameter);
- (b) Malhas Sudeste II Transport Service Agreement for the daily transportation of gas, which is 405 km long, with a contract volume of 49.4 m³/day and a 20-year term valid until October 2031. The following gas pipelines are part of this agreement: Japeri-REDUC (GASJAP), RECAP-RPBC (GASAN II) Guararema-Mauá (GASPAL II), Rio de Janeiro-Belo Horizonte II (GASBEL II);
- (c) Paulínia-Jacutinga (GASPAJ) Transport Service Agreement for the daily transportation of gas, which is 93 km long, with a contract volume of 5.0 m³/day and a 20-year term valid until January 2030;
- (d) Cabiúnas-REDUC (GASDUC III) Transport Service Agreement for the daily transportation of gas, which is 180 km long, with a contract volume of 40 m³/day and a 20-year term valid until November 2030; and
- (e) GASTAU Transport Service Agreement for the daily transportation of gas with a contract volume of 20 m³/day and a 20-year term valid until November 2031.

Petrobras is the carrier of NTS in the transportation service agreements in force. NTS' operation and maintenance of the gas pipeline network was carried out with the support and technical assistance of Petrobras Transportes S.A. - Transpetro until July 2021. NTS will be in charge of the entire operation of its network as of August 2021.

Due to the corporate restructurings and their effects on the Consórcio Malhas Sudeste consortium, specifically regarding changes in contracts that governed its creation and operations, a reappraisal was carried out on October 24, 2016, for the agreements in force between NTS and Petrobras in order to comply with the accounting practices adopted in Brazil, pursuant to ICPC 03, since leasing operations were replaced by service provisions.

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

On April 4, 2017, the sale of 90% of NTS's shares to FIP was concluded with the subsequent sale, by FIP, of 7.65% of NTS's shares to ITAÚSA (Itaú Investimentos S.A.) on the same date.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

2. Corporate restructuring (continuation)

On April 30, 2021, the acquisition of all the shares held by Petrobras, corresponding to 10% of the Company's share capital, by Nova Infraestrutura Gasodutos Participações S.A. ("NISA"), a company whose shareholders are the Company's current controlling shareholders, FIP and ITAUSA. On December 16, 2021, FIP and ITAUSA contributed net assets at NISA by transferring 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. After the capital increase at NISA, the Company's shareholding structure on December 31, 2021, is as follows: FIP, directly and indirectly holding 53.00% and 91.5% of the shares, respectively; NISA, directly holding 42.1% of the shares; and ITAUSA, directly and indirectly holding 4.9% and 8.5% of the shares, respectively.

On April 12, 2022, the absorption of NISA by the Company was approved ("Absorption"). The Absorption was preceded by the preparation of an appraisal report of NISA's accounting equity, prepared by independent experts based on the accounting balances of March 31, 2022, and provided for the rationalization of the corporate structure and, consequently, the consolidation and reduction of expenses. Furthermore, the Absorption was an obligation of NISA, assumed in the indentures of the 1st and 2nd issue of simple and unsecured debentures, not convertible into shares, in a single series, with restricted distribution efforts, collateralized by the Company through suretyship. Upon completion of the Absorption, the Company succeeded NISA, universally and without interruption, in all assets, rights, claims, faculties, powers, immunities, quotas, exceptions, duties, obligations, liabilities, encumbrances, and responsibilities held by NISA, related or not to its properties, and NISA was extinguished by operation of law, so that all shares issued by the Company and held by NISA were cancelled and reissued, in equal numbers, to the shareholders of FIP and Itaúsa, in proportion to their interest held in the Company's share capital. All Company shares are now held by Itaúsa and FIP, in the proportion of 8.5% and 91.5% of the shares representing the Company's share capital, respectively.

The table below summarizes the financial impacts on the Company's interim information generated by the absorption of NISA, taking into consideration the equity variations occurred between the balance sheets referring to the quarters ended December 31 and March 31, 2022, as well as the equity balances of NISA included in the balance sheet of April 12, 2022, and the eliminations applicable for the purposes of the absorption, whose impacts on the Company's Equity were realized based on the line-to-line method.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

2. Corporate restructuring (continuation)

Assets	NTS December 31, 2022	NTS March 31, 2022	Equity Variation considering the merger of NISA				Total
			Excluding NISA	NISA April 12, 2022	Eliminations for Merger	Tax benefit arising from the merger	
Current							
Cash and cash equivalents	2,294,317	2,633,959	(352,326)	12,684	-	-	(339,642)
Accounts receivable	1,322,706	1,265,329	57,377	-	-	-	57,377
Taxes recoverable - ST	6,259	202	6,057	-	-	-	6,057
Other accounts receivable	165,233	166,962	(1,729)	-	-	-	(1,729)
Prepaid expenses	18,503	12,586	(5,917)	-	-	-	5,917
Interest on Equity	-	-	-	662	(662)	-	-
Advances - ST	1,625	14,985	(13,360)	-	-	-	(13,360)
Gas Stock	30,200	-	30,200	-	-	-	30,200
Others – ST	713	454	259	-	-	-	259
	3,839,556	4,094,477	(267,605)	13,346	(662)	-	(254,921)
Non-current							
Derivative Financial Instruments	209,390	-	209,390	-	-	-	209,390
Restricted bank deposits	16,570	15,854	716	-	-	-	716
Court deposits	17,034	17,667	(633)	-	-	-	(633)
Taxes recoverable - LT	5,069	22,339	(22,758)	5,488	-	-	(17,270)
Consumer goods inventory	7,639	2,124	5,515	-	-	-	5,515
Other	244	-	244	-	-	-	244
Investments	-	-	-	1,414,310	(1,414,310)	-	-
Property, plant, and equipment - PP&E	7,740,725	7,699,227	41,498	-	-	-	41,498
	7,996,671	7,757,211	233,970	1,419,798	(1,414,310)	-	239,460
Total Assets	11,836,227	11,851,688	(33,633)	1,433,144	(1,414,972)	-	(15,461)

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

2. Corporate restructuring (continuation)

Liabilities	Equity Variation considering the absorption of NISA						Total
	NTS December 31, 2022	NTS March 31, 2022	Excluding NISA	NISA April 12, 2022	Eliminations for absorption	Tax benefit arising from the absorption	
Current							
Trade payables	613,179	441,571	169,867	1,741	-	-	171,608
Taxes payable	73,225	84,076	(11,002)	151	-	-	(10,851)
Payroll and charges payable	23,888	32,992	(9,104)	-	-	-	(9,104)
Debentures/financing payable - ST	302,456	220,413	(13,835)	95,878	-	-	82,043
Derivative Financial Instruments	376,490	-	376,490	-	-	-	376,490
Dividends and interest on equity	-	7,576	(191,542)	184,628	(662)	-	(7,576)
Income tax and social contribution payable	1,140,754	389,291	624,266	127,197	-	-	751,463
Others	74	-	74	-	-	-	74
	2,530,066	1,175,919	945,214	409,595	(662)	-	1,354,147
Non-current							
Debentures/financing payable - LT	11,915,044	5,199,676	66,685	6,648,683	-	-	6,715,368
Provision for contractual transfer	80,372	74,237	6,135	-	-	-	6,135
Provisions for environmental compensation	36,617	37,402	1,215	-	-	-	1,215
Provision for environmental constraints	30,267	34,757	(4,490)	-	-	-	(4,490)
Provision for legal contingencies	27,437	3,264	24,173	-	-	-	24,173
Provision for intersection crossings	19,858	15,178	4,680	-	-	-	4,680
Deferred taxes	1,333,248	1,949,306	(169,722)	(2,071)	-	(444,265)	(616,058)
Other liabilities	2,923	1,368	1,555	-	-	-	1,555
	13,447,766	7,315,188	(69,769)	6,646,612	-	(444,265)	6,132,578
Shareholders' Equity							
Share capital	508,712	508,712	-	2,652	(2,652)	-	-
Capital reserve	708,824	1,192,463	-	-	(927,904)	444,265	(483,639)
Profit reserve	1,098,145	784,544	297,989	15,612	-	-	313,601
Retained earnings	(0)	874,862	(1,016,879)	625,771	(483,754)	-	(874,862)
Other comprehensive income	(190,188)	-	(190,188)	-	-	-	(190,188)
Equity valuation adjustments	(6,267,098)	-	-	(6,267,098)	-	-	(6,267,098)
	(4,141,605)	3,360,581	(909,078)	(5,623,063)	(1,414,310)	444,265	(7,502,186)
Total Liabilities	11,836,227	11,851,688	(33,633)	1,433,144	(1,414,972)	-	(15,461)

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

3. Basis of presentation of the financial statements

The financial statements were prepared and are presented in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and the accounting practices adopted in Brazil, which comprise the provisions contained in the Brazilian Corporations Law and the changes introduced through the Laws 11.638/2007 and 11.941/2009, the norms issued by the Brazilian Securities and Exchange Commission (CVM) and the pronouncements of the Accounting Pronouncements Committee (CPC). The financial statements were prepared based on historical cost.

Additionally, the Company considered the guidelines provided for in Accounting Guidance OCPC 07 for the preparation of its financial statements. Therefore, relevant information in the financial statements is being disclosed and correspond to the information used by Management when carrying out their daily attributions.

The Board of Directors approved these financial statements on March 16, 2023.

3.1. Functional Currency and Presentation Currency

NTS's functional currency is the Brazilian real (R\$) as it is the currency of the economic environment in which the Company operates.

4. Summary of significant accounting policies

The main accounting policies described in detail below have been applied consistently throughout the financial statements for the fiscal years presented.

4.1. Financial instruments

l) Financial assets

Initial recognition and measurement

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

Excluding trade receivables that do not include a significant financing component or for which the Company and its subsidiaries have applied the practical expedient, the Company and its subsidiaries initially measure 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.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

4. Summary of significant accounting practices_(Continuation)

4.1. Financial Instruments_(Continuation)

For a financial asset to be classified and measured at amortized cost it must generate cash flows that are “solely payments of principal and interest” on the principal amount outstanding. This evaluation is executed at the instrument level. Financial assets with cash flows other than solely payments of principal and interest are classified and measured at fair value through profit or loss, regardless of the business model.

Purchases or sales of financial assets that require the delivery of assets within a period established by regulation or market agreement (regular trades) are recognized on the trade date, that is, the date in which the Company and its subsidiaries have committed to purchase or sell the asset.

The Company does not have financial assets measured at fair value through other comprehensive income.

Subsequent measurement

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

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through other comprehensive income, reclassified as accumulated profit or loss (debt instruments);
- Financial assets at fair value through other comprehensive income, without being reclassified as accumulated profit or loss when written-off (equity instruments); and
- Financial assets at fair value through profit or loss.

Derecognition (write-off)

A financial asset (or, when applicable, a portion of a financial asset or group of similar financial assets) is mainly written-off (excluded from the income for the year) when:

The rights to receive cash flows from the asset expire;

The Company transfers its rights to receive cash flows from the asset, or assumes an obligation to pay the received cash flows in full, without significant delay, to a third party by means of a “pass-through” agreement; and (a) the Company substantially transfers all risks and benefits related to the asset, or (b) the Company does not transfer or substantially retain all the risks and benefits related to the asset, but transfers control of the asset.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

4. Summary of significant accounting practices_(Continuation)

4.1. Financial Instruments_(Continuation)

When the Company transfers its rights to receive cash flows from an asset or has signed a transfer agreement but does not transfer or substantially retain all the risks and benefits related to the asset, the asset is recognized to the extent of the Company's continued involvement with said 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 contract and all cash flows that the Company expect to receive, discounted at an effective interest rate that approximates the original transaction rate. The expected cash flows will include cash flows from the sale of guarantees or other credit improvements that are part of the contractual terms.

Expected credit losses are recognized in two stages. Credit exposures which have not significantly increased their credit risk since their initial recognitions are provisioned for expected credit losses according to the possible default events for the following 12 months. Credit exposures which significantly increased their credit risk since their initial recognitions are provisioned according to the expected credit loss over the remaining course of the exposure, regardless if a default event occurs (lifetime credit loss).

The Company applies a simplified approach when calculating expected credit losses for trade account receivables and contracted assets. Therefore, the Company does not monitor changes in credit risk, but recognizes a provision for losses based on expected lifetime credit losses on each base date.

Financial assets and liabilities at amortized costs

Regarding the financial assets and liabilities at amortized cost, the Company initially and individually analyses whether there is clear evidence of impairment of each financial asset that is

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements
December 31, 2022 and 2021
(In thousands of Reais, unless otherwise stated)

4. Summary of significant accounting practices_ (Continuation)

4.1. Financial Instruments_ (Continuation)

II) Impairment of financial assets--Continuation

significant, or makes such analysis together for financial assets that are individually significant. If the Company concludes there is no evidence of impairment loss for an individual financial asset, whether it is a significant asset or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and is evaluated jointly for purposes of impairment loss. Assets that are individually evaluated for impairment loss, or for which impairment losses are or continue to be recognized, are not included in a joint impairment evaluation.

The amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses not yet incurred). The present value of estimated future cash flows is discounted at the original effective interest rate for the financial asset.

The book value of the asset is reduced through a provision, and the amount of the loss is recognized in the profit and loss 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 recognition of the impairment loss, the previously recognized loss is increased or reduced by adjusting the provision. In the event an amount that has been previously written-off is recovered, the recovered amount will be recognized in the profit and loss statement.

III) Financial liabilities

Initial recognition and measurement

Financial liabilities are initially classified at fair value through profit or loss, financial liabilities at amortized cost, or as derivatives classified as effective hedging instruments, as the case may be.

All financial liabilities are initially measured at their fair value plus or minus, in the case of financial liabilities that are not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

4. Summary of significant accounting practices_ (Continuation)

4.1. Financial Instruments_ (Continuation)

The Company's main financial liabilities include suppliers and debentures and financing, measured at amortized cost. The Company does not have financial liabilities classified at fair value through profit or loss.

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 classified upon initial recognition at fair value through profit or loss.

Financial assets are classified as held for sale if they are acquired with the purpose of being sold or repurchased in the short term. Derivatives, including separate derivatives instruments, are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on trading liabilities are recognized in the income statement. Financial liabilities initially recognized at fair value through profit or loss are designated on the initial recognition date and only if the criteria of CPC 48 are met.

Financial liabilities at amortized cost (loans and financing)

After their initial recognition, interest-bearing financial liabilities are subsequently measured at amortized cost through the

effective interest rate method. Gains and losses are recognized in the profit and loss statement at the time liabilities are written off, as well as during the amortization process through the effective interest rate method.

Derecognition (write-off)

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

When an existing financial liability is replaced by another with the same lender and under substantially different terms, or when terms of an existing liability are significantly changed, such replacement or change is treated as a write-off of the original liability and a new liability is recognized, with the difference in their book values recognized in the profit and loss statement.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

4. Summary of significant accounting practices_(Continuation)

4.1. Financial Instruments_(Continuation)

IV) Derivative financial instruments

The Company contracts derivative financial instruments to hedge its operations against foreign exchange and interest rate fluctuations, not to use them for speculative purposes.

Transactions with derivative financial instruments are recorded as cash flow hedges and unrealized gains and losses arising from fluctuations in the fair value of these instruments are recognized in the asset valuation adjustment account under equity, with a corresponding entry to the derivative financial instruments line in the balance sheet. When realized, gains and losses with derivative operations are reclassified from equity to profit (loss).

Derivatives are initially measured at fair value and any directly attributed transaction costs are recognized in profit (loss) when incurred. After initial recognition, derivatives are measured at fair value and fair value variations are recorded in profit (loss), except for cases in which instruments are contracted to hedge against financial risk exposure and the cash flow hedge is adopted by the Company.

V) Cash flow hedge accounting

Cash flow hedge accounting is used to hedge the Company against cash flow volatility attributed to risk exposure not tolerated by the Company's risk management practices.

The Company designates as hedge the intrinsic value of the contracted hedge instrument. The effective portion of variations in the fair value of instruments that are designated and qualified as cash flow hedge is recorded under equity as equity valuation adjustment in the cash flow hedge result line. The gain or loss related to the ineffective portion is recognized, where applicable, in the profit (loss) for the year under net financial expenses.

The accumulated amounts in equity are transferred to the profit (loss) for the year in the periods and lines in which the hedged item affects the result for the year.

When a cash flow hedge instrument is settled or when it no longer meets the eligibility criteria for the adoption of hedge accounting, the gain or loss accumulated in Equity Valuation Adjustments under Equity is realized against profit (loss) (in the same line used by the hedged item) as the hedged object is also realized against profit (loss). When the operation protected by the hedge is no longer expected to occur, the variation recorded

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

4. Summary of significant accounting practices_ (Continuation)

4.1. Financial Instruments_ (Continuation)

in Other Comprehensive Income is immediately transferred to the income statement for the year, to the heading financial result.

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

Upon initial designation of the hedge, the Company formally documents the relationship between the hedging instruments and the items that are the object of the hedge, including the risk management objectives and the strategy for conducting the transaction, together with the methods that will be used to assess the effectiveness of the relationship.

Currently, the loans related to Law 4,131/1962, have hedging operations in the form of swaps (derivative financial instruments) that aim both at exchanging pre-fixed rates for post-fixed rates in CDI, as well as exchanging currency from dollars to reais, and were classified as a cash flow hedge. These swaps were contracted with financial institutions together with the loans (debt in foreign currency + swap for reais at % of CDI). The terms and conditions of the loans and derivatives are configured as a combined operation, having as economic result the debts remunerated based on CDI and in reais on the Company's balance sheet. The Company established a hedging ratio of 1:1 and quarterly performs a qualitative and prospective analysis of the effectiveness and effectiveness of the hedge.

The fair values of derivative financial instruments used for hedging purposes are disclosed in Note 23. Changes in hedge values recorded in the Other Comprehensive Income (Equity) are shown in Note 17.5 (a)

VI) Financial instruments - net

Financial assets and liabilities are presented in their respective net amounts in the statement of financial position only if a current and enforceable legal right allows the offsetting of the recognized amounts or if there is an intention to offset the amounts or to recognize the asset and settle the liability simultaneously.

4.1.1. Cash and cash equivalents

Cash and cash equivalents are maintained for the purpose of meeting short-term cash commitments and are recognized as investments or other purposes. These

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

4. Summary of significant accounting practices_ (Continuation)

4.1. Financial Instruments_ (Continuation)

balances include cash, available bank deposits and short-term investments that are highly liquid, maturing in up to three months from the date they were deposited, and readily convertible into a known cash amount without significant risks of changes in value.

4.1.2. Trade accounts receivable

Initially recorded at fair value of the amount to be received and, subsequently, measured at amortized cost through the effective interest rate method minus losses on allowance for doubtful accounts.

The Company recognizes losses in doubtful accounts when impairment is evidenced arising from one or more events occurring after the initial recognition of the asset in which the impact on estimated future cash flows can be reliably estimated.

4.1.3. Debentures and financings

Initially recognized at fair value minus incurred transaction costs and, after their initial recognition, are measured at amortized cost through the effective interest rate method.

4.2. Property, plant and equipment

Stated at construction costs, which corresponds to the costs required to put the asset in operating conditions minus accumulated depreciation and impairment loss, when applicable.

This cost includes the cost of replacing property, plant and equipment, financing costs for long-term construction projects, if the recognition criteria are met, and socio-environmental costs related to the construction of the gas pipeline network with a corresponding provision in the Company's liabilities, in in line with the requirements issued by ICPC 12.

When significant parts of property, plant and equipment need to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is carried out, its cost is recognized in the book value of the replaced property, plant and equipment, if the recognition criteria are met. All other repair and maintenance costs are recognized in the profit and loss statement, at the time they are incurred.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

4. Summary of significant accounting practices_ (Continuation)

4.2. Property, plant and equipment_ (Continuation)

A property, plant and equipment item is written off 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 asset's net sale value and its book value) is included in the profit and loss statement for the fiscal year in which the asset was written off.

The residual value and useful lives of the assets and the depreciation methods are reviewed at the end of each fiscal period and adjusted prospectively, when applicable.

4.3. Impairment of assets

The Company makes its own assessments for fixed assets when there are indications that their book value cannot be recovered. If there are indications that book values can be recovered, the Company's policy is to hire independent appraisal firms who, through appraisal reports based on fair and market values, can determine if a provision for the asset is required.

4.4. Provisions, contingent assets and liabilities

Provisions are recognized when a present obligation exists arising from a past event and if a use of resources will be probable, including economic benefits, to settle the obligation and the amount required can be reliably estimated.

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

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements
December 31, 2022 and 2021
(In thousands of Reais, unless otherwise stated)

4. Summary of significant accounting practices_ (Continuation)

4.5. Income tax and social contribution

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

1) Current income tax and social contribution

Current tax assets and liabilities from the last fiscal year and previous years are measured at the expected recoverable amounts, or payable amounts, to the tax authorities. The tax rates and tax laws used to calculate the amount are those in force on the date of the statement of financial position and that 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.

Current income tax and social contribution are shown in net amounts.

2) Deferred income tax and social contribution

Deferred tax assets arising from deductible temporary differences, tax loss carryforwards and a negative base for social contribution, when applicable, are recognized in proportion to the probability of future taxable profits, projected according to 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 contribution are calculated by applying the rates (and tax legislation) that are in force at the end of the fiscal year being reported.

Deferred income tax and social contribution are shown in net amounts.

4.6. Share capital and remuneration to shareholders

The share capital is represented by common shares.

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

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

4. Summary of significant accounting practices_ (Continuation)

4.7. Recognition of revenue, costs, and expenses

Revenue is recognized after the natural gas transportation service is rendered to shippers (transfer of control of the asset), the major one being Petrobras, based on the transportation agreements, which have ship-or-pay clauses, in which Petrobras undertakes to pay for the contracted transported capacity regardless of volume transported, for an amount that reflects the consideration for which the Company expects to have a right in exchange for such services.

The Company verifies whether or not there are other obligations in the contract that are distinct performance obligations, to which a portion of the transaction price needs to be allocated. When determining the transaction price for the services to be provided, the Company also considers if other amounts are due, such as variable compensation, significant financing components, non-monetary obligations and other amounts due to the customer (if any). Operating costs include expenditures related to the operation and maintenance of the Company's gas pipelines, carried out by the Company, costs with the outsourced operation of the Compression Congonhas and Mantiqueira Systems (SCOMPs), electricity with the Guararema compression station (ECOMP), right of way through points of the network that go under stretches owned by Petrobras, insurance premium costs, ICMS on gas provided by Petrobrás, free of charge, to be used in the system operation, network depreciation, costs related to contracts for the supply/acquisition of gas to balance volumes of the gas stock, and other costs.

General and administrative expenses include expenses with payroll, consultant firms and other hired services, in addition to expenses with office management and maintenance, and taxes and fees.

Financial revenues and expenses mainly include interest on financial investments, expenses with interest on debentures and bank loans, result of derivative financial instruments contracted to hedge against foreign exchange and interest rate exposures related to foreign-currency debt, and accrual of foreign exchange variations.

Revenues, costs and expenses are recognized through the accrual method.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

4. Summary of significant accounting practices_ (Continuation)

4.8. Fair value measurement

Fair value is the price that should be received for the sale of an asset or paid for the transfer of a liability under a voluntary transaction between market participants on date it is calculated. Fair value assumes that the transaction to sell an asset or transfer a liability will occur under the following:

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

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

The fair value of an asset or liability is measured on assumptions that market participants would use when setting the price for an asset or liability, assuming that market participants act in their best economic interest. The calculation of the fair value of a non-financial asset assumes that a market participant will be able to generate economic benefits through the optimal use of the asset or by selling it to another market participant who would also use the asset in an ideal manner.

The Company uses appropriate valuation techniques for each situation in which there is sufficient data to calculate the fair value, maximizing the use of relevant information available and avoid the use of information not available as much as possible.

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 of information that is significant for calculating fair value in general:

Level 1 - Market prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Valuation techniques in which the smallest and most significant information for calculating fair value can be directly or indirectly identified;

Level 3 - Valuation techniques in which the smallest and most significant information for calculating fair value is not available.

For purposes of disclosing fair value, the Company determines classes of assets and liabilities based on their nature, characteristics and risks and the level of the fair value hierarchy for the asset or liability, as explained above. The corresponding disclosures, at fair value, of financial instruments and non-financial assets calculated at fair value or at the time of disclosure of their fair values, are provided in their respective explanatory notes.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

4. Summary of significant accounting practices_ (Continuation)

4.9. Cash flow statements

The Company classifies the interest paid as financing activities in the statement of cash flows since it is considered as cost for obtaining financial resources associated with its operations, as permitted by the current accounting standards.

4.10. Assets and liabilities adjusted to present value

Long-term monetary assets and liabilities undergo monetary restatements and therefore are adjusted to their present value. The adjustment to present value of short-term monetary assets and liabilities is calculated, and only recorded, if it is considered relevant to the financial statements as a whole. For purposes of recording and determining relevance, the adjustment to present value is calculated by using contractual cash flows and explicit interest rates, and implicit rates in certain situations, of the respective assets and liabilities. Based on the analyzes performed and the best estimates used by the Company's management, it was concluded that adjustments to present value of current monetary assets and liabilities is irrelevant for the financial statements and thus their adjustments are not recorded.

5. Significant estimates and judgments

The financial statements herein presented were prepared under various measurement bases used in accounting estimates. The accounting estimates involved in the preparation of these financial statements were based on objective and subjective factors, considering management's judgment for determining the adequate amounts to be recorded in the financial statements. Significant items subject to these estimates and assumptions include a selection of useful lives and recoverability of property, plant and equipment, measurement of financial assets and liabilities at fair value and present value adjustment, as well as analysis of other risks in determining other provisions, including provision for contingencies.

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

The settlement of transactions involving these estimates may result in amounts materially different from those recorded in the financial statements due to the uncertainties inherent in the estimation process. The Company reviews its estimates periodically throughout the year.

Following is a disclosure of information according to accounting practices and estimates that require a high level of judgment or complexity for their applicability and that may materially affect the Company's financial situation and results.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

5. Significant estimates and judgments_Continuation

5.1. Estimates related to lawsuits and contingencies

The Company is a party to several legal and administrative proceedings involving civil, tax and labor issues arising from the normal course of its operations. The assessment of the likelihood of loss is based on available evidence, hierarchy of laws, available jurisprudence, the most recent court decisions and their relevance in the legal system, as well as assessments made by external legal advisors. Provisions are reviewed and adjusted according to changes in circumstances, such as the applicable statute of limitations, conclusions of tax inspections or additional exposures arising from new matters or court decisions.

Information on provisioned processes and contingencies is presented in Note 22 to the financial statements.

5.2. Estimates related to environmental compensations and conditions

The Company has liabilities relating to environmental compensations and conditions required by the environmental control, monitoring and inspection bodies, at the federal and state levels, arising from licenses issued for the installment and operation of projects and constructions linked to its gas pipeline network. The amounts recorded reflect the probable financial disbursements that the Company will incur in compliance with its obligations.

Information on recorded liabilities is presented in Notes 16.1 and 16.2 of the financial statements.

5.3. Estimates related to the useful life of assets

As described in Note 1.2, the enactment of the New Gas Regulation introduced important changes, among which the establishment of an authorization regime for all natural gas transportation activities, which become effective for an indefinite period. With that, the Company annually reviews 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 related to natural gas production, supply, and demand dynamics in the Brazilian market. These variables provide evidence regarding the expectation of technical useful life and future economic benefit of assets (considering the Brazilian gas market dynamic), and the useful life estimate is defined by Management based on its judgment considering such variables.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

6. New standards and interpretations

6.1. New or revised pronouncements applied for the first time in 2022

The Company has applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2022 (unless otherwise indicated). The Company decided not to early adopt any other standard, interpretation or amendment that has been admitted but is not yet in force.

The changes to the above pronouncements are due to the annual changes related to the cycle of improvements between 2018 and 2020, such as:

- Onerous Contract - contract compliance costs;
- Fixed assets - sales before intended use; and
- References to the Conceptual Framework.

The effectiveness of these changes must be established by the regulatory bodies that approve them, and, for full compliance with international accounting standards, the entity must apply these changes in annual periods beginning on, or after, January 1, 2022.

Onerous Contract - contract performance costs

An onerous contract is a contract under which the unavoidable costs of fulfilling the obligations under the contract (ie, the costs that the Company cannot avoid because it owns the contract) exceed the expected economic benefits to be received.

The amendments specify that, when assessing whether a contract is onerous or loss-making, an entity needs to include costs that directly relate to a contract to provide goods or services, including incremental costs (for example, direct labor costs and materials) and an allocation of costs directly related to contract activities (for example, depreciation of equipment used to fulfill the contract and costs of managing and supervising the contract). General and administrative costs are not directly related to a contract and are excluded unless explicitly charged to the counterparty under the terms of the contract.

In light of the changes introduced on the subject, the Company did not identify any contract as onerous and therefore did not recognize any additional provision as a result of changes related to the subject of onerous contracts in the financial statements ended on December 31, 2022.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

6. New standards and interpretations__ (Continuation)

Fixed Assets – sales before intended use;

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds from sales of produced items in bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the products of selling the items, and the costs of producing the items, in the income statement.

Under the transition rules, the Company applies the amendments retrospectively only to items of property, plant and equipment available for use or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These changes had no impact on the Company's financial statements since there were no sales of such items produced by property, plant and equipment made available for use or after the beginning of the earliest period presented.

References to the Conceptual Framework

The amendments replace a reference to an earlier version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without materially changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations (equivalent to CPC 15 (R1) - Business combinations) to avoid issuing potential 'day 2' gains or losses arising from liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets (equivalent to CPC 25 - Provisions, Contingent Liabilities and Contingent Assets) or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, rather than the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition on the acquisition date.

Pursuant to the transitional provisions, the Company applies the amendments prospectively, that is, for business combinations that occur after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These changes had no impact on the Company's financial statements since there were no assets, liabilities or contingent liabilities within the scope of these changes that arose during the period.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

6. New standards and interpretations__ (Continuation)

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as first-time adopter

The amendment allows a subsidiary that chooses to apply paragraph D16(a) of IFRS 1 (equivalent to CPC 37 (R1) - Initial Adoption of International Accounting Standards) to measure cumulative translation differences using the amounts reported in the consolidated financial statements of the parent, based on the parent's transition date to IFRS, if no adjustments have been made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

This amendment also applies to an associate or joint venture that chooses to apply paragraph D16(a) of IFRS 1. These amendments had no impact on the Company's financial statements as it is not subject to consolidation and as it is not an adopter by first time.

IFRS 9 Financial Instruments – Rates in the ‘ten percent’ test for write-off of financial liabilities (equivalente to CPC 48 – Financial Instruments)

The amendment clarifies the rates that an entity includes when assessing whether the terms of a new or modified financial liability are materially different from the terms of the original financial liability. These fees include only fees paid or received between the borrower and the lender, including fees paid or received by the borrower or the lender on behalf of the other.

Pursuant to the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These changes had no impact on the Company's financial statements, as there were no changes to the Company's financial instruments during the period.

IAS 41 Agriculture – Taxation on measurement at fair value (equivalente to CPC 29 – Biological Assets and Agricultural Product)

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These changes had no impact on the financial statements since the Company did not have assets within the scope of IAS 41 at the reporting date.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

6. New standards and interpretations__ (Continuation)

6.2 - Standards issued, but not yet in force

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

IFRS 17 – Insurance contracts

In May 2017, the IASB issued IFRS 17 - Insurance Contracts (CPC 50 - Insurance Contracts which replaced CPC 11 - Insurance Contracts), a new comprehensive accounting standard for insurance contracts that includes recognition and measurement, presentation and disclosure. Upon entry into force, IFRS 17 (CPC 50) replaced IFRS 4 - Insurance Contracts (CPC 11) issued in 2005. IFRS 17 applies to all types of insurance contracts (such as life, casualty, direct insurance and reinsurance), regardless of the type of entity that issues them, as well as certain guarantees and financial instruments with characteristics of discretionary participation. Some scope exceptions apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements of IFRS 4, which are largely based on local accounting policies in effect in prior periods, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The focus of IFRS 17 is the overall model, complemented by:

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

IFRS 17 and CPC 50 are effective for periods starting from January 1, 2023, requiring the presentation of comparative values. Early adoption is permitted if the entity also adopts IFRS 9 and IFRS 15 on the same date or before the initial adoption of IFRS 17. This standard does not apply to the Company.

Amendments to IAS 1: Classification of liabilities as current or non-current (equivalente to the Committee's revision 20 of accounting pronouncements)

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1, related to CPC 26, in order to specify the requirements for classifying the liability as current or non-current. The amendments clarify:

- What is meant by a right to postpone settlement;
- That the right to postpone must exist on the base date of the report;
- That classification is not affected by the likelihood that an entity will exercise its right of postponement

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

6. New standards and interpretations__ (Continuation)

· That only if a derivative embedded in a convertible liability is itself an equity instrument would the terms of a liability not affect its classification

The changes are effective for periods beginning January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the changes will have on current practice and whether existing loan agreements may require renegotiation.

Amendments to IAS 8: Definition of accounting estimates (equivalent to the Committee's revision 20 of accounting pronouncements)

In February 2021, the IASB issued amendments to IAS 8 (corresponding standard to CPC 23), which introduces the definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and error correction. In addition, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments will be effective for periods beginning on or after January 1, 2023 and will apply to changes in accounting policies and estimates that occur on or after the beginning of that period. Early adoption is permitted if disclosed.

The amendments are not expected to have a significant impact on the Company's financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies (equivalent to revision 20 of the Accounting Pronouncements Committee)

In February 2021, the IASB issued amendments to IAS 1 (corresponding standard to CPC 26 (R1)) and IFRS Practice Statement 2 Making Materiality Judgments, which provide guides and examples to help entities apply materiality judgments to the disclosure of accounting policies. The amendments are to help entities disclose accounting policies that are more useful by replacing the requirement to disclose significant accounting policies for material accounting policies and adding guidance for how entities should apply the concept of materiality to make decisions about accounting policy disclosures.

Amendments to IAS 1 are applicable for periods beginning on or after January 1, 2023 with early adoption permitted. Since amendments to Practice Statement 2 provide non-mandatory guidance on applying the material definition to accounting policy reporting, an adoption date for this amendment is not required.

The Company is currently revisiting the accounting policy disclosures to confirm that they are consistent with the required changes.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

6. New standards and interpretations__ (Continuation)

Amendments to IAS 12: Deferred Taxes related to Assets and Liabilities arising from a Simple Transaction (equivalent to revision 20 of the Accounting Pronouncements Committee)

In May 2021, the Board released amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The changes shall apply to transactions occurring in annual periods beginning on or after the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided there is sufficient taxable profit available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations. .

The Company is currently assessing the impact of these amendments.

7. Cash and cash equivalents

	<u>2022</u>	<u>2021</u>
Cash and banks	225	1,034
Short-term investments	<u>2,294,092</u>	<u>2,234,357</u>
	<u>2,294,317</u>	<u>2,235,391</u>

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 managed to obtain remuneration higher than the CDI.

(a) Among the investments made, the Company has a position in an exclusive investment fund, whose composition is summarized below.

	<u>2022</u>	<u>2021</u>
Shares of others fixed income investment funds	440,691	-
CDB	118,473	-
Financial bills	102,235	-
Outers	<u>78</u>	-
Total	<u>661,478</u>	<u>-</u>

According to the Fund's statute/mandate, the resources can be redeemed with daily liquidity considering the quota on the redemption date.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

8. Accounts receivable

	<u>2022</u>	<u>2021</u>
Petróleo Brasileiro S.A - Petrobrás	1,317,955	1,169,706
Galp Energia Brasil S. A	4,744	-
Other	7	-
	<u>1,322,706</u>	<u>1,169,706</u>

The Company's receivables arise from Gas Transportation Agreements (GTAs) executed with Petrobras and Gas Transportation Agreements executed with GALP, effective until December 31, 2022. There were no overdue amounts receivable on December 31, 2022 and December 31, 2021, and there are no expected losses associated with these receivables.

9. Other accounts receivable

The balance of R\$165,233 on December 31, 2022 referred to: i) expenses incurred by the Company within the scope of the Management and Remediation of Cracks by Corrosion Under Tension (SCC), totaling R\$ 153,973 (R\$111,004 on December 31, 2021); and ii) Rentals, totaling R\$11,260 (R\$46,566 on December 31, 2021). These amounts must be reimbursed by Petróleo Brasileiro S.A. – Petrobras as part of the remaining obligations agreed between buyer and seller for the sale of the Company, as described in Note 2. This balance is not being monetarily restated.

As described in Note 22.3 c, the Company responded to the arbitration request received and filed a counterclaim to include the SCC costs in the scope of the arbitration

10. Restricted bank deposits

The balance of R\$16,570 on December 31, 2022 (R\$15,651 on December 31, 2021), refers to savings account held with Banco do Brasil to cover environmental compensations related to the construction of gas pipelines GASAN II, GASPAL II and ECOMP in Guararema, in the State of São Paulo, and will be used as required by environmental bodies. Such deposits should be linked to savings accounts and follow the provisions of Federal Law 9,985/2000, which constituted the National System of Units of Conservation – SNUC.

In compliance with the provision of Official Letter CCA/SE 097/2022, issued by the Infrastructure and Environment Secretariate of the São Paulo State, the Company transferred R\$3,471 to the Special Expense Fund for Preservation of Biodiversity and Natural Resources (FPBRN), on January 06, 2023, to pay certain obligations related to Environmental Compensations due to CETESB, provided for in the 1st Amendment and Rectification and Ratification to the Environmental Compensation Instrument, executed on November 25, 2022.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

11. Property, Plant, and Equipment - PP&E

Description	Balance as of December 31, 2021			Changes in 2022				Balance as of December 31, 2022		
	Cost	Accumulated depreciation	Balance	Additions	Write-offs	Transfers	Depreciation	Cost	Accumulated depreciation	Balance
Construction in progress	362,518	-	362,518	410,435		(230,584)	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 assets	11,794,644	(4,516,594)	7,278,050	604		225,499	(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

The amount of R\$230,584 capitalized in 2022 refers to the construction and assembly projects of the Guapimirim Receiving Point (R\$13,338), improvements (6,785), chromatograph replacement (R\$3,252), Inst. Chromatographs (R\$5,576), SCADA Project (R\$58,444), GASCAR Fencing (R\$2,274), Acquisition of cleaning PIGs (R\$1,044), Linepack (R\$134,853) and others (R\$5,018).

Description	Balance as of December 31, 2020			Changes in 2021				Balance as of December 31, 2021		
	Cost	Accumulated depreciation	Balance	Additions	Write-offs	Transfers	Depreciation	Cost	Accumulated depreciation	Balance
Construction in progress	213,922	-	213,922	204,492		(55,896)	-	362,518	-	362,518
Improvement in third-party assets	5,153	(1,559)	3,594	-		-	(484)	5,153	(2,043)	3,110
Environmental constraints	148,839	(36,329)	112,510		(3,430)	-	(5,324)	145,409	(41,653)	103,756
Equipment and other assets	11,737,819	(4,071,492)	7,666,327	929	-	55,896	(445,102)	11,794,644	(4,516,594)	7,278,050
Spare supplies and equipment	-	-	-	24,051	-	-	-	24,051	-	24,051
	12,105,733	(4,109,380)	7,996,353	229,472	(3,430)	-	(450,910)	12,331,775	(4,560,290)	7,771,485

The balance of construction in progress comprises costs with construction, maintenance and repair of gas pipelines (provided these are related to the replacement of parts and equipment or to meeting regulatory requirements that increase the asset's useful life), compressor stations/services, points of delivery, Stress Corrosion Cracking (SCC) Integrity Management Plan for Gas Pipelines.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

11. Property, Plant and Equipment_Continuation

In 2022, the Company began the construction and assembly of the Itaboraí-Guapimirim natural gas transport pipeline (GASIG), which will be approximately 11 KM long, 24 inches in diameter and have a capacity of 18.2 MM m³/day, and whose construction was granted by the ANP in favor of the Company, through SIM-ANP Authorization No. 150.

Capitalized borrowing costs

In the year ended December 31, 2022 and 2021, there was no capitalization of interest on financing for construction projects in the Company's PP&E.

Useful life of assets

Depreciation is calculated on a straight-line basis over the estimated useful life of assets, as follows:

Buildings and improvements – from 16 to 30 years

Improvement 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 and useful lives of the assets and the depreciation methods are reviewed at the end of each fiscal period and adjusted prospectively, when applicable.

NTS's gas pipelines network comprises the following extensions:

GASTAU

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

GASDUC III

Cabiúnas-REDUC Gas Pipeline (GASDUC III), which is 180 km long and 38 inches in diameter, is the gas pipeline with the greatest diameter in South America and has the highest transportation capacity (40 million m³/day) among the Brazilian gas pipelines.

GASPAJ

Paulínia-Jacutinga Gas Pipeline (GASPAJ), which is 93 km long and 14 inches in diameter, has the purpose of meeting the natural gas demand of the South region of the state of Minas Gerais. The

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

11. Property, Plant and Equipment_Continuation

gas pipeline originates in the city of Paulínia/SP, where gas pipelines Paulínia-Jacutinga, Campinas-Rio (GASCAR), REPLAN-Guararema of Gas Pipeline Bolívia Brasil (GASBOL) interconnect and where the Point of Delivery REPLAN is located.

MALHAS SUDESTE

The Southeast Network comprises five gas pipelines and two branches:

GASAN

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

GASCAR

Campinas-Rio Gas Pipeline (GASCAR), which is 453 km long and 28 inches in diameter, has the purpose of increasing the capacity of Bolivian gas flow to Rio de Janeiro. The gas pipeline starts in the Planalto Refinery (REPLAN), in the city of Paulínia/SP, and goes through the municipality of Japeri/RJ, where it interconnects the gas pipelines GASVOL and GASJAP, both in the state of Rio de Janeiro.

GASPAL

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

GASVOL

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

GASBEL I

Rio de Janeiro-Belo Horizonte I Gas Pipeline (GASBEL I), which is 357 km long and 16 inches in diameter, starts in the municipality of Duque de Caxias/RJ and ends in Gabriel Passos Refinery, in the city of Betim/MG.

Campos Elíseos Branch (16 inches)

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

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

11. Property, Plant and Equipment_Continuation

MALHAS SUDESTE II

The Southeast Network II comprises the following gas pipelines:

GASJAP

JAPERI-REDUC Gas Pipeline (GASJAP), which is 45 km long and 28 inches in diameter, starts in the municipality of Japeri/RJ and ends in the municipality of Duque de Caxias/RJ, interconnecting the Caxias Hub to the Campinas-Rio Gas Pipeline (GASCAR). The Gas Pipeline has a Compressor Station in Campos Elíseos.

GASAN II

RECAP-RPBC Gas Pipeline (GASAN II), which is 39 km long and 22 inches in diameter, starts in the municipality of Mauá/SP and ends in the municipality of São Bernardo do Campo, and can extend, along with GASPAL II, the natural gas transportation capacity from the Guararema-RPBC system.

GASPAL II

Guararema-Mauá Gas Pipeline (GASPAL II), which is 54 km long and 22 inches in diameter, starts in the municipality of Guararema/SP and ends in the municipality of Mauá, and can extend,

along with GASAN II, the natural gas transportation capacity from the Guararema-RPBC system.

GASBEL II

Rio de Janeiro-Belo Horizonte II Gas Pipeline (GASBEL II), which is 267 km long and 18 inches in diameter, starts in the municipality of Volta Redonda/RJ and ends in the municipality of Queluzito/MG, extended the natural gas offer to the state of Minas Gerais, especially in the metropolitan area of Belo Horizonte and Vale do Aço.

Impairment of assets

Management annually reviews events or changes in economic, operating, or technological circumstances of its assets to assess whether there are any preliminary indications of deterioration or impairment. No PP&E impairment indicators were identified for the fiscal years ended December 31, 2022 and 2021.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

12. Trade accounts payable

Trade accounts payable	2022	2021
Petróleo Brasileiro S.A – Petrobrás	441,502	315,942
Petróleo Transportes S.A - Transpetro	27,999	45,372
Rosembra Engenharia	5,880	2,355
Solar Turbines Internati	9,351	3,469
Intech Engenharia Ltda	2,305	7,352
Alvaro Engenharia	3,090	3,624
Emerson Process Manageme	1,291	709
Enerflex/Geogás	-	2,896
Worley Engenharia Ltda.	2,441	2,452
Exterran Serviços de Óleo e Gás	-	928
Tokio Marine	-	10,810
Spiecapag Intech	-	4,585
Superenge Serviços	-	2,655
Industec	14,123	-
Pipeway Engenharia	1,336	-
Chubb Seguros	12,959	-
Elecnor do Brasil	12,476	-
Starr International	2,284	-
STN Empreendimentos	1,393	-
EGD Engenharia	1,371	-
Aveva	1,177	-
Sick Soluções	1,141	-
GI Group	1,119	-
Flir Systems	1,094	-
Federal Revenue Office	1,547	-
AIG Seguros	1,053	-
Unival Industria	1,039	-
Gascat Industria	1,003	-
Brazabe	860	-
Vectra	411	-
Meio Biótico	390	-
Consultants and other contracted services	7,283	9,977
Other trade accounts	55,261	33,995
	613,179	447,121

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

13. Debentures and financing

Operation/Instrument	Index	Currency	Amount raised	Initial Date	Maturity	Principal	Interest	Funding cost	December 31, 2022	December 31, 2021
Commercial notes	CDI + 1.90%	R\$	(1,500,000)	march-22	march-32	1,500,000	58,784	(13,446)	1,545,338	-
Debentures_2 nd issue	109% %CDI	R\$	(5,200,000)	may-18	april-23	-	-	-	-	5,279,848
Debentures_1 st issue NISA	CDI + 1.99%	R\$	(1,547,187)	april-21	april-28	1,547,187	40,408	(7,021)	1,580,574	-
Debentures_2 nd issue NISA	CDI + 1.90%	R\$	(1,500,000)	march-22	march-32	1,500,000	58,784	(13,446)	1,545,338	-
Debentures_5 th issue - 1 st series	CDI + 1.30%	R\$	(1,000,000)	septembe r-22	Septembe r-27	1,000,000	32,954	(475)	1,032,479	-
Debentures_5 th issue - 2 nd series	CDI + 1.60%	R\$	(1,500,000)	septembe r-22	Septembe r-29	1,500,000	50,485	(694)	1,549,791	-
Debentures_5 th issue - 3 rd series	CDI + 1.85%	R\$	(1,000,000)	septembe r-22	Septembe r-32	1,000,000	34,242	(10,544)	1,023,698	-
Santander loan (CCB)	CDI + 1.45%	R\$	(60,000)	july-21	february- 22	-	-	-	-	62,170
Scotia Bank loan (a)	USD/BRL + 2.08%	US\$	(300,000)	april-22	april-27	1,565,310	8,043	-	1,573,353	-
Scotia Bank loan(2) (a)	USD/BRL + 3.63%	US\$	(170,000)	august-22	august-25	887,009	10,910	-	897,919	-
MUFG loan (a) / (b)	USD/BRL + 2.89%	US\$	(59,000)	april-22	april-27	307,844	2,198	-	310,042	-
CITI loan (a)	USD/BRL + 2.3%	US\$	(90,000)	april-22	april-27	469,593	2,670	-	472,263	-
SMBC loan	USD + 4.34%	US\$	(50,000)	septembe r-22	septembe r-25	260,885	3,585	-	264,470	-
BNP loan	USD + 4.89%	US\$	(80,000)	october- 22	Septembe r-25	417,416	4,819	-	422,235	-
						11,955,244	307,882	(45,626)	12,217,500	5,342,018
							Current		302,456	80,659
							Noncurrent		11,915,044	5,261,359
							Total		12,217,500	5,342,018

(a) Derivative financial instruments (swap) were contracted with financial institutions together with loans (foreign-currency debt + swap for R\$ in CDI). The terms and conditions of the loans and derivatives constitute a matched operation, whose economic result is an interest-bearing debt based on CDI and reais on the Company's balance sheet. The contracting of derivatives is in line with the Company's financial risk management strategy with the purpose of substantially eliminate the cash flow volatility attributable to the exchange rate variation exposure of debt denominated in foreign currency. For this reason, the Company adopted the cash flow hedge accounting, according to Notes 4.1, 17.5, and 23. The balances of such loans exclude the hedge effects of the corresponding swaps.

(b) The charges on the loan contracted with MUFG correspond to 2.89% p.a. until 03/31/2023 and 2.98% p.a. from 04/01/2023 to maturity.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements
December 31, 2022 and 2021
(In thousands of Reais, unless otherwise stated)

13. Debentures and financing (Continued)

13.1. Debentures

2nd debenture issue held by NTS

On April 20, 2018, the Company's Extraordinary General Meeting (EGM) approved the second issue of unprivileged unsecured non-convertible debentures in a single series, subject to a public distribution offering and restricted placement efforts, under the terms of CVM Instruction 476 and other legal and regulatory provisions, in the total amount of R\$5,200,000 (five billion and two hundred million reais) at the nominal face value of R\$10 ("Second Debenture Issue").

The Second Debentures Issue was subject to a firm guarantee Banco Itaú BBA S.A, BB – Banco de Investimento S.A and Banco Bradesco BBI S.A.

On April 25, 2018, debentures were issued in the amount approved at the Extraordinary Shareholders' Meeting held on April 20, 2018 and paid in on May 15, 2018. The debentures bear interest of 109.00% of the accumulated variation of the CDI Rate, with payment of interest every six months, in April and October, without interim amortizations, and mature on April 25, 2023, without debt rescheduling clauses or automatic renewal.

Despite the maturity of the 2nd Issue Debentures in April 2023, the Company decided to prepay the 2nd Issue Debentures, and said prepayment was made in installments, as described below. On September 9 and 30, 2022, the Company carried out two optional early amortizations under the Second Debenture Issue, in compliance with the provision of Clause 7.18 of the Indenture of the Second Debenture Issue, with subsequent cancellation of the corresponding debentures, totaling R\$1,200,000 and R\$500,000, respectively, R\$926,423 and R\$464,375 of which referring to the principal and R\$273,576 and R\$35,625 to interest, respectively. On October 21, 2022, the Company redeemed 100% of the existing balance of NTS' Second Debenture Issue with subsequent cancellation of such debentures, totaling R\$3,846 million, considering principal, interest, and early redemption premium.

1st debenture issue by NISA, absorbed by NTS in April 2022 (3rd debenture issue of NTS)

On April 27, 2021, NISA executed the Indenture of the 1st issue of simple debentures not convertible into shares, totaling R\$1,547,187 and maturing in 07 (seven) years, i.e. April 27, 2028. The debentures bear interest of 100% of the accumulated variation of the CDI rate, plus a spread equivalent to 1.99% p.a., payment of semi-annual interest in April and October, have no interim amortization, and debt renegotiation or automatic renewal clauses.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

13. Debentures and financing (Continued)

According to the terms of the Indenture of the first debenture issue, there was an obligation for NISA to be reversely absorbed by the Company within 13 months from the date of conclusion of the sale (May 2022), under penalty of early maturity in case of default. The reverse absorption was concluded on April 12, 2022, when the Company became the universal successor of NISA regarding the terms and conditions of such debentures, with the second amendment to the deed of the 3rd Issue of Debentures being signed on May 10, 2022, to formally reflect the necessary changes to the deed and the loss of validity of the guarantee granted by NTS, so that the debentures no longer have any guarantee.

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

- (a) Financial ratio resulting from the division of the Net Financial Debt by the EBITDA shall be equal to or less than 4.5 times, at the time of obtaining new funds through the issue of debt instruments; and
- (b) Financial ratio resulting from the division of the EBITDA by the Net Financial Debt shall be equal to or more than
 - a. 1.0x, upon the distribution of proceeds to shareholders (dividends, interest on equity, or any other profit distribution); and
 - b. 1.1x, upon the obtaining of new funds through the issue of debt instruments.

At the reporting date of the financial statements for the period ended December 31, 2022, the Company verified the indexes and concluded that the covenants were complied with.

2nd debenture issue by NISA, absorbed by NTS in April 2022 (4th debenture issue of NTS)

On March 15, 2022, NISA's Executive Board approved the execution of the Indenture of the 2nd issue of simple debentures not convertible into shares, totaling R\$1,500,000, maturing in March 2032. The debentures bear interest of 100% of the accumulated variation of the CDI rate, plus a spread equivalent to 1.90% p.a., payment of semi-annual interest in March and September, have three interim amortization payments in the 8th, 9th, and 10th years, with not debt renegotiation or automatic renewal clauses.

The debentures were paid-up on March 24, 2022 and, with the conclusion of the reversal absorption of NISA by the Company, on April 12, 2022, the Company became the universal successor of NISA regarding the terms and conditions of the debentures, with the first amendment to the deed of the 4th Issue of Debentures was signed 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 covenant that requires the Company to comply with the financial ratio resulting from the division of the Net Financial Debt by the EBITDA, which shall be equal to or less than 4.0 times.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

13. Debentures and financing (Continued)

At the reporting date of the financial statements for the year ended December 31, 2022, the Company calculated the index and concluded that the covenant was complied with.

13.1. First Issue of Book-Registered Commercial Notes, in Single Series, for Public Distribution, with NISA Restricted Distribution Efforts, as amended to First Issue of Book-Registered Commercial Notes, in Single Series, for Public Distribution, with Restricted Distribution Efforts of NTS, on May 10, 2022, due to the Merger (“1st Issue of Commercial Notes”)

On March 15, 2022, NISA's Executive Board approved the issue of Book-Entry Commercial Notes, in a Single Series, for Public Distribution, with Restricted Placement Efforts, totaling R\$1,500,000 (“Commercial Notes”), maturing in March 2032. The Commercial Notes bear interest of 100% of the accumulated variation of the CDI rate, plus a spread equivalent to 1.90% p.a., payment of semi-annual interest in March and September, have three interim amortization payments in the 8th, 9th, and 10th years, with not debt renegotiation or automatic renewal clauses.

The Commercial Notes were paid-up on March 24, 2022 and, with the conclusion of the reversal absorption of NISA by the Company, on April 12, 2022, the Company became the universal successor of NISA regarding the terms and conditions of the Promissory Notes, with the first amendment to the term of issue of the 1st Issue of Commercial Notes being signed on May 10, 2022, to formally reflect the necessary changes in the term of issue 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 covenant that requires the Company to comply with the financial ratio resulting from the division of the Net Financial Debt by the EBITDA, which shall be equal to or less than 4.0 times.

At the reporting date of the financial statements for the year ended December 31, 2022, the Company calculated the index and concluded that the covenant was complied with.

Fifth Issue of Simple Debentures, Non-Convertible into Shares, of the Kind Unsecured, in 3 (Three) Series, for Public Distribution, with Restricted Efforts of Distribution, by NTS (“5th Issue of Debentures”)

The Company's Extraordinary Board of Directors' Meeting held on September 9, 2022, approved the issue, by the Company, of simple, unsecured debentures not convertible into shares, in 3 (three) series, for public distribution, with restricted placement efforts, totaling R\$3.5 billion and maturing on September 13, 2027 (1st series), September 13, 2029 (2nd series), and September 13, 2032 (3rd series). The debentures yield interest of 100% of the accumulated variation of the CDI rate, plus a spread equivalent to 1.30% p.a., 1.60% p.a., and 1.85% p.a., respectively. The debentures were issued on September 13, 2022 and paid-up on October 06, 2022.

The debentures have a covenant that requires the Company to comply with the financial ratio resulting from the division of the Net Financial Debt by the EBITDA, which shall be equal to or less than 4.0 times.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

13. Debentures and financing (Continued)

At the reporting date of the financial statements for the year ended December 31, 2022, the Company calculated the index and concluded that the covenant was complied with.

13.2. Bank Credit Note (CCB), issued by the Company.

On July 27, 2020, the Board of Directors' Extraordinary Meeting approved the issue, by the Company, of a bank credit note ("CCB"), in favor of Banco Santander (Brazil) S.A., totaling R\$60,000 (sixty million reais), maturing in 1 (one) year, from the issue date, yielding 100% of the CDI rate plus a spread of 1.98% p.a., paid semi-annually.

On July 14, 2021, the Company amended the bank credit note ("CCB"), in favor of Banco Santander (Brazil) S.A., totaling R\$60,000 (sixty million reais), approved on July 27, 2020, for 2 (two) years, with a yield of 100% of the CDI rate plus a spread of 1.45% p.a., paid upon maturity.

On February 25, 2022, the Company early settled the total debt amount contracted through Bank Credit Note with Banco Santander, totaling R\$63,239 (sixty-three million, two hundred and thirty-nine reais), of which R\$60,000 (sixty million reais) in principal and R\$3,239 (three million, two hundred and thirty-nine thousand reais) in interest.

13.3. Foreign-currency loans under Law 4,131/1962, contracted by NISA, subsequently absorbed by NTS in April 2022

On April 01, 2022, NISA concluded the funding of US\$449 million, through foreign-currency Loan Agreements, approved at NISA's Extraordinary Shareholders' Meeting held on December 16, 2021, under Law 4,131/62, of which

- a) US\$300 million, executed with Bank of Nova Scotia, with interest of 2.0783% p.a., paid every six months;
- b) US\$90 million, executed with Citibank, N.A, with interest of 2.2999% p.a., paid every quarter; and
- c) US\$59 million, executed with MUFG Bank Ltd, with interest between April 01, 2022 and March 31, 2023, equivalent to 2.8875% p.a., and 2.9750% p.a. from April 01, 2023 to maturity, both of which paid every six months.

To hedge against foreign currency exposure, NISA executed a derivatives agreement (foreign-exchange swap), of which principal and interest replicate the principal and interest amounts of the loans. All Agreements have equal annual amortization installments in the 4th and 5th years, with no debt renegotiation or automatic renewal clauses.

With the conclusion of the reversal absorption of NISA by the Company, on April 12, 2022, the Company became the universal successor of NISA regarding the terms and conditions of these loans.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

13. Debentures and financing (Continued)

The loans have a covenant that requires the Company to comply with the financial ratio resulting from the division of the Net Financial Debt by the EBITDA, which shall be equal to or less than 4.0 times.

At the reporting date of the financial statements for the year ended December 31, 2022, the Company calculated the index and concluded that the covenant was complied with.

13.4. Foreign-currency loans under Law 4,131/1962, contracted by NTS in April 2022.

At the Extraordinary Board of Directors' Meeting held on August 16, 2022, the Company approved the contracting of one or more financings through foreign-currency loan(s), which may total up to US\$300 million, under Law 4,131/62, of which:

- a) US\$170 million, through a loan agreement executed with Bank of Nova Scotia on August 19, 2022, with interest of 3.63% p.a., paid every six months; and
- b) US\$50 million, through a loan agreement executed with Sumitomo Mitsui Banking Corporation (SMBC), with interest of 4.34% p.a., paid every six months.
- c) US\$80 million, through a loan agreement executed with BNP Paribas (BNP), with interest of 4.89% p.a., paid every year.

To hedge against foreign currency exposure, the Company executed a derivatives agreement (foreign-exchange swap), of which principal and interest replicate the principal and interest amounts of the loans. All Agreements have amortization maturity, with no debt renegotiation or automatic renewal clauses.

The loans have a covenant that requires the Company to comply with the financial ratio resulting from the division of the Net Financial Debt by the EBITDA, which shall be equal to or less than 4.0 times.

At the reporting date of the financial statements for the year ended December 31, 2022, the Company calculated the index and concluded that all covenants, provided for in the aforementioned agreements, were complied with.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

13. Debentures and financing (Continued)

Main payments and amortization schedule of funding costs

Year	Principal	Funding cost
2023	--	5,457
2024	--	5,457
2025	1,565,310	5,457
2026	1,671,374	5,457
2027	1,671,374	5,432
2028	1,547,187	4,479
2029	1,500,000	4,014
2030	1,420,000	3,937
2031	1,420,000	3,937
2032	1,160,000	2,001

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

14. Transactions with related parties

a) Operations with key management personnel

The Company offers its managers the following benefits: health care, life insurance, private pension plans and meal allowance, presented in short-term benefits account. The benefits are partially paid for by their managers and are recorded as expenses when incurred.

The amounts related to the compensation and benefits of key management personnel, represented by its officers, are as follows:

	<u>Dec/22</u>	<u>Dec/21</u>
Management compensation	12,317	9,645
Short-term benefits	797	570
	<u>13,114</u>	<u>10,215</u>

15. Taxes

15.1. Current taxes

	<u>Current assets</u>		<u>Non-current assets</u>		<u>Current liabilities</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Income tax	-	-	3,936	1,516	(814,038)	(653,324)
Social contribution	-	-	828	720	(326,716)	(259,737)
PIS/COFINS	6,053	199	-	-	(48,278)	(44,590)
ICMS	-	-	-	-	(21,986)	(28,225)
Tax on service (ISS)	-	-	306	-	(201)	(4,170)
Withholding income tax (IRRF)	206	-	-	-	(255)	(1,548)
Recovery of PIS and COFINS	-	-	-	18,117	-	-
Other	-	-	-	-	(2,505)	(2,389)
	<u>6,259</u>	<u>199</u>	<u>5,069</u>	<u>20,353</u>	<u>(1,213,979)</u>	<u>(993,983)</u>

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

15. Taxes—Continued

15.2. Deferred taxes

a) Breakdown of deferred income tax and social contribution

	Base date 12/31/2022	Deferred income tax and social contribution balance at 34%	Base date 12/31/2021	Deferred income tax and social contribution balance at 34%
Deferred tax assets				
Provision for PIS/COFINS loss	56,807	19,314	46,000	15,640
Provision for Illegal Derivations	1,559	530	3,059	1,040
Provision for insurances	-	-	1,053	358
Provision for contingencies and other	42,358	14,402	15,496	5,269
Provision for intersection crossings	14,664	4,986	13,054	4,438
Provision - expenses with environmental compensation	38,617	13,130	36,373	12,367
Provision for bonus	17,132	5,825	18,869	6,416
Tax benefit arising from the merger recoded in Equity (a)	1,262,535	429,262	-	-
Result of cash flow hedge (allocated to Other Comprehensive Income - OCI)	288,164	97,976	-	-
	70,472	23,960		
	1,792,308	609,385	133,904	45,528
Deferred tax liabilities				
PP&E - Difference in corporate x tax depreciation				
<i>Lei do Bem</i> - technological development and innovation	(5,676,836)	(1,930,124)	(5,888,572)	(2,002,114)
Effects from the foreign-exchange swap	(50,036)	(12,509)	(38,933)	(9,734)
	(5,726,872)	(1,942,633)	(5,927,505)	(2,011,848)
Deferred tax balance, net	(3,934,564)	(1,333,248)	(5,793,601)	(1,966,320)

(a) The details of the transaction, which was initially recorded in equity, is described in Note 17.2 (b). The amortization of goodwill and capital gains for tax purposes started in June 2022.

(b) The amounts of deferred tax liabilities on PP&E refer to tax depreciation of the gas pipelines network and other Company facilities.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

15. Taxes—Continued

- b) Changes in deferred income and social contribution taxes assets and liabilities for the period ended December 31, 2022:

	Deferred income tax and social contribution balance December 31, 2021	Income tax/social contribution - absorption of NISA	Equity	Other comprehensive income	Result	Deferred income tax and social contribution balance December 31, 2022
Deferred tax assets						
Provision for PIS/COFINS loss	15,640	-	-	-	3,674	19,314
Provision for Illegal Derivations	1,040	-	-	-	(510)	530
Provision for insurances	358	-	-	-	(358)	-
Provision for contingencies and other	5,269	-	-	-	9,133	14,402
Provision for intersection crossings	4,438	-	-	-	548	4,986
Provision - expenses with environmental compensation	12,367	-	-	-	763	13,130
Provision for bonus	6,416	-	-	-	(591)	5,825
Tax benefit arising from the absorption recoded in Equity (a)	-	-	444,265	-	(15,003)	429,262
Result of cash flow hedge (Other Comprehensive Income)	-	-	-	97,976	-	97,976
Existing deferred tax - absorption of NISA	-	2,071	-	-	(2,071)	23,960
					23,960	23,960
Deferred tax liabilities	45,528	2,071	444,265	97,976	19,545	609,385
PP&E - Difference in corporate x tax depreciation						
<i>Lei do Bem</i> - technological development and innovation	(2,002,114)	-	-	-	71,990	(1,930,124)
Effects of foreign exchange swap arising from the absorption of NISA	(9,734)	-	-	-	(2,775)	(12,509)
	(2,011,848)	-	-	-	69,215	(1,942,633)
Deferred tax balance, net	(1,966,320)	2,071	444,265	97,976	88,760	(1,333,248)

	2023	2024	2025	2026 +	Total
Recoverability of deferred tax assets	55,504	25,719	25,719	502,443	609,385

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

15. Taxes—Continued

15.3. Reconciliation of income and social contribution taxes

	2022	2021
Income before taxes	4,607,540	4,581,158
Income tax and social contribution - nominal rate (34%)	(1,566,563)	(1,557,594)
	3,040,977	3,023,564
Adjustments for calculating the effective rate:		
(Exclusions)/Permanent net additions	(23,372)	(71,577)
(Exclusions)/Temporary net additions	269,223	(758,511)
Temporary additions	276,948	37,956
(+) Depreciation (tax x corporate)	211,736	-
(+) Provision for contingencies	13,491	-
(+) Foreign Exchange Variation	15,715	-
(+) Provision for bonus	17,132	14,024
(+) Provision for environment	-	3,737
(+) Provision for contractual transfer	14,474	-
(+) Provision for PIS/COFINS loss	-	8,836
(+) Environmental constraints	2,790	2,622
(+) Intersection crossings	1,610	7,140
(+) Illegal trepanning	-	-
(+) Other	-	1,597
Temporary (exclusions)	4,671	(796,466)
(-) Depreciation (tax x corporate)	-	(769,310)
(-) Bonus	(15,218)	(12,095)
(-) Environmental constraints	(2,790)	(2,622)
(-) Intersection crossings	(3,668)	(9,507)
(-) Amortization of tax benefit arising from the absorption	(44,125)	-
(-) SWAP gains	70,472	-
(-) Other	-	(2,932)
Basis for calculating adjusted income tax and social contribution	4,853,390	3,751,070
Income tax and social contribution	(1,643,511)	(1,272,974)
Sponsorship Discount Rouanet Law + Other Tax Incentives	22,268	15,463
Current income tax and social contribution	(1,621,243)	(1,257,511)
Deferred income tax and social contribution	88,760	(263,973)
	(1,532,483)	(1,521,484)
Effective IR and CS rates	-33,26%	-33,21%

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

16. Provision for contractual transfers, environmental compensation and environmental constraints

16.1. Provision for contractual transfers

The Company recorded a provision of R\$80,372 (R\$ 69,566 on December 31, 2021) for the transfer, to its major shipper, of recovered tax credits arising from a final and unappealable decision in favor of the Company. For the recording of the provision, management considered the legal interpretation and analysis of the terms and conditions provided for in the existing gas transportation contracts, and concluded that the event should be recorded in non-current assets due to the fact that the negotiations underway with the shipper to carry out the transfer are in an initial stage.

Management will evaluate the developments and future classification as current, considering the arising of future facts that might justify such a measure, as well as any settlement terms agreed upon between the parties.

16.2. Provision for environmental compensation

Refers to provisioned amounts, totaling R\$38,617 (R\$36,373 on December 31, 2021), based on Federal Law 9,985/2000, which constituted the National System of Units of Conservation – SNUC, which aims to ensure the preservation of nature and sustainable development of natural resources and will be spent as established by the Environment Foundation - FATMA and the Federal Prosecution Office.

16.3. Provision for environmental constraints

The balance, totaling R\$30,267 (R\$35,604 on December 31, 2021), refers to environmental constraints required by environmental control, monitoring, and inspection bodies, at the federal and state levels, due to the issue of preliminary licenses for the installation and operation of ventures and construction of the Company's gas pipelines network, under the terms of Resolution 237/1997 of the National Environment Council – CONAMA.

The Company treats the events related to these constraints under the principles of ICPC 12 – Changes in Existing Decommissioning, Restoration and Similar Liabilities - and recognizes in the fixed asset the corresponding portion (initial measurement and future measurement). Expenses incurred to comply with the constraints are deducted from the accrued amount, and the corresponding fixed asset is being amortized under the straight-line method, due to the expiration of authorizations for the operation of gas pipelines linked to such constraints.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

17. Equity

17.1. Share capital

The Company's shareholders representing the entire share capital attended the Extraordinary Shareholders' Meeting held on August 31, 2020, and based on the favorable opinion of the Company's Fiscal Council on July 24, 2020, they unanimously approved, without reservations, the incorporation of part of the Company's capital reserve to its capital, in an amount equivalent to R\$167,736, increasing the Company's share capital, from R\$994,301 to R\$1,162,037, by increasing the nominal value of the Company's shares and maintaining the number of shares and percentage of each shareholder's share in the capital unchanged. Immediately following, the shareholders approved the Company's capital reduction, in the amount of R\$653,325, pursuant to Article 173 of Law 6.404/76, as it was considered excessive in view of the activities performed by the Company. The reduction was carried out by means of capital restitution to shareholders, in national currency, proportionally to their respective holdings in the Company's share capital, and a reduction in the nominal value of the Company's share to twenty-two centavos (R\$0.22), without the cancellation of any shares representing the Company's share capital. After the deadline of 60 days without opposition from creditors, this reduction was executed, with the Company's share capital changing from R\$1,162,037 to R\$508,712, fully subscribed and paid in.

At the Company's Extraordinary General Meeting on April 12, 2022, the shareholders unanimously approved, among other matters related to the Merger, the cancellation of NISA shares and their replacement by an equal number of Company shares, which were attributed to NISA shareholders in proportion of the respective holdings. After the completion of this operation, the Company's share capital remained at the amount of R\$ 508,712, represented by 2,312,328,578 (two billion, three hundred and twelve million, three hundred and twenty-eight thousand, five hundred and seventy-eight) shares, all registered and with a nominal value of BRL 0.22 (twenty-two cents of a real) each, of which (a) two billion, three hundred and twelve million, three hundred and twenty-seven thousand, five hundred and seventy-eight (2,312,327,578) , and (b) 85 (eighty-five) Class A preferred shares and (c) 915 (nine hundred and fifteen) Class B preferred shares

17.2. Capital reserve

a) Capital transactions

Refers to the transactions with shareholders in their capacity as owners and the recognition of gains arising from unusual transactions regarding the termination of the finance lease between companies in the same economic group.

In October 2016, due to the corporate restructuring of companies Transportadora Associada de Gás (TAG), Nova Transportadora do Nordeste (NTN) and the Company's, as well as the termination of the Malhas Consortium, Petrobras Leasing with NTS was reversed on October 25, 2016, generating gains of R\$1,360,199, recorded as a capital transaction in Equity.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

17. Equity__(Continuation)

In August 2020, part of the capital reserve, in the amount of R\$167,736, was incorporated into the Company's capital (as mentioned in item 17.1 above), 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 NISA's reverse absorption by the Company described in Note 2, a negative impact corresponding to the elimination of R\$930,556, equivalent to the write-off of the 42.09% interest by NISA in the Company was recorded at book value, which was partially offset by the positive impact of R\$2,652 corresponding to the subscribed and paid-up share capital in NISA. These events resulted in a deducting net impact of R\$927,904 in this account, reducing its balance from R\$1,192,463 to R\$264,559.

b) Tax benefit arising from the merger of NISA

As part of NISA's reverse absorption process, the Company recorded deferred income tax and social contribution on the difference between the amount paid and the equity amount calculated in the acquisition of 10% of its share capital by NISA with Petrobras, on April 30, 2021, corresponding to the surcharge related to the book value of the acquired interest, as described in Notes 2 and 17.4 a).

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

In compliance with the requirements provided in paragraph 3 of article 20 of Decree Law 1,598, of December 26, 1977, the summary of the Report was filed at a Notary's

Office, on April 11, 2022, to meet the deadline to do so by 13 months after the conclusion of the operation, as provided for in the aforementioned legislation.

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

The Company evaluated the transaction based on ICPC 22 - Uncertainty over Income Tax Treatment - and concluded to record the tax benefit calculated on goodwill and capital gains presented on the PPA Report as it considers probable that the tax authority will accept the treatment used for this transaction, or understand that there is a probable likelihood of success in an administrative and/or judicial dispute involving the matter.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

17. Equity__(Continuation)

17.3. Profit Reserves

a) Legal Reserve

The legal reserve is set up considering the limit of 20% of share capital, through the allocation of 5% of net income for the year, under article 193 of Brazilian Corporate Law. This reserve can only be used to absorb losses or capital increases.

The Company may be exempt from setting up this reserve if it achieves the limit of 20% of share capital mentioned in the previous paragraph or the sum of its balance and the capital reserve exceeds 30% of the share capital.

Due to NISA's reverse merger, approved at the ESM held in April 2022, the R\$15,613 corresponding to the legal reserve existing at NISA, were absorbed into the Company's legal reserve, increasing its balance to R\$53,981 on the reporting date of the financial statements for 2022.

b) Dividends

I. Dividends and interest on equity paid

On April 19, 2022, the Company's Management approved the total distribution of R\$594,274 million of interim dividends referring to the fourth quarter of 2021.

Additionally, on June 3, 2022, the Company's Management approved the payment of R\$18,113 million related to inflation adjustments on dividends referring to the fourth quarter of 2021, at the SELIC rate applied in the period between December 31, 2021 and the date of the effective payment of dividends in April. This effect was recorded within the financial result for the current year.

On July 26, 2022, the Company's management approved the distribution of dividends and interest on equity, totaling R\$1,529,938, of which R\$1,488,498 as interim dividends referring to the first half of 2022, and R\$41,440 as interest on equity referring to the period between January 01, 2022 and April 11, 2022.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

17. Equity_(Continuation)

On September 20, 2022, the Company's management approved the distribution of interim dividends, totaling R\$542,707, paid on September 21, 2022.

On November 18, 2022, the Company's management approved the distribution of interim dividends, totaling R\$231,633, paid on November 22, 2022.

II. Additional dividend proposed

On December 31, 2022, the Company's management proposed the distribution of dividends, totaling R\$830,110, based on the the income of 2022, and as a supplemental amount of the interim dividends distributed to shareholders in 2022. The dividends proposed will be maintained at the Profit Reserve until they are resolved by the Board of Directors and the General Meeting.

The following tables illustrate the calculation of the proposed dividends and the reconciliation of the balance recorded in current liabilities as interest on capital payable.

	<u>2022(*)(**)</u>	<u>2021(*)</u>
Net income for the year	3,075,057	3,059,675
(-) Interim dividends in the period	(2,262,838)	(2,304,928)
(-) Interest on equity paid in the period	(41,440)	(79,537)
(-) Interest on capital approved during the year and payable	-	(7,782)
(+) Retained earnings_Absorption of NISA	142,019	
(=) Base profit for calculating dividends	912,798	667,428
Mandatory dividends		-
Tax incentive reserve	(82,688)	(73,154)
Additional proposed dividends	830,110	594,274

(*) Management did not create a Legal Reserve in the years ended December 31, 2022 and 2021, as the combined balances of the Capital and Legal Reserves recorded exceeded the limit of 30% provided for in paragraph 1 of article 193 of Law 6,404/76.

(**) Due to the interim dividend distributions to the Company's shareholders in 2022, additional dividends proposed will remain in the Profit Reserve until a resolution by the Board of Directors.

Balance of IoE recorded in liabilities approved within the respective years

Reconciliation with current liabilities	<u>2022</u>	<u>2021</u>
Interest on Equity to be Paid	-	7,782
IRRF Tax on Interest on Equity	-	(206)
Interest on equity recorded in liabilities	-	7,576

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

17. Equity—Continuation

17.3. Profit reserves--Continuation

c) Tax incentive reserve

NTS created a profit reserve on tax incentives, totaling R\$214,054 (R\$131,366 in December 2021), resulting from an investment subsidy related to the appropriation of ICMS credit arising from the option for the ICMS Agreement 106/96 that grants credit of 20% on ICMS amount due to companies providing transportation services. These credits were recorded in the income statement of the period and allocated monthly to the tax incentive reserve, being excluded from the calculation of the dividend calculation base e interest on equity.

d) Earnings per share

The calculation of basic and diluted earnings per share for the fiscal year ended December 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Net income for the year (in thousands of Reais)	3,075,057	3,059,674
Total shares issued	<u>2,312,328,578</u>	<u>2,312,328,578</u>
Basic and diluted earnings per share - in Reais	1.33	1.32

Furthermore, the Company recorded R\$142,019 corresponding to NISA's 2022 result adjusted for the net value between a) equity method gains recorded by NISA on the Company's results since the acquisition date of the equity interest until the date of its merger by the Company; b) dividends & IoE received by NISA from the Company, which were eliminated as part of the reverse absorption process, as described in Note 2.

17.4 Equity valuation adjustments

a) Transaction with partners

On April 30, 2021, NISA recorded in this line the effect of the transaction between shareholders, totaling R\$1,306,661, corresponding to the acquisition of 10% (ten per cent) of the Company's shares, calculated based on the difference between the value paid in the acquisition and the Company's equity value.

On December 16, 2021, NISA's shareholders increased capital through contribution of positive net assets, including the 32.09% interest, equivalent to R\$5,658,204. The transaction resulted in goodwill totaling R\$4,960,437, calculated based on the difference between the value of the interest paid-up by shareholders and the equity value calculated by the equity pick-up method.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

17. Equity—Continuation

Because NISA and the Company belong to the same economic group, under common control, the aforementioned transactions are seen as capital transactions between NISA and its shareholders, as provided for in technical interpretation ICPC 09 (R1), which are recorded as equity valuation adjustment. Such amount was absorbed into the Company's Equity because of the absorption of NISA, described in Note 2.

17.5. Other comprehensive income

a) Cash flow hedge reserve

The amount of R\$190,188 refers to the portion of the fair value variation of cash flow hedge instruments, as described in Note 23 (b).

	December 31, 2022	December 31, 2021
Opening balance	-	-
Swap result before the fair value adjustment	121,362	-
(-) Swap result at fair value (according to Note 21 (b))	(166,801)	-
(=) Cash flow hedge result	(288,164)	-
(+) Deferred income tax/social contribution on cash flow hedge result	97,976	-
Result of cash flow hedge, net of taxes	(190,188)	-

18. Net revenue

	<u>2022</u>	<u>2021</u>
Gross service revenue	8,181,433	7,046,027
Charges on services	(1,058,766)	(937,739)
Gas Balance	22,290	-
Tariff adjustment	(367,438)	(342,509)
	<u>6,777,519</u>	<u>5,765,779</u>

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

19. Cost of Services

	<u>2022</u>	<u>2021</u>
Depreciation and amortization	(424,850)	(414,265)
Contracted services, freight, rentals, and general charges	(29,536)	(27,800)
Operation and maintenance	(49,387)	(204,250)
Right-of-way	(135,850)	(89,057)
Electricity	(19,517)	(25,417)
Insurance coverage	(20,877)	(16,452)
ICMS on gas used in the system	(8,327)	(11,143)
Environmental costs	(2,428)	(2,555)
Consulting services	(16,624)	(13,119)
Training and seminars	(1,980)	(8,554)
Personnel costs	(60,764)	(49,363)
Fuel	(187)	-
Gas Balance	(20,088)	-
Other costs	(43,337)	(25,563)
	<u>(833,752)</u>	<u>(887,538)</u>

20. General and administrative expenses

	<u>2022</u>	<u>2021</u>
Personnel expenses	(39,782)	(30,101)
Legal advisory	(5,045)	(3,866)
Audit	(1,771)	(950)
Accounting advisory services	(2,130)	(1,828)
Consulting services	(3,775)	(3,000)
Sponsorships	(26,219)	(20,475)
Donation	-	(6,000)
(Provision)/Reversion of Contingencies	(15,010)	740
License maintenance	(3,529)	(2,897)
Recruitment and hires	(1,329)	(2,167)
Rentals and charges	(1,318)	(1,149)
Contracted services	(492)	(1,191)
Provision For PIS / Cofins loss	-	(8,837)
Indemnifications received	(6,917)	-
Office expenses and other	(6,001)	(5,268)
	<u>(113,318)</u>	<u>(86,989)</u>

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

21. Net financial result

	<u>2022</u>	<u>2021</u>
Income from short-term investments	285,900	72,753
Monetary restatement	10,192	5,584
Other financial income	693	1,203
Total financial income	296,785	79,540
Financial expenses		
Interest on financing	(1,412,249)	(252,925)
Tax on loans	(19,074)	(4,419)
Fines and interest charges	(1,575)	(355)
Monetary update for sharing of gas pipeline	(85,822)	(26,288)
Other financial expenses	(974)	(5,647)
Total financial expenses	(1,519,694)	(289,634)
Net Financial Result	(1,222,909)	(210,094)

- (a) The Company contracted derivative financial instruments (swap) to hedge foreign exchange risk and conversion of charges into Reais in CDI regarding the foreign-currency debt contracted. For this reason, the financial charges of the Company's debt and financing are presented in this Note net of the effects of the hedge contracted in swaps. Further details on these derivative instruments are described in Notes 4, 17.5, and 23.

22. Legal proceedings and contingencies

22.1. Accrued legal proceedings

The Company recorded provisions in amounts deemed sufficient to cover any losses considered probable for which a reliable estimate can be made.

The amounts accrued are as follows:

	<u>Labor</u>	<u>Tax</u>	<u>Civil</u>	
Balances as of December 31, 2020	(3,215)	(1,043)	-	(4,258)
Additions	-	(572)	-	(572)
Write-offs	1,848	-	-	1,848
Monetary restatement	(136)	(146)	-	(282)
Balance as of December 31, 2021	(1,503)	(1,761)	-	(3,264)
Additions	(20,908)	-	(53)	(20,943)
Write-offs	16	3,489	-	3,505
Change in the forecast	-	(5,787)	-	(5,787)
Monetary restatement	(319)	(629)	-	(948)
Balance as of December 31, 2022	(22,714)	4,688	35	(27,437)

The Company recognized a provision totaling R\$20,908, referring to labor and social security charges on past events, the outcome of which may result in future cash disbursement.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

22. Legal proceedings and contingencies-Continuation

22.2. Court deposits

	<u>2022</u>	<u>2021</u>
Non-current assets		
Labor	9	8
Tax	17,007	17,440
Other legal deposits	19	19
	<u>17,034</u>	<u>17,468</u>

22.3. Non-accrued legal proceedings

Legal proceedings that constitute present obligations whose outflow of resources is not probable or whose amounts cannot be reliably estimated are not recognized, however, they are disclosed. Cases classified as remote are not the subject of any disclosures in these financial statements.

Contingent liabilities estimated for legal proceedings on December 31, 2022 and December 31, 2021, in which the probability of loss is considered possible, are presented below:

	<u>Civil</u>	<u>Labor</u>	<u>Tax</u>		<u>Environmental</u>	<u>Total</u>
	<u>Legal</u>	<u>Legal</u>	<u>Administrative</u>	<u>Legal</u>	<u>Administrative</u>	
Balances as of December 31, 2020	(1,149)	-	(104,160)	(13,411)	(54,035)	(172,755)
New lawsuits	-	(249)	(298,294)	-	-	(298,543)
Monetary restatements	(124)	(15)	(10,512)	(1,304)	(5,794)	(17,749)
Write-offs	-	-	3,829	-	-	3,829
Change in the forecast	-	-	71	-	-	71
Balance as of December 31, 2021	(1,273)	(264)	(409,066)	(14,715)	(59,829)	(485,147)
New lawsuits	(74,485)	(118)	(7,256)	-	-	(81,859)
Monetary restatement	(88)	(17)	(44,483)	(1,955)	(3,697)	(50,240)
Write-offs	9	-	141,552	-	-	141,561
Change in the forecast	53	-	4,548	1,257	-	5,858
Balance as of December 31, 2022	(75,784)	(399)	(314,705)	(15,413)	(63,526)	(469,827)

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

22. Legal proceedings and contingencies-Continuation

a) Tax Causes

The main administrative tax causes refer to several administrative proceedings initiated by the Brazilian Federal Revenue (RFB) and are related to tax credits used by NTS and not approved by the tax authority, as well as tax penalties. The main causes totaled R\$307,700 (R\$373,911 on December 31, 2021).

The reduction in the amount of the tax causes was due to the end of disputes with positive court decisions and the revision of the reported amounts of the credit and debit administrative suits to maintain alignment with the amounts recorded in the Federal Revenue Office, which totals a reduction of R\$ 30 million. Furthermore, the Company was awarded with partial court decisions in administrative suits, in relation to the disallowance made by the RFB of tax credits of negative balance of IRPJ and CSLL, arising from the adoption of the leasing structure for the calendar year of 2015 in relation to the company's fixed assets, which led to the rectification of the amounts involved and reduction in approximately R\$ 108 million in amounts charged by the Federal Revenue Service to NTS on such credits. The amounts still charged continue to be questioned at the administrative level.

b) Environmental Causes

Environmental causes refer to environmental compensation processes under discussion between Environmental Agencies and NTS on the following topics: (i) the maximum percentage that can be applied for the calculation of the environmental compensation under the licensing related to GASCAR; (ii) the index applicable for the purpose of monetary correction 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 adjustment in the case of environmental compensation under the licensing related to GASTAU.

c) Civil Causes

In November 2022, arbitration was requested against the majority shareholder of the Company 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 reimbursement of expenses incurred by the Company in the remediation of assets owned by it, also resulting from the transfer of control. There is a contractual provision with the claimant in the sense that, upon the initiation of arbitration, the Company has the right to execute guarantee for reimbursement of the disputed portion before the court's decision, being able to exercise it if and when it deems convenient. The Company awaits the assessment of the response and counterclaim, as well as other developments in the arbitration procedure, in order, together with its legal advisors, to assess the impacts on the recognized balances.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

23. Financial instruments

The Company is engaged in transactions involving financial instruments. These instruments are managed through operational strategies and internal controls to ensure liquidity, profitability and safety. Control policy consists of permanent monitoring of contracted conditions versus current market conditions.

On December 31, 2022, the Company had six derivative financial instruments to mitigate the exchange rate risk and exposure to fixed interest rates associated with foreign currency debt. The results are consistent with the policies and strategies defined by the Company's management. Furthermore, during the years, the Company made speculative investments.

a) Liquidity risk

The Company uses its funds to cover operating liabilities and to pay creditors. The sources of funds plus the Company's financial position on December 31, 2022 are sufficient for the settlement of its short-term liabilities. Liquidity risk is managed by the Company by investing its cash in fixed income with liquidity not higher than 90 days and renegotiating (when necessary) the maturity date of its debts.

	2023	2024	2025	2026+	Total
Financial debt*	-	-	1,565,310	10,389,935	11,955,245
Derivative Financial Instruments	376,490	291,788	(14,677)	(486,501)	167,100
Trade accounts payable	613,179	-	-	-	613,179

(a) Debt projections consider the probable scenario of NE 23(d), disregarding the effect of the respective funding costs

(b) Derivative financial instruments correspond to the net balance between assets and liabilities, as detailed in section b) of this Note.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

23. Financial instruments—Continuation

b) Currency risk

Arises from the possibility of fluctuations in foreign exchange rates involving certain loans and financing contracted by the Company and used to refinance debts, and acquire equipment or services, and contract financial instruments.

The Company adopts the policy of eliminating market risks, thus avoiding exposure to market value fluctuations, and operates only with instruments that enable risk control. On December 31, 2022, as described in Note 2, and because of NISA's reversal absorption, the Company has debt denominated in US dollars, totaling US\$749,000, and for which it contracted derivative operations (foreign exchange swap), whose terms, principal, and interest replicate the terms, principal and interest of the loans.

The fair value of the derivative financial instruments is determined by future flow, calculated by applying contractual interest rates and future dollar or exchange coupon until the payment date of interest and principal, discounted at present value on the date of the quarterly financial information by the market rates in effect.

Institution	Description	Operation/Rate	Maturity	Reference amount (notional)	December 31, 2022	December 31, 2021
	Swap (foreign exchange)					
Scotia Bank	Long position	US\$/R\$ + 2.45%	April/2027	US\$	300,000	1,463,258
	Short position	CDI + 1.35%	April/2027	R\$	1,421,250	(1,534,453)
					MTM Swap	(71,195)
Scotia Bank (2)	Long position	US\$/R\$ + 4.27%	August/2025	US\$	170,000	893,426
	Short position	CDI + 1.13%	August/2025	R\$	880,090	(941,997)
					MTM Swap	(48,571)
MUFG (a)	Long position	US\$/R\$ + 3.30%	April/2027	US\$	59,000	293,345
	Short position	CDI + 1.35%	April/2027	R\$	279,512	(301,776)
					MTM Swap	(8,431)
CITI	Long position	US\$/R\$ + 2.71%	April/2027	US\$	90,000	442,312
	Short position	112.7% of CDI	April/2027	R\$	426,375	(462,795)
					MTM Swap	(20,484)
SMBC	Long position	US\$/R\$ + 4.96%	September/2025	US\$	50,000	266,709
	Short position	CDI + 1.13%	September/2025	R\$	260,885	(277,654)
					MTM Swap	(10,945)
BNP	Long position	UD\$ + 5.75%	September/2025	US\$	80,000	433,584
	Short position	CDI + 1.13%	September/2025	R\$	416,440	(440,760)
					MTM Swap	(7,176)

(a) The charges of the short position of the swap contracted with MUFG correspond to 3.30% p.a. until March 31, 2023, and 3.40% p.a., from April 01, 2023 to maturity.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

23. Financial instruments—Continuation

	Assets		Liabilities		Net position	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Current	-	-	376,191	-	(376,191)	-
Non-current	209,390	-	-	-	209,390	-
Total	209,390	-	376,191	-	(166,801)	-

c) Credit risk

I) Financial Application

The credit risk of balances with banks and financial institutions is managed in accordance with the rules established by the Company. The company's cash available is allocated to fixed income securities associated with bank credits with very low credit risk, federal public securities and exclusive funds. The standard provides for conditions under which the credit limit must be reviewed or changed. The concentration and credit risk parameters for financial counterparties were established to mitigate the risk of cash losses in the event of potential default by any counterparty.

II) Clients

As part of the Share Purchase and Sale Agreement entered into with the Company shareholders, Petrobras and NTS signed a Restricted Accounts Management Agreement with Banco Bradesco S.A., aiming to diversify NTS's credit risk concerning the Gas Transportation Agreements (GTAs) with Petrobras so that the Company mitigates revenue concentration risk in its main customer. Despite Petrobras being the main party to the of NTS' gas transportation agreements (GTAs), NTS' credit risks and concentration agreements are mitigated by the low possibility of discontinuance of gas supply by the petroleum provider to its customers, since it is a basic input for its activities.

Receivables pledged as collateral by Petrobras to NTS refer to deposits made in the restricted account by Petrobras' low-credit risk clients, arising from the Natural Gas Purchase and Sale Agreement (GSAs) in which Petrobras acts as the seller. Deposits made in this account are intended to guarantee coverage of at least 120% of the Company's expected monthly invoices, due by Petrobras under the GTAs, in addition to any taxes and charges that may be deducted by Banco Bradesco every month.

Additionally, in March 2022, Petrobras presented 5 (five) bank insurance letter, valid for two years, as of 03/30/2022, as agreed with each GTA, corresponding to the period of 150 days times the sum of the capacity, entry, and exit fees, up to the limit of R\$2,885,931.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

23. Financial instruments--Continuation

III) Derivatives

The Company contracts derivative financial instruments with various counterparties, mainly financial institutions with investment grade credit ratings. Derivatives are valued using valuation techniques with data observable in the market and refer mainly to interest rate and foreign exchange swaps. The most frequently applied valuation techniques include swap pricing models, with present value calculations. The models incorporate a variety of inputs, including the creditworthiness of counterparties and future interest and exchange rate curves. As of December 31, 2022, the Company estimated the impact of the counterparties' credit risk adjustment when calculating the fair value of derivatives and concluded that it did not result in a significant impact. Additionally, changes in counterparty credit risk did not have a material effect on the assessment of hedge effectiveness for derivatives designated as hedge ratios and other financial instruments carried at fair value.

d) Sensitivity analysis

On December 31, 2022, the Company's Management carried out a sensitivity analysis for financial instruments subject to interest rate risk, considering that the exposure is the value of the debentures and financing, as described in Note 13, and financial investments exposed to the CDI variation. The possible and remote scenarios consider a 25% and 50% variation in the expected interest rates on loan balances, net of financial investments, respectively, concerning this same date.

Instruments	Exposure	Risk	Probable (*)	Possible (25% Variation)	Remote (50% Variation)
Financial assets					
Cash and cash equivalents	2,294,092	Decrease in CDI	313,144	234,858	156,572
Financial Liabilities					
Debentures and loans (a)	12,146,914	Increase in CDI	(1,731,296)	(2,100,321)	(2,459,863)

(*) 12-month scenario

(**) Debenture amount and interest to be incurred/ projected financial charges do not include funding expenses.

The "Probable" scenario was calculated considering a CDI rate of 13.65%, applicable to the floating interest rate portion of the debentures, net of cash and cash equivalents as of December 31, 2022. The "Possible" and "Remote" scenarios consider increases of 25% and 50% respectively, of the CDI rate considered in the "Probable" scenario.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

23. Financial instruments--Continuation

e) Estimate at fair value:

The table below sets forth the book values and fair values of the Company's financial instruments and other assets and liabilities, as well as its measurement level. December 31, 2022 and December 31, 2021.

Financial assets (current and non-current)	Level	December 31, 2022		December 31, 2021		
		Book Value	Fair Value	Book Value	Fair value	
		4,008,216	4,008,216	3,578,318	3,578,318	
Cash and cash equivalents	Fair value through profit or loss	2	2,294,317	2,294,317	2,235,391	2,235,391
Accounts receivable	Amortized costs	2	1,322,706	1,322,706	1,169,706	1,169,706
Other accounts receivable	Amortized costs	2	165,233	165,233	157,570	157,570
Restricted bank deposits	Amortized costs	2	16,570	16,570	15,651	15,651
Derivative Financial Instruments	Fair value through other comprehensive income (a)	2	209,390	209,390	-	-
Financial liabilities (current and non-current)			13,207,169	14,063,320	5,789,139	5,789,139
Trade payables	Amortized costs	2	613,179	613,179	447,121	447,121
Debentures and financing	Amortized costs	2	12,217,500	13,073,651	5,342,018	5,342,018
Derivative Financial Instruments	Fair value through other comprehensive income (a)	2	376,490	376,490	-	-

(a) The Company adopted the cash flow hedge accounting for operations with derivative instruments, as described in section b) of this Note, therefore recording the fair value adjustment in Other Comprehensive Income.

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

- Level 1 - unadjusted prices in active markets for instruments identical to those held by the Company.
- Level 2 - observable information on assets or liabilities, whether directly or indirectly, except for prices included in the previous level.
- Level 3 – for non-observable data for the instrument in question.

The Company understands that the fair value of trade accounts receivable is already reflected in their book value, since most of them mature in the short-term.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

23. Financial instruments--Continuation

For debentures, loans 4,131 and Commercial Notes, classified and measured at amortized cost, fair value was estimated based on projections up to the final maturity date in accordance with contractual rates, discounted to present value at future market coupon rates exchange rate (loans 4,131) and interest (Debentures and Commercial Notes) obtained on the B3 website..

f) Changes in the cash flow liabilities of financing activities

As required by CPC 03, the Company states below the changes in the cash flow liabilities of financing activities, as recorded in its Cash Flow Statements:

Financings, Derivatives, and dividends	Balance on December 31, 2021	Cash Changes		Non-Cash changes						Balance on December 31, 2022
		Financing activities received (paid)	Interest payment	Merger of NISA	Approved dividends and interest on equity	Interest expenses	FX variation	Amortization of funding costs	Fair value adjustment	
Commercial Notes_NISA	-		-110,263	1,495,548	-	159,030	-	1,023	-	1,545,338
Debentures_2 nd issue	5,279,848	(5,200,000)	-600,097	-	-	517,491	-	2,758	-	-
1st issue Debentures - NISA	-		-204,651	1,619,252	-	165,029	-	944	-	1,580,574
2nd issue Debentures - NISA	-		-110,263	1,495,548	-	159,030	-	1,023	-	1,545,338
3rd issue Debentures	-	999,607	-	-	-	32,954	-	-81	-	1,032,479
4th issue Debentures	-	1,499,390	-	-	-	50,485	-	-84	-	1,549,791
5th issue Debentures	-	989,518	-	-	-	34,242	-	-62	-	1,023,698
Santander loan (CCB)	62,170	-60,000	-3,239	-	-	1,069	-	-	-	-
Scotia Bank loan	-	-	-17,323	1,410,750	-	25,366	154,560	-	-	1,573,353
Scotia Bank loan (2)	-	880,090	-	-	-	10,910	6,919	-	-	897,919
MUFG loan	-	-	-4,733	277,448	-	6,931	30,397	-	-	310,042
CITI loan	-	-	-5,663	423,225	-	8,333	46,368	-	-	472,263
SMBC loan	-	260,000	-	-	-	3,585	885	-	-	264,470
BNP loan	-	416,440	-	-	-	4,819	976	-	-	422,235
Derivative financial instruments, net (3)	-	-	-117,272	22,793	-	213,222	-240,105	-	288,164	166,801
Dividends and Interest on Equity	7,576	(3,090,097)	-	183,965	2,898,555	-	-	-	-	-
	5,349,594	(3,305,052)	(1,173,504)	6,928,529	2,898,555	1,392,496	-	5,521	288,164	12,384,301

(1) Mainly corresponds to the value of debt succeeded by the Company because of the reversal absorption of NISA;

(2) Corresponds to the net position of the Derivative Financial Instruments described in Note 23. b)

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

24. Commitments

a) Contractual obligations

The following table sets forth the annual minimum required, and non-cancelable future payments related to the contractual obligations assumed by the Company as of December 31, 2022:

Type of Contract	2023	2024	2025	2026	2027	Total
Office rental	2,221	2,252	1,796	770	474	7,512
Telecom and printers	222	-	-	-	-	222
Rental of vehicles and machinery	300	-	-	-	-	300
Compression services	17,748	18,458	18,421	18,405	18,405	91,437
Use and sharing of gas pipelines	86,430	89,887	89,705	89,628	89,628	445,277
Total	106,920	110,597	109,922	108,803	108,506	544,748

b) Guarantees

As of December 31, 2022, the Company had eight rental guarantee insurance policies to cover the guarantees required in its lease agreements, which totaled R\$3,623 in coverage limit, distributed as follows:

Location	Coverage Limit
Praia do Flamengo, 22º andar, Flamengo, Rio de Janeiro, RJ	1,695
Praia do Flamengo, 23º andar, Flamengo, Rio de Janeiro, RJ	1,686
Rod. Washington Luiz, 2500, Bl. B Salas 703 a 707, Duque de Caxias, RJ	60
Rua Adelelmo Piva, 36, Jardim Vista Alegre, Paulínia, SP	49
Est. Hélio Rosa dos Santos, 1000, salas 105 e 205, Imboassica, Macaé, RJ	39
Rua Messia Assú, nº 293, Itararé, São Vicente, SP	58
Rodovia BR 040, KM 800, salas nº 20, 21 e 22, Matias Barbosa, MG	34

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

25. Insurance coverage

The Company has a policy of taking out insurance coverage for the assets subject to risks in amounts considered sufficient to cover possible losses, considering the nature of their activities.

The Company has several insurance policies, including Operational Risks and Loss of Profit, General Civil Liability, Environmental Risks, D&O Civil Liability, Professional Civil Liability E&O, Property, among others.

The table below summarizes the insurance coverage types and their effective terms as contracted by the Company:

Type of Insurance	Start of Coverage Period	End of Coverage Period	Coverage Amount
Operational risks and business interruption	October 3, 2022	October 3, 2023	1,500,000
General civil liability	October 3, 2022	October 3, 2023	400,000
Environmental risks	October 3, 2022	October 3, 2023	300,000
D&O civil liability	October 3, 2022	October 3, 2023	300,000
Professional civil liability (E&O)	October 3, 2022	October 3, 2023	15,000
Data protection and cyber responsibility	October 3, 2022	October 3, 2023	35,000
Corporate fraud (crime)	October 3, 2022	October 3, 2023	5,000
Corporate (Office)	November 27, 2022	November 27, 2023	19,000
GASIG's work engineering risks	May 15, 2022	July 31, 2024	130,829
GASIG's general civil liability	May 12, 2022	July 31, 2023	50,000
Total			2,754,829

Insurance premiums paid related to the insurance policies are recorded under assets as prepaid expenses and are recorded proportionally to P&L as a result of the policies' effective terms.

The table below summarizes the amounts recorded on December 31, 2022 and 2021 as prepaid expenses:

Description	2022	2021
Operational Liability and Loss of Profit	11,933	10,810
Civil Liability	2,284	2,013
Environmental Responsibility	1,025	988
D&O civil liability	647	647
Work liability	43	-
Engineering Risks	206	-
Corporate insurance	1,013	686
Others – insurance	1,351	-
Total insurance	18,503	15,144
Other prepaid expenses	1,351	630
Total	19,854	15,774

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements

December 31, 2022 and 2021

(In thousands of Reais, unless otherwise stated)

26. Subsequent Events

Absorption of Share Capital and Capital Reduction Reserve balances

At the Extraordinary General Meeting ("AGE") held on January 12, 2023, the increase in the Company's capital stock was approved, in the amount of R\$ 292,890, through the capitalization of a portion: (a) of the capital reserve; (b) the special goodwill reserve, corresponding to the tax benefit derived from the reverse merger of its former shareholder Nova Infraestrutura Gasodutos Participações S.A. ("NISA"), approved by the General Meeting of the Company and NISA, held on April 12, 2022; and (c) from the legal reserve; resulting in capital stock equivalent to R\$801,603, through an increase in the nominal value of the Company's shares to R\$0.35 (thirty-five cents) per share. of article 173 of Law 6,404/76, the reduction of the Company's capital stock in the amount of R\$ 300,603, as it is considered excessive, upon restitution of capital to shareholders in national currency, and with the reduction of the nominal value of the shares to R\$ 0.22 (twenty-two cents of a real) per share, without cancellation of any shares representing its capital stock.

In any of the steps above, the number of shares representing the Company's capital stock was maintained, as well as the percentage of participation of each shareholder in the capital stock.

The reduction of the Company's capital stock will only become effective and the refund payment to the shareholders will only be made after the fulfillment of the following suspensive conditions, cumulatively: a) publication of the extract of the minutes that approved the referred reduction, in the form of art. 135, paragraph 1 of Law No. 6,404/76, which was carried out on January 13, 2023; b) 60 days after the publication date mentioned in item (i), without opposition by unsecured creditors, or, if there has been opposition, upon proof of payment and/or judicial deposit of amounts due to such creditors, pursuant to article 174, paragraph 2, of Law 6,404/76; and c) express approval of the National Agency of Petroleum, Natural Gas and Biofuels – ANP, pursuant to art. 4, § 3 of Law No. 14,134 of April 2021.

Request for Counterclaim as a result of an arbitration request

On January 16, 2023, the Company filed a response to the arbitration request, initiated in 2022, and a counterclaim request involving the reimbursement of expenses incurred by the Company in the remediation of assets owned by it, with further details described in explanatory note 22.3 c of this financial statement.

Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements
December 31, 2022 and 2021
(In thousands of Reais, unless otherwise stated)

26. Subsequent Events_Continuation

CVM Circular Letter No. 01/2023

On February 13, 2023, CVM issued Circular Letter No. 01/2023 with guidelines to be observed and disclosed by publicly-held companies when preparing their Financial Statements for 2022, due to the decision taken by the Plenary of the STF in the sense that the legal effects of res judicata in a decision obtained through a court action, final and unappealable, will not be applied if the STF manifests itself in the opposite way when dealing with taxes “collected on a continuous basis” . In this regard, and in line with CVM guidance, the Company evaluated the decision of the Supreme Court and concluded that, up to the date of approval of this Financial Statement, it is not a party to tax proceedings that have become final and unappealable in favor of the Company and that the Court has pronounced in the opposite direction.

Distribution of dividends

The Board of Directors' meeting held on March 16, 2023 unanimously and without reservations approved the distribution of dividends by the Company in the total amount of R\$830,107 million, based on the favorable opinion of the Fiscal Council, to be paid by the end of March 2023.