

Individual and Consolidated Financial Statements

Brisanet Participações S.A.

December 31, 2021
with Independent Auditor's Report

Brisanet Participações S.A.

December 31, 2021

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I - Management report

MANAGEMENT REPORT – December 31, 2021

Brisanet's history has always been guided by the search for the new, to bring the future into the present, overcoming all adversities and circumstances. This happened in different ways and at different times: it was like this in 1998, at the beginning of everything, when we carried out the first radio signal tests in the city of Pereiro (CE) and region; in 2011, with the implementation of optical fiber in the city of Pau dos Ferros (RN); and in 2021, when we listed at B3 and were granted 03 lots in the 5G auction (3.5 GHz and 2.3 GHz in the Northeast and 3.5 GHz in the Midwest).

Innovation drives us to always seek the best for our customers, and the achievements of the Brisanet Group in 2021 have taken us to new levels to now solidify our strategies and goals. In 2021 alone, we built around 1.9 million HPs (households), the same amount built between 2011 and 2019, and we are servicing with fixed broadband 120 cities in 8 of the 9 states in the Northeast region. In 2021, we initiated services in 24 new cities and 4 new states - Alagoas, Piauí, Sergipe and Maranhão.

Following this path, the Company added to its client base 219 thousand new customers in a totally organic way, representing a 35% growth, in addition to obtaining a 50% increase in revenue, consolidating itself as the largest broadband provider in the Northeast, according to the National Telecommunications Agency (Anatel), with a total of 843 thousand customers. In 2022, the focus is to occupy the infrastructure that was built throughout 2021, with an estimated growth of the customer base higher than the previous year, since 80% of the new cities were delivered in the second half of the year.

The numbers obtained express a notable advance in the expansion plan that we have built, revealing that our forces are increasingly focused on growth, conquering clients and advancing in facilities to monetize investments made over the last few months. The paths for the results to be achieved need to be optimized, taking advantage of opportunities for gain and productivity on a large scale. Brisanet's track record shows that the company has the means to implement all the necessary infrastructure to launch a significant 5G pilot project in 2022.

In Corporate Governance, in 2021, Brisanet implemented several improvement measures, such as: hiring dedicated professionals with experience in the market; creation of internal regulations for the advisory committees to the Board of Directors; annual calendar of corporate meetings; thematic agenda for strategic meetings; implementation of new policies, rules and procedures; creation of the Code of Ethics; development of new electronic training programs; hiring a 24-hour anonymous reporting channel, operated by an independent company; recurrent dissemination of initiatives; as well as the deliberations focused on internal control, risks and internal audit.

The Company has also progressively advanced to align itself with sustainable development in order to meet the needs of the current generation without compromising future generations. We plan and execute our practices in light of the Sustainable Development Goals (SDGs), we encourage volunteering and social responsibility practices, in addition to drawing up economic and socio-environmental development strategies guided by the premises of the Group's Sustainability Policy, created in 2021. Ongoing projects aim to improve the Company's energy capacity and efficiency, promoting a safe work environment through professional qualification and skills programs.

We ended 2021 with an increase of approximately 2,300 new employees. Through job creation, socioeconomic development, and digital inclusion, we have left a legacy of transformation and social inclusion. The proof of this is that, only in the vicinity of the Headquarters, Brisanet exerts influence and contributes to the development, directly and indirectly, of nine municipalities: Pereiro (CE),

Jaguaribe (CE), Iracema (CE), Ererê (CE),), São Miguel (RN), Pau dos Ferros (RN), Dr. Severiano (RN), Encanto (RN) and Vem Ver (RN).

We remain proud of Brisagnet's trajectory and of all the people who contributed to the achievements of 2021, certain that we will establish a true technological revolution. For this reason, we will continue to promote the continuous growth of employees in line with an administration that is increasingly aligned with our organizational principles. We are confident and prepared to face the challenges that lie ahead. Since the emergence of Brisagnet, we have innovated in technology and expanded our operations. Now, more than ever, we are committed to keep working on improving our service levels.

José Roberto Nogueira

CEO

HIGHLIGHTS

| Brisanet | 2021 | 2020 |
|--------------------------------------------------|--------------|--------------|
| <u>Financial Highlights (R\$ million)</u> | | |
| Net Revenue | 728.8 | 471.8 |
| Gross Margin (%) | 45% | 50% |
| Operating Income | 79.8 | 85,9 |
| EBITDA | 237.4 | 173.5 |
| Adjusted EBITDA | 271.4 | 208.1 |
| Adjusted EBITDA Margin (%) | 37% | 44% |
| Net Income | 2.2 | 29.1 |
| Net Debt | 74.6 | 492.7 |
| Net Debt/EBITDA (x) | 0.3 | 2.8 |

¹ EBITDA conciliation to Net Income:

| (in million of R\$) | 2021 | 2020 |
|-----------------------------------|-------|-------|
| Net Income | 2.2 | 29.1 |
| (+) Depreciation and amortization | 157.6 | 87.6 |
| (+) Financial Result | 67.5 | 42.1 |
| (+) Taxes (IR and CSSL) | 10.1 | 14.6 |
| EBITDA | 237.4 | 173.5 |
| (+) Installation costs | 24.5 | 34.6 |
| (+) Non-recurring expenses | 9.5 | - |
| Adjusted EBITDA | 271.4 | 208.1 |

OPERATIONAL PERFORMANCE

Brisanet ended 2021 with fixed broadband service through optical fiber in 120 cities, in 8 of the 9 states of the Northeast region. The state of Bahia should begin to be built in the first half of 2022.

The Company added 219 thousand new customers in 2021, having ended the year with 843 thousand customers and consolidated itself as the largest broadband provider, considering all technologies, in the Northeast region, according to the ranking published by the National Telecommunications Agency – Anatel.

The year of 2021 was a year of intense geographic expansion with the arrival in 24 new cities, in 4 new states - Alagoas, Piauí, Sergipe and Maranhão - and in Ceará, Pernambuco and Rio Grande do Norte. The Company added 1.9 million HPs (households) in the year and on December 31, 2021 it had 4,462 thousand HPs, a 74.1% increase compared to 2020.

| Brisanet | 2021 | 2020 |
|------------------------------------|--------------|--------------|
| <u>Operating Highlights</u> | | |
| Cities served | 120 | 96 |
| Access Ports - '000 | 3.234 | 1.922 |
| HP added- '000 | 1.900 | 1.078 |
| Total HP - '000 | 4.462 | 2.563 |
| HC added- '000 | 219 | 273 |
| Total HC - '000 | 843 | 624 |

Given this expansion, the Company is already in 6 state capitals and their metropolitan regions. In the capitals where the service started until the beginning of 2021, such as João Pessoa, Natal and Maceió, Brisanet has a market share in optical fiber above 50%, even with the presence of national players and regional providers.

In 2022, the focus is on occupying the infrastructure that was built throughout 2021, with an estimated growth in the customer base well above that of last year, as 80% of the new cities were delivered in the second half of the year.

Brisanet also operates through its franchisor, Agility Telecom. The Agility Telecom brand is represented by 94 franchisees operating in smaller cities or rural districts in the Northeast states – Ceará, Rio Grande do Norte, Paraíba, Pernambuco and Alagoas – serving 193,600 customers, a growth close to 100,000 clients in 2021.

FINANCIAL PERFORMANCE

Net Revenue

In 2020, Brisanet presented consolidated net revenue of R\$728.8 million, with growth of 54.5% compared to 2020. This growth is basically explained by the growth in the customer base, since ARPU (average gross ticket) of B2C customers, responsible for 94% of revenues, grew 5.7% due to the better sales mix – more expensive plans with higher speed offers.

The Company offers a range of products and services, the main one being fixed broadband, representing more than 90% of revenue.

Gross Margin

The Company posted gross income of R\$324.3 million, with a margin on net revenue of 45% in 2021, compared to R\$234.6 million and a margin of 50% in 2020. The start of services in 24 new cities, 80% of which in the second half, brought a rise in costs – notably personnel, right of way, materials and maintenance and depreciation – reducing the margin in the period. Increases resulting from inflation of 10.4% in 2021, especially electricity and fuel, also impacted costs in the period.

Operational expenses

Operating expenses totaled R\$244.5 million in 2021, compared to R\$148.8 million in 2020.

Selling expenses were R\$69.2 million in 2021, compared to R\$34.7 million in 2020, an increase of 99.6%, mainly related to the increase in commercial headcount and marketing expenses given the greater number of cities and the growth of the customer base in the period.

General and administrative expenses totaled R\$150.0 million in 2021, up 73.2% when compared to 2020. Depreciation and amortization expenses increased by R\$18.3 million, given the greater number of stores – rents are accounted for as lease and amortized – as well as investments in systems. Expenses related to the IPO carried out by the Company in July 2021 totaled R\$7.5 million. In addition, the Company has invested in improving its management, which is reflected in the increased hiring of consulting services and managers in areas of support for expansion, such as human resources, controllership, legal and financial, including costs associated with bringing the Company public.

Expenses with allowance for doubtful accounts (PCLD) were R\$4.4 million lower in 2021 and totaled R\$21.0 million.

Other operating expenses, including tax expenses, amounted to R\$4.3 million in 2021, compared to R\$2.0 million in 2020.

Adjusted EBITDA

The Company adjusted the accounting of installation labor costs, starting to capitalize them since July 2021. As a result, Adjusted EBITDA reflects the standardization of this procedure between the periods presented as well as the exclusion of expenses related to the Company going public, which also took place in July of that year.

Brisanet's Adjusted EBITDA was R\$271.4 million in 2021, growing 30% compared to 2020. The lower growth in relation to net revenue growth is due to fixed costs associated with the expansion diluted by a customer base that is still growing.

The Adjusted EBITDA margin was 37% in 2021, 7.4 p.p. lower than the 44% recorded in 2020.

Financial Result

The net financial result was a negative R\$67.5 million in 2021, R\$25.4 million higher than the negative R\$42.1 million recorded in 2020. This growth reflects the 66.6% growth in gross debt in 2021, the higher interest rates, with SELIC going from 2% at the end of 2020 to 9.25% at the end of 2021 and the IPCA having been 10.06% in 2021 compared to 4.52% in 2020. These impacts were partially mitigated for income from financial investments R\$32.7 million higher in 2021 due to the investment of the resources of the IPO from August to December 2021.

Net Income

The Company presented a net income of R\$2.2 million in 2021 when compared to a net income of R\$29.1 million in 2020.

Indebtedness

Brisanet had gross debt of R\$1,122.2 million on December 31, 2021, compared to R\$673.5 million at the end of 2020. This increase reflects the Company's investment in its expansion through the issuance of R\$500 million of long-term debentures in March 2021.

Considering cash at the end of 2021 of R\$1,047.5 million, the Company's net debt totaled R\$74.6 million, compared to R\$492.7 million at the end of 2020.

The Company monitors the net debt/EBITDA indicator as a reference for its level of indebtedness. This is the same metric used for the financial limits imposed by the debentures, where this indicator cannot be greater than 3.5x in the year. In 2020, net debt/EBITDA was 2.8x. At the end of 2021, this indicator was 0.3x, given that the resources from the IPO will be used mostly in 2022.

Management has established a maximum internal limit of 2.5x and intends to carry out its investments in an adequate manner so as not to exceed it.

Investments

In 2021, Brisagnet invested, when measured by additions to property, plant and equipment and intangibles, the amount of R\$1.05 billion, compared to R\$408.4 million in 2020.

Of this R\$1.05 billion, R\$168.4 million correspond to the right to use 5G radio frequencies, to be paid in 20 annual installments adjusted by SELIC, with the first installment having been paid in December 2021.

Of the remaining R\$884.7 million, R\$256.7 million was added to the lines of property, plant and equipment in progress, property, plant and equipment in warehouse, advances to suppliers and imports in progress. These items represent amounts already committed or spent, but which are not yet in operation, that is, they are investments made that are not linked to the generation of results.

The remaining R\$622.4 million was invested in the Company's organic expansion:

- 1.9 million HPs,
- 280 thousand customer installations – base growth and replacement,
- approximately 400 LTE sites, and
- R\$20 million in land for data centers and vehicles for expansion, R\$52 million in Agility Telecom and R\$80 million in backbone and DWDM (backbone lighting).

Relationship with Independent Auditors

Ernst & Young Auditores Independentes S.S. is the company responsible for the external audit services related to the examination of the financial statements of Brisagnet Participações SA for the fiscal years of 2021 and 2020. There was no contracting of additional services other than auditing, thus the independence of the external auditor in examining the financial statements was preserved.

II - Declaration of the executive board

DECLARATION FOR THE PURPOSES OF ARTICLE 25 OF CVM INSTRUCTION 480

LUCIANA PAULO FERREIRA, Brazilian, divorced, administrator, bearer of Identity Card RG No. 08495887-5 SSP/RJ enrolled in the Individual Taxpayer Registry of the Ministry of Economy ("CPF/ME") under No. 016.657.567-48, with commercial address in the city of Pereiro, State of Ceará, on Highway CE-138, Section Pereiro CE Border with RN, Km 14, Estrada Carrossal Brisa 1 Km, Gate A, Building 1, Entrance 2, 1st Floor, Room 1, CEP 63460 -000, as Investor Relations Officer of **BRISANET PARTICIPAÇÕES**, a joint stock company, headquartered in the city of Pereiro, State of Ceará, at Rodovia CE-138, Trecho Pereiro CE Divisa com RN, Km 14, Estrada Carrossal Brisa 1 Km, Gate A, Building 1, Entrance 2, 1st Floor, Room 1, CEP 63460-000, registered in the National Register of Legal Entities ("CNPJ/ME") under No. 19.796.586/0001-70 ("Company"), declares, pursuant to article 25, paragraph 1, items V and VI, of CVM Instruction No. 480, of December 7, 2009, as amended ("Instruction CVM 480"), which together with the other officers of the Company: (a) reviewed, discussed and agrees with the opinion expressed in the report of the Company's independent auditors; and (b) reviewed, discussed and agreed with the Company's individual and consolidated financial statements for the fiscal year ended December 31, 2021.

Luciana Paulo Ferreira

Investor Relations Officer

III - Proposed capital budget for 2022

PROPOSED CAPITAL BUDGET FOR 2022

The management of Brisanet Participações S.A. (“Company”) submits to the Annual General Meeting to be held on April 26, 2022 (“AGM”) the following capital budget proposal for the fiscal year to be ended on December 31, 2022, in accordance with article 196 of Law No. 6,404, of December 15, 1976, as amended (“Corporate Law”).

The Company's budget, approved by the Board of Directors, considers, for the fiscal year ending on December 31, 2022, expenses of R\$600,000,000.00 (six hundred million reais), with the objective of meeting the business growth, as detailed below:

| Use of funds | In R\$ |
|-----------------------------|-----------------------|
| Fiber Optics Infrastructure | 300,000,000.00 |
| Client Base expansion | 225,000,000.00 |
| Maintenance of client base | 75,000,000.00 |
| Total | 600,000,000.00 |

| Sources of funds | In R\$ |
|--------------------------------------------------------------------------------|-----------------------|
| Retention of portion of net income for the fiscal year ended December 31, 2021 | 1,596,317.93 |
| Equity | 598,403,682.07 |
| Total | 600,000,000.00 |

Thus, in order to comply with article 196 of the Brazilian Corporation Law, the Company's management proposes to the AGM the approval of the amount of R\$600,000,000.00 (six hundred million reais), corresponding to the budgeted expenses for the fiscal year to be ended on December 31, 2022 in order to meet the Company's business growth project.

IV - Individual and consolidated financial statements and independent auditor's report

Brisanet Participações S.A.

Individual and consolidated financial statements

December 31, 2021

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

Independent auditor’s report on individual and consolidated financial statements

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

Opinion

We have audited the individual and consolidated financial statements of Brisanet Participações S.A. (the “Company”), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2021, and the statements of profit or loss, of comprehensive income, of changes in equity, and of 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 individual and consolidated financial position of Brisanet Participações S.A. as at December 31, 2021, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with 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 individual and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants and the professional standards issued by Brazil’s National Association of State Boards of Accountancy (CFC), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Key audit matter

A key audit matter is one that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not express a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report, including in relation to this matter. 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 matter below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue recognition

The Company's revenue recognition involves a high degree of information technology control to ensure that all revenues from services rendered and from resale of goods have been correctly measured and duly recorded within the appropriate accounting period, including unbilled revenues from services rendered.

Ensuring the integrity of the information extracted from the billing systems is an essential element in the calculation of estimated unbilled revenues and, therefore, the proper recognition of revenue. Given the complexity of this revenue recognition process, including the involvement of the information technology infrastructure, this was considered a key audit matter.

How our audit addressed this matter

Our audit procedures included the following, among others: (i) understanding of the significant internal controls implemented by the executive board regarding revenue recognition and measurement; (ii) documentary examination of billed revenue for a sample of transactions incurred; (iii) examination of the calculation of the estimated unbilled service revenue; (iv) testing of the reports extracted from the system used to calculate unbilled service revenue; and (v) review of the disclosures made by the Company in the individual and consolidated financial statements.

Based on the results of audit procedures performed on revenue recognition and measurement, which are consistent with the executive board's assessment, we consider the revenue recognition and measurement criteria to be acceptable, as well as the respective disclosures in Notes 3.a and 21, in the context financial statements taken as a whole.



Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2021, prepared under the responsibility of the Company's executive board, and presented as supplementary information for IFRS purposes, were submitted to audit procedures conducted jointly 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 Accounting Pronouncement 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 the abovementioned accounting pronouncement, and are consistent in relation to the individual and consolidated financial statements taken as a whole.

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

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

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

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

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

The executive board is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with 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 it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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



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

From the matters communicated with those charged with governance, we determined the one that was of most significance in the audit of the financial statements of the current year and is therefore the key audit matter. We describe this matter 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.

Recife, March 23, 2022.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O

A handwritten signature in black ink, appearing to read 'Francisco da Silva Pimentel', with a long horizontal flourish extending to the left.

Francisco da Silva Pimentel
Accountant CRC-1SP171230/O-7-T-PE

A free translation from Portuguese into English of individual and consolidated financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB)

Brisanet Participações S.A.

Statements of financial position
December 31, 2021
(In thousands of reais)

| | Note | Individual | | Consolidated | |
|-----------------------------------------------|------|------------|---------|--------------|-----------|
| | | 2021 | 2020 | 2021 | 2020 |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 4 | 3,325 | 5 | 1,000,792 | 171,104 |
| Short-term investments | 4 | - | - | 46,693 | 9,665 |
| Trade accounts receivable | 5 | - | - | 107,873 | 69,555 |
| Inventories | | - | - | 3,713 | 525 |
| Taxes recoverable | 6 | 18 | - | 42,807 | 18,424 |
| Derivative transactions | 26 | - | - | 297 | 3,701 |
| Prepaid expenses | | - | - | 1,851 | 1,398 |
| Other assets | | - | - | 12,913 | 12,627 |
| Total current assets | | 3,343 | 5 | 1,216,939 | 286,999 |
| Noncurrent assets | | | | | |
| Long-term receivables | | | | | |
| Financial investments | 4 | - | - | 3,600 | 6,480 |
| Trade accounts receivable | 5 | - | - | 843 | - |
| Taxes recoverable | 6 | - | - | 54,671 | 23,166 |
| Transactions with related parties | 7 | - | - | 1,181 | 1,153 |
| Judicial deposits | | - | - | 2,142 | 905 |
| Derivative transactions | 26 | - | - | 1,011 | 8,217 |
| Prepaid expenses | | - | - | 2,462 | 778 |
| Deferred income and social contribution taxes | 24 | - | - | 8,559 | 2,144 |
| Other assets | | - | - | 38 | 38 |
| Investments | 8 | 1,342,780 | 131,292 | - | - |
| Right of use | 14 | - | - | 35,928 | 34,117 |
| Property, plant and equipment | 9 | - | - | 1,346,276 | 647,532 |
| Intangible assets | 10 | - | - | 218,711 | 6,721 |
| Total noncurrent assets | | 1,342,780 | 131,292 | 1,675,422 | 731,251 |
| Total assets | | | | | |
| | | 1,346,123 | 131,297 | 2,892,361 | 1,018,250 |

| | Note | Individual | | Consolidated | |
|-------------------------------------|----------|------------------|---------|------------------|-----------|
| | | 2021 | 2020 | 2021 | 2020 |
| Liabilities and equity | | | | | |
| Current liabilities | | | | | |
| Trade accounts payable | 11 | - | - | 186,032 | 137,229 |
| Loans and financing | 12 | - | - | 236,917 | 251,877 |
| Debentures | 13 | - | - | 8,909 | - |
| Lease obligations | 14 | - | - | 7,958 | 5,562 |
| Labor and social obligations | 15 | 86 | - | 41,782 | 27,100 |
| Taxes payable | 6 | 34 | - | 24,912 | 18,100 |
| Taxes paid in installments | 16 | - | - | 1,771 | 1,274 |
| Derivative transactions | 26 | - | - | 983 | 151 |
| Proposed dividends | 7 and 20 | 533 | - | 533 | - |
| Other accounts payable | 18 | 3 | 1 | 4,190 | 499 |
| Total current liabilities | | 656 | 1 | 513,987 | 441,792 |
| Noncurrent liabilities | | | | | |
| Loans and financing | 12 | - | - | 333,931 | 399,870 |
| Debentures | 13 | - | - | 506,941 | - |
| Lease obligations | 14 | - | - | 27,532 | 27,912 |
| Transactions with related parties | 7 | - | 330 | - | 12,161 |
| Taxes paid in installments | 16 | - | - | 5,099 | 6,589 |
| Provision for losses on investments | 8 | 3,375 | 3,768 | - | - |
| Derivative transactions | 26 | - | - | 218 | - |
| Provision for contingencies | 17 | - | 7 | 929 | 2,729 |
| Other accounts payable | 18 | - | - | 161,625 | - |
| Total noncurrent liabilities | | 3,375 | 4,105 | 1,036,275 | 449,261 |
| Equity | | | | | |
| Capital | 20 | 1,281,606 | 66,209 | 1,281,606 | 66,209 |
| Income reserves | | 60,486 | 60,982 | 60,486 | 60,982 |
| | | 1,342,092 | 127,191 | 1,342,092 | 127,191 |
| Noncontrolling interests | | - | - | 7 | 6 |
| Total equity | | 1,342,092 | 127,191 | 1,342,099 | 127,197 |
| Total liabilities and equity | | | | | |
| | | 1,346,123 | 131,297 | 2,892,361 | 1,018,250 |

See accompanying notes.

Brisanet Participações S.A.

Statements of profit or loss

Year ended December 31, 2021

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

| | Note | Individual | | Consolidated | |
|-------------------------------------------------------|------|----------------|--------|------------------|-----------|
| | | 2021 | 2020 | 2021 | 2020 |
| Net operating revenue | 21 | - | - | 728,755 | 471,774 |
| Cost of services | 22 | - | - | (404,429) | (237,141) |
| Gross profit | | - | - | 324,326 | 234,633 |
| Operating expenses | | | | | |
| Administrative expenses | 22 | (2,985) | (1) | (149,973) | (86,591) |
| Selling expenses | 22 | - | - | (69,231) | (34,693) |
| Tax expenses | 22 | - | - | (5,880) | (2,143) |
| Equity pickup | 8 | 5,230 | 29,132 | - | - |
| Other operating expenses, net | 22 | (6) | (3) | (19,407) | (25,350) |
| Income (loss) before finance income (costs) and taxes | | 2,239 | 29,128 | 79,835 | 85,856 |
| Finance income | 23 | 9 | - | 109,242 | 66,416 |
| Finance costs | 23 | (4) | (1) | (176,729) | (108,528) |
| Finance income (costs) | | 5 | (1) | (67,487) | (42,112) |
| Income before income and social contribution taxes | | 2,244 | 29,127 | 12,348 | 43,744 |
| Income and social contribution taxes | 24 | (2) | - | (10,105) | (14,621) |
| Net income for the year | | 2,242 | 29,127 | 2,243 | 29,123 |
| Net income attributable to | | | | | |
| Controlling interests | | - | - | 2,242 | 29,127 |
| Noncontrolling interests | | - | - | 1 | (4) |
| Basic earnings per share – R\$ | 25 | 0.006 | 0.440 | | |
| Diluted earnings per share – R\$ | 25 | 0.006 | 0.440 | | |

See accompanying notes.

Brisanet Participações S.A.

Statements of comprehensive income
Year ended December 31, 2021
(In thousands of reais)

| | Individual | | Consolidated | |
|-----------------------------------|--------------|--------|--------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Net income for the year | 2,242 | 29,127 | 2,243 | 29,123 |
| Other comprehensive income | - | - | - | - |
| Comprehensive income for the year | 2,242 | 29,127 | 2,243 | 29,123 |
| Net income attributable to | | | | |
| Controlling interests | - | - | 2,242 | 29,127 |
| Noncontrolling interests | - | - | 1 | (4) |

See accompanying notes.

Brisanet Participações S.A.

Statements of changes in equity
Year ended December 31, 2021
(In thousands of reais)

| | Consolidated | | | | | | | Equity |
|-------------------------------|------------------|-------------------------|-------------------------------|---------------------|----------------------|------------------|-----------------------------|------------------|
| | Capital | | Individual Income reserves | | | Subtotal | Noncontrolling interests | |
| | Capital | Share issue costs | Legal reserve | Retained profits | Retained earnings | | | |
| Balances at December 31, 2019 | 66,209 | - | - | 41,506 | - | 107,715 | 10 | 107,725 |
| Net income for the year | - | - | - | - | 29,127 | 29,127 | (4) | 29,123 |
| Profit allocation (Note 20): | | | | | | | | |
| Legal reserve | - | - | 1,456 | - | (1,456) | - | - | - |
| Mandatory minimum dividends | - | - | - | - | (277) | (277) | - | (277) |
| Additional dividends | - | - | - | - | (9,374) | (9,374) | - | (9,374) |
| Retained profits | - | - | - | 18,020 | (18,020) | - | - | - |
| Balances at December 31, 2020 | 66,209 | - | 1,456 | 59,526 | - | 127,191 | 6 | 127,197 |
| Capital increase (Note 20) | 1,255,650 | - | - | - | - | 1,255,650 | - | 1,255,650 |
| Share issue costs (Note 20) | - | (40,253) | - | - | - | (40,253) | - | (40,253) |
| Net income for the year | - | - | - | - | 2,242 | 2,242 | 1 | 2,243 |
| Profit allocation (Note 20): | | | | | | | | |
| Legal reserve | - | - | 112 | - | (112) | - | - | - |
| Mandatory minimum dividends | - | - | - | - | (533) | (533) | - | (533) |
| Additional dividends | - | - | - | (2,205) | - | (2,205) | - | (2,205) |
| Retained profits | - | - | - | 1,597 | (1,597) | - | - | - |
| Balances at December 31, 2021 | 1,321,859 | (40,253) | 1,568 | 58,918 | - | 1,342,092 | 7 | 1,342,099 |

See accompanying notes.

Brisanet Participações S.A.

Statements of cash flows Year ended December 31, 2021 (In thousands of reais)

| | Individual | | Consolidated | |
|------------------------------------------------------------|--------------------|----------|----------------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| Cash flows from operating activities | | | | |
| Net income for the year | 2,242 | 29,127 | 2,243 | 29,123 |
| Adjustments to reconcile net income in the year: | | | | |
| Depreciation and amortization | - | - | 157,575 | 87,618 |
| Residual value upon write-off of PPE and intangible assets | - | - | 2,152 | 1,960 |
| Allowance for expected credit losses | - | - | 21,039 | 25,454 |
| Provision (reserval) for contingencies | (7) | - | (1,800) | 791 |
| Equity pickup | (5,230) | (29,132) | - | - |
| Monetary variation and exchange differences | - | - | 44,085 | 4,407 |
| Derivative transactions | - | - | 11,660 | (11,767) |
| Interest on leases | - | - | 2,515 | 2,781 |
| Interest on debentures | - | - | 20,313 | - |
| Interest on loans and financing | - | - | 59,346 | 49,562 |
| Amortization of funding costs | - | - | 3,161 | - |
| Short-term investment yield | - | - | (34,297) | (1,551) |
| Deferred income and social contribution taxes | - | - | (6,415) | 189 |
| (Increase) decrease in assets | | | | |
| Trade accounts receivable | - | - | (60,200) | (35,724) |
| Inventories | - | - | (3,188) | 246 |
| Taxes recoverable | (18) | - | (55,888) | (20,144) |
| Prepaid expenses | - | - | (2,137) | (2,023) |
| Judicial deposits | - | - | (1,237) | (163) |
| Other assets | - | 3 | (286) | (4,908) |
| Increase (decrease) in liabilities | | | | |
| Trade accounts payable | - | - | 48,803 | 111,431 |
| Labor and social obligations | 86 | - | 14,682 | 9,395 |
| Taxes payable | 34 | - | 24,868 | 20,995 |
| Taxes paid in installments | - | - | (993) | (803) |
| Other accounts payable | 2 | - | 165,316 | (294) |
| Cash flows from (used in) operating activities | (2,891) | (2) | 411,317 | 266,575 |
| Interest paid | - | - | (70,012) | (26,216) |
| Income and social contribution taxes paid | - | - | (18,056) | (19,285) |
| Net cash flows from (used in) operating activities | (2,891) | (2) | 323,249 | 221,074 |
| Cash flows from investing activities | | | | |
| Short-term investments | - | - | (971,631) | (11,770) |
| Redemption of short-term investments | - | - | 971,780 | 1,883 |
| Additions to PPE | - | - | (827,688) | (403,368) |
| Additions to intangible assets | - | - | (215,975) | (4,990) |
| Capital increase at subsidiaries | (1,245,418) | - | - | - |
| Intercompany loans granted | - | - | (28) | (3,500) |
| Intercompany loans received | - | - | - | 3,547 |
| Dividends and profits received | 38,767 | 9,650 | - | - |
| Future capital contribution at subsidiary | - | (4) | - | - |
| Net cash flows from (used in) investing activities | (1,206,651) | 9,646 | (1, 043, 542) | (418,198) |

Brisanet Participações S.A.

Statements of cash flows (Continued)
Year ended December 31, 2021
(In thousands of reais)

| | Individual | | Consolidated | |
|----------------------------------------------------|------------|---------|--------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| Cash flows from financing activities | | | | |
| Loans and financing raised | - | - | 216,797 | 474,435 |
| Repayment of principal of loans and financing | - | - | (308,197) | (120,581) |
| Debentures raised, net | - | - | 467,354 | - |
| Lease payments | - | - | (27,004) | (20,077) |
| Intercompany loans received | - | - | - | 9,509 |
| Intercompany loans paid | (330) | - | (12,161) | (4,217) |
| Capital increase | 1,255,650 | - | 1,255,650 | - |
| Share issue costs | (40,253) | - | (40,253) | - |
| Dividends/Profits distributed | (2,205) | (9,651) | (2,205) | (9,651) |
| Net cash flows from (used in) financing activities | 1,212,862 | (9,651) | 1,549,981 | 329,418 |
| Increase (decrease) in cash and cash equivalents | 3,320 | (7) | 829,688 | 132,294 |
| Cash and cash equivalents | | | | |
| At beginning of year | 5 | 12 | 171,104 | 38,810 |
| At end of year | 3,325 | 5 | 1,000,792 | 171,104 |
| Increase (decrease) in cash and cash equivalents | 3,320 | (7) | 829,688 | 132,294 |

See accompanying notes.

Brisanet Participações S.A.

Statements of value added
Year ended December 31, 2021
(In thousands of reais)

| | Individual | | Consolidated | |
|--------------------------------------------------------|----------------|--------|------------------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenues | | | | |
| Gross operating income less discounts | - | - | 841,567 | 550,429 |
| Allowance for expected credit losses | - | - | (21,039) | (25,454) |
| Other revenues | 5 | - | 4,900 | 567 |
| Inputs acquired from third parties | | | | |
| Cost of sales | - | - | (52,817) | (62,754) |
| Materials, electricity, third-party services and other | (1,967) | (1) | (135,406) | (45,086) |
| Loss on/recovery of assets | (14) | - | (106) | (4,247) |
| Other inputs | - | - | (3,163) | (3,209) |
| Gross value added | (1,976) | (1) | 633,936 | 410,246 |
| Depreciation and amortization | - | - | (157,575) | (87,618) |
| Net value added generated | (1,976) | (1) | 476,361 | 322,628 |
| Value added received in transfer | | | | |
| Equity pickup | 5,230 | 29,132 | - | - |
| Finance income | 9 | - | 109,242 | 66,416 |
| Total value added to be distributed | 3,263 | 29,131 | 585,603 | 389,044 |
| Distribution of value added | | | | |
| Taxes, charges and contributions | | | | |
| Federal | 171 | - | 95,998 | 77,610 |
| State | - | - | 72,137 | 47,689 |
| Local | - | - | 1,304 | 1,437 |
| Other taxes, charges and contributions | - | 4 | 3 | 195 |
| Personnel | 171 | 4 | 169,442 | 126,931 |
| Salaries | 847 | - | 144,406 | 100,645 |
| Unemployment Compensation Fund (FGTS) | - | - | 12,505 | 5,378 |
| Benefits | 1 | - | 40,028 | 9,366 |
| Debt remuneration | 848 | - | 196,939 | 115,389 |
| Interest, exchange differences and borrowing costs | 4 | - | 176,729 | 101,110 |
| Rentals | - | - | 40,252 | 16,491 |
| Equity remuneration | 4 | - | 216,981 | 117,601 |
| Dividends/profits distributed | 2,738 | 9,651 | 2,738 | 9,651 |
| Retained profits | (498) | 19,476 | (497) | 19,472 |
| Value added | 3,263 | 29,131 | 585,603 | 389,044 |

See accompanying notes.

Brisanet Participações S.A. and Consolidated

Notes to financial statements
December 31, 2021
(In thousands of reais))

1. Operations

Brisanet Participações S.A. (the "Company") is a publicly-held corporation, established on February 19, 2014, located in Pereiro, state of Ceará. The Company is primarily engaged in holding equity interests in other companies.

On July 28, 2021, the public offering of the Company's shares on the stock market of B3 S.A. - Brasil, Bolsa e Balcão, denominated "Novo Mercado" was approved at the Board of Directors' Meeting, under ticker symbol "BRIT3", completed upon settlement of the shares on July 30, 2021 in the amount of R\$1,255,650. Share issue costs totaled R\$40,253.

a) Subsidiaries

Currently, the Company has the following subsidiaries:

i) *Brisanet Serviços de Telecomunicações S.A. ("Brisanet Serviços")*

Provision of telecommunication services - MCS (Multimedia Communication Service); equipment rental; IT services; radio and optical fiber network installation services; wholesale, retail and import of telecommunications and IT equipment; pay television; pay cable television; provision of monitoring services; wholesale, retail, import and rental of electronic monitoring equipment; electronic equipment maintenance; wholesale, retail and import of monitoring cameras and materials; manufacture of pre-cast concrete structures, in series or by order; electronic equipment installation and assembly; fixed switched telephone services (STFC); licensing or assignment of rights-of-use relating to computer programs; customizable computer system development; non-customizable computer system development; IT technical support, maintenance and services; provision, with no definitive assignment, of audio, video, image and text content through the internet, in compliance with the tax immunity of books, newspapers and periodicals (except for distribution of content by Conditioned Access Service providers, referred to in Federal Law No. 12485, of September 12, 2011, subject to State VAT - ICMS); value added services; and administrative support and office services.

Acquisition of investments

On March 11, 2021, Brisanet Serviços acquired 100% of the units of interest of Agility Serviços de Telecomunicações Ltda. ("Agility"), a company that belongs to Brisanet Group shareholders, for the amount of R\$10.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2021

(In thousands of reais)

1. Operations (Continued)

a) Subsidiaries (Continued)

i) *Brisanet Serviços de Telecomunicações S.A. (“Brisanet Serviços”)* (Continued)

Acquisition of investments (Continued)

Agility Serviços de Telecomunicações Ltda. (“Agility Telecom”)

Provision of telecommunication services (Multimedia Communication Service – MCS); maintenance and repair of controlling and testing devices and instruments; wholesale of IT equipment; wholesale of other IT machinery and equipment, parts and pieces; internet protocol voice providers (Voice over IP – VOIP); telecommunications activities; computer program development by order; development and licensing of customizable computer programs; development and licensing of non-customizable computer programs; data treatment, application service providers and internet hosting services; provision of IT services; intermediation and agency of services and business in general; rental of office machinery and equipment; rental of other self-operating commercial and industrial machinery and equipment; administrative support and office combined services; provision of services mainly to companies; non-financial institutions’ holding companies; franchising sale and licensing; when the services provided, products sold and machinery and equipment rented are not commensurate with the company’s physical space, third-party warehouses will be contracted for storing respective products, machinery and equipment.

Establishment of company

On November 16, 2021, Brisanet Serviços established the company 4J Serviços de Telecomunicações Ltda., holding 100% of its units of interest, with capital totaling R\$50.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

1. Operations (Continued)

a) Subsidiaries (Continued)

i) *Brisanet Serviços de Telecomunicações S.A. ("Brisanet Serviços")* (Continued)

Establishment of company (Continued)

4J Serviços de Telecomunicações Ltda ('4J Telecomunicações')

Provision of MCS Telecommunications services; fixed switched telephone services (STFC); Voice over Internet Protocol (VOIP) providers; equipment rental; computer services; fiber optic and radio network installation services; specialized retail trade of telephony and communication equipment; specialized retail trade of telephony and communication equipment; wholesale, retail and import of computer and telecommunication equipment; pay television; cable pay-television operators; provision of monitoring service; wholesale, retail, import and rental of equipment for electronic monitoring; maintenance of electronic monitoring equipment; wholesale, retail and import of cameras and monitoring materials; manufacture of pre-molded reinforced concrete structures, in series and to order; installation and assembly of electronic equipment; intermediation and agency of services and business in general; licensing or assignment of the right to use computer programs; customizable computer system and development; non-customizable computer system and development; technical support, maintenance and services in information technology; availability, without definitive assignment, of audio, video, image and text content via the internet, respecting the immunity of books, newspapers and periodicals (except for the distribution of content by the providers of Conditional Access Service, addressed by Federal Law No. 12485, of September 12, 2011, subject to ICMS); added value services; data processing, application service providers and internet hosting services; office services and administrative support.

Merger of indirect subsidiary Global Indústria de Equipamentos para Redes de Comunicação Ltda.

On February 26, 2021, the shareholders, by means of a Special General Meeting (SGM), approved the merger of indirect subsidiary Global Indústria de Equipamentos para Redes de Comunicação Ltda. ("Global") into Brisanet Serviços.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2021

(In thousands of reais)

1. Operations (Continued)

a) Subsidiaries (Continued)

Merger of indirect subsidiary Global Indústria de Equipamentos para Redes de Comunicação Ltda. (Continued)

The merged net assets, in subsidiary Brisanet Serviços, measured by external experts at book value, at base date January 31, 2021, are as follows:

| | <u>01/31/21</u> |
|---------------------------|-----------------|
| Current assets | |
| Cash and cash equivalents | <u>1</u> |
| Total assets | <u>1</u> |
| Merged net assets | <u>1</u> |

ii) *Brisanet Gerenciadora de Ativos Ltda. (“Brisanet Gerenciadora de Ativos”)*

Activities relating to asset management, advisory and consulting services in IT and out-of-court collection.

iii) *RPS – Prestação de Serviços de Informática Ltda. (“RPS”)*

IT technical support, including installation, configuration and maintenance of databank and computer programs, as well as technical support services for IT equipment in general; rental of chattel properties and IT equipment; IT equipment installation services, and image and data equipment monitoring services; sale of electronic equipment; import of electronic material; import of IT and telecommunications equipment and of consumption material; and rental of self-driving vehicles, including buses.

iv) *Interservice – Serviços de Elaboração de Dados Ltda. - ME (“Interservice”)*

IT technical support, including installation, configuration and maintenance of databank and computer programs, as well as technical support services for equipment in general; data processing and the like; and IT advisory and consulting services.

v) *Universo Serviços de Telecomunicações Ltda. - ME (“Universo Serviços”)*

Fixed switched telephone services (STFC); telecommunications network interconnection services; rental of chattel properties, including installation, configuration and maintenance of databank and computer programs, as well as technical support services for IT equipment in general; and retail sale of electronic and communication equipment.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2021

(In thousands of reais)

1. Operations (Continued)

b) Authorizations

The services offered by the Company and its subsidiaries, as well as tariffs charged, are authorized by the National Telecommunications Agency (Anatel), which is responsible for regulating the telecommunications sector in Brazil in accordance with the General Telecommunications Law and respective regulations. In this context, the Company and its subsidiaries have the following authorizations:

| <u>Company</u> | <u>Grant</u> | <u>Area</u> | <u>Effective period</u> |
|-------------------|------------------------------------------------------------------|-----------------------|-------------------------|
| Universo Serviços | Authorization to provide international long-distance STFC | For region 1 STFC | Indefinite |
| Brisanet Serviços | Authorization to provide Multimedia Communication Services (MCS) | All regions in Brazil | Indefinite |
| Brisanet Serviços | Authorization to provide Conditioned Access Services (SeAC) | All regions in Brazil | Indefinite |

c) Operations with franchisees and other transactions

In 2021, Agility Serviços de Telecomunicações ("Agility Telecom"), an indirect subsidiary of the Company, carried out 15 operations to purchase fixed and intangible assets from small providers, within its planning, as a franchisor, aiming to expand its telecommunications services and remaining with the optical fiber network infrastructure. With the migration of these operations to franchisees, Agility now charges 25% of the franchisee's billing, while Brisanet Serviços, which also acquired fixed and intangible assets from small providers, charges 5% for providing a link to its franchisees.

d) Outcome of the 5G Auction

On November 4, 2021, Brisanet Serviços de Telecomunicações S.A., a wholly-owned subsidiary of the Company, won 3 Lots in the 5G Auction conducted by Brazil's National Telecommunications Agency ("Anatel") to obtain the right to use radio frequencies, primarily of 2 regional blocks of 80 MHz in the 3.5 GHz range - 1 block in the Northeast and 1 in the Midwest - as well as 1 lot of 50MHz in the Northeast region in the 2.3 GHz range, all for a period of 20 (twenty) years, extendable against valuable consideration, in accordance with the regulations in force on the expiration date. The total amount offered for the 3 lots was R\$1,466,386, of which only R\$168,360 will be disbursed. The remaining balance will be covered by commitments with offer of the service in certain areas until 2030.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2021

(In thousands of reais)

1. Operations (Continued)

e) COVID-19

Covid-19 was identified in December 2019 in China, reached various countries rapidly and was declared a pandemic on March 11, 2020 by the World Health Organization (WHO). This disease also had impacts on economic activities, which suffered and are still suffering significant losses.

In Brazil, as from March 2020, various states adopted lockdown measures, which at first generated uncertainties in operating P&L of the Company and its subsidiaries. However, the telecommunications industry presented a significant increase during the pandemic, since this sector was able to contribute with the service demands for the governments and society as a whole. Since the beginning of the pandemic, Company management has been monitoring the impacts of Covid-19 and any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The pandemic had no impacts on the Company's and its subsidiaries' cash flow and revenue recognition, since the number of customers increased significantly due to the demand for access to internet points, which resulted directly in increased generation of cash and cash equivalents. In addition to the increase in number of customers, days sales outstanding (DSO) increased significantly whereas average collection period decreased.

The Brazilian economy went into a recession after the pandemic impacts. In order to contain credit limitation, the federal government zeroed Tax on Financial Transactions (IOF) on fundraising and reduced interest on the loan facilities provided by the Brazilian Development Bank (BNDES), Caixa Econômica Federal and Banco do Nordeste.

The federal government adopted various measures to minimize the pandemic impacts on the companies' cash flow. From these measures, the Company and its subsidiaries used Provisional Executive Order (MP) No. 927/2020 and Ministry of Economy rulings to pay Unemployment Compensation Fund (FGTS) in installments subject to no interest, extend the due dates of employer's social security portions, federal contribution taxes on gross revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS), and suspend the installment payment of federal taxes.

Financial instruments were directly impacted by the US dollar fluctuation during the pandemic. The Company and its subsidiaries adopted the measure of setting the foreign currency to minimize the effects and manage the cash flow.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

1. Operations (Continued)

d) COVID-19 (Continued)

In consonance with referred to government orders, Brisanet Group adopted various measures to ensure compliance with health protocols and render activity routines fully feasible for employees, suppliers and customers, such as holding meetings and training courses through videoconference, home office work and personalized remote customer services, among other security actions.

Lockdown restricted circulation in other segments and the society as a whole. This restriction increased internet access demand, which caused a significant increase in Brisanet Group customers during the pandemic.

To date, concerning operations, the Company and its subsidiaries identified no significant impacts relating to Covid-19.

Company management and technical team considered that insurance contracts, impairment, inventories and other items described in the Company's and its subsidiaries' individual and consolidated financial statements did not change significantly due to Covid-19.

f) Approval of the financial statements

Management of the Company and its subsidiaries authorized the completion of the individual and consolidated financial statements on March 23, 2022.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

2. Basis of preparation and presentation of the financial statements

2.1. Basis of preparation of the financial statements

The individual and consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil, which comprise the rules issued by the Brazilian Securities and Exchange Commission (CVM), Brazilian Accounting Standards – General (NBC TG), and the pronouncements issued by the Brazilian FASB (CPC), and are in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The individual and consolidated financial statements were prepared in accordance with several measurement bases used in accounting estimates. Accounting estimates involved in the preparation of the financial statements were based on both objective and subjective factors and use of professional judgment by management to determine the adequate amount to be recorded in the financial statements. Significant items subject to these estimates and assumptions include the selection of useful lives of property, plant and equipment and intangible assets, analyses of their recoverability in operations, assessment of the fair value of financial assets and liabilities, as well as other risk analyses to determine other provisions, including provision for contingencies.

Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to uncertainties inherent in the estimation process. Company management reviews its accounting estimates and assumptions at least on an annual basis.

The presentation of the Statement of Value Added (DVA), individual and consolidated, is required by the Brazilian corporation law and the accounting practices adopted in Brazil applicable to publicly-held companies. Its presentation is not required under IFRS. Consequently, under IFRS, this statement is presented as supplementary information, without prejudice to the set of financial statements.

2.2. Statement of relevance

All information relevant to the financial statements, and only such information, is being disclosed and corresponds to the information used in management of the Company's and its subsidiaries activities, according to Accounting Guidance OCPC 07.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

2. Basis of preparation and presentation of the financial statements (Continued)

2.3. Going-concern statement

Management has evaluated the ability of the Company and its subsidiaries to continue as a going concern and is convinced that they have the resources to continue their business in the future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt as to the ability to continue as a going concern. Accordingly, these financial statements were prepared on a going concern basis of the operating activities of the Company and its subsidiaries.

2.4. Measurement basis

The individual and consolidated financial statements were prepared on a historical cost basis, except where otherwise indicated.

2.5. Functional and presentation currencies

The individual and consolidated financial statements are presented in Brazilian reais, which is also the functional currency of the Company and its subsidiaries. In all individual and consolidated financial statements presented in reais, the amounts were rounded to the nearest thousand, unless otherwise stated.

2.6. Basis of consolidation

As at December 31, 2021 and 2020, the Company maintains investments by means of direct subsidiaries, all of which are located in Brazil, as follows:

| | <u>2021</u> | <u>2020</u> |
|------------------------------------------------------------------|-------------|-------------|
| Brisanet Serviços de Telecomunicações S.A. | 99.99% | 99.99% |
| Brisanet Gerenciadora de Ativos Ltda. | 99.98% | 99.98% |
| RPS – Prestação de Serviços de Informática Ltda. | 99.99% | 99.99% |
| Interservice – Serviços de Elaboração de Dados Ltda. - ME | 99.99% | 99.99% |
| Universo Serviços de Telecomunicações Ltda. - ME | 99.99% | 99.99% |
| Global Indústria de Equipamentos para Redes de Comunicação Ltda. | - | 99.99% |

Subsidiaries are all entities over which the Company holds control. The Company controls an entity when the Company is exposed or entitled to variable returns based on its involvement with the entity and can affect these returns through the power used in the investee. The subsidiaries are fully included in the consolidation as from the date when control is transferred to the Company. Consolidation is interrupted as from the date when the Company ceases to have control.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

2. Basis of preparation and presentation of the financial statements (Continued)

2.6. Basis of consolidation (Continued)

Transactions between entities, balances and unrealized gains in transactions between the Company and its subsidiaries are eliminated. Unrealized gains and losses are only eliminated if the operation provides evidence of impairment of transferred assets. The subsidiaries' accounting policies are changed when necessary to ensure consistency with the policies adopted by the Company.

In the individual financial statements of the parent company, investments in subsidiaries are recorded under the equity method.

3. Summary of significant accounting practices

a) Revenue recognition

NBC TG 47 – Revenue from Contracts with Customers establishes a model that evidences if the recognition criteria have been met, observing the following steps: (i) identification of the contract with the customer; (ii) identification of performance obligations; (iii) determination of the transaction price; (iv) allocation of the transaction price; and (v) recognition of revenue upon fulfillment of the performance obligation.

Considering the aspects above, revenues are recorded at the amount that reflects the expectation of the consideration to be received for the services offered to the customers. Gross revenue is stated net of taxes, rebates and discounts.

As certain billing cut-offs occur in intermediate dates within the months of the year, at the end of each month there are revenues already accrued by the Company and its subsidiaries, but not effectively billed to its customers. These unbilled revenues are recorded based on estimates, which take into account consumption data, number of days elapsed since the last billing date, among others.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

a) Revenue recognition (Continued)

Income or loss from operations of the Company and its subsidiaries is recorded on an accrual basis. All services are recognized as the performance obligation in transferring the promised good or service to the customer is satisfied. Unbilled revenue is also recognized, taking into account the accrual period of the services provided, and the billing period for the customer. This consumption data base of unbilled customers is estimated based on the number of days that have elapsed since the last billing date, according to the chosen plan, for accounting recognition and allocation to the appropriate revenue components.

Multimedia Communication Services (MCS)

Revenues related to multimedia communication services (MCS) are recorded at the amount of the telecommunication service that permits the provision of transmission, emission and reception capacity of multimedia information, using any means, to subscribers within a service provision area.

IT services

All revenues from IT services are recognized as the performance obligation in transferring the promised good or service to the customer is satisfied.

Value added services

Revenues from value added services are recorded at the amount of the self-support and replay services provided for pay TV and caller ID in telephony.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

a) Revenue recognition (Continued)

Equipment rental services

Revenues from equipment rental services are recorded at the equipment rental amount.

Pay TV service operation - SeAC

Revenues from the pay TV service - SeAC are accounted for at the amount of the audiovisual content distribution service organized into sets of channel and programming packages, in addition to provision of other services related to this offer.

Sale of fixed switched telephone services (STFC)

Revenues from telephony services are recorded at the amount of installation, operation and provision of fixed switched telephone services (STFC) to subscribers, in the Local, National Long Distance and International Long Distance modes. All services are billed monthly based on the measurement made by the billing or tariff systems that identify information for accounting recognition and allocation to the respective revenue components. The services rendered between the billing date and the end of each month are calculated and accounted for as revenue in the month the service is rendered.

Sale of goods/products

Revenue from the sale of goods is accounted for by transactions carried out with a single product, chips for mobile data. All revenues are recognized when the product is sold and transferred to the customer.

The sale of goods/products that are part of the ordinary activities of the Company and its subsidiaries is measured at the fair value of the amounts received or receivable, net of returns, commercial discounts and monetary rebates on certain types of transactions. Revenue is recognized when: (i) there is compelling evidence of the existence, usually in the form of sales contracts already entered into between the parties, in which (ii) the risks and rewards of ownership of the item have been transferred to the buyer, (iii) the associated costs may be measured reliably as well as (iv) the possible returns of these products, (v) when there is no longer any involvement of the management of the Parent Company and its subsidiaries with the products sold, and (vi) the amount of revenue can be measured reliably.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

b) Finance income and costs

Finance income comprises interest on investments made by the Company and its subsidiaries, including short-term investment yield, present value adjustment of financial assets, and gains on the disposal of financial assets.

Finance costs comprise expenses with interest on loans and financing, monetary restatement of taxes in installments and provisions, changes in the fair value of financial assets at fair value through profit or loss, and finance costs recognized on an accrual basis.

Gains or losses from exchange differences are shown separately in P&L for the year , segregated between finance income and costs.

c) Cash and cash equivalents

These include cash balances, demand deposits, and short-term investments considered to be highly liquid, convertible into a known amount of cash, subject to an insignificant risk of change in fair value, and which are redeemable within 90 days of the investment date.

d) Trade accounts receivable

Trade accounts receivable are recorded at the billed amount, including applicable direct taxes. When applicable and necessary, an allowance for expected credit losses is set up for an amount considered sufficient by management to cover any losses on realization of receivables.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

e) Transactions in foreign currency

Transactions in foreign currency are translated into the functional currency of the Company and its subsidiaries at the exchange rate prevailing on the transaction dates. Monetary assets and liabilities denominated and calculated in foreign currency on the reporting date are translated into the functional currency at the exchange rate effective on such date. Exchange gain or loss on monetary items is the difference between amortized cost of the functional currency at the beginning of the year, adjusted by the effective rate and payments during the year, and the amount of amortized cost in foreign currency, translated at the rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated into the functional currency of the entity at the rate corresponding to the closing of the year in which the fair value was determined. Differences in foreign currencies resulting from translation are recognized directly in profit or loss for the year. Non-monetary items that are measured at historical cost in a foreign currency are translated using the rate in force on the transaction date.

The individual and consolidated financial statements are presented in reais (R\$), which is also the functional currency of the Company and its subsidiaries.

f) Investments

Investments in subsidiaries and affiliates in which the Company and its subsidiaries have significant administrative influence, as well as investments in companies of the same group or that are under common control, are measured by the equity pickup method.

Other investments that do not fall under the above category are valued at acquisition cost, less provision for loss, when applicable.

g) Property, plant and equipment

Recognition and measurement

Property, plant and equipment items are measured at acquisition or build-up cost, less recoverable taxes, accumulated depreciation, and impairment, where applicable.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

g) Property, plant and equipment (Continued)

Recognition and measurement (Continued)

The costs of property, plant and equipment items include those that are directly attributable to their acquisition or build-up. The costs of assets built up internally include the cost of materials and salaries of employees directly involved in the asset construction or build-up projects. They also include any other costs directly attributable to the asset until it is in condition to be used for the purposes intended by the entity, in addition to costs of decommissioning asset items and recovering the sites where such assets are installed, and borrowing costs related to qualifying assets.

When parts of a property, plant and equipment item have significantly different useful lives, these parts are considered individual items, and are accounted for and controlled separately, including for depreciation purposes.

Gains and losses on the disposal of an asset arise from the difference between the disposal value and the net value resulting from the cost value less residual value and accumulated depreciation of this asset, and are recognized directly in P&L for the year.

Subsequent costs

Subsequent expenses are capitalized to the extent that future benefits associated with such expenses are likely to flow to the Company and its subsidiaries. Recurring maintenance and repair costs are posted to profit or loss.

Depreciation

Depreciation is recognized in profit or loss by the straight-line method based on the estimated useful life of each component. Depreciation of PP&E items begin when they are installed and available for use or, for assets internally built, when the construction is completed and the assets are available for use. Depreciation rates are presented in Note 9.

Depreciation methods, useful lives and residual values are reviewed at each year end and any adjustments are recognized as change in accounting estimates.

The residual value and useful life of assets, as well as the depreciation methods used, are reviewed at the year end and adjusted prospectively, as applicable.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

g) Property, plant and equipment (Continued)

Interest capitalization

Interest on loans directly attributable to acquisition, build-up or production of an asset, which require a substantial period to be finalized for the intended use or sale (qualifying assets), is capitalized as part of the cost of the respective assets during construction phase. From the date when the corresponding asset becomes operational, capitalized costs are depreciated over the estimated useful life of the asset.

h) Intangible assets

Intangible assets refer substantially to goodwill, software development and improvement, and licenses. Upon initial recognition, intangible assets acquired separately are measured at acquisition cost and subsequently stated net of accumulated amortization and impairment, if applicable.

The useful life of intangible assets is assessed as finite or indefinite. Finite-lived intangible assets are amortized over their economic useful lives and are tested for impairment whenever there is any indication of loss in the item's economic value. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at each year end. Changes in the estimated useful life or in the expected consumption of economic benefits of these assets are recorded by means of changes in the period or under the amortization method, as applicable, and treated as changes in accounting estimates.

Intangible assets with indefinite life are not amortized, but are tested annually for impairment, individually or at the cash-generating unit level. Indefinite useful life is reviewed annually to determine whether such assessment is still justifiable. Otherwise, useful life is changed from indefinite to finite on a prospective basis.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the statement of profit or loss when the asset is derecognized.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

i) Leases

Leases are recognized as a right to use the asset, in assets, and as an obligation to pay the lease, in liabilities, at the lower of the present value of the mandatory minimum installments of the agreement or the fair value of the asset. The amounts recorded as property, plant and equipment are depreciated over the lower of the estimated economic useful life of the item or the duration determined in the lease agreement. The interest implicit in the right-of-use liability payable recognized is allocated to P&L according to the duration of the agreement using the nominal interest rate method.

j) Impairment of non-financial assets

Property, plant and equipment items, finite-lived intangible assets and, when applicable, other non-financial assets are reviewed at least annually to identify evidence of impairment or whenever events or significant events or changes in circumstances indicate that their carrying amount may not be recoverable.

Where applicable, if loss derives from situations in which the carrying amount of the asset exceeds its recoverable amount, defined as the higher of value in use or net sales value, such loss is recognized in P&L for the year.

For impairment testing purposes, assets are grouped at the lowest level of detail for which there are individualized cash flow estimates.

Intangible assets with indefinite useful lives are tested for impairment annually, individually or at the CGU level, as appropriate, or when circumstances indicate that the carrying amount may be impaired.

k) Other current and noncurrent assets and liabilities

An asset is recognized in the statement of financial position when it refers to a resource controlled by the Company and its subsidiaries arising from past events and from which future economic benefits are expected, and its cost or value can be reliably measured. Contingent assets are not recognized. A liability is recognized in the statement of financial position when the Company and its subsidiaries have a legal or constructive obligation as a result of a past event, the settlement of which is likely to require an outflow of economic benefits. Assets and liabilities are classified as current whenever their realization or settlement is likely to occur within the next twelve months. Otherwise, they are stated as noncurrent.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

I) Taxation

Current income and social contribution taxes

Current tax assets and liabilities for the prior year and previous years are measured at the estimated amount recoverable from or payable to tax authorities, respectively. The tax rates and tax laws used to calculate the amounts are those effective or substantially effective at the statement of financial position date.

Income and social contribution taxes for the current year were calculated in accordance with the related taxation regime. The taxation regime of the Company and its subsidiaries is presented below:

| <u>Company</u> | <u>Taxation regime</u> |
|----------------------------------------------------------|-------------------------------------------------------|
| Brisanet Serviços Telecomunicações S.A. | Taxable profit based on quarterly accounting records |
| Brisanet Gerenciadora de Ativos Ltda. | Taxable profit based on a percentage of gross revenue |
| RPS – Prestação de Serviços de Informática Ltda. | Taxable profit based on a percentage of gross revenue |
| Interservice - Serviços de Elaboração de Dados Ltda - ME | Taxable profit based on a percentage of gross revenue |
| Universo Serviços de Telecomunicações Ltda. - ME | Taxable profit based on quarterly accounting records |
| Agility Serviços de Telecomunicações Ltda. | Taxable profit based on a percentage of gross revenue |
| 4J Serviços de Telecomunicações Ltda. | Taxable profit based on a percentage of gross revenue |

Deferred income and social contribution taxes

Deferred taxes arise from income and social contribution tax losses and temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets, when applicable, are recognized on income and social contribution tax losses, as well as for all temporary differences, only to the extent that taxable profit is likely to be available for future realization.

Sales taxes

Revenues, expenses and assets are recognized net of sales taxes, except when: (i) sales taxes incurred on the purchase of goods or services are not recoverable, in which case sales taxes are recognized as part of the asset acquisition cost or of the expense item, as applicable; and (ii) amounts receivable and payable are presented jointly with sales taxes.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

m) Provisions

Provisions are recorded when the Company and its subsidiaries have a present (legal or constructive) obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits and that can be reliably estimated.

When the Company and its subsidiaries expect some or all of a provision to be reimbursed, for example, under an insurance contract, reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is stated in the statement of profit or loss, net of any reimbursement.

n) Critical accounting estimates and judgments

Accounting estimates and judgments are continuously assessed and are based on experience and other factors, including expected future events considered reasonable in the circumstances.

Management makes estimates concerning the future based on assumptions. By definition, accounting estimates seldom correspond to actual results. Estimates and assumptions subject to significant risk and likely to cause a significant adjustment to the carrying amounts of assets and liabilities for the next year are presented below.

i) Provision for tax, civil and labor contingencies

The Company and its subsidiaries are parties to legal and administrative proceedings (Note 17). Provisions are recorded for all legal proceedings whose likelihood of loss is estimated as probable with a certain degree of reliability. Assessment of the likelihood of loss includes an evaluation of available evidence, the hierarchy of laws, available case law, recent court decisions and their relevance in the legal system, as well as the opinion of external legal advisors.

Management believes that the provisions for tax, civil and labor contingencies are fairly presented in the financial statements and are sufficient to cover possible losses.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

n) Critical accounting estimates and judgments (Continued)

ii) Current and deferred taxes

There are uncertainties regarding the interpretation of complex tax regulations and the amount and timing of future taxable profits. The Company and its subsidiaries set up provisions at amounts deemed sufficient to cover any risks relating to interpretation of certain legal matters. Deferred tax assets are calculated based on a study on the expected realization of future taxable profit. This study is annually reviewed and approved by management. Projections of future profits take into consideration the main performance variables of the Brazilian economy, sales volume and contribution margin, and tax rates.

iii) Fair value of derivatives and other financial instruments

Fair value of financial instruments not traded in an active market is determined by using valuation techniques. The Company and its subsidiaries exercise their best judgment to select various methods and define assumptions mainly based on the market conditions at the statement of financial position date.

iv) Useful life of intangible assets and PP&E

Depreciation or amortization of PP&E and intangible assets takes into consideration management's best estimate on the use of these assets in the Company's operations. Changes in the economic scenario and/or consumer market may require a revision of these useful life estimates.

o) Present value adjustment of assets and liabilities

Noncurrent monetary assets and liabilities are monetarily restated and, therefore, adjusted to their present value. Present value adjustment to current monetary assets and liabilities is calculated and only recorded if considered significant in relation to the individual and consolidated financial statements taken as a whole. For purposes of recording and determining significance, the present value adjustment is calculated considering contractual cash flows and the explicit, and sometimes implicit, interest rates of the respective assets and liabilities. Based on analyses and on management's best estimate, the Company and its subsidiaries concluded that the present value adjustment of current monetary assets and liabilities is not significant in relation to the individual and consolidated financial statements taken as a whole. As such, no adjustments were accounted for.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

p) Operating segment

Operating segments are defined as components of a business for which separate financial information is available and is assessed regularly by the operating decision-maker so that funds may be allocated to a given segment and its performance may be evaluated. Given that all decisions are made based on the consolidated reports, that there are no managers responsible for a particular segment, and that all strategic planning, financial, purchase, and investment decisions are made on a consolidated basis, the Company management concluded that there is only one reportable segment.

q) Financial assets and liabilities

i) *Financial assets*

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

Classification of financial assets upon initial recognition depends on the characteristics of the contractual cash flows of the financial asset and the business model adopted by the Company and its subsidiaries for managing these financial assets. All financial assets are recognized at fair value plus, in the case of financial assets not recognized at fair value through profit or loss, transaction costs directly attributable to their acquisition.

Subsequent measurement

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

- Financial assets at amortized cost;
- Financial assets at fair value through other comprehensive income, with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

q) Financial assets and liabilities (Continued)

i) *Financial assets* (Continued)

The Company and its subsidiaries have no financial assets classified as financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments) or financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments).

Financial assets at amortized cost

The Company and its subsidiaries measure financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets for the purpose of receiving contractual cash flows; and
- The contractual terms of the financial asset originate, at specified dates, cash flows that constitute solely payments of principal and interest on the outstanding amount.

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

Financial assets of the Company and its subsidiaries include cash and cash equivalents, trade accounts receivable, and judicial deposits.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets initially recognized at fair value through profit or loss, or financial assets to be necessarily measured at fair value. Financial assets are classified as held for trading if acquired to be sold or repurchased in the short term.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

q) Financial assets and liabilities (Continued)

i) *Financial assets* (Continued)

Financial assets at fair value through profit or loss (Continued)

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value, with the net changes in fair value recognized in the statement of profit or loss.

The Company's and its subsidiaries' financial assets classified at fair value through profit or loss include derivative transactions.

Derecognition (write-off)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is written off when: the rights to receive cash flows from the asset have expired; the Company and its subsidiaries have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without significant delay to a third party under a pass-through arrangement; and either (i) the Company and its subsidiaries have transferred substantially all risks and rewards of the asset, or (b) the Company and its subsidiaries have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

Impairment of financial assets (including allowance for expected losses on trade accounts receivable)

A financial asset is derecognized when recovery of the contractual cash flows is not reasonably expected.

i) *Financial liabilities*

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

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

q) Financial assets and liabilities (Continued)

ii) *Financial liabilities* (Continued)

Financial liabilities are initially recognized at fair value and, in the case of loans and financing and accounts payable, include directly attributable transaction costs.

Financial liabilities of the Company and its subsidiaries include trade accounts payable, debentures, loans and financing, and lease obligations.

Subsequent measurement

After initial recognition, loans and financing subject to interest are subsequently measured at amortized cost by the effective interest rate method. Gains and losses are recognized in the statement of profit or loss through the amortization process by the effective interest rate method.

Derecognition (write-off)

A financial liability is written off when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in P&L.

ii) *Derivative financial instruments*

The Company and its subsidiaries use derivative financial instruments such as interest rate swaps and currency forwards to hedge against interest rate and currency risks. These derivative financial instruments are initially recognized at fair value on the date when a derivative agreement is entered into and are subsequently measured at fair value. Variations in fair value of derivative instruments of the Company and its subsidiaries are immediately recorded in the statement of profit or loss under Finance income (costs).

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2021

(In thousands of reais)

3. Summary of significant accounting practices (Continued)

r) Government grants

Government grants are recognized when there is reasonable certainty that the benefit will be received and that all the related conditions will be met. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to offset, are expensed. When the grant relates to an asset, it is recognized as deferred revenue and posted to P&L in equal amounts throughout the expected useful life of the related asset.

s) Statements of cash flows

The statement of cash flow was prepared by the indirect method and is presented according to NBCT 3.8 – Statement of Cash Flows (equivalent to CPC 03 (R2) issued by Brazil's National Association of State Boards of Accountancy (CFC)).

t) New or revised pronouncements with first-time adoption in 2021

Certain standards and amendments adopted for the first time are effective for annual periods beginning on or after January 1, 2021. The Company and its subsidiaries decided against the early adoption of any other standard, interpretation or amendment issued that is not already in force.

u) Standards issued but not yet effective

The new and amended standards and interpretations issued but not yet in effect until the date of issue of the individual and consolidated financial statements of the Company and its subsidiaries are described below. The Company and its subsidiaries intend to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

u) Standards issued but not yet effective (Continued)

NBC TG 50/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 comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 (CPC 50) replaced IFRS 4 - Insurance Contracts (CPC 11), issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and reinsurance), regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of NBC TG 50/IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in NBC TG 11 (R2)/IFRS 4, which are largely based on grandfathering previous local accounting policies, NBC TG 50/IFRS 17 provides a comprehensive model for insurance contracts, covering all significant accounting aspects. The core of NBC TG 50/IFRS 17 is the general model, supplemented by:

- A specific adaptation to contracts with characteristics of direct participation (variable rate approach);
- A simplified approach (premium allocation approach) mainly for short-term contracts.

NBC TG 50/IFRS 17 is effective for reporting years beginning on or after 1 January 2023, with comparative figures required. Early adoption is permitted, provided the entity also adopts NBC TG 48/IFRS 9 and NBC TG 47/IFRS 15 on or before the date of first-time adoption of IFRS 17. This standard is not applicable to the Company and its subsidiaries.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
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(In thousands of reais)

3. Summary of significant accounting practices (Continued)

u) Standards issued but not yet effective (Continued)

Amendments to NBC TG 26/IAS 1: Classification of liabilities as current or noncurrent:

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1, correlated with NBC TG 26 (R5), to specify the requirements for classifying liabilities as current or noncurrent. The amendments clarify:

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

The amendments are effective for annual reporting years beginning on or after January 1, 2023 and must be applied retrospectively. The Company and its subsidiaries are currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Amendments to NBC TG 23 (R2) / IAS 8: Definition of accounting estimates

In February 2021, the IASB issued amendments to IAS 8 (correlated with NBC TG 23 (R2)), in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting year beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that year. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the financial statements of the Company and its subsidiaries.

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Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

u) Standards issued but not yet effective (Continued)

Amendments to NBC TG 26 (R5) and IFRS Practice Statement 2: Disclosure of accounting policies

In February 2021, the IASB issued amendments to IAS 1 (correlated with NBC TG 26 (R5)) and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual year beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company and its subsidiaries are currently assessing the impact of the amendments on the accounting policy disclosures.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2021

(In thousands of reais)

4. Cash and cash equivalents and short-term investments

| | Individual | | Consolidated | |
|---------------------------------|--------------|----------|-----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Cash | - | 3 | 5 | 6 |
| Checking accounts and other | 79 | - | 4,701 | 5,402 |
| Short-term investments: | | | | |
| Sweep accounts | 6 | - | 16,617 | - |
| Bank Deposit Certificates (CDB) | 3,240 | 2 | 974,727 | 165,222 |
| Debit cards | - | - | 4,742 | 474 |
| | 3,325 | 5 | 1000,792 | 171,104 |

Cash equivalents correspond to transactions with financial institutions in the Brazilian financial market and subject to low credit risk. These transactions are remunerated by the Interbank Deposit Certificates (CDI) variation at the average rate of 105.84% at December 31, 2021 (98.10% in 2020) and are available for use in the operations of the Company and its subsidiaries, i.e. are highly-liquid financial assets.

Short-term investments

| | Consolidated | |
|----------------------------------------------|---------------|---------------|
| | 2021 | 2020 |
| Investment funds (a) | 21,491 | 9,665 |
| Certificate accounts with lottery prizes (b) | 9,820 | 6,480 |
| CDB (c) | 18,982 | - |
| | 50,293 | 16,145 |
| Current | 46,693 | 9,665 |
| Noncurrent | 3,600 | 6,480 |

(a) Investment funds have variable income (fixed income and multimarket funds), with an average of 89.57% of the CDI of the year;

(b) Certificate accounts with lottery prizes, with an average yield of 0.5% p.m. plus the reference rate (TR), were acquired in previous years and have a grace period for redemption, usually proportional to repayment of the loans, to which they are collateral; and

(c) CDBs had an average yield of 105.84% of the CDI on the current year, with liquidity above 90 days.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2021

(In thousands of reais)

5. Trade accounts receivable (Consolidated)

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|-----------------|-----------------|
| Trade accounts receivable | 128,009 | 90,346 |
| Allowance for expected credit losses | <u>(19,293)</u> | <u>(20,791)</u> |
| Accounts receivable, net | <u>108,716</u> | <u>69,555</u> |
| Current | 107,873 | 69,555 |
| Noncurrent | 843 | - |

The aging list of trade accounts receivable is as follows:

| | <u>2021</u> | <u>2020</u> |
|------------------------------------------|-----------------|-----------------|
| Falling due | 41,136 | 29,075 |
| Past due: | | |
| 1 to 30 days | 28,898 | 20,064 |
| 31 to 60 days | 5,524 | 2,677 |
| 61 to 180 days | 16,767 | 6,384 |
| 181 to 360 days | 17,538 | 8,687 |
| Over 360 days | <u>18,146</u> | <u>23,459</u> |
| | 128,009 | 90,346 |
| (-) Allowance for expected credit losses | <u>(19,293)</u> | <u>(20,791)</u> |
| Accounts receivable, net | <u>108,716</u> | <u>69,555</u> |

At December 31, 2021, DSO was of 46 days (45 days in 2020).

Changes in allowance for expected credit losses are as follows:

| | <u>2021</u> | <u>2020</u> |
|-----------------|-----------------|-----------------|
| Opening balance | (20,791) | (21,232) |
| Set-up | (24,229) | (26,324) |
| Reversal | 3,190 | 870 |
| Write-off | <u>22,537</u> | <u>25,895</u> |
| Closing balance | <u>(19,293)</u> | <u>(20,791)</u> |

No individual customer represents more than 10% of total accounts receivable. In accordance with IFRS 9/NBC TG 48, allowance for expected credit losses is set up based on analysis of customer portfolio, in an amount considered sufficient by management to cover expected losses on realization of receivables, as well as of sales returns and customer discounts.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2021

(In thousands of reais)

6. Taxes recoverable and payable

| | Individual | | Consolidated | |
|--------------------------------------------------------------------------------------|------------|----------|---------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| Assets | | | | |
| State VAT (ICMS) recoverable | - | - | 10,092 | 4,040 |
| ICMS recoverable on fixed assets | - | - | 80,939 | 31,372 |
| PIS and COFINS recoverable | - | - | 151 | 1,334 |
| Corporate Income Tax (IRPJ) and Social Contribution on Net Profit (CSLL) recoverable | 18 | - | 5,557 | 1,864 |
| Other taxes recoverable | - | - | 739 | 2,980 |
| | 18 | - | 97,478 | 41,590 |
| Current | | | | |
| | 18 | - | 42,807 | 18,424 |
| Noncurrent | | | | |
| | - | - | 54,671 | 23,166 |
| Current liabilities | | | | |
| ICMS payable | - | - | 9,963 | 3,739 |
| IRPJ payable | - | - | 2,917 | 8,177 |
| CSLL payable | - | - | 1,199 | 3,193 |
| PIS and COFINS payable | - | - | 3,094 | 2,730 |
| ISS payable | - | - | 129 | 261 |
| Other taxes payable | 34 | - | 7,610 | - |
| | 34 | - | 24,912 | 18,100 |

ICMS statutory taxation for communication services is of approximately 30% in the states of Pernambuco, Paraíba, Rio Grande do Norte and Ceará. ICMS is paid to suppliers at the following rates in each state: São Paulo-25%, Rio de Janeiro-30% and Ceará-30%.

7. Transactions with related parties

At December 31, 2021 and 2020, outstanding balances were as follows:

| | Individual | | Consolidated | |
|-----------------------------------------------|------------|------------|--------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| Noncurrent assets | | | | |
| Other related parties | | | | |
| AGILITY Segurança Eletrônica | - | - | - | 165 |
| BWM Consortium (a) | - | - | 1,181 | 978 |
| Legal entities | - | - | - | 10 |
| | - | - | 1,181 | 1,153 |
| Noncurrent liabilities | | | | |
| Intercompany loans | | | | |
| Brisanet Serviços de Telecomunicações S.A. | - | 180 | - | - |
| Rps Prestação de Serviço de Informática Ltda. | - | 150 | - | - |
| Individuals and legal entities | - | - | - | 12,161 |
| | - | 330 | 0 | 12,161 |
| Dividends payable | | | | |
| | 533 | - | 533 | - |
| | 533 | 330 | 533 | 12,161 |

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2021

(In thousands of reais)

7. Transactions with related parties (Continued)

| | Individual | | Consolidated | |
|------------------------------------------------------------|------------|------|--------------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Statement of profit or loss | | | | |
| AGILITY Segurança Eletronic (b) | - | - | (1,547) | (790) |
| BWM Consortium (c) | - | - | (1,875) | (1,807) |
| Imobiliária Pau D'arco Ltda. (d) | - | - | (35) | (46) |
| JPMF Imobiliária Ltda (d) | - | - | (413) | - |
| S&L Locadora de Veículos Ltda (e) | - | - | (20,408) | (13,444) |
| Nosso Atacarejo Comércio de Gêneros Alimentícios Ltda. (f) | - | - | (2,377) | (594) |
| Nossa fruta Brasil Indústria de Alimentos Ltda.(g) | - | - | (165) | (110) |
| | - | - | (26,820) | (16,791) |

- (a) BWM Consortium refers to project Cinturão Digital do Ceará (CDC), comprised by Brisanet Serviços, Wirelink Telecom and MOB Telecom, which currently consists of a modern optical fiber network of approximately 3,000 km in the entire state of Ceará, which serves over 90% of the urban population. Brisanet Serviços holds 50% interests in the project structure;
- (b) Expenses with software rental and licensing;
- (c) Expenses with maintenance of Cinturão Digital project;
- (d) Expenses with real property rental; and
- (e) S&L Locadora de Veículos Ltda., company under common control, engaged in rental of vehicles. All rental contracts undergo a quotation process and the best technical (service level) and commercial proposal is chosen. The Company approved a contract for the provision of rental services for 2,156 vehicles, in the total estimated amount of R\$3,243 and term of 1 (one) year. The prices of the services are established according to the market quotation and vary according to the quantity and categories, namely light, medium and heavy vehicles.
- (f) Expenses with food, cleaning and consumption products.
- (g) Food product expenses.

The nature of transactions with related parties is as follows:

| Related party | Nature of transaction |
|--------------------------------------------------------|---------------------------------------------------|
| AGILITY Segurança Eletrônica Ltda. | Software rental and licensing |
| BWM Consortium | Cinturão Digital project |
| Imobiliária Pau D'arco Ltda. | Real property rental agreement |
| JPMF Imobiliária Ltda | Real property rental agreement |
| S&L Locadora de Veículos Ltda. | Vehicle rental agreement |
| Nosso Atacarejo Comércio de Gêneros Alimentícios Ltda. | Supply of food, cleaning and consumption products |
| Nossa Fruta Brasil Indústria de Alimentos Ltda. | Food product supply |

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

7. Transactions with related parties (Continued)

Transactions with related parties mostly refer to transfers of amounts between Group companies in order to cover any current operating expenses, services rendered and supply of goods.

Guarantees in financial contracts of related parties

The Company and its subsidiaries are guarantors of certain loans and financing held with financial institutions for the benefit of the parties listed below. The related parties are under common control of the shareholders of the Company and its subsidiaries.

| <u>Related party</u> | <u>Nature of transaction</u> |
|-------------------------------------------------|-------------------------------------------------------|
| Nossa Fruta Brasil Indústria de Alimentos Ltda. | Guarantees for loans and financing totaling R\$13,372 |

Key management personnel compensation – Company and subsidiaries

Compensation of the key management personnel of the Company and its subsidiaries totaled R\$962 in the period ended December 31, 2021 (R\$90 as of December 31, 2020).

8. Investments (Individual)

a) Breakdown

| | <u>2021</u> | <u>2020</u> |
|------------------------------------------------------------------|------------------|-------------|
| Interests held in subsidiaries | | |
| Brisanet Serviços de Telecomunicações S.A. | 1,283,471 | 73,529 |
| Brisanet Gerenciadora de Ativos Ltda. | (3,375) | (3,282) |
| RPS - Prestação de Serviços de Informática Ltda. | 40,979 | 41,377 |
| Interservice - Serviços de Elaboração de Dados Ltda. - ME | 5,453 | 9,864 |
| Universo Serviços de Telecomunicações Ltda. - ME | 12,877 | 6,522 |
| Global Industria de Equipamentos para Redes de Comunicação Ltda. | - | (486) |
| | 1,339,405 | 127,524 |
| Classified as: | | |
| Investments | 1,342,780 | 131,292 |
| Provision for losses on investments | (3,375) | (3,768) |
| | 1,339,405 | 127,524 |

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2021

(In thousands of reais)

8. Investments (Individual) (Continued)

b) Changes in investments

| | Brisanet Serviços de Telecomunicações S.A. | Brisanet Gerenciadora de Ativos Ltda. | RPS - Prestação de Serviços de Informática Ltda. | Interservice - Serviços de Elaboração de Dados Ltda - ME | Universo Serviços de Telecomunicações Ltda - ME | Global Industria de Equipamentos para Redes de Comunicação Ltda. | 2021 | 2020 |
|-----------------------------|--------------------------------------------|---------------------------------------|--------------------------------------------------|----------------------------------------------------------|-------------------------------------------------|------------------------------------------------------------------|------------------|---------|
| Opening balance | 73,529 | (3,282) | 41,377 | 9,864 | 6,522 | (486) | 127,524 | 97,675 |
| Capital increase (i) | 1,245,418 | - | - | - | - | - | 1,245,418 | 10,363 |
| Merger | (486) | - | - | - | - | 486 | - | - |
| Future capital contribution | - | - | - | - | - | - | - | 4 |
| Dividends receivable (ii) | - | - | (18,257) | (8,789) | (10,698) | - | (37,744) | - |
| Dividends received | (1,023) | - | - | - | - | - | (1,023) | (9,650) |
| Equity pickup | (33,967) | (93) | 17,859 | 4,378 | 17,053 | - | 5,230 | 29,132 |
| Closing balance | 1,283,471 | (3,375) | 40,979 | 5,453 | 12,877 | - | 1,339,405 | 127,524 |

(i) In 2021, this refers to a capital increase in Brisanet Serviços de Telecomunicações S.A. amounting to R\$1,245,418 (R\$10,363 in 2020).

(ii) Dividends receivable were used by the Company to increase investments in the subsidiary Brisanet Serviços in July 2021.

c) Information on investments in subsidiaries

| | 2021 | | | | | |
|-----------------------------------------------------------|-----------|-----------------------------|----------------------------------|-------------------|--------------------|---------------|
| | Capital | Equity (capital deficiency) | Net income (loss) for the period | Interest held - % | Investment balance | Equity pickup |
| Brisanet Serviços de Telecomunicações S.A. | 1,311,000 | 1,283,471 | (33,967) | 99.99% | 1,283,471 | (33,967) |
| Brisanet Gerenciadora de Ativos Ltda. | 5 | (3,375) | (93) | 99.98% | (3,375) | (93) |
| RPS - Prestação de Serviços de Informática Ltda. | 32,000 | 40,979 | 17,859 | 99.99% | 40,979 | 17,859 |
| Interservice - Serviços de Elaboração de Dados Ltda. - ME | 70 | 5,453 | 4,378 | 99.99% | 5,453 | 4,378 |
| Universo Serviços de Telecomunicações Ltda. - ME | 170 | 12,877 | 17,053 | 99.99% | 12,877 | 17,053 |
| | | | | | 1,339,405 | 5,230 |

| | 2020 | | | | | |
|------------------------------------------------------------------|---------|-----------------------------|----------------------------------|-------------------|--------------------|---------------|
| | Capital | Equity (capital deficiency) | Net income (loss) for the period | Interest held - % | Investment balance | Equity pickup |
| Brisanet Serviços de Telecomunicações S.A. | 65,582 | 73,529 | 20,856 | 99.99% | 73,529 | 20,856 |
| Brisanet Gerenciadora de Ativos Ltda. | 5 | (3,282) | (2,434) | 99.99% | (3,282) | (2,434) |
| RPS - Prestação de Serviços de Informática Ltda. | 32,000 | 41,377 | 712 | 99.99% | 41,377 | 712 |
| Interservice - Serviços de Elaboração de Dados Ltda. - ME | 70 | 9,864 | 3,571 | 99.99% | 9,864 | 3,571 |
| Universo Serviços de Telecomunicações Ltda. - ME | 170 | 6,522 | 6,440 | 99.99% | 6,522 | 6,440 |
| Global Industria de Equipamentos para Redes de Comunicação Ltda. | 1,000 | (486) | (13) | 99.99% | (486) | (13) |
| | | | | | 127,524 | 29,132 |

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

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(In thousands of reais)

9. Property, plant and equipment (Consolidated)

a) Breakdown

| | Annual average depreciation rate - % | 2021 | | | 2020 |
|---------------------------------------|--------------------------------------|------------------|--------------------------|------------------|----------------|
| | | Cost | Accumulated depreciation | Net | Net |
| Land | - | 12,338 | - | 12,338 | 3,014 |
| Optical fiber cables | 5% | 221,833 | (17,971) | 203,862 | 108,512 |
| Network construction | 10% | 150,536 | (10,960) | 139,576 | 54,141 |
| Machinery and equipment | 10% | 63,440 | (19,309) | 44,131 | 18,866 |
| Furniture and fixtures | 10% | 4,279 | (671) | 3,608 | 2,115 |
| Sundry facilities (i) | 10% | 175,305 | (24,355) | 150,950 | 77,840 |
| Planes and aircraft | 10% | 1,800 | (27) | 1,773 | - |
| Leasehold improvements | 15% | 765 | (61) | 704 | 765 |
| Computers and peripherals | 20% | 22,871 | (9,291) | 13,580 | 10,810 |
| Vehicles | 20% | 25,131 | (13,540) | 11,591 | 6,695 |
| Software | 20% | 176,120 | (71,151) | 104,969 | 108,611 |
| Electronic equipment | 20% | 403,491 | (116,225) | 287,266 | 165,448 |
| Facilities (customer activation) (ii) | 20% | 25,933 | (1,435) | 24,498 | - |
| Advances to suppliers (iii) | - | 30,484 | - | 30,484 | 5,035 |
| Imports in progress (iv) | - | 52,227 | - | 52,227 | 35,426 |
| PPE in progress (v) | - | 227,919 | - | 227,919 | 50,254 |
| PPE in supplies room (vi) | - | 36,800 | - | 36,800 | - |
| | | 1,631,272 | (284,996) | 1,346,276 | 647,532 |

b) Changes in balances

| | 12/31/20 | Additions | Write-offs | Transfers | Depreciation | 12/31/21 |
|---------------------------------------|----------------|----------------|-------------|-----------|------------------|------------------|
| Land | 3,014 | 9,217 | - | 107 | - | 12,338 |
| Optical fiber cables | 108,512 | 12,567 | - | 91,040 | (8,257) | 203,862 |
| Network construction | 54,141 | 474 | - | 92,031 | (7,070) | 139,576 |
| Machinery and equipment | 18,866 | 26,443 | - | 3,048 | (4,226) | 44,131 |
| Furniture and fixtures | 2,115 | 1,840 | (9) | - | (338) | 3,608 |
| Sundry facilities (i) | 77,840 | 19,690 | (62) | 65,023 | (11,541) | 150,950 |
| Planes and aircraft | - | 1,800 | - | - | (27) | 1,773 |
| Leasehold improvements | 765 | - | - | - | (61) | 704 |
| Computers and peripherals | 10,810 | 6,560 | - | - | (3,790) | 13,580 |
| Vehicles | 6,695 | 7,965 | (6) | - | (3,063) | 11,591 |
| Software | 108,611 | 1,283 | - | 27,794 | (32,719) | 104,969 |
| Electronic equipment | 165,448 | 25,952 | (8) | 157,966 | (62,092) | 287,266 |
| Facilities (customer activation) (ii) | - | - | - | 25,933 | (1,435) | 24,498 |
| Advances to suppliers (iii) | 5,035 | 25,449 | - | - | - | 30,484 |
| Imports in progress (iv) | 35,426 | 312,056 | - | (295,255) | - | 52,227 |
| PPE in progress (v) | 50,254 | 382,136 | - | (204,471) | - | 227,919 |
| PPE in supplies room (vi) | - | 16 | - | 36,784 | - | 36,800 |
| | 647,532 | 833,448 | (85) | - | (134,619) | 1,346,276 |

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

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(In thousands of reais)

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

b) Changes in balances (Continued)

| | 12/31/19 | Additions | Write-offs | Transfers | Depreciation | 12/31/20 |
|-----------------------------|----------------|----------------|----------------|-----------|-----------------|----------------|
| Land | 3,008 | 6 | - | - | - | 3,014 |
| Optical fiber cables | 64,720 | 11,305 | - | 37,123 | (4,636) | 108,512 |
| Network construction | - | - | - | 58,032 | (3,891) | 54,141 |
| Machinery and equipment | 14,419 | 9,190 | (64) | (52) | (4,627) | 18,866 |
| Furniture and fixtures | 1,238 | 1,075 | - | - | (198) | 2,115 |
| Sundry facilities (i) | 46,446 | 18,651 | - | 19,602 | (6,859) | 77,840 |
| Leasehold improvements | 765 | - | - | - | - | 765 |
| Computers and peripherals | 7,219 | 6,073 | - | - | (2,482) | 10,810 |
| Vehicles | 9,209 | 193 | (42) | 426 | (3,091) | 6,695 |
| Trucks and truck bodies | 426 | - | - | (426) | - | - |
| Software | 33,698 | 889 | - | 89,636 | (15,612) | 108,611 |
| Electronic equipment | 66,473 | 9,813 | (2) | 118,392 | (29,228) | 165,448 |
| Advances to suppliers (iii) | 3,836 | - | - | 1,199 | - | 5,035 |
| Imports in progress (iv) | 28,245 | 278,697 | - | (271,516) | - | 35,426 |
| PPE in progress (v) | 37,046 | 67,476 | (1,852) | (52,416) | - | 50,254 |
| | <u>316,748</u> | <u>403,368</u> | <u>(1,960)</u> | <u>-</u> | <u>(70,624)</u> | <u>647,532</u> |

(i) Sundry facilities

This refers to materials used in infrastructure of external networks.

(ii) Facilities (customer activation)

Since July 2021, the Company and its subsidiaries are recording expenses incurred with activation of new customers in assets.

(iii) Advances to suppliers

These refer basically to advances for import of equipment.

(iv) Imports in transit

Refers to shipping of equipment and costs incurred in transit.

(v) PPE in progress

This balance refers to civil works, network infrastructure, machinery and equipment, and market equipment being installed so that they begin to be used.

(vi) PPE in supplies room

The balance of PPE in supplies room refers to ONU equipment, routers, drop cables, and fiber cables that are not yet in use.

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

Interest capitalization

In the year ended December 31, 2021, the Company and its subsidiaries capitalized interest on loans and financing amounting to R\$24,285 (R\$5,081 in 2020).

Depreciation capitalization

In the year ended December 31, 2021, the Company and its subsidiaries capitalized depreciation on PPE used in facilities, infrastructure and network expansions, in the amount of R\$5,760.

Guarantees

At December 31, 2021, the Company recorded PPE items given in guarantee amounting to R\$150,936 (R\$155,993 in 2020).

Software

Software relating specifically to operation of Company modems, which are jointly controlled and meet the PPE classification criteria, in accordance with NBC TG 04 (R4).

Impairment

The Company and its subsidiaries periodically analyze whether there are indications that certain assets could be recorded in accounting for amounts that exceed the recoverable amount. After internal analysis, management concluded that there was no need to set up a provision for impairment on PPE and intangible assets of the Company and its subsidiaries as of December 31, 2021 and 2020.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2021

(In thousands of reais)

10. Intangible assets (Consolidated)

a) Changes in balances

| | Average annual amortization rate - % | 12/31/20 | Additions | Write-offs | 12/31/21 |
|----------------------------------------------------------------|-----------------------------------------------|----------|-----------|------------|----------|
| Cost | | | | | |
| Radiofrequency license - GHZ | 20% | 205 | 171,030 | - | 171,235 |
| Software and system licenses | 20% | 6,326 | 9,391 | - | 15,717 |
| ADM projects | 20% | 1,455 | 1,021 | - | 2,476 |
| Customer portfolio and relationship with the franchisee (a) | 7% | - | 34,530 | (2,067) | 32,463 |
| Trademarks and patents | - | - | 3 | - | 3 |
| Total cost | | 7,964 | 215,975 | (2,067) | 221,894 |
| Accumulated amortization | | | | | |
| Radiofrequency license - GHZ | 20% | (27) | (109) | - | (136) |
| Software and system licenses | 20% | (929) | (1,522) | - | (2,451) |
| ADM projects | 20% | (309) | (287) | - | (596) |
| Total accumulated amortization | | (1,265) | (1,918) | - | (3,183) |
| Intangible assets, net | | 6,721 | 214,057 | (2,067) | 218,711 |

| | Average annual amortization rate - % | 12/31/19 | Additions | 12/31/20 |
|--------------------------------|-----------------------------------------|----------|-----------|----------|
| Cost | | | | |
| Radiofrequency license - GHZ | 20% | 205 | - | 205 |
| Software and system licenses | 20% | 1,336 | 4,990 | 6,326 |
| ADM projects | 20% | 1,455 | - | 1,455 |
| Total cost | | 2,996 | 4,990 | 7,986 |
| Accumulated amortization | | | | |
| Radiofrequency license - GHZ | 20% | (13) | (14) | (27) |
| Software and system licenses | 20% | (8) | (921) | (929) |
| ADM projects | 20% | - | (309) | (309) |
| Total accumulated amortization | | (21) | (1,244) | (1,265) |
| Intangible assets, net | | 2,975 | 3,746 | 6,721 |

(a) As disclosed in Note 1, in line with the expansion strategy of the Company and its subsidiaries, intangible assets were acquired from small providers. These contracts will be amortized over 15 to 16 years.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2021

(In thousands of reais)

11. Trade accounts payable (Consolidated)

At December 31, 2021 and 2020, trade accounts payable is broken down as follows:

| | <u>2021</u> | <u>2020</u> |
|--------------------|-----------------------|-----------------------|
| Domestic suppliers | 79,724 | 17,040 |
| Foreign suppliers | 106,308 | 120,189 |
| | <u>186,032</u> | <u>137,229</u> |

12. Loans and financing (Consolidated)

| <u>Type</u> | <u>Weighted average rates</u> | <u>2021</u> | <u>2020</u> |
|------------------------------------------------------------------|-------------------------------|-----------------------|-----------------------|
| Working capital | 0.66% p.m. - Fixed | 48,240 | 54,879 |
| Working capital | 0.17% p.m. + CDI | 251,867 | 340,449 |
| Working capital | 0.25% p.m. + TJLP | 7,933 | 13,304 |
| Working capital | 0.27% p.m. + TLP | 6,348 | 11,340 |
| Working capital (foreign currency) | 0.17% p.m. + CDI | 46,934 | - |
| PPE financing (CDC) | 0.73% p.m. - Fixed | 20,528 | 26,800 |
| PPE financing (FINEM) | 0.29% p.m. + TJLP | 7,744 | 12,652 |
| PPE financing (FINEM) | 0.23% p.m. + TLP | 26,088 | 55,262 |
| Financing - TR | 0.33% p.m. + TR | 53,934 | - |
| PPE financing (Brazilian Financing Fund for the Northeast - FNE) | 0.21% p.m. + IPCA | - | 44,448 |
| Import financing | 0.42% p.m. + exchange rate | 101,232 | 92,613 |
| | | <u>570,848</u> | <u>651,747</u> |
| Current | | 236,917 | 251,877 |
| Noncurrent | | 333,931 | 399,870 |

The guarantees for loans and financing include shareholder sureties, disposal of assets, financial investments and credit rights on accounts receivable, as described in the table below:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------------|-----------------------|-------------------------|
| Short-term investments | 37,768 | 69,794 |
| Sureties and disposals | 570,847 | 819,620 |
| Assets and credit rights given in guarantee | 136,121 | 155,993 |
| | <u>744,736</u> | <u>1,045,407</u> |

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2021

(In thousands of reais)

12. Loans and financing (Consolidated) (Continued)

Changes in loans and financing are as follows:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------------|-----------------------|----------------|
| Opening balance | 651,747 | 264,983 |
| Funds raised | 216,797 | 474,435 |
| Interest recognized | 59,346 | 49,562 |
| Monetary variation and exchange differences | 7,659 | 7,314 |
| Repayment of principal | (308,197) | (120,581) |
| Interest paid | (56,504) | (23,966) |
| Closing balance | <u>570,848</u> | <u>651,747</u> |

Noncurrent portions mature as follows:

| | <u>2021</u> | <u>2020</u> |
|--------------|-----------------------|----------------|
| 2022 | - | 117,054 |
| 2023 | 135,988 | 103,882 |
| 2024 | 109,186 | 83,466 |
| 2025 | 54,986 | 55,271 |
| 2026 | 9,994 | 34,217 |
| 2027 | 4,755 | 5,980 |
| 2028 onwards | 19,022 | - |
| | <u>333,931</u> | <u>399,870</u> |

Covenants

Loan and financing covenants substantially refer to annual financial ratios, default with creditors, in-court or out-of-court measures that compromise payment capacity, insolvency and commitment of guarantees offered. The Company and its subsidiaries analyzed covenants for the year ended December 31, 2021 and 2020 and concluded that all requirements have been legally met.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

13. Debentures (Consolidated)

a) Breakdown

| | <u>Charges (p.a.)</u> | <u>2021</u> |
|--------------------------------|-----------------------|----------------|
| First issue (i) | | |
| Nonconvertible debentures | 5.77% p.a. + IPCA | 545,335 |
| (-) Issue costs to be recorded | | (29,485) |
| | | <u>515,850</u> |
| Current | | 8,909 |
| Noncurrent | | 506,941 |

Changes in debentures are as follows:

b) Changes

| | <u>2021</u> |
|-------------------------------|----------------|
| Opening balance | - |
| Debentures raised | 500,000 |
| Monetary restatement | 36,426 |
| Interest | 20,313 |
| Amortization of interest | (11,404) |
| Debenture costs | (32,646) |
| Amortization of funding costs | 3,161 |
| Closing balance | <u>515,850</u> |

Noncurrent portions mature as follows:

| | <u>2021</u> |
|--------------------------------|----------------|
| 2025 | 153,299 |
| 2026 | 153,250 |
| 2027 | 153,258 |
| 2028 onwards | 76,619 |
| | <u>536,426</u> |
| (-) Issue costs to be recorded | (29,485) |
| | <u>506,941</u> |

i) *First issue*

On March 15, 2021, Brisanet Serviços issued 500,000 junior nonconvertible debentures, in a single series, secured, and with additional personal guarantee, at unit value of R\$1,000.00 (one thousand reais), amounting to R\$500,000 ("Debentures – 1st issue"), for public distribution with restricted placement efforts.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
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(In thousands of reais)

13. Debentures (Continued)

b) Changes (Continued)

i) *First issue* (Continued)

The debt balance relating to the unit value of Debentures – 1st issue is subject to interest corresponding to 100% of IPCA plus 5.77% p.a.

Interest is paid on a semi-annual basis in March and September as from date of issue of the Debentures – 1st issue. The first payment is due on September 15, 2021, and each March 15 and September 15 henceforth. The last payment matures on March 15, 2028.

The term of the Debentures – 1st issue is of 84 months as from issue date, and payments are due in seven semi-annual consecutive installments over the contract period, every March 15 and September 15, beginning on March 15, 2025, and final maturity on March 15, 2028.

Debenture issue costs are amortized in P&L using the effective cost method, and presented in “Debentures” as a reduction of debt, as established by NBC TG 08 – Transaction Costs and Premiums upon Issue of Securities.

Debentures are guaranteed by surety from shareholders and companies that are part of the economic group and the flow of credit rights from accounts receivable, in the amount of R\$R\$515,850.

Covenants

The debenture covenants substantially refer to annual financial ratios, default with creditors, bankruptcy, transformation of the corporation type or any corporate reorganization involving the issuer, settlement of any financial debt where the amount is greater than 3% of the equity of the Brisanet group, in-court or out-of-court measures that compromise payment capacity, constitution of mortgage, pledge, chattel mortgage, assignment in trust, usufruct, trust, promise of sale, purchase option (except option to purchase shares issued by the issuer within the scope of incentive plans established in favor of administrators and employees) and commitment of guarantees offered. The Company and its subsidiaries analyzed covenants for the year ended December 31, 2021 and concluded that all requirements have been legally met.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2021

(In thousands of reais)

14. Rights of use and lease obligations (Consolidated)

Company subsidiaries are parties to lease agreements and used discount rates based on risk-free interest rates observable in the Brazilian market, for their agreement periods, adjusted to these subsidiaries' reality (credit spread). These spreads were obtained based on the debt profile presented by Company subsidiaries at December 31, 2021 and 2020 and adjusted at each date when new capitalizations relating to new lease agreements are recognized. The table below shows the nominal rates adopted as of December 31, 2021 and 2020:

Agreements per period and discount rate

| Agreement period | Rate % p.a. | |
|------------------|-------------|-------|
| | 2021 | 2020 |
| 2 years | 9.54% | 7.89% |
| 3 years | 9.54% | 7.89% |
| 4 years | 9.54% | 7.89% |
| 5 years | 9.54% | 7.89% |
| 10 years | 9.54% | 7.89% |

Changes in lease obligations are as follows:

| | 2021 | 2020 |
|---------------------------------|----------|----------|
| Opening balance | 33,474 | 9,817 |
| Interest recognized | 2,515 | 2,781 |
| Additions due to new agreements | 28,609 | 43,203 |
| Consideration paid | (27,004) | (20,077) |
| Interest paid | (2,104) | (2,250) |
| Closing balance | 35,490 | 33,474 |
| Current | 7,958 | 5,562 |
| Noncurrent | 27,532 | 27,912 |

Agreement maturity and undiscounted installments, reconciled to the balances at December 31, and 2020 are as follows:

| | 2021 | 2020 |
|--------------------------|----------|----------|
| Installment maturity | | |
| 2021 | - | 4,076 |
| 2022 | 10,035 | 7,852 |
| 2023 | 9,227 | 7,637 |
| 2024 | 7,068 | 6,247 |
| 2025 onwards | 22,784 | 21,646 |
| Undiscounted amounts | 49,114 | 47,458 |
| Embedded interest | (13,624) | (13,984) |
| Lease obligation balance | 35,490 | 33,474 |

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

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

Changes in rights of use are as follows:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------|-----------------|-----------------|
| Opening balance | 34,117 | 9,901 |
| Additions due to new agreements | 28,609 | 43,203 |
| Amortization expenses | <u>(26,798)</u> | <u>(18,987)</u> |
| Closing balance | <u>35,928</u> | <u>34,117</u> |

Potential PIS/COFINS recoverable embedded in lease/rental consideration amounts, based on payment periods is as follows: Undiscounted balances and balances discounted to present value:

| <u>Cash flows</u> | <u>Nominal amount</u> | <u>Amount adjusted to present value</u> |
|------------------------------|-----------------------|-----------------------------------------|
| Lease consideration | 49,114 | 35,490 |
| Potential PIS/COFINS (9.25%) | (4,543) | (3,283) |

Misleading information due to application of NBC TG 06 (R3)

In compliance with NBC TG 06 (R3), in measuring and remeasuring their lease obligations and rights of use, Company subsidiaries used the cash flow method without considering future inflation projected in the flows to be discounted, as barred by NBC TG 06 (R3). This barring may cause significant misstatements in the information provided, given the current reality of long-term interest rates in the Brazilian economic scenario.

As such, for the purposes of safeguarding reliability of the information and complying with the guidance provided by CVM by means of CVM/SNC/SEP Memorandum Circular No. 02/2019, as well as preserving Brazilian market investors, the comparative balances of lease obligations and right-of-use assets, finance costs and depreciation expenses at December 31, 2021 and 2020 are presented below:

| | <u>2021</u> | <u>2020</u> |
|------------------------------------|--------------|--------------|
| Rights of use, net | | |
| NBC TG06(R3) / IFRS 16 | 35,928 | 34,117 |
| Amounts including future inflation | 39,672 | 35,311 |
| Variation | <u>3,744</u> | <u>1,194</u> |
| Lease obligations | | |
| NBC TG06(R3) / IFRS 16 | 35,490 | 33,474 |
| Amounts including future inflation | 39,188 | 34,646 |
| Variation | <u>3,698</u> | <u>1,172</u> |

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2021

(In thousands of reais)

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

| | | |
|------------------------------------|----------|----------|
| Finance costs | | |
| NBC TG06(R3) / IFRS 16 | (2,515) | (2,781) |
| Amounts including future inflation | (2,777) | (2,878) |
| Variation | (262) | (97) |
| Depreciation expenses | | |
| NBC TG06(R3) / IFRS 16 | (26,798) | (18,987) |
| Amounts including future inflation | (29,590) | (19,652) |
| Variation | (2,792) | (665) |

15. Labor and social obligations

| | Individual | | Consolidated | |
|----------------------------------------------------------------------------|------------|------|--------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Salaries and wages | 57 | - | 14,653 | 9,946 |
| Social charges on salaries and wages | 29 | - | 7,590 | 5,885 |
| Accrued vacation pay | - | - | 13,753 | 8,214 |
| Social charges on accrued vacation pay and 13 th monthly salary | - | - | 5,714 | 2,994 |
| Other | - | - | 72 | 61 |
| | 86 | - | 41,782 | 27,100 |

16. Taxes paid in installments (Consolidated)

| | 2021 | 2020 |
|-------------|-------|-------|
| Federal (a) | 6,433 | 7,806 |
| State | 437 | 57 |
| | 6,870 | 7,863 |
| Current | 1,771 | 1,274 |
| Noncurrent | 5,099 | 6,589 |

(a) These refer to Tax Recovery Program (REFIS) and Special Tax Settlement Program (PERT) implemented by Law No. 13496 of October 24, 2017, in 150 installments, of which 95 installments are not yet due at December 31, 2021.

Changes in taxes paid in installments are as follows:

| | 2021 | 2020 |
|----------------------------------------|---------|---------|
| Opening balance | 7,863 | 8,666 |
| Restatements | 571 | 149 |
| New installment payments | 458 | 2,077 |
| Amortization of principal and interest | (2,022) | (3,029) |
| Closing balance | 6,870 | 7,863 |

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
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16. Taxes paid in installments (Consolidated) (Continued)

Noncurrent portions mature as follows:

| | <u>2021</u> | <u>2020</u> |
|--------------|---------------------|---------------------|
| 2022 | - | 1,390 |
| 2023 | 798 | 818 |
| 2024 | 798 | 818 |
| 2025 | 798 | 818 |
| 2026 | 798 | 818 |
| 2027 onwards | 1,907 | 1,927 |
| | <u>5,099</u> | <u>6,589</u> |

17. Provision for contingencies (Consolidated)

As at December 31, 2021, the Company and its subsidiaries are parties to proceedings of civil, tax and labor natures whose likelihood of an unfavorable outcome was considered probable, for which provision for contingencies was set up in the amount of R\$929 (R\$2,729 at December 31, 2020). There are no contingencies whose individual amounts are significant.

Changes in provision for contingencies are as follows:

| | <u>Labor</u> | <u>Tax</u> | <u>Civil</u> | <u>Total</u> |
|------------------------------|-------------------|-----------------|------------------|-------------------|
| Balance at December 31, 2019 | 949 | 950 | 39 | 1,938 |
| Set-up | 844 | - | 1 | 845 |
| Reversal | (16) | - | (38) | (54) |
| Balance at December 31, 2020 | 1,777 | 950 | 2 | 2,729 |
| Set-up | 892 | - | 47 | 939 |
| Reversal | (1,780) | (948) | (11) | (2,739) |
| Balance at December 31, 2021 | <u>889</u> | <u>2</u> | <u>38</u> | <u>929</u> |

Additionally, at December 31, 2021, the Company and its subsidiaries had civil and labor lawsuits assessed as possible loss in the amount of R\$3,040 (R\$88 at December 31, 2020).

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2021

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18. Other accounts payable

| | Individual | | Consolidated | |
|--------------------------------------------------|------------|----------|----------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Authorization for use of radiofrequency (5G) (a) | - | - | 160,010 | - |
| Authorization for use radiofrequency (4G) (b) | - | - | 1,866 | - |
| (-) Amount adjusted to present value | - | - | (251) | - |
| Other obligations payable (c) | 3 | 1 | 4,190 | 499 |
| | 3 | 1 | 165,815 | 499 |

Current 3 1 4,190 499

Noncurrent - - 161,625 -

(a) Obligation payable referring to the right to use radio frequencies (5G), acquired through the 5G radio frequency auction. Further details are presented in Note 1, item "c".

(b) Obligation to pay referring to the right to use radio frequencies (4G), acquired in 2018 with an effective term of 15 years

(c) In the consolidated statements, these refer to advances from customers, obligations with plans (health and dental), and other provisions.

19. Government grants (Consolidated)

a) Federal Government

Subsidiary Brisanet Serviços de Telecomunicações S.A. was granted a tax benefit by means of the Superintendency for the Development of the Northeast (SUDENE), pursuant to Certificate of Income Tax Reduction No. 0214/2017:

Benefit: Decrease of 75% in non-refundable income tax and surtax.

Effective period: 10 years.

Entitlement period (calendar year): 01/01/2018 to 12/31/2027.

Subsidiary Universo Serviços de Telecomunicações Ltda was granted a tax benefit by means of the Superintendency for the Development of the Northeast (SUDENE), pursuant to Certificate of Income Tax Reduction No. 0081/2019:

Benefit: Decrease of 75% in non-refundable income tax and surtax.

Effective period: 10 years.

Entitlement period (calendar year): 01/01/2019 to 12/31/2028.

The subsidiaries Brisanet Serviços de Telecomunicações S.A. and Universo Serviços de Telecomunicações Ltda. recorded income tax benefit of R\$1,319 for the year ended December 31, 2021 (R\$809 in 2020), recognized as reduction of income tax expenses.

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Notes to financial statements (Continued)
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19. Government grants (Consolidated) (Continued)

b) State Government

Subsidiary Brisanet Serviços de Telecomunicações S.A. was granted tax benefit by means of an agreement in the states of Ceará and Paraíba. This benefit reduces by 75% the ICMS amounts on intrastate revenues.

Agreement No. 202001782-2 – State of Paraíba Finance Office (Sefaz-PB), effective from 06/2020, Agreement No. 00556/2020 – State of Ceará Finance Office (Sefaz-CE), effective from 09/2020 (renewal).

In the year ended December 31, 2021, subsidiary Brisanet Serviços de Telecomunicações S.A. recorded ICMS benefits amounting to R\$61,963 (R\$33,758 in 2020), as a reduction of ICMS expenses.

20. Equity (Individual)

a) Capital

At December 31, 2021, subscribed and paid-in capital amounts to R\$1,321,859 (R\$66,209 in 2020), represented by 449,094,916 common shares (66,209,213 shares in 2020).

| Shareholders | Shares | | Percentage - % | |
|----------------------------------|--------------------|------------|----------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| JRN Participações Eireli | - | 27,807,617 | - | 42.00% |
| PES Participações Eireli | - | 6,620,973 | - | 10.00% |
| JPE Participações Eireli | - | 6,620,973 | - | 10.00% |
| JEN Participações Eireli | - | 6,620,973 | - | 10.00% |
| MEP Participações Eireli | - | 3,972,584 | - | 6.00% |
| ANP Participações Eireli | - | 3,310,486 | - | 5.00% |
| JKN Participações Eireli | - | 3,310,486 | - | 5.00% |
| GPF Participações Ltda | - | 5,958,829 | - | 9.00% |
| FFR Participações Eireli | - | 1,986,292 | - | 3.00% |
| Jose Roberto Nogueira | 148,185,781 | - | 33.00% | - |
| Jordão Estevam Nogueira | 35,316,878 | - | 7.86% | - |
| João Paulo Estevam | 35,312,878 | - | 7.86% | - |
| Paulo Estevam da Silva | 35,282,878 | - | 7.86% | - |
| Miguel Estevam Parente | 21,169,728 | - | 4.71% | - |
| Ana Paula Nogueira | 17,641,436 | - | 3.93% | - |
| Jordania Karina Nogueira Estevam | 17,641,436 | - | 3.93% | - |
| Francisco Estevam Sobrinho | 15,877,173 | - | 3.54% | - |
| Francisco de França Reis | 10,584,864 | - | 2.36% | - |
| Pedro Sales Queiroz Estevam | 7,938,593 | - | 1.77% | - |
| Gabriela Queiroz Estevam | 7,938,593 | - | 1.77% | - |
| Shares - offering | 96,204,678 | - | 21.41% | - |
| Total | 449,094,916 | 66,209,213 | 100% | 100% |

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
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20. Equity (Individual) (Continued)

a) Capital (Continued)

All shares are registered and with no par value, and capital may be increased subject to no statutory reform, through decision of the Board of Directors, by means of reserve capitalization, with or without change in the number of shares.

As of December 31, 2021, capital authorized for increase by the Board of Directors, regardless of statutory amendment, is of up to 150,000,000 additional common shares.

On June 21, 2021, the Company carried out a capital increase in the amount of R\$R\$5,650, distributed proportionally among shareholders. Subscribed and paid-in capital increased to R\$71,859, represented by 71,859,213 shares with a par value of R\$1.00 (one real) each.

At the Special Meeting held on July 6, 2021, the shareholders approved the proposal for the split of all common shares representing the Company's capital, in the proportion of 5 shares for each share held by each shareholder, and capital is now represented by 359,296,065 common registered shares with no par value. Also at this meeting, an increase in the capital limit was approved, which may be increased by the Board of Directors, regardless of statutory amendment, up to the limit of 900,000,000 additional common shares.

On July 28, 2021, the Company's capital increase was approved in the amount of R\$1,250,000, from R\$71,859 to R\$1,321,859, upon issue of 89,798,851 common shares within the scope of the public offering of shares, with increase in the Company's capital from 359,296,065 to 449,094,916 common shares. Share issue costs totaled R\$40,253, which were recorded in a contra account of capital.

On October 19, 2021, Brisanet Participações ("Company"), listed on B3's Novo Mercado under ticker symbol BRIT3, disclosed, in compliance with article 12 of CVM Resolution No. 44/21, that it had been informed on October 18, 2021 by VERDE ASSET MANAGEMENT S.A. ("Verde") that investment funds managed by that company ("Fundos Verde") had increased its equity interest in the Company's capital, now holding 24,351,500 common shares issued by the Company, corresponding to 5.42% of the share capital and the total issued in this type of share.

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Notes to financial statements (Continued)
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20. Equity (Individual) (Continued)

a) Capital (Continued)

That interest is represented solely by common shares held in a cash account. Verde also informed that the aforementioned increase reflects only an investment strategy and that no agreement or contract that regulates the exercise of voting rights or the purchase and sale of securities issued by the Company was entered into. In the same sense, Verde disclosed that it does not intend to change the Company's composition of control or management structure and that it can assess the opportunity and convenience of exercising the right to elect a supervisory and/or management board member, under the terms of Law No. 6404/76.

b) Income reserves

Legal reserve: recorded based on 5% of net income for the year, capped at 20% of capital, pursuant to Brazilian Corporation Law in force.

Retained profits: The Company's management submits for approval by the Annual General Meeting ("AGM") the allocation of the remaining retained profit for the year to the capital budget of the Company's business.

c) Profit distribution

The accumulated losses, if any, and the provision for income and social contribution taxes, will be deducted from profit or loss for the year, before any profit sharing. The loss for the year will be mandatorily absorbed by retained earnings, by the income reserves and by the legal reserve, thus after recognition of the legal reserve, 25% (twenty-five percent), at least, will be allocated to the payment of the mandatory minimum dividend due to shareholders. Mandatory minimum dividends are calculated as follows:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------|--------------|---------------|
| Net income for the year | 2,242 | 29,127 |
| (-) Legal reserve | (112) | (1,456) |
| Distribution base | <u>2,130</u> | <u>27,671</u> |
| Minimum % | 25% | 1% |
| Mandatory minimum dividends | <u>533</u> | <u>277</u> |

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
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20. Equity (Individual) (Continued)

c) Profit distribution (Continued)

Changes in dividends payable are as follows:

| | 2021 | 2020 |
|-----------------------------|---------|---------|
| Opening balance | - | - |
| Mandatory minimum dividends | 533 | 277 |
| Dividends approved | 2,205 | 9,374 |
| Dividends paid | (2,205) | (9,651) |
| Closing balance | 533 | - |

21. Net operating revenue (Consolidated)

| | 2021 | 2020 |
|-------------------------------|------------------|-----------------|
| Gross sales revenue | | |
| Services provided | 841,137 | 549,778 |
| Products resold | 431 | 650 |
| | <u>841,568</u> | <u>550,428</u> |
| Deductions from gross revenue | | |
| (-) Taxes on revenue | (174,776) | (112,412) |
| Tax benefits (Note 19) | 61,963 | 33,758 |
| | <u>(112,813)</u> | <u>(78,654)</u> |
| Net operating revenue | <u>728,755</u> | <u>471,774</u> |

22. Operating costs and expenses by nature and function

| | Individual | | | | | |
|-----------------------------|----------------------------|----------------------------------------------|---------|----------------------------|----------------------------------------------|-------|
| | 2021 | | | 2020 | | |
| | Administrative expenses | Other operating income (expenses), net | Total | Administrative expenses | Other operating income (expenses), net | Total |
| | (2,985) | (6) | (2,991) | (1) | (3) | (4) |
| By nature: | | | | | | |
| Salaries and wages | (1,016) | - | (1,016) | | | |
| Third-party services | (1,030) | - | (1,030) | - | - | - |
| General expenses | (938) | - | (938) | (1) | - | (1) |
| Other personnel expenses | (1) | | (1) | | | |
| Provision for contingencies | - | 5 | 5 | - | - | - |
| Other | - | (11) | (11) | - | (3) | (3) |

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2021

(In thousands of reais)

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

| | Consolidated | | | | | | | | | | | |
|------------------------------------------------|------------------|-------------------------|------------------|--------------|----------------------------------------|-----------|------------------|-------------------------|------------------|--------------|----------------------------------------|-----------|
| | 2021 | | | | | 2020 | | | | | | |
| | Cost of services | Administrative expenses | Selling expenses | Tax expenses | Other operating income (expenses), net | Total | Cost of services | Administrative expenses | Selling expenses | Tax expenses | Other operating income (expenses), net | Total |
| | (404.429) | (149.973) | (69.231) | (5.880) | (19.407) | (648.920) | (237.141) | (86.591) | (34.693) | (2.143) | (25.350) | (385.918) |
| By nature: | | | | | | | | | | | | |
| Interconnection and means of connection | (21,272) | - | - | - | - | (21,272) | (6,573) | - | - | - | - | (6,573) |
| Direct connectivity costs (Link) | (20,815) | - | - | - | - | (20,815) | (13,250) | - | - | - | - | (13,250) |
| Indirect costs of right of way (utility poles) | (34,729) | - | - | - | - | (34,729) | (19,269) | - | - | - | - | (19,269) |
| Indirect costs of customer activation (a) | (4,312) | - | - | - | - | (4,312) | (3,636) | - | - | - | - | (3,636) |
| Salaries and wages | (96,575) | (54,341) | (30,706) | - | - | (181,622) | (60,347) | (39,508) | (18,216) | - | - | (118,071) |
| Salaries and wages of customer activation (a) | (20,189) | - | - | - | - | (20,189) | (30,975) | - | - | - | - | (30,975) |
| Third-party services | (13,903) | (21,325) | (10,441) | - | - | (45,669) | (3,614) | (4,890) | (1,737) | - | - | (10,241) |
| Advertising and promotion | - | - | (19,504) | - | - | (19,504) | - | - | (9,192) | - | - | (9,192) |
| Depreciation and amortization | (131,540) | (25,240) | (795) | - | - | (157,575) | (80,521) | (6,898) | (199) | - | - | (87,618) |
| General expenses | - | (19,104) | (2,029) | - | - | (21,133) | - | (21,530) | (3,724) | - | - | (25,254) |
| Taxes, charges and contributions | - | - | - | (5,880) | - | (5,880) | - | - | - | (2,143) | - | (2,143) |
| Electric power and water | (9,837) | (703) | (425) | - | - | (10,965) | (2,553) | (400) | - | - | - | (2,953) |
| Materials and maintenance | (23,177) | (11,971) | (180) | - | - | (35,328) | (9,305) | (7,574) | (574) | - | - | (17,453) |
| Other personnel expenses | (16,541) | (15,002) | (4,229) | - | - | (35,772) | (4,527) | (5,068) | (611) | - | - | (10,206) |
| Allowance for expected credit losses | - | - | - | - | (21,039) | (21,039) | - | - | - | - | (25,454) | (25,454) |
| Provision for contingencies | - | - | - | - | 1,800 | 1,800 | - | - | - | - | (791) | (791) |
| Software and projects (b) | (3,361) | (2,287) | (922) | - | - | (6,570) | (1,254) | (723) | (440) | - | - | (2,417) |
| Other | (8,178) | - | - | - | (168) | (8,346) | (1,317) | - | - | - | 895 | (422) |

(a) Expenses with activation of services to customers - As of July 2021, these activation expenses are being recorded in property, plant and equipment as installation costs. The amounts recorded up to the first half of the year were included as salaries and wages and other personnel expenses.

(b) These refer to system maintenance services.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2021

(In thousands of reais)

23. Finance income (costs)

| | Individual | | Consolidated | |
|-------------------------------------------------|------------|------|--------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| Finance costs | | | | |
| Interest on loans and financing, and debentures | - | - | (83,246) | (39,054) |
| Late-payment interest and fines | (1) | - | (1,325) | (2,974) |
| Exchange losses | - | - | (61,986) | (54,225) |
| Bank charges | (3) | - | (8,365) | - |
| Interest on leases | - | - | (2,105) | (2,781) |
| Tax on Financial Transactions (IOF) | - | - | (2,273) | (631) |
| Collection fees | - | - | (1,513) | - |
| Interest on installment payments | - | - | (571) | (751) |
| Derivative transactions – swap | - | - | (14,965) | (5,591) |
| Other | - | - | (380) | (2,521) |
| | (4) | (1) | (176,729) | (108,528) |
| Finance income | | | | |
| Interest income received | - | - | 8,920 | 4,602 |
| Short-term investment yield | 9 | - | 34,297 | 1,551 |
| Exchange gains | - | - | 48,026 | 35,566 |
| Derivative transactions – swap | - | - | 11,390 | 17,358 |
| Other finance income | - | - | 6,609 | 7,339 |
| | 9 | - | 109,242 | 66,416 |
| Finance income (costs) | 5 | (1) | (67,487) | (42,112) |

24. Income and social contribution taxes (Consolidated)

At December 31, 2021 and 2020, income and social contribution taxes were calculated on taxable profit computed as a percentage of gross revenue (“Lucro Presumido”) and on taxable profit based on accounting records of the Company (“Lucro real”), at the rate of 15% for income tax, and surtax of 10% for profits exceeding R\$240 over 12 months, and at 9% for social contribution tax.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2021

(In thousands of reais)

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

Current income and social contribution tax expense is as follows:

| | 2021 | 2020 |
|---------------------------------------------------------------|-----------------|-------------|
| Taxable profit computed on accounting records: (a) | | |
| Current income tax | (5,988) | (3,157) |
| Tax benefit – income tax reduction (Note 19) | 1,319 | 809 |
| Current social contribution tax | (2,165) | (365) |
| Deferred income and social contribution taxes | 6,415 | (189) |
| | (419) | (2,902) |
| Taxable profit computed as a percentage of gross revenue: (b) | | |
| Income tax | (7,122) | (8,815) |
| Social contribution tax | (2,564) | (2,905) |
| | (9,686) | (11,720) |
| Total income and social contribution tax expenses: | | |
| Current income and social contribution taxes | (17,839) | (15,241) |
| Deferred income and social contribution taxes | 6,415 | (189) |
| Tax benefit – income tax reduction (Note 19) | 1,319 | 809 |
| | (10,105) | (14,621) |

(a) Subsidiaries Brisanet Serviços de Telecomunicações S.A. and Universo Serviços de Telecomunicações Ltda. compute taxable profit on their accounting records ('lucro real').

(b) The Company and the other subsidiaries compute taxable profit as a percentage of gross revenue ('lucro presumido').

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

| | 2021 | 2020 |
|-------------------------------------------------------------------|-----------------|-------------|
| Assets | | |
| Income and social contribution tax losses | 10,582 | 2,098 |
| Temporary differences on allowance for expected credit losses | 4,397 | 1,490 |
| Temporary differences on provision for contingencies | 235 | 353 |
| Temporary differences on lease payable | 9,405 | 21 |
| | 24,619 | 3,962 |
| Liabilities | | |
| Temporary differences on derivative transactions | (28) | (1,818) |
| Temporary differences on installation and activation of customers | (6,511) | - |
| Lease payable | (9,521) | - |
| | (13,060) | (1,818) |
| Deferred income and social contribution taxes, net | 8,559 | 2,144 |

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2021

(In thousands of reais)

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

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

a) Subsidiaries that adopt the 'lucro real' regime

| | <u>2021</u> | <u>2020</u> |
|-----------------------------------------------------------|-----------------|-------------|
| Income (loss) before income and social contribution taxes | (16,497) | 31,318 |
| Combined statutory rate - 34% | 34% | 34% |
| Income and social contribution taxes at statutory rates | 5,609 | (10,648) |
| Permanent differences | | |
| Tax benefit – income tax reduction (Note 19) | 1,319 | 809 |
| Offset - tax loss carryforward | 1,929 | 1,091 |
| (Additions) exclusions, net | (9,276) | 6,035 |
| Income and social contribution tax expenses | (419) | (2,713) |
| Effective rate (%) | - | 7% |

b) Company and subsidiaries that adopt the 'lucro presumido' regime

| | <u>2021</u> | | <u>2020</u> | |
|--------------------------|-------------------|--------------------------------|-------------------|--------------------------------|
| | <u>Income tax</u> | <u>Social contribution tax</u> | <u>Income tax</u> | <u>Social contribution tax</u> |
| Gross revenue | 75,795 | 75,795 | 96,368 | 96,368 |
| Gross revenue percentage | 32% | 32% | 32% | 32% |
| Finance income | 4,013 | 4,013 | 4,797 | 4,797 |
| Other operating income | - | - | 21 | 21 |
| Deducted portion | (240) | - | (240) | - |
| Gross revenue base | 28,027 | 28,267 | 35,416 | 35,656 |
| | 7,122 | 2,564 | 8,815 | 2,905 |
| Effective rate (%) | 25% | 9% | 25% | 9% |

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

25. Earnings (loss) per share

a) Basic and diluted

Basic earnings per share is calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of common shares issued in the period, excluding common shares purchased by the Company and held as treasury shares.

Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potentially dilutive common shares. The Company has no potentially dilutive common shares.

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------------------------|--------------------|-------------------|
| Profit attributable to Company shareholders | 2,242 | 29,127 |
| Weighted average number of common shares issued | <u>384,363,519</u> | <u>66,209,213</u> |
| Basic and diluted earnings (loss) per share – in (R\$) | <u>0.006</u> | <u>0.440</u> |

26. Financial instruments and risk management

a) Capital management

Company management administers Company funds to ensure business continuity, maximize application of these funds for expanding services, new technologies, as well as for working capital financing and providing return to shareholders.

The Company's capital structure consists of contracting financial liabilities with financial institutions, and applying funds in cash and cash equivalents, marketable securities and equity.

Management periodically reviews the Company's capital structure and its ability to settle liabilities, monitors on a timely basis the average term of trade accounts payable and takes the necessary measures to ensure the Company's financial balance.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

26. Financial instruments and risk management (Continued)

a) Capital management (Continued)

The Company monitors its financial position based on the financial leverage ratio, similarly to other companies in the same industry. This ratio corresponds to net debt divided by total capital. Net debt corresponds to total loans less cash and cash equivalents. Total capital is determined by adding equity and net debt.

At December 31, 2021 and 2020, debt ratios are summarized as follows:

| | Note | Consolidated | |
|---------------------------------|-------|--------------------|-----------|
| | | 2021 | 2020 |
| Total loans and financing | 12 | 570,848 | 651,747 |
| Total debentures | 13 | 515,850 | - |
| Total lease obligations | 14 | 35,490 | 33,474 |
| Less: cash and cash equivalents | 4 | (1,000,792) | (171,104) |
| Less: short-term investments | 4 | (46,693) | (9,665) |
| Less: derivatives | 26 | (107) | (11,767) |
| Net debt | A | 74,596 | 492,685 |
| Total equity | | 1,342,099 | 127,197 |
| Equity plus net debt | B | 1,416,695 | 619,882 |
| Financial leverage ratio | A / B | 5.27% | 79.4% |

b) Significant accounting policies

Detailed information on significant accounting policies and methods adopted, including criteria for recognition and basis of measurement of revenues and expenses for each class of financial assets and liabilities, in addition to equity, is presented in Note 3.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

26. Financial instruments and risk management (Continued)

c) Category of financial instruments

| | Consolidated | |
|------------------------------------------------------------|------------------|----------------|
| | 2021 | 2020 |
| Financial assets at amortized cost: | | |
| Cash and cash equivalents | 1,000,792 | 171,104 |
| Short-term investments | 46,693 | 16,145 |
| Trade accounts receivable | 108,716 | 69,555 |
| Financial assets at fair value through profit or loss | | |
| Derivative transactions | 1,308 | 11,918 |
| | 1,157,509 | 268,722 |
| Financial liabilities at amortized cost: | | |
| Trade accounts payable | 186,032 | 137,229 |
| Loans and financing | 570,848 | 651,747 |
| Debentures | 515,850 | - |
| Lease obligations | 35,490 | 33,474 |
| Financial liabilities at fair value through profit or loss | | |
| Derivative transactions | 1,201 | 151 |
| | 1,309,421 | 822,601 |

Management conducted an analysis and is of the opinion that the Company's financial instruments, which are recorded at book value, do not present significant variations as compared with respective market values. Fair value of financial instruments is the amount for which an asset or a liability may be exchanged or settled, between known parties willing to carry out a fair market transaction, rather than in a sale or distressed liquidation. The methods and assumptions used for estimating any changes in relation to fair value of the Company's and its subsidiaries' financial assets and liabilities include:

- *Cash and cash equivalents*: presented at market value, which equals book value. Short-term investments included in cash and cash equivalents are classified as available for sale. Market value is reflected in the amounts recorded in the statements of financial position.
- *Short-term investments*: presented at fair value adjusted by the rates in effect on investment date.
- *Trade accounts receivable*: classified as receivables and recorded at their original amounts, subject to allowance for expected credit losses, when applicable.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

26. Financial instruments and risk management (Continued)

c) Category of financial instruments (Continued)

- *Trade accounts payable*: derive from transactions with third parties for purchase of assets and materials necessary for company operation, at market prices.
- *Loans and financing*: measured at amortized cost under the effective interest rate method.

d) Credit risk

This is the risk of financial loss due to a counterparty's failure to perform an obligation under a financial instrument or customer contract. The Company is exposed to credit risk in its operating and financing activities, including deposits in banks and financial institutions, and other financial instruments.

Trade accounts receivable subject to credit risk are presented in Note 5. At December 31, 2021, Company subsidiaries recorded a balance for expected credit losses of R\$19,293 (R\$20,791 in 2020), considered sufficient by management to cover expected losses on realization of trade receivables. As disclosed in Note 5, no individual customer represents more than 10% of total accounts receivable.

Credit risk to which balances with banks and financial institutions are subject is managed by the finance area according to the policy established by the Company. Surplus funds are invested only in approved counterparties and within the limit established for each counterparty. Credit limit is reviewed annually by Company management and may be adjusted during the year. These limits are established with a view to minimizing risk concentration, therefore mitigating financial risk in cases of counterparty bankruptcy. Cash and cash equivalents, and marketable securities subject to credit risk are presented in Note 4.

e) Market risk

This is the risk that the fair value of the future cash flows of a financial instrument will fluctuate due to changes in market prices. Market price includes interest rate risk. Financial instruments affected by market risk include loans and financing payable and deposits measured at fair value through profit or loss.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2021

(In thousands of reais)

26. Financial instruments and risk management (Continued)

f) Liquidity risk

Management analyzes the continuous forecasts of Company liquidity requirements to ensure that cash is sufficient for Company operation. Management is of the understanding that the Company is fully able to honor its financial commitments. Management analyzed the Company's current and projected cash position and believes that it has sufficient liquidity to continue fulfilling its obligations.

Financial liabilities, by maturity bracket, corresponding to the period remaining between the reporting date and contractual maturity date are as follows:

| | Total in 2021 | Within 6 months | From 6 to 12 months | From 1 to 2 years | From 2 to 5 years | Over 5 years |
|------------------------|--------------------------|----------------------------|--------------------------------|------------------------------|------------------------------|-------------------------|
| Trade accounts payable | 186,032 | 150,701 | 35,331 | - | - | - |
| Loans and financing | 570,848 | 90,911 | 146,006 | 245,174 | 69,735 | 19,022 |
| Derivatives | 1,201 | 61 | 922 | 218 | - | - |
| Debentures | 515,850 | 8,908 | - | - | 459,798 | 47,144 |
| Lease obligations | 35,490 | 4,060 | 3,898 | 12,972 | 9,235 | 5,325 |
| | Total in 2020 | Within 6 months | From 6 to 12 months | From 1 to 2 years | From 2 to 5 years | Over 5 years |
| Trade accounts payable | 137,229 | 111,461 | 25,768 | - | - | - |
| Loans and financing | 599,182 | 119,272 | 132,605 | 116,848 | 230,457 | - |
| Derivatives | 52,716 | 6,061 | 11,791 | 27,241 | 7,623 | - |
| Lease obligations | 33,474 | 961 | 4,601 | 7,779 | 9,914 | 10,219 |

g) Financial risk factors

The Company manages liquidity risk based on cash flow management and seeks to maintain cash and cash equivalents at a level that is sufficient to meet its short-term needs.

h) Currency risk

This risk refers to exchange rate fluctuations on commitments in foreign currency. The Company subsidiaries use derivatives (fx forward contracts and swaps) recorded as financial instruments to mitigate risks of exchange losses due to fluctuations of the Brazilian real (R\$), in consonance with the Company's currency risk management policy.

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

26. Financial instruments and risk management (Continued)

h) Currency risk (Continued)

Derivative financial instruments

The derivatives and fx forward contracts have as counterparty a financial institution and were contracted to cover potential risks involved in the purchase of PPE items abroad. The essential terms of the fx forward contracts were negotiated so as to be in line with the existing sale commitments contracted in foreign currency. At December 31, 2021, Company subsidiaries present a consolidated balance receivable of R\$1,308 (R\$11,918 in 2020) equivalent to the estimated positive adjustment to be received financially upon contract maturity, based on their market value on the respective date.

Breakdown of financial instruments

| Description | 2021 | 2020 |
|-------------------------------------------|--------------|---------------|
| Derivative transactions receivable – Swap | 1,308 | 11,918 |
| | 1,308 | 11,918 |
| Current | 297 | 3,701 |
| Noncurrent | 1,011 | 8,217 |
| | 1,308 | 11,918 |

Maturity of swap transactions:

| | 2021 | 2020 |
|------|--------------|---------------|
| 2021 | - | 3,701 |
| 2022 | 297 | 1,413 |
| 2023 | 1,011 | 3,817 |
| 2024 | - | 2,987 |
| | 1,308 | 11,918 |

| | 2021 | 2020 |
|----------------------------------------------------|--------------|---------------|
| Outstanding swap transactions: | | |
| Loans and financing – book value | 46,935 | 52,716 |
| Loans and financing – fair value | (45,627) | (40,798) |
| Gain adjustments from financial instruments – swap | 1,308 | 11,918 |
| | 1,308 | 11,918 |

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

26. Financial instruments and risk management (Continued)

h) Currency risk (Continued)

Breakdown of financial instruments (Continued)

Subsidiaries Brisanet Serviços and RPS Prestação de Serviços engage in instruments for financial transactions in foreign currency aimed at fundraising and import financing. At December 31, 2021 and 2020, hedging transactions represented 8.22% (R\$46,935 / R\$570,848) and 8.09 (R\$52,716 / R\$651,747), respectively, of these subsidiaries' bank debt.

For the current year, the Company engaged in hedging instruments to protect financial transactions denominated in foreign currency. These transactions were performed using the same credit operations in order to prevent any position mismatch.

At December 31, 2021, derivative financial instruments amounted to R\$1,308 (R\$11,918 in 2020). The Company measures its foreign-currency loan liabilities at amortized cost and hedges such items by means of derivative financial instruments (swaps). In order to prevent accounting mismatches between measurement of financial liabilities (amortized cost and fair value), the Company classified referred to instruments as financial liabilities measured at fair value.

In the period ended December 31, 2021, net realized and unrealized gains (losses) deriving from these contracts were recorded in finance income (costs), and represented consolidated net gains of R\$721 (R\$17,358 in 2020).

i) Sensitivity analysis of CDI and USD variations

Management administers any exposure to interest rate variations by managing cash flow. Currency rate fluctuation has an impact on loans and financing, and on commitments to foreign suppliers, which are hedged by derivative financial instruments, in consonance with the Company' risk management policy (item g).

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2021

(In thousands of reais)

26. Financial instruments and risk management (Continued)

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

Three scenarios are considered below, to wit: (i) current scenario (probable), which is adopted by the Company, (ii) the scenario with decrease of 25% of the risk variable considered, and (iii) the scenario with decrease of 50% of the risk variable considered. These scenarios were defined based on hypotheses of changes in key variables at the date of termination of the respective agreements subject to these risks. Worth mentioning, the scenarios presented are subject to significant adjustments due to variations in the Company's operating performance, which may affect debt and liquidity level.

Interest rate risk

| Instrument/transaction | 2021 | | Consolidated | | |
|------------------------------------|-------------------|------------------------------|------------------|-------------|--------------|
| | Probable scenario | Risk | Current scenario | Scenario II | Scenario III |
| Working capital | 9.80% | CDI increase | (25,111) | (31,389) | (37,667) |
| Working capital | 5.57% | TJLP increase | (462) | (577) | (693) |
| Working capital | 11.01% | TLP increase | (716) | (895) | (1,074) |
| Working capital (foreign currency) | 9.80% | CDI increase | (4,679) | (5,849) | (7,019) |
| PPE financing (FINEM) | 5.61% | TJLP increase | (457) | (571) | (685) |
| PPE financing (FINEM) | 10.97% | TLP increase | (2,922) | (3,652) | (4,383) |
| Financing - TR | 0.33% | Reference rate (TR) increase | (178) | (222) | (267) |
| Short-term investments | 1.23% | CDI decrease | 11,610 | 8,708 | 5,805 |
| Projected income (loss) | | | (22,915) | (34,447) | (45,983) |

| Instrument/transaction | 2020 | | Consolidated | | |
|-------------------------|-------------------|---------------|------------------|-------------|--------------|
| | Probable scenario | Risk | Current scenario | Scenario II | Scenario III |
| Loans and financing | 2.75% | CDI increase | (9,362) | (11,703) | (14,044) |
| Loans and financing | 4.87% | TJLP increase | (4,510) | (5,638) | (6,765) |
| Loans and financing | 4.52% | IPCA increase | (2,009) | (2,511) | (3,014) |
| Short-term investments | 2.75% | CDI decrease | 4,988 | 3,741 | 2,494 |
| Projected income (loss) | | | (10,893) | (16,111) | (21,329) |

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2021

(In thousands of reais)

26. Financial instruments and risk management (Continued)

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

Currency risk

| 2021 | Probable US dollar rate | Risk | Consolidated | | |
|-------------------------|-------------------------------|-----------------|---------------------|-------------|--------------|
| | | | Current scenario | Scenario II | Scenario III |
| Instrument/transaction | | | | | |
| Trade accounts payable | 5.58 | Dollar increase | - | (26,402) | (52,803) |
| Loans and financing | 5.58 | Dollar increase | - | (26,577) | (53,154) |
| Projected income (loss) | | | - | (52,979) | (105,957) |

| 2020 | Probable US dollar rate | Risk | Consolidated | | |
|-------------------------|-------------------------------|-----------------|---------------------|-------------|--------------|
| | | | Current scenario | Scenario II | Scenario III |
| Instrument/transaction | | | | | |
| Trade accounts payable | 5.19 | Dollar increase | - | (35,756) | (191,701) |
| Loans and financing | 5.19 | Dollar increase | - | (27,552) | (147,718) |
| Projected income (loss) | | | - | (63,308) | (339,419) |

j) Fair value hierarchy

The Company classifies and discloses the fair value of financial instruments based on measurement techniques:

- Level 1: prices (without adjustments) quoted in active markets for identical assets or liabilities;
- Level 2: other techniques for which all data that has a significant impact on fair value recorded may be observed, either directly or indirectly; and
- Level 3: techniques that use data that has a significant impact on fair value recorded that are not based on data that may be observed in the active market.

| | Consolidated | | | |
|-------------------------|--------------|---------|---------|---------|
| | 2021 | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | |
| Derivative transactions | 1,308 | - | 1,308 | - |
| Financial liabilities | | | | |
| Derivative transactions | 1,201 | - | 1,201 | - |

Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)
December 31, 2021
(In thousands of reais)

26. Financial instruments and risk management (Continued)

j) Fair value hierarchy (Continued)

| | Consolidated | | | |
|-------------------------|--------------|---------|---------|---------|
| | 2020 | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | |
| Derivative transactions | 11,918 | - | 11,918 | - |
| Financial liabilities | | | | |
| Derivative transactions | 151 | - | 151 | - |

Financial assets and liabilities recorded at amortized cost approximate their fair value, since these amounts are adjusted for provisions, to present value and/or at floating market rates.

27. Insurance coverage (Consolidated)

Management of the Company and its subsidiaries take out various types of insurance, whose amounts are considered sufficient by management and insurance brokers to cover any claims.

Insurance coverage in effect is as follows:

| | 2021 | 2020 |
|---------------------------------|-------------------|------------|
| Aircraft – civil liability risk | US\$40,000 | US\$14,800 |
| Aircraft – operational risk | US\$10,400 | US\$5,200 |
| Other items – operational risk | R\$10,604 | US\$1,650 |

28. Non-cash transactions

| | Consolidated | |
|---------------------------------------------------------|---------------|--------|
| | 2021 | 2020 |
| Capitalization of Interest (Note 9) | 24,285 | 5,081 |
| Capitalization of depreciation (Note 9) | 5,760 | - |
| Allowance for expected credit losses write-off (Note 5) | 22,537 | 25,895 |

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Notes to financial statements (Continued)
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29. Events after the reporting period

Merger of indirect subsidiary Agility Serviços de Telecomunicações Ltda. by Brisanet Serviços de Telecomunicações S.A.

At the Special General Meeting held on January 31, 2022, shareholders approved the merger of the net assets of the Company's indirect subsidiary Agility Serviços de Telecomunicações Ltda., in the amount of R\$81,479, by the direct subsidiary Brisanet Serviços de Telecomunicações S.A.

Merger of direct subsidiary Universo Serviços de Telecomunicações Ltda., by Brisanet Serviços de Telecomunicações S.A.

At the Special General Meeting held on January 31, 2022, shareholders approved the merger of the net assets of the Company's direct subsidiary *Universo Serviços de Telecomunicações Ltda.*, in the amount of R\$28,419, by the direct subsidiary Brisanet Serviços de Telecomunicações S.A.

* * *