

# **Individual and Consolidated Financial Statements**

## **Brisanet Participações S.A.**

December 31, 2020, 2019 and 2018  
With Independent Auditor's Report

## **Brisanet Participações S.A.**

### Individual and consolidated financial statements

December 31, 2020, 2019 and 2018

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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 the accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board – IASB**

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## **Independent auditor's report on individual and consolidated financial statements**

To the  
Shareholders, Board of Directors and Officers of  
**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, 2020, and the statements of profit or loss, of comprehensive income, of changes in equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Brisanet Participações S.A. as at December 31, 2020, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

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



## **Emphasis of matter – Restatement of the financial statements**

We draw attention to Note 2.7 to the financial statements for the years ended December 31, 2019 and 2018, which were adjusted and are restated to present the statements of value added and earnings per share, reflect the correction of errors and reclassifications in the accounting balances described in the referred note, and improve certain disclosures in explanatory notes. On September 01, 2020 and May 28, 2020, we issued audit reports containing our unmodified opinions on the Company's financial statements for the years ended December 31, 2019 and 2018, respectively, which are restated hereunder. Our opinion remains unmodified, since the financial statements and amounts corresponding to the prior years were adjusted in a retrospective manner.

### **Key audit matter**

A key audit matter is that matter 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 our responsibilities described in the Auditor's responsibilities for the audit of 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 level of information technology control to ensure that all revenues from services provided and products resold are correctly measured and duly recorded on an accrual basis, including revenues corresponding to unbilled services provided.



Ensuring integrity of the information extracted from the billing systems is an essential element in estimating unbilled revenue and, therefore, in appropriately recognizing revenue. Taking into account the complexity of this revenue recognition procedure, including involvement of the information technology infrastructure, we considered revenue recognition a key audit matter.

How our audit addressed this matter

Our audit procedures included, among others: (i) obtaining an understanding of significant internal control implemented by management for recognizing and measuring revenues; (ii) examining billed revenue documents for a sample of transactions carried out; (iii) examining calculation of estimated unbilled service revenue; (iv) testing the reports extracted from the system used for calculating unbilled service revenue; and (v) reviewing the disclosures made by the Company in the individual and consolidated financial statements.

Based on the audit procedures performed on recognition and measurement of revenues, which are consistent with management's assessment, we believe that the revenue recognition and measurement criteria adopted, as well as respective disclosure in Notes 3.a and 19, are acceptable in the context of the financial statements taken as a whole.

## **Other matters**

Statements of value added

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2020, prepared under the responsibility of Company management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated whether these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined in NBC TG 09 – Statements of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement, and are consistent in relation to the overall individual and consolidated financial statements.

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

Management 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 management and those charged with governance for individual and consolidated financial statements**

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, 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 management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Companies' 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 procedures and significant audit findings, including deficiencies in internal control that we may have identified during our audit.



We also provided those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and 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 matters that was of most significance in the audit of the financial statements of the current period and was therefore considered 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, July 6, 2021.

ERNST & YOUNG  
Auditores Independentes S.S.  
CRC-2SP015199/O-6



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



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## Brisanet Participações S.A.

Statements of financial position  
December 31, 2020, 2019 and 2018  
(In thousands of reais)

Note	Individual			Consolidated			
	2020	2019	2018	2020	2019	2018	
		(restated)			(restated)		
Assets							
Current assets							
Cash and cash equivalents	4	5	12	23	171,104	38,810	12,026
Short-term investments		-	-	-	9,665	4,669	-
Trade accounts receivable	5	-	-	-	69,555	59,285	29,155
Inventories		-	-	-	525	771	168
Taxes recoverable	6	-	-	-	18,424	8,154	3,686
Derivative operations	24	-	-	-	3,701	-	-
Prepaid expenses		-	-	-	1,398	153	403
Other assets		-	-	1	12,627	4,520	541
Total current assets		5	12	24	286,999	116,362	45,979
Noncurrent assets							
Long-term receivables							
Short-term investments		-	-	-	6,480	38	2,000
Taxes recoverable	6	-	-	-	23,166	13,292	6,084
Transactions with related parties	7	-	-	339	1,153	1,200	1,780
Future capital contributions	7	-	10,363	1,700	-	-	-
Court-related deposits		-	-	-	905	742	761
Derivative operations	24	-	-	-	8,217	-	-
Prepaid expenses		-	-	-	778	-	-
Deferred income and social contribution taxes	22	-	-	-	2,144	2,333	1,520
Other assets		-	-	-	38	-	38
Investments	8	131,292	98,999	82,328	-	-	-
Rights-of-use	13	-	-	-	34,117	9,901	-
Property, plant and equipment	9	-	-	-	647,532	316,748	190,173
Intangible assets	10	-	-	-	6,721	2,975	206
Total noncurrent assets		131,292	109,362	84,367	731,251	347,229	202,562
Total assets		131,297	109,374	84,391	1,018,250	463,591	248,541

See accompanying notes.

	Note	Individual			Consolidated		
		2020	2019 (restated)	2018	2020	2019 (restated)	2018
Liabilities and equity							
Current liabilities							
Trade accounts payable	11	-	-	-	<b>137,229</b>	28,705	19,137
Loans and financing	12	-	-	-	<b>251,877</b>	104,747	60,553
Lease obligations	13	-	-	-	<b>5,562</b>	2,267	-
Labor and social obligations	14	-	-	-	<b>27,100</b>	17,705	8,386
Taxes payable	6	-	-	-	<b>18,100</b>	16,390	8,482
Taxes paid in installments	15	-	-	-	<b>1,274</b>	1,574	1,781
Derivative operations	24	-	-	-	<b>151</b>	-	-
Other accounts payable		<b>1</b>	-	-	<b>499</b>	793	715
Total current liabilities		<b>1</b>	-	-	<b>441,792</b>	172,181	99,054
Noncurrent liabilities							
Loans and financing	12	-	-	-	<b>399,870</b>	160,236	73,407
Lease obligations	13	-	-	-	<b>27,912</b>	7,550	-
Transactions with related parties	7	<b>330</b>	330	5,174	<b>12,161</b>	6,869	5,148
Taxes paid in installments	15	-	-	-	<b>6,589</b>	7,092	9,128
Provision for impairment of investments	8	<b>3,768</b>	1,324	17,867	-	-	-
Provision for contingencies	16	<b>7</b>	5	-	<b>2,729</b>	1,938	452
		<b>4,105</b>	1,659	23,041	<b>449,261</b>	183,685	88,135
Equity							
Capital	18	<b>66,209</b>	66,209	5	<b>66,209</b>	66,209	5
Income reserves		<b>60,982</b>	41,506	59,645	<b>60,982</b>	41,506	59,645
		<b>127,191</b>	107,715	59,650	<b>127,191</b>	107,715	59,650
Future capital contributions		-	-	1,700	-	-	1,700
Noncontrolling interests		-	-	-	<b>6</b>	10	2
Total equity		<b>127,191</b>	107,715	61,350	<b>127,197</b>	107,725	61,352
Total liabilities and equity		<b>131,297</b>	109,374	84,391	<b>1,018,250</b>	463,591	248,541

## Brisanet Participações S.A.

### Statements of profit or loss

Years ended December 31, 2020, 2019 and 2018

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

	Note	Individual			Consolidated		
		2020	2019	2018	2020	2019	2018
Net operating revenue	19	-	(restated) -	-	<b>471,774</b>	292,962	214,859
Cost of services	20	-	-	-	<b>(237,141)</b>	(130,521)	(95,262)
Gross profit		-	-	-	<b>234,633</b>	162,441	119,597
Operating expenses							
Administrative expenses	20	<b>(1)</b>	(2)	-	<b>(86,591)</b>	(49,230)	(32,025)
Selling expenses	20	-	-	-	<b>(34,693)</b>	(19,950)	(7,323)
Tax expenses	20	-	(1)	-	<b>(2,143)</b>	(925)	(1,457)
Equity pickup	8	<b>29,132</b>	51,080	25,234	-	-	-
Other operating expenses, net	20	<b>(3)</b>	-	(7)	<b>(25,350)</b>	(3,768)	(22,322)
Income before financial income (expenses) and taxes		<b>29,128</b>	51,077	25,227	<b>85,856</b>	88,568	56,470
Financial income	21	-	1	1	<b>66,416</b>	8,831	3,948
Financial expenses	21	<b>(1)</b>	(6)	(1)	<b>(108,528)</b>	(27,341)	(21,947)
Financial income/(expenses)		<b>(1)</b>	5	-	<b>(42,112)</b>	(18,510)	(17,999)
Income before income tax and social contribution		<b>29,127</b>	51,072	25,227	<b>43,744</b>	70,058	38,471
Income tax and social contribution	22	-	-	-	<b>(14,621)</b>	(18,978)	(13,243)
Net income for the year		<b>29,127</b>	51,072	25,227	<b>29,123</b>	51,080	25,228
Net income attributed to							
Controlling interests		-	-	-	<b>29,127</b>	51,072	25,227
Noncontrolling interests		-	-	-	<b>(4)</b>	8	1
Basic earnings per share – R\$	23	<b>0.44</b>	1.40	5,045.40			
Diluted earnings per share – R\$	23	<b>0.44</b>	1.40	5,045.40			

See accompanying notes.

## Brisanet Participações S.A.

Statements of comprehensive income  
Years ended December 31, 2020, 2019 and 2018  
(In thousands of reais)

	Individual			Consolidated		
	2020	2019	2018	2020	2019	2018
Net income for the year	<b>29,127</b>	51,072	25,227	<b>29,123</b>	51,080	25,228
		(restated)			(restated)	
Other comprehensive income	-	-	-	-	-	-
Comprehensive income for the year	<b>29,127</b>	51,072	25,227	<b>29,123</b>	51,080	25,228
Net income attributed to						
Controlling interests	-	-	-	<b>29,127</b>	51,072	25,227
Noncontrolling interests	-	-	-	<b>(4)</b>	8	1

See accompanying notes.

## Brisanet Participações S.A.

Statements of changes in equity  
 Years ended December 31, 2020, 2019 and 2018  
 (In thousands of reais)

	Consolidated							Equity
	Individual				Subtotal	Future capital contributions	Noncontrolling interests	
	Capital	Income reserves		Retained earnings / (accumulated losses)				
	Legal reserve	Retained earnings						
Balances at December 31, 2017 (restated)	5	-	38,015	-	38,020	-	1	38,021
Future capital contributions	-	-	-	-	-	1,700	-	1,700
Net income for the year	-	-	-	25,227	25,227	-	1	25,228
Income allocation (Note 18):								
Dividends	-	-	-	(3,597)	(3,597)	-	-	(3,597)
Retained earnings	-	-	21,630	(21,630)	-	-	-	-
Balances at December 31, 2018 (restated)	5	-	59,645	-	59,650	1,700	2	61,352
Future capital contributions	-	-	-	-	-	14,504	-	14,504
Capital increase	66,204	-	(50,000)	-	16,204	(16,204)	-	-
Net income for the year	-	-	-	51,072	51,072	-	8	51,080
Income allocation (Note 18):								
Dividends	-	-	-	(19,211)	(19,211)	-	-	(19,211)
Retained earnings	-	-	31,861	(31,861)	-	-	-	-
Balances at December 31, 2019 (restated)	66,209	-	41,506	-	107,715	-	10	107,725
Net income for the year	-	-	-	29,127	29,127	-	(4)	29,123
Income allocation (Note 18):								
Legal reserve	-	1,456	-	(1,456)	-	-	-	-
Mandatory minimum dividend	-	-	-	(277)	(277)	-	-	(277)
Additional dividend	-	-	-	(9,374)	(9,374)	-	-	(9,374)
Retained earnings	-	-	18,020	(18,020)	-	-	-	-
Balances at December 31, 2020	66,209	1,456	59,526	-	127,191	-	6	127,197

See accompanying notes.

## Brisanet Participações S.A.

### Statements of cash flows

Years ended December 31, 2020, 2019 and 2018

(In thousands of reais)

	Individual			Consolidated		
	2020	2019	2018	2020	2019	2018
		(restated)			(restated)	
Cash flow from operating activities						
Net income for the year	29,127	51,072	25,227	29,123	51,080	25,228
Adjustments to reconcile net income for the year:						
Depreciation and amortization	-	-	-	87,618	48,021	27,327
Residual value of PPE and intangible assets	-	-	-	1,960	1,066	2,960
Allowance for doubtful accounts	-	-	-	25,454	(1,930)	22,244
Provision for contingencies	-	5	-	791	1,486	358
Equity pickup	(29,132)	(51,080)	(25,234)	-	-	-
Monetary and exchange variation	-	-	-	4,407	1,240	2,141
Derivative operations	-	-	-	(11,767)	-	-
Interest on leases	-	-	-	2,781	275	-
Interest on loans and financing	-	-	-	49,562	13,030	15,033
Short-term investment income	-	-	-	(1,551)	(1,063)	(592)
Deferred income and social contribution taxes	-	-	-	189	(813)	(1,520)
(Increase) decrease in assets						
Trade accounts receivable	-	-	-	(35,724)	(28,200)	(28,130)
Inventories	-	-	-	246	(603)	1,048
Taxes recoverable	-	-	-	(20,144)	(11,676)	(3,009)
Prepaid expenses	-	-	-	(2,023)	250	35
Court-related deposits	-	-	-	(163)	19	(761)
Other assets	3	1	-	(4,908)	(3,776)	9,705
Increase (decrease) in liabilities						
Trade accounts payable	-	-	-	111,431	9,568	4,809
Labor and social obligations	-	-	-	9,395	9,319	2,084
Taxes payable	-	-	-	20,995	25,156	17,652
Taxes paid in installments	-	-	-	(803)	(2,243)	(1,170)
Other accounts payable	-	-	-	(294)	78	(973)
Cash from operating activities	(2)	(2)	(7)	266,575	110,284	94,469
Interest paid	-	-	-	(26,216)	(15,139)	(12,358)
Income tax and social contribution paid	-	-	-	(19,285)	(17,248)	(14,289)
Net cash from (used in) operating activities	(2)	(2)	(7)	221,074	77,897	67,822
Cash flows from investing activities						
Short-term investments	-	-	-	(11,770)	(2,301)	(260)
Redemption of short-term investments	-	-	-	1,883	657	-
Additions to Property, plant and equipment	-	-	-	(403,368)	(173,897)	(117,650)
Additions to intangible assets	-	-	-	(4,990)	(2,791)	(205)
Capital increase in subsidiaries	-	(51,345)	-	-	-	-
Loans granted to related parties	-	-	-	(3,500)	(1,541)	(1,673)
Intercompany loans received	-	339	-	3,547	2,121	2,022
Dividends received	9,650	69,211	3,597	-	-	-
Future capital contributions in subsidiary	(4)	(8,663)	(1,700)	-	-	-
Net cash from (used in) investing activities	9,646	9,542	1,897	(418,198)	(177,752)	(117,766)
Cash flows from financing activities						
Loans and financing raised	-	-	-	474,435	193,138	85,894
Amortization of principal of loans and financing	-	-	-	(120,581)	(61,781)	(33,345)
Lease payments	-	-	-	(20,077)	(1,732)	-
Intercompany loans raised	-	-	-	9,509	6,845	292
Intercompany loans paid	-	(4,844)	-	(4,217)	(5,124)	-
Future capital contributions	-	14,504	1,700	-	14,504	1,700
Dividend/Profits distributed	(9,651)	(19,211)	(3,597)	(9,651)	(19,211)	(3,597)
Net cash from (used in) financing activities	(9,651)	(9,551)	(1,897)	329,418	126,639	50,944

## Brisanet Participações S.A.

Statements of cash flows (Continued)  
Years ended December 31, 2020, 2019 and 2018  
(In thousands of reais)

	Individual			Consolidated		
	2020	2019	2018	2020	2019	2018
Increase (decrease) in cash and cash equivalents	(7)	(11)	(7)	132,294	26,784	1,000
Cash and cash equivalents						
At beginning of year	12	23	30	38,810	12,026	11,026
At end of year	5	12	23	171,104	38,810	12,026
Increase (decrease) in cash and cash equivalents	(7)	(11)	(7)	132,294	26,784	1,000

See accompanying notes.

## Brisanet Participações S.A.

Statements of value added  
Years ended December 31, 2020, 2019 and 2018  
(In thousands of reais)

	Individual			Consolidated		
	2020	2019	2018	2020	2019	2018
		(restated)			(restated)	
Revenue						
Gross operating income less discounts	-	-	-	<b>550,429</b>	340,308	257,445
Allowance for doubtful accounts	-	-	-	<b>(25,454)</b>	1,930	(22,244)
Other revenues	-	-	-	<b>567</b>	6,623	2,794
Inputs acquired from third parties						
Cost of sales	-	-	-	<b>(62,754)</b>	(41,290)	(21,943)
Materials, electricity, third-party services and other	<b>(1)</b>	(2)	(6)	<b>(45,086)</b>	(30,305)	(13,760)
Loss on/recovery of asset amounts	-	-	-	<b>(4,247)</b>	949	(15,373)
Other inputs	-	-	-	<b>(3,209)</b>	(2,669)	(15,794)
Gross value added	<b>(1)</b>	(2)	(6)	<b>410,246</b>	275,546	171,125
Depreciation and amortization	-	-	-	<b>(87,618)</b>	(48,021)	(27,327)
Net value added generated	<b>(1)</b>	(2)	(6)	<b>322,628</b>	227,525	143,798
Value added received/transferred						
Equity pickup	<b>29,132</b>	51,080	25,234	-	-	-
Finance income	-	1	1	<b>66,416</b>	8,831	3,948
Value added to be distributed	<b>29,131</b>	51,079	25,229	<b>389,044</b>	236,356	147,746
Distribution of value added						
Taxes, charges and contributions						
Federal	-	-	-	<b>77,610</b>	52,170	34,112
State	-	1	-	<b>47,689</b>	30,524	19,606
Municipal	-	-	-	<b>1,437</b>	1,997	1,685
Other taxes, charges and contributions	<b>3</b>	6	2	<b>195</b>	41	836
Personnel						
Salaries	-	-	-	<b>100,645</b>	55,066	37,400
Unemployment Compensation Fund (FGTS)	-	-	-	<b>5,378</b>	4,680	3,250
Benefits	-	-	-	<b>9,366</b>	3,202	2,125
Debt remuneration						
Interest, exchange differences and borrowing costs	-	-	-	<b>101,110</b>	25,420	20,463
Rentals	-	-	-	<b>16,491</b>	12,176	3,041
Equity remuneration						
Dividends/Profits distributed	<b>9,651</b>	19,211	3,597	<b>9,651</b>	19,211	3,597
Retained earnings	<b>19,476</b>	31,861	21,630	<b>19,472</b>	31,869	21,631
Value added	<b>29,131</b>	51,079	25,229	<b>389,044</b>	236,356	147,746

See accompanying notes.



## Brisanet Participações S.A. and Consolidated

Notes to financial statements  
December 31, 2020, 2019 and 2018  
(In thousands of reais)

### 1. Operations

Brisanet Participações S.A. (the “Company”) is a privately-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 November 22, 2020, Brisanet Participações Ltda. was converted from a limited liability company into a stock corporation.

#### a) Subsidiaries

Currently, the Company has the following subsidiaries:

##### i) Brisanet Serviços de Telecomunicações Ltda. (“Brisanet Serviços”)

Telecommunication services provider - MCS (Multimedia Communication Service); equipment rental; IT services; radio and optical fiber network installation services; wholesale, retail and import of telecommunications and IT equipment; paid television; paid cable television; 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; circuit-switched telephone services – PSTN (Public Switched Telephone Network); 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.

##### 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.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
December 31, 2020, 2019 and 2018  
(In thousands of reais)

### 1. Operations (Continued)

#### a) Subsidiaries (Continued)

##### 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”)

Circuit-switched telephone services – PSTN (Public Switched Telephone Network); 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.

##### vi) Global Indústria de Equipamentos para Redes de Comunicação Ltda. (“Global”)

Industrial manufacture of equipment for optical fiber and communication networks; and import and export.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
December 31, 2020, 2019 and 2018  
(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:

<b>Company</b>	<b>Grant</b>	<b>Area</b>	<b>Effective period</b>
Universo Serviços	Authorization to provide international long-distance PSTN.	For region 1 PSTN.	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) Financial reorganization

As of December 31, 2020, the Company and its subsidiaries recorded negative consolidated net working capital amounting to R\$ 154,793 (R\$ 55,819 and R\$ 53,075 in 2019 and 2018, respectively) mainly due to funds raised to support the expansion of its operations. Management plans to reverse this scenario include debt extension through issue of debentures, which already occurred on March 15, 2021 (Note 26).

#### d) COVID-19

Covid-19 was identified in December 2019 in China, rapidly spread to various countries and was declared a pandemic on March 11, 2020 by the World Health Organization (WHO). This disease 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 the operating results of the Company and its subsidiaries. However, the telecommunications industry experienced 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, the Company's 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.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
December 31, 2020, 2019 and 2018  
(In thousands of reais)

### 1. Operations (Continued)

#### d) COVID-19 (Continued)

The pandemic had no impacts on the Company's and its subsidiaries' cash flows and revenue recognition, since the number of customers increased significantly due to the demand to internet access, 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.

In addition, government and private banks extended or suspended the payment of loan and financing installments in the first half of 2020, which decreased borrowing costs.

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) 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.

The financial instruments were directly affected by exchange fluctuation during the pandemic and the measures adopted by the Company and its subsidiaries refer to engaging in fixed price transactions with a view to reducing currency impacts and managing cash flow.

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.

## **Brisanet Participações S.A. and Consolidated**

Notes to financial statements (Continued)  
December 31, 2020, 2019 and 2018  
(In thousands of reais)

### **1. Operations (Continued)**

#### d) COVID-19 (Continued)

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 other than the increase in US dollar quotation in this period, which went from R\$ 4.0307 on December 31, 2019 to R\$ 5.5851 on March 16, 2021, a reflex of the recession in the Brazilian scenario.

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.

#### e) Approval of financial statements

Conclusion of the individual and consolidated financial statements was authorized by the Executive Board of the Company and its subsidiaries on July 6, 2021.

### **2. Basis of preparation and presentation of financial statements**

#### 2.1. Basis of preparation of financial statements

The individual and consolidated financial statements were prepared in accordance with the accounting practices adopted in Brazil, which comprise the pronouncements issued by the Brazilian Financial Accounting Standards Board (CPC) and the rules issued by the Brazilian Securities and Exchange Commission (CVM), in accordance with the International Financial Reporting Standards issued by the International Accounting Standard Board (IASB). The Company adopted for the first time the International Financial Reporting Standards issued by the International Accounting Standard Board (IASB) on January 01, 2018, which had no impact on equity and net income.

These are the Company's first financial statements prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standard Board (IASB).

## **Brisanet Participações S.A. and Consolidated**

Notes to financial statements (Continued)  
December 31, 2020, 2019 and 2018  
(In thousands of reais)

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

#### **2.1. Basis of preparation of financial statements (Continued)**

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 property, plant and equipment useful lives and intangible assets, analyses of their recoverability in operations, measurement at fair value of financial assets and liabilities, as well as other risk analyses to determine other provisions, including 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 to the estimate process. Company management reviews its accounting estimates and assumptions at least on an annual basis.

Presentation of individual and consolidated statements of value added (SVA) is required by Brazilian corporation law and the accounting practices adopted in Brazil for publicly-held companies. The International Financial Reporting Standards (IFRS) do not require SVA presentation. As such, the statements of value added are presented as supplementary information under IFRS, without prejudice to the financial statements as a whole.

#### **2.2. Statement of significance**

All significant information that is consistent with the information used to manage the Company's operations is evidenced, in accordance with Technical Guidance OCPC 07.

#### **2.3. Statement of compliance**

Management assessed the Company's and its subsidiaries' ability to continue as a going concern and believes that the Company and its subsidiaries have resources to continue operating in the future. Additionally, management is not aware of any material uncertainty that may cast significant doubt on the Company's and its subsidiaries' ability to continue as a going concern. Accordingly, these financial statements were prepared under a going-concern assumption.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
December 31, 2020, 2019 and 2018  
(In thousands of reais)

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

#### 2.4 Basis of measurement

The individual and consolidated financial statements were prepared under the historical cost convention, unless otherwise indicated.

#### 2.5 Functional and presentation currency

The individual and consolidated financial statements are presented in Brazilian Reais (R\$), which is the Company's functional currency. In all individual and consolidated financial statements presented in Reais, the amounts were rounded to the nearest thousand, unless otherwise indicated.

#### 2.6 Basis of consolidation

As of December 31, 2020, 2019 and 2018, the Company maintains investments by means of direct subsidiaries, all of which are located in Brazil, as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Brisanet Serviços de Telecomunicações Ltda.	<b>99.99%</b>	99.99%	99.99%
Brisanet Gerenciadora de Ativos Ltda.	<b>99.98%</b>	99.98%	99.98%
RPS – Prestação de Serviços de Informática Ltda.	<b>99.99%</b>	99.99%	99.99%
Interservice – Serviços de Elaboração de Dados Ltda. – ME	<b>99.99%</b>	99.99%	99.99%
Universo Serviços de Telecomunicações Ltda. – ME	<b>99.99%</b>	99.99%	99.99%
Global Indústria de Equipamentos para Redes de Comunicação Ltda.	<b>99.99%</b>	99.99%	99.99%

Subsidiaries are all entities in 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, 2020, 2019 and 2018  
(In thousands of reais)

### 2. Basis of preparation and presentation of 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.

#### 2.7 Restatement of financial statements

In the current year, the Company adopted the guidance established by CPC 23 – Accounting Policies, Changes in Estimates and Error Correction, and is restating its individual and consolidated financial statements originally presented on September 01, 2020 and May 28, 2020, for the years ended December 31, 2019 and 2018, respectively, prepared in accordance with the accounting practices adopted in Brazil, and made the following adjustments, reclassifications and additional disclosures:

##### a) Additional disclosures

- Statements of value added (SVA).
- Supplementary information:
  - a.1) Note 3 – Summary of significant accounting practices – accounting policy of business segment;
  - a.2) Note 5 – Changes in allowance for doubtful accounts;
  - a.3) Note 7 – Impact on the statement of profit or loss of transactions with related parties;
  - a.4) Note 9 – Disclosure of guarantees, interest capitalization and impairment;
  - a.5) Note 10 – Disclosure of explanatory note on intangible assets;
  - a.6) Note 12 – Disclosure of guarantees;
  - a.7) Note 13 – Contract periods, discount rates used, maturity of lease obligations, impact of inflation on application of CPC 06 (R2);
  - a.8) Note 15 – Changes in and aging list of taxes paid in installments;
  - a.9) Note 16 – Changes in provision for contingencies;
  - a.10) Note 17 – Government grants – state government;



## **Brisanet Participações S.A. and Consolidated**

Notes to financial statements (Continued)  
December 31, 2020, 2019 and 2018  
(In thousands of reais)

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

#### **2.7 Restatement of financial statements (Continued)**

##### **a) Additional disclosures (Continued)**

- a.11) Note 23 – Disclosure of earnings per share;
- a.12) Note 24 – Disclosure of balances per financial instrument category, aging list of financial liabilities, sensitivity analysis of financial assets and liabilities exposed to interest rate and currency risk, and disclosure of classification into level 1, 2 or 3 in fair value hierarchy of financial assets and liabilities; and
- a.13) Note 25 – Disclosure of events after the reporting period.

##### **b) Adjustments and reclassifications**

- b.1) Recognition of unbilled revenues on an accrual basis;
- b.2) Reclassification of cash and cash equivalents to short-term investments;
- b.3) Write-off of inventories already used by related parties;
- b.4) Reclassification of advances from current assets to other assets and to property, plant and equipment based on their nature;
- b.5) Reclassification of ICMS recoverable from current to noncurrent;
- b.6) Recognition of deferred taxes;
- b.7) Set-up of provision for IOF on loans payable and receivable;
- b.8) Capitalization of interest unduly recorded in the statement of profit or loss for the year;
- b.9) Recognition of loss on construction in progress;
- b.10) Reclassification between property, plant and equipment and intangible assets and recognition of additional expenses with amortization;
- b.11) Recognition of exchange differences on trade accounts payable;
- b.12) Additional exchange differences and borrowing costs;
- b.13) Additional taxes payable;
- b.14) Recognition of PIS and Cofins credits due to exclusion of ICMS from the calculation base from 2012 to 2017;
- b.15) Additional short-term investment yield; and
- b.16) Adjustment of basic and diluted earnings per share for 2019.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
December 31, 2020, 2019 and 2018  
(In thousands of reais)

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

#### 2.7 Restatement of financial statements (Continued)

Consolidated statements of financial position and respective statements of profit or loss and of cash flows originally presented and restated are as follows:

#### Consolidated statements of financial position:

Item	2019			2018			
	Original	Adjustments	Restated	Original	Adjustments	Restated	
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	b.2	43,149	(4,339)	38,810	12,026	-	12,026
Short-term investments	b.2 and b.15	-	4,669	4,669	-	-	-
Trade accounts receivable	b.1	46,629	12,656	59,285	21,426	7,729	29,155
Inventories	b.3	1,854	(1,083)	771	1,251	(1,083)	168
Advances to third parties	b.4	8,331	(8,331)	-	2,628	(2,628)	-
Taxes recoverable	b.5	18,784	(10,630)	8,154	8,371	(4,685)	3,686
Prepaid expenses		153	-	153	403	-	403
Other assets	b.4	25	4,495	4,520	30	511	541
<b>Total current assets</b>		<b>118,925</b>	<b>(2,563)</b>	<b>116,362</b>	<b>46,135</b>	<b>(156)</b>	<b>45,979</b>
<b>Noncurrent assets</b>							
<b>Long-term receivables</b>							
Short-term investments		38	-	38	2,000	-	2,000
Taxes recoverable	b.5	1,911	11,381	13,292	1,399	4,685	6,084
Transactions with related parties	b.7	1,200	-	1,200	1,489	291	1,780
Court-related deposits		742	-	742	761	-	761
Deferred taxes	b.6	-	2,333	2,333	-	1,520	1,520
Other assets		-	-	-	38	-	38
Rights-of-use		9,736	165	9,901	-	-	-
Property, plant and equipment	b.4, b.8, b.9 and b.10	312,757	3,991	316,748	192,730	(2,557)	190,173
Intangible assets	b.10	1,541	1,434	2,975	206	-	206
<b>Total noncurrent assets</b>		<b>327,925</b>	<b>19,304</b>	<b>347,229</b>	<b>198,623</b>	<b>3,939</b>	<b>202,562</b>
<b>Total assets</b>		<b>446,850</b>	<b>16,741</b>	<b>463,591</b>	<b>244,758</b>	<b>3,783</b>	<b>248,541</b>
<b>Liabilities and equity</b>							
<b>Current liabilities</b>							
Trade accounts payable	b.11	28,705	-	28,705	18,407	730	19,137
Loans and financing	b.12	104,258	489	104,747	60,022	531	60,553
Lease obligations		2,267	-	2,267	-	-	-
Labor and social obligations		17,705	-	17,705	8,386	-	8,386
Taxes payable	b.1, b.7 and b.13	13,012	3,378	16,390	7,292	1,190	8,482
Taxes paid in installments		1,574	-	1,574	1,781	-	1,781
Other accounts payable		794	(1)	793	716	(1)	715
<b>Total current liabilities</b>		<b>168,315</b>	<b>3,866</b>	<b>172,181</b>	<b>96,604</b>	<b>2,450</b>	<b>99,054</b>

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
December 31, 2020, 2019 and 2018  
(In thousands of reais)

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

#### 2.7 Restatement of financial statements (Continued)

##### Consolidated statements of financial position:

Item	2019			2018		
	Original	Adjustments	Restated	Original	Adjustments	Restated
Noncurrent liabilities						
Loans and financing	160,236	-	160,236	73,407	-	73,407
Lease obligations	7,550	-	7,550	-	-	-
Transactions with related parties	6,150	719	6,869	4,844	304	5,148
Taxes paid in installments	7,092	-	7,092	9,128	-	9,128
Provision for contingencies	1,938	-	1,938	452	-	452
	<u>182,966</u>	<u>719</u>	<u>183,685</u>	<u>87,831</u>	<u>304</u>	<u>88,135</u>
Equity						
Capital	66,209	-	66,209	5	-	5
Income reserves	29,351	12,155	41,506	58,616	1,029	59,645
	<u>95,560</u>	<u>12,155</u>	<u>107,715</u>	<u>58,621</u>	<u>1,029</u>	<u>59,650</u>
Future capital contributions	-	-	-	1,700	-	1,700
Noncontrolling interests	9	1	10	2	-	2
Total equity	<u>95,569</u>	<u>12,156</u>	<u>107,725</u>	<u>60,323</u>	<u>1,029</u>	<u>61,352</u>
Total liabilities and equity	<u>446,850</u>	<u>16,741</u>	<u>463,591</u>	<u>244,758</u>	<u>3,783</u>	<u>248,541</u>

##### Consolidated statements of profit or loss

Item	2019			2018		
	Original	Adjustments	Restated	Original	Adjustments	Restated
Net operating revenue	288,674	4,288	292,962	211,632	3,227	214,859
Cost of services	(130,521)	-	(130,521)	(95,262)	-	(95,262)
Gross profit	<u>158,153</u>	<u>4,288</u>	<u>162,441</u>	<u>116,370</u>	<u>3,227</u>	<u>119,597</u>
Operating expenses:						
Administrative expenses	(54,164)	4,934	(49,230)	(27,069)	(4,956)	(32,025)
Selling expenses	(19,950)	-	(19,950)	(7,323)	-	(7,323)
Tax expenses	(925)	-	(925)	(1,948)	491	(1,457)
Other operating expenses, net	(4,488)	720	(3,768)	(21,239)	(1,083)	(22,322)
Income before financial income (expenses) and taxes	<u>78,626</u>	<u>9,942</u>	<u>88,568</u>	<u>58,791</u>	<u>(2,321)</u>	<u>56,470</u>
Financial income	8,470	361	8,831	3,948	-	3,948
Financial expenses	(29,192)	1,851	(27,341)	(20,733)	(1,214)	(21,947)
Financial income (expenses)	<u>(20,722)</u>	<u>2,212</u>	<u>(18,510)</u>	<u>(16,785)</u>	<u>(1,214)</u>	<u>(17,999)</u>
Income before income tax and social contribution	<u>57,904</u>	<u>12,154</u>	<u>70,058</u>	<u>42,006</u>	<u>(3,535)</u>	<u>38,471</u>
Income tax and social contribution	(17,951)	(1,027)	(18,978)	(15,312)	2,069	(13,243)
Net income for the year	<u>39,953</u>	<u>11,127</u>	<u>51,080</u>	<u>26,694</u>	<u>(1,466)</u>	<u>25,228</u>

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
December 31, 2020, 2019 and 2018  
(In thousands of reais)

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

#### 2.7 Restatement of financial statements (Continued)

##### Consolidated statement of cash flows:

	2019			2018		
	Original	Adjustments	Restated	Original	Adjustments	Restated
Cash flow from operating activities						
Net income for the year	39,953	11,127	51,080	26,694	(1,466)	25,228
Adjustments to reconcile net income for the year:						
Depreciation and amortization	47,951	70	48,021	27,327	-	27,327
Residual value of PPE and intangible assets	(4,755)	2,782	(1,973)	2,960	-	2,960
Allowance for doubtful accounts	-	(1,930)	(1,930)	22,254	(10)	22,244
Provision for contingencies	1,486	-	1,486	358	-	358
Monetary and exchange variation	502	738	1,240	382	1,759	2,141
Interest on leases	-	275	275	-	-	-
Interest on installment payments	-	-	-	945	(945)	-
Interest on loans and financing	13,782	(752)	13,030	12,974	2,059	15,033
Deferred taxes	-	(813)	(813)	-	(1,520)	(1,520)
Short-term investment yield	-	(1,063)	(1,063)	-	(592)	(592)
(Increase) decrease in assets						
Trade accounts receivable	(17,748)	(10,452)	(28,200)	(23,913)	(4,217)	(28,130)
Inventories	(603)	-	(603)	(35)	1,083	1,048
Advances to third parties	(5,703)	5,703	-	2,874	(2,874)	-
Taxes recoverable	(10,925)	(751)	(11,676)	(3,009)	-	(3,009)
Prepaid expenses	250	-	250	35	-	35
Court-related deposits	19	-	19	(761)	-	(761)
Intangible assets	-	-	-	(205)	205	-
Rights-of-use	(11,549)	11,549	-	-	-	-
Other assets	43	(3,819)	(3,776)	40	9,665	9,705
Increase (decrease) in liabilities						
Trade accounts payable	10,298	(730)	9,568	4,148	661	4,809
Labor and social obligations	9,319	-	9,319	2,084	-	2,084
Taxes payable	5,720	2,188	7,908	3,111	252	3,363
Taxes paid in installments	-	(2,243)	(2,243)	-	(1,170)	(1,170)
Other accounts payable	78	-	78	(270)	(703)	(973)
Leases	9,817	(9,817)	-	-	-	-
Deferred taxes	-	-	-	(30)	30	-
Cash from operating activities	87,935	2,062	89,997	77,963	2,217	80,180
Interest paid	(14,577)	(562)	(15,139)	(12,839)	481	(12,358)
Net cash from (used in) operating activities	73,358	1,500	74,858	65,124	2,698	67,822
Cash flows from investing activities						
Short-term investments	1,962	(4,263)	(2,301)	(852)	592	(260)
Redemption of short-term investments	-	657	657	-	-	-
Additions to Property, plant and equipment	(170,200)	(658)	(170,858)	(115,533)	(2,117)	(117,650)
Additions to intangible assets	-	(2,791)	(2,791)	-	(205)	(205)
Loans granted to related parties	-	(1,541)	(1,541)	-	(1,673)	(1,673)
Intercompany loans received	-	2,121	2,121	-	2,022	2,022
Dividends received	(19,211)	19,211	-	-	-	-
Future capital contributions in subsidiaries	14,504	(14,504)	-	1,700	(1,700)	-
Net cash from (used in) investing activities	(172,945)	(1,768)	(174,713)	(114,685)	(3,081)	(117,766)

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
December 31, 2020, 2019 and 2018  
(In thousands of reais)

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

#### 2.7 Restatement of financial statements (Continued)

	2019			2018		
	Original	Adjustments	Restated	Original	Adjustments	Restated
Cash flows from financing activities						
Loan and financing raised	193,139	(1)	193,138	85,939	(45)	85,894
Future capital contributions	-	-	-	-	1,700	1,700
Amortization of principal of loans and financing	(61,781)	-	(61,781)	(30,324)	(3,021)	(33,345)
Taxes paid in installments	(2,243)	511	(1,732)	(2,085)	2,085	-
Intercompany loans raised	1,595	5,250	6,845	628	(336)	292
Intercompany loans paid	-	(5,124)	(5,124)	-	-	-
Capital increase	-	14,504	14,504	-	-	-
Dividends distributed	-	(19,211)	(19,211)	(3,597)	-	(3,597)
Net cash from (used in) financing activities	130,710	(4,071)	126,639	50,561	383	50,944
Increase (decrease) in cash and cash equivalents	31,123	(4,339)	26,784	1,000	-	1,000
Cash and cash equivalents						
At beginning of year	12,026	-	12,026	11,026	-	11,026
At end of year	43,149	(4,339)	38,810	12,026	-	12,026
Increase (decrease) in cash and cash equivalents	31,123	(4,339)	26,784	1,000	-	1,000

The statements of comprehensive income and of changes in equity were basically adjusted in net income for the year.

The individual financial statements were basically adjusted in investments and equity pickup.

### 3. Summary of significant accounting practices

#### (a) Revenue recognition

CPC 47 – Revenue from Contracts with Customers establishes a model that evidences whether or not the accounting criteria were met based on the following steps: (i) Identifying the contract with the customer; (ii) Identifying performance obligations; (iii) Determining transaction price; (iv) Allocating transaction price; and (v) Recognizing revenue by means of compliance with performance obligations.

Taking these aspects into consideration, revenues are recorded for an amount that reflects the amount that the Company and its subsidiaries expect to receive in consideration for the services provided to customers. Gross revenue is presented net of taxes, rebates and discounts.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 3. Summary of significant accounting practices (Continued)

#### a) Revenue recognition (Continued)

Since certain billing cut-off procedures are performed on intermediate dates each month, at the end of each month, revenue has been earned by the Company but not effectively billed to customers. These unbilled revenues are recognized based on estimates that take into consideration consumption data, number of days as from the last invoice date, among others.

The results from the Company's and its subsidiaries' operations are computed on an accrual basis. All services are recognized to the extent that the performance obligation is fulfilled in transferring the asset or service promised to the customer. Unbilled revenues are recognized in view of the accrual basis of the services provided and the customer's invoice period. This unbilled customer consumption data is estimated by the number of days elapsed as from the last invoice date, in accordance with the plan elected, which is recognized in accounting and appropriately posted to revenue components.

- Multimedia Communication Services (MCS)

Revenues from multimedia communication services (MCS) are recognized for the amount of telecommunications services that enable the offer of transmission capacity, issue and receipt of multimedia information, using any means, to subscribers within a service provision area.

- IT services

Revenues from IT services are recognized to the extent that the performance obligation is fulfilled in transferring the asset or service promised to the customer.

- Value added services

Revenues from value added services are recognized for the amount of services provided relating to self-support and replay for pay TV and call identifier in telephony.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 3. Summary of significant accounting practices (Continued)

#### a) Revenue recognition (Continued)

- Equipment rental services

Revenues from equipment rental services are recognized for the equipment rental amounts.

- Pay TV service operation (SeAC)

Revenues from Pay TV service operation (SeAC) are recognized for the amount referring to distribution of audiovisual content organized into programming and channel packages, as well as other related services.

- Sale of PSTN (Public Switched Telephone Network) services

Revenues from telephone services are recognized for the amount of installation, operation and provision of PSTN services to subscribers, of the following natures: local, long distance – domestic and long distance – international.

All services are monthly billed according to the amounts measured by the billing or tariff systems that identify the information to be recognized in accounting and appropriately posted to revenue components. The services provided from billing date to the end of each month are calculated and recognized as revenue in the month when these services are provided.

- Sale of products/assets

Revenues from products sold is recorded for the transactions performed involving a single product, i.e. mobile data chips. All revenues are recognized when the product is sold or transferred to the customer.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 3. Summary of significant accounting practices (Continued)

#### a) Revenue recognition (Continued)

Sales of products/assets that form part of the Company's and its subsidiaries' ordinary activities are measured at 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 persuasive evidence of its existence, usually in the form of sale agreements already entered into by the parties, whereby (ii) the risks and rewards inherent in ownership have been transferred to the buyer, (iii) the related costs may be reliably measured, as well as (iv) potential returns of these items, (v) management of the Company and its subsidiaries is no longer involved with the items sold, and (vi) the revenue amount may be reliably measured.

#### b) Financial income and expenses

Financial income comprises interest on the Company's and its subsidiaries' investments, including short-term investment yields, adjustments to present value of financial assets, and gains from disposal of financial assets.

Financial expenses comprise interest expenses on loans and financing, monetary adjustments of taxes paid in installments and of provisions, and changes in fair value of financial assets at fair value through profit or loss, and costs of bank charges, on an accrual basis.

Gains or losses deriving from exchange differences are stated separately in the statement of profit or loss for the year and segregated into finance income and financial expenses.

#### c) Cash and cash equivalents

These include cash, demand deposits and highly-liquid short-term investments readily convertible into a known cash amount, subject to low risk of change in fair value and redeemable within 90 days as from investment date.

#### d) Trade accounts receivable

These are recorded for the amount billed, plus respective direct taxes. When applicable and necessary, allowance for doubtful accounts is set up in 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, 2020, 2019 and 2018  
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### 3. Summary of significant accounting practices (Continued)

e) Transactions in foreign currency

Transactions in foreign currency are translated into the Company and its subsidiaries' functional currency at the rate in effect on transaction date. Monetary assets and liabilities denominated and computed in foreign currency at reporting date are translated into the functional currency at the exchange rate in force on such date. Exchange gains from or losses on monetary items are the difference between amortized cost of the functional currency at beginning of year, adjusted for the rate and effective payments in the period, and amortized cost in foreign currency, translated at the corresponding rate at year end.

Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the entity's functional currency at the closing rate of the period when fair value was calculated. Foreign currency differences arising from translation are recorded directly in the statement of profit of loss for the year. Non-monetary items measured at historical cost in foreign currency are translated using the rate in effect on transaction date.

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

f) Investments

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

Other investments that do not fall into the categories above are measured at acquisition cost less valuation allowance, where applicable.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 3. Summary of significant accounting practices (Continued)

#### g) Property, plant and equipment - PPE

##### *Recognition and measurement*

PPE items are measured at acquisition or build-up cost, less taxes recoverable and accumulated depreciation or impairment, when applicable.

The costs of items recorded in property, plant and equipment include all amounts directly attributable to the assets' acquisition or build-up. The costs of assets built by the entity include the costs of materials and salaries of employees directly involved in these assets' construction or build-up projects. These include other costs that may be directly attributed to the asset until such asset is ready for the purposes intended by the entity, as well as decommissioning costs of asset items and restoration of sites in which these assets are installed, and borrowing costs of qualifying assets.

When portions of a PPE item have significantly different useful lives, these portions constitute individual items and are accounted for and controlled separately, including for depreciation purposes.

Gains from and losses on disposal of an asset item derive from the difference computed between the disposal amount and net value resulting from cost less residual value and accumulated depreciation of this asset, and are recorded directly in the statement of profit or loss for the year.

##### *Subsequent costs*

Subsequent costs are capitalized to the extent that future rewards associated with these costs will be earned by the Company and its subsidiaries. Recurring maintenance and repair expenses are recorded in the statement of profit or loss.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 3. Summary of significant accounting practices (Continued)

#### g) Property, plant and equipment (Continued)

##### *Depreciation*

Depreciation is recorded in the statement of profit or loss on a straight-line basis in accordance with the estimated useful life of each item. PPE items are subject to depreciation as from the date when these items are installed and become available for use or, in case of assets built internally, as from the date when construction is finalized and the asset is available for use. Depreciation rates are disclosed in Note 9.

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

The assets' residual value, useful lives and depreciation methods are reviewed at year end, and adjusted on a prospective basis, as the case may be.

##### *Interest capitalization*

Interest on loans directly attributable to acquisition, build-up or production of an asset, which requires a substantial period to be finalized for its intended use or sale (qualifying asset) is capitalized a part of the cost of the respective asset during construction phase. As from the date on which the related asset enters into operation, capitalized costs are depreciated over the estimated useful life of such asset.

#### h) Intangible assets

Intangible assets basically comprise goodwill, software development and improvement and right-of-use licenses. Upon initial recognition, intangible assets acquired separately are measured at acquisition cost and subsequently stated net of accumulated amortization and impairment, if applicable.

Intangible assets have finite or indefinite useful lives. Finite-lived intangible assets are amortized over their useful life and tested for impairment whenever there is any indication of loss on these assets' economic value. The amortization period and method for finite-lived intangible assets are reviewed at least at year end. Changes in the estimated useful life or expected consumption of economic benefits from these assets are recorded by means of changes in the amortization period or method, as the case may be, and treated as changes in accounting estimates.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
December 31, 2020, 2019 and 2018  
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### 3. Summary of significant accounting practices (Continued)

#### h) Intangible assets (Continued)

Indefinite-lived intangible assets are not amortized, but are subject to impairment annual tests, on an item-by-item basis or at the level of the cash-generating unit. Assessment of the indefinite useful life is annually reviewed in order to determine whether this assessment remains justifiable. Otherwise, the change in useful life from indefinite to definite is performed in a prospective manner.

Gains or losses arising from write-offs of intangible assets are calculated as the difference between the net disposal proceeds and the carrying amount of the asset, and recorded in the statement of profit or loss for the year in which the asset is derecognized.

#### i) Leases

Lease agreements are recorded in assets as rights-of-use and in liabilities as lease payment obligations, for the lower of present value of the minimum lease payments or the asset's fair value. Amounts recorded in in assets as rights-of-use are subject to depreciation for the lower of the assets' estimated useful life and the lease agreements' estimated duration. Implicit interest amounts in liabilities recorded as rights-of-use payable are posted to the statement of profit or loss over the agreement period using the nominal interest rate method.

#### j) Impairment of non-financial assets

PPE and finite-lived intangible assets and, when applicable, other non-financial assets are tested at least on an annual basis in order to identify any evidence of impairment or whenever significant events or changes in circumstances indicate that their book value may not be recovered.

When applicable, if losses are incurred deriving from situations in which an asset's book value exceeds its recoverable amount, defined as the higher of value in use and net sale value, such losses are recorded in the statement of profit or loss for the year.

For impairment testing purposes, assets are grouped at lower detail levels for which item-by-item cash flow estimates are available.

Indefinite-lived intangible assets are tested for impairment annually at December 31, on an item-by-item basis or at the level of the cash-generating unit, as the case may be or when the circumstances indicate impairment.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
December 31, 2020, 2019 and 2018  
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### 3. Summary of significant accounting practices (Continued)

#### k) Other current and noncurrent assets and liabilities

Assets are recognized in the statement of financial position when they refer to funds controlled by the Company and its subsidiaries deriving from past events and from which future economic benefits are expected to flow, and whose costs or amount may be reliably measured. Contingent assets are not recognized.

Liabilities are recognized in the statement of financial position when the Company and its subsidiaries have a legal or constructive obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits.

Assets and liabilities are classified as current when their realization or settlement is likely to occur in the next 12 months. They are otherwise stated as noncurrent.

#### l) Taxation

##### *Current income and social contribution taxes*

Current tax assets and liabilities for the last and previous years are measured for the amount expected to be recovered from or paid to tax authorities, respectively. Tax rates and tax laws used for calculating the amounts are those in force or substantially in force at statement of financial position date.

Current income and social contribution taxes for the current year were calculated based on the entities' tax regime, as follows:

<u>Company</u>	<u>Tax regime</u>
Brisanet Serviços Telecomunicações Ltda.	Taxable profit computed on accounting records ('lucro real') – on a quarterly basis
Brisanet Gerenciadora de Ativos Ltda.	Taxable profit computed as a percentage of gross revenue ('lucro presumido')
RPS – Prestação de Serviços de Informática Ltda.	Taxable profit computed as a percentage of gross revenue ('lucro presumido')
Interservice – Serviços de Elaboração de Dados Ltda – ME	Taxable profit computed as a percentage of gross revenue ('lucro presumido')
Universo Serviços de Telecomunicações Ltda. - ME	Taxable profit computed on accounting records ('lucro real') – on a quarterly basis
Global Indústria de Equipamentos para Redes de Comunicação Ltda.	Taxable profit computed as a percentage of gross revenue ('lucro presumido')

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 3. Summary of significant accounting practices (Continued)

#### l) Taxation (Continued)

##### *Deferred income and social contribution taxes*

Deferred taxes are recorded on income and social contribution tax losses, and temporary differences at statement of financial position date between the tax bases of assets and liabilities and their book values.

Deferred tax assets, when applicable, are recorded on income and social contribution tax losses, and on all temporary differences only to the extent that taxable profit is likely to be available for their future realization.

##### *Sales taxes*

Revenue, 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 from the tax authorities, in which case such 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 together with the amount of sales taxes.

#### m) Provisions

Provisions are recorded when the Company and its subsidiaries have a present (legal or constructive) obligation arising from a past event, economic benefits are likely to be required for settling the obligation and a reliable estimate of the obligation amount can be made.

When the Company and its subsidiaries expect a provision amount to be reimbursed, in full or in part, for instance by force of an insurance contract, the reimbursement is recorded as a separate asset, but only when this reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

#### n) Significant accounting estimates and judgments

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

##### *Significant accounting estimates and assumptions*

Management prepared estimates for the future, based on assumptions. By definition, resulting accounting estimates will rarely be identical to actual results. Estimates and assumptions that present a significant risk of causing a significant adjustment to the carrying amount of assets and liabilities for the next year are presented below.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 3. Summary of significant accounting practices (Continued)

#### o) Significant accounting estimates and judgments (Continued)

##### *Significant accounting estimates and assumptions* (Continued)

#### i) Provision for tax, civil and labor contingencies

The Company and its subsidiaries are party to legal and administrative proceedings, as described in Note 16. Provisions are set up for all legal proceedings whose likelihood of an unfavorable outcome is reliably rated as probable. 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 is of the belief that these provisions for tax, civil and labor contingencies are properly recognized in the financial statements and are sufficient to cover any losses.

#### ii) Current and deferred taxes

There are uncertainties related to the interpretation of complex tax regulations and to 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 expected realization of future taxable profit. This study is annually reviewed and approved by management. Projections of future taxable profit take into consideration the main performance variables of the Brazilian economy, sales volume and margin, and tax rates.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 3. Summary of significant accounting practices (Continued)

o) Significant accounting judgments and estimates (Continued)

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 lives of intangible assets, and property, plant and equipment

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

p) 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 of current monetary assets and liabilities is calculated and recognized whenever the effects are considered significant on the individual and consolidated financial statements taken as a whole. For reporting and significance determination purposes, present value adjustment is calculated considering contractual cash flows and the explicit, sometimes implicit, interest rates of the corresponding assets and liabilities. Based on the analyses made 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 material in relation to the overall individual and consolidated financial statements and, accordingly, no adjustments were recorded.

q) Business segment

Operating segments are defined as venture components for which separate financial information is available and is evaluated on a regular basis by the key decision maker relating to how to allocate funds for an individual segment and to assess the segment's performance. Since all decisions are made based on consolidated reports, there are no managers responsible for specific segments and all decisions relating to strategic planning, financial area, procurement, investments and application of funds are made on a consolidated basis, Company management concluded that only one segment requires reporting.



## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 3. Summary of significant accounting practices (Continued)

#### r) Financial assets and liabilities

##### i) *Financial assets*

Upon initial recognition, financial assets are 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 contractual cash flow characteristics and 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 investments not designated at fair value through profit or loss, transaction costs directly attributable to their acquisition.

##### Subsequent measurement

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

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

The Company and its subsidiaries have no financial assets classified at fair value through other comprehensive income including reclassification of accumulated gains and losses (debt instruments) or financial assets designated at fair value through other comprehensive income, with no reclassification of accumulated 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:

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 3. Summary of significant accounting practices (Continued)

#### r) Financial assets and liabilities (Continued)

##### i) *Financial assets* (Continued)

###### *Financial assets at amortized cost* (Continued)

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

Financial assets at amortized cost are subsequently measured under the effective interest rate method and are subject to impairment. Gains and losses are recorded in the statement of profit or loss when the asset is written off, modified or impaired.

The Company's and its subsidiaries' financial assets at amortized cost include cash and cash equivalents, trade accounts receivable and court-related deposits.

###### *Financial assets at fair value through profit or loss*

These comprise financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss and financial assets mandatorily 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 whose cash flows are not solely payments of principal and interest are classified and measured at fair value through profit or loss, regardless of the business model.

Financial assets at fair value through profit or loss are presented in the statement of financial position at fair value, and net fair value variations are recorded in the statement of profit or loss.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 3. Summary of significant accounting practices (Continued)

#### r) Financial assets and liabilities (Continued)

##### i) *Financial assets* (Continued)

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

##### *Derecognition (write-off)*

A financial asset (or, where appropriate, a portion of a financial asset or a portion of a group of similar financial assets) is derecognized mainly 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 assumed an obligation to fully pay the cash flows received, without significant delay, to a third party under a lending agreement; and (a) the Company and its subsidiaries have transferred substantially all risks and rewards of the asset, or (b) the Company and its subsidiaries have not transferred nor retained substantially all risks and rewards related to the asset, but have transferred control over the asset.

##### *Impairment of financial assets (includes allowance for doubtful accounts)*

A financial asset is written off when the contractual cash flows are not reasonably expected to be received.

##### ii) *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 derivatives designated as hedging instruments in an effective hedge, as the case may be.

## 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)

#### r) 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 agreements, and accounts payable plus the cost directly related to the transaction.

The Company's and its subsidiaries' financial liabilities include trade accounts payable, and loans and financing.

##### 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 is revoked, canceled or expires. When an existing financial liability is replaced by another from the same lender with substantially different terms, or terms of an existing liability are substantially modified, such replacement or modification is treated as write-off of original liability and recognition of a new liability, and the difference in corresponding carrying amounts is recognized in the statement of profit or loss.

##### iii) *Derivative financial instruments*

The Company and its subsidiaries use derivative financial instruments such as interest rate swaps and currency forward contracts to hedge against exchange and interest rate risk. These derivative financial instruments are initially recorded at fair value on the date when the derivative contract is entered into and subsequently remeasured at fair value. The method for recognizing resulting gains or losses depends on whether or not the derivative is designated as a hedging instrument in cases in which hedge accounting is adopted. In such case, the method depends on the nature of the hedged item.

Changes in fair value of derivative instruments are readily recorded in the statement of profit or loss under finance income/(costs).

## **Brisanet Participações S.A. and Consolidated**

Notes to financial statements (Continued)  
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### **3. Summary of significant accounting practices (Continued)**

s) Government grants

Government grants are recognized when there is reasonable certainty that the benefit will be received and that all related conditions will be met. When the benefit refers to an expense item, it is recognized systematically as revenue over the benefit period in relation to costs whose benefit it is intended to offset. When the benefit refers to an asset, it is recognized as deferred revenue and posted to the income statement in equal amounts over the expected useful life of the corresponding asset.

t) Statements of cash flows

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

u) New or revised standards applied for the first time in 2020

The Company and its subsidiaries applied for the first time certain standards and amendments to standards in effect for annual periods beginning on or after January 01, 2020. The Company and its subsidiaries decided not to early adopt other standards, interpretations or amendments that have been issued, but are not yet in effect.

## 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) New or revised standards applied for the first time in 2020 (Continued)

##### a) Amendments to CPC 15 (R1): Definition of a business

Amendments to CPC 15 (R1) clarify that, to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the Company's and its subsidiaries' individual and consolidated financial statements but may have an impact on future periods in case the Company enters into any business combination.

##### b) Amendments to CPC 38, CPC 40 (R1) and CPC 48: Interest Rate Benchmark Reform

The amendments to CPC 38 and CPC 48 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the Company's and its subsidiaries' individual and consolidated financial statements.

##### c) Amendments to CPC 26 (R1) and CPC 23: Definition of material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the current financial statements nor are they expected to have future impacts for the Company.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 3. Summary of significant accounting practices (Continued)

#### v) New standards and interpretations not yet in effect

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

#### a) IFRS 17 – Insurance Contracts

In May 2017, the IASB issued IFRS 17 – Insurance Contracts (not yet issued by the CPC in Brasil, but which will be referred to as CPC 50 – Insurance Contracts, and will replace CPC 11 – Insurance Contracts), a new comprehensive accounting standard for insurance contracts that includes recognition and measurement, presentation and disclosure. As soon as it becomes effective, IFRS 17 (CPC 50) will replace IFRS 4 – Insurance Contracts (CPC 11) issued in 2005. IFRS 17 applies to all types of insurance contracts (such as life, non-life, direct insurance and reinsurance), irrespective of the type of entity that issues these contracts, as well as certain guarantees and financial instruments with discretionary participation features. This standard does not apply to the Company and its subsidiaries.

#### b) Amendments to IAS 1: Classification of liabilities into current or noncurrent

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1, correlated with CPC 26, in order 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 financial statement date;
- 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.

These amendments are effective for annual periods beginning on or after January 1, 2023 and should be applied retrospectively.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 4. Cash and cash equivalents

	Individual			Consolidated		
	2020	2019	2018	2020	2019	2018
		(restated)			(restated)	
Cash	3	4	5	6	5	124
Checking accounts	-	-	-	5,402	2,612	643
Short-term investments	2	8	18	165,222	35,456	10,370
Debit cards	-	-	-	474	737	889
	<b>5</b>	<b>12</b>	<b>23</b>	<b>171,104</b>	<b>38,810</b>	<b>12,026</b>

Cash equivalents correspond to operations with financial institutions in the Brazilian financial market and subject to low credit risk. These operations are remunerated by the Interbank Deposit Certificates (CDI) variation at the average rate of 98.10% on December 31, 2020 (97.05% in 2019 and 97.04% in 2018) and are available for use in the operations of the Company and its subsidiaries, i.e. are highly-liquid financial assets.

### 5. Trade accounts receivable (Consolidated)

	2020	2019	2018
		(restated)	
Trade accounts receivable	90,346	80,517	57,842
Allowance for doubtful accounts	(20,791)	(21,232)	(28,687)
Accounts receivable, net	<b>69,555</b>	<b>59,285</b>	<b>29,155</b>

Aging list of trade accounts receivable is as follows:

	2020	2019	2018
		(restated)	
Falling due	29,075	16,774	8,772
Overdue:			
01 to 30 days	20,064	11,826	5,050
31 to 60 days	2,677	664	4,811
61 to 180 days	6,384	13,697	11,674
181 to 360 days	8,687	15,802	10,233
Over 361 days	23,459	21,754	17,302
	<b>90,346</b>	<b>80,517</b>	<b>57,842</b>
(-) Allowance for doubtful accounts	<b>(20,791)</b>	<b>(21,232)</b>	<b>(28,687)</b>
	<b>69,555</b>	<b>59,285</b>	<b>29,155</b>

As of December 31, 2020, DSO was of 34 days (50 days in 2019 and 31 days in 2018).



## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 5. Trade accounts receivable (Consolidated)

Changes in allowance for doubtful accounts are as follows:

	2020	2019	2018
		(restated)	
Opening balance	(21,232)	(28,687)	(6,443)
Additions	<b>(26,324)</b>	-	(22,244)
Reversals	<b>870</b>	1,930	-
Write-offs	<b>25,895</b>	5,525	-
Closing balance	<b>(20,791)</b>	(21,232)	(28,687)

No individual customer represents more than 10% of total accounts receivable. In accordance with IFRS 9/ CPC 48, allowance for doubtful accounts 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.

### 6. Taxes recoverable and payable (Consolidated)

	2020	2019	2018
Assets		(restated)	
State VAT (ICMS) recoverable	<b>4,040</b>	1,857	581
ICMS recoverable on fixed assets	<b>31,372</b>	17,267	8,377
PIS and Cofins recoverable	<b>1,334</b>	1,565	705
Corporate Income Tax (IRPJ) and Social Contribution on Net Profit (CSLL) recoverable	<b>1,864</b>	258	32
Other taxes recoverable	<b>2,980</b>	499	75
	<b>41,590</b>	21,446	9,770
Current	<b>18,424</b>	8,154	3,686
Noncurrent	<b>23,166</b>	13,292	6,084
Current liabilities			
ICMS payable	<b>3,739</b>	3,748	1,830
IRPJ payable	<b>8,177</b>	7,302	3,801
CSLL payable	<b>3,193</b>	2,912	1,409
PIS and Cofins payable	<b>2,730</b>	2,053	1,105
Service Tax (ISS) payable	<b>261</b>	375	290
Other taxes payable	-	-	47
	<b>18,100</b>	16,390	8,482

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%.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 7. Transactions with related parties

Outstanding balances and total transactions with related parties for the years ended December 31, 2020, 2019 and 2018 are as follows:

	Individual			Consolidated		
	2020	2019	2018	2020	2019	2018
		(restated)			(restated)	
<b>Assets</b>						
<b>Noncurrent assets</b>						
<b>Future capital contributions</b>						
RPS Prestação de Serviços de Informática Ltda.	-	7,028	-	-	-	-
Interservice Serviços de Elaboração de Dados Ltda.	-	3,335	-	-	-	-
Brisanet Serviços de Telecomunicações Ltda.	-	-	1,700	-	-	-
	-	10,363	1,700	-	-	-
<b>Loans from shareholders</b>						
FFR Participações Eireli	-	-	3	-	7	12
JPE Participações Eireli	-	-	35	-	7	42
JEN Participações Eireli	-	-	35	-	-	35
PES Participações Eireli	-	-	69	-	-	69
JRN Participações Eireli	-	-	176	-	-	176
MEP Participações Eireli	-	-	21	-	7	28
	-	-	339	-	21	362
<b>Other related parties</b>						
AGILITY Segurança Eletronic	-	-	-	165	-	-
BWM Consortium (b)	-	-	-	978	953	907
Shareholders	-	-	-	-	208	208
Individuals (*)	-	-	-	10	18	303
	-	-	-	1,153	1,179	1,418
	-	10,363	2,039	1,153	1,200	1,780
<b>Noncurrent liabilities</b>						
<b>Loans from shareholders</b>						
FFR Participações Eireli	-	-	140	-	-	140
JPE Participações Eireli	-	-	485	-	-	485
JEN Participações Eireli	-	-	485	-	-	485
PES Participações Eireli	-	-	970	-	-	970
JRN Participações Eireli	-	-	2,473	-	-	2,473
MEP Participações Eireli	-	-	291	-	-	291
	-	-	4,844	-	-	4,844
<b>Subsidiaries</b>						
Brisanet Serviços de Telecomunicações Ltda.	180	180	180	-	-	-
Rps Prestação de Serviço de Informática Ltda	150	150	150	-	-	-
Individuals (c) (*)	-	-	-	12,161	6,869	304
	330	330	330	12,161	6,869	304
	330	330	5,174	12,161	6,869	5,148

- (a) These refer to future capital contributions in Brisanet Serviços de Telecomunicações Ltda. by parent company Brisanet Participações S.A. resulting from a loan transaction used for increasing capital by means of RPS Prestação de Serviços de Informática Ltda. and Interservice.
- (b) 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.
- (c) Loans taken out from individuals (related parties) (\*), in order to cover eventual expenses related to the Company's operation.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
December 31, 2020, 2019 and 2018  
(In thousands of reais)

### 7. Transactions with related parties (Continued)

	Individual			Consolidated		
	2020	2019	2018	2020	2019	2018
		(restated)			(restated)	
Statement of profit or loss						
AGILITY Segurança						
Eletronic (a)	-	-	-	(790)	(40)	(197)
BWM Consortium (b)	-	-	-	(1,807)	(1,483)	(1,679)
Individuals (c) (*)	-	-	-	(636)	-	-
Imobiliária Pau D'arco Ltda. (d)	-	-	-	(46)	-	-
S&L Monitoramento Ltda. (e)	-	-	-	(13,444)	(6,322)	(1,871)

- (a) Expenses with software rental and licensing.  
(b) Expenses with maintenance of Cinturão Digital project.  
(c) Expenses with financial adjustment on loans from individuals.  
(d) Expenses with real property rental.  
(e) Expenses with vehicle, real property and billboard rental.

The nature of transactions with related parties is as follows:

Related party	Nature of transaction
FFR Participações Eireli	Loan
JPE Participações Eireli	Loan
JEN Participações Eireli	Loan
PES Participações Eireli	Loan
JRN Participações Eireli	Loan
MEP Participações Eireli	Loan
Brisanet Serviços de Telecomunicações Ltda.	Loan
Rps Prestação de Serviço de Informática Ltda	FCC and loan
Interservice Serviços de Elaboração de Dados Ltda	FCC
S&L Locadora de Veículos Ltda.	Vehicle rental agreement
BWM Consortium	Loan
Individuals (*):	
Jose Roberto Nogueira	Loan
Marília Campos Pessoa Nogueira	Loan
Francisco Hermancio Pessoa De Lima	Loan

Transactions with related parties mostly refer to transfers of amounts between Group companies as a manner in which to cover any current expenses with operations. Balances with related parties are not monetarily adjusted or subject to interest, nor do they have defined maturity.

#### Key management personnel compensation – Company and subsidiaries

The Company's and its subsidiaries' key management personnel compensation amounted to R\$ 90 in the year ended December 31, 2020 (R\$ 88 and R\$ 83 at December 31, 2019 and 2018, respectively).

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 8. Investments (Individual)

#### a) Breakdown

	2020	2019	2018
Interests held in subsidiaries		(restated)	
Brisanet Serviços de Telecomunicações Ltda	65,362	42,497	(16,121)
Brisanet Gerenciadora de Ativos Ltda	(3,282)	(849)	(366)
RPS - Prestação de Serviços de Informática Ltda	46,750	49,251	56,333
Interservice - Serviços de Elaboração de Dados Ltda - ME	12,027	7,157	25,995
Universo Serviços de Telecomunicações Ltda - ME	7,153	94	(969)
Global Industria de Equipamentos para Redes de Comunicação Ltda.	(486)	(475)	(411)
	<b>127,524</b>	<b>97,675</b>	<b>64,461</b>
Classified as:			
Investments	131,292	98,999	82,328
Provision for impairment of investments	(3,768)	(1,324)	(17,867)
	<b>127,524</b>	<b>97,675</b>	<b>64,461</b>

#### b) Changes in investments

	2020	2019	2018
Opening balance	97,675	64,461	42,824
Capital increase (i)	10,363	51,345	-
Future capital contributions	4	-	-
Dividends receivable	(9,650)	(69,211)	(3,597)
Equity pickup	29,132	51,080	25,234
Closing balance	<b>127,524</b>	<b>97,675</b>	<b>64,461</b>

(i) In 2020, this refers to capital increase in Brisanet Serviços de Telecomunicações Ltda. amounting to R\$ 10,363 (in 2019, R\$ 51,245 and R\$ 100, in Brisanet Serviços de Telecomunicações Ltda. and Universo Serviços de Telecomunicações Ltda. – ME, respectively).

#### c) Information on investments in subsidiaries

	2020					
	Capital	Equity (capital deficiency)	Net income (loss) for the year	Interest held - %	Investment balance	Equity pickup
Brisanet Serviços de Telecomunicações Ltda	65,582	65,362	20,856	99.99%	65,362	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	46,750	712	99.99%	46,750	712
Interservice - Serviços de Elaboração de Dados Ltda – ME	70	12,027	3,571	99.99%	12,027	3,571
Universo Serviços de Telecomunicações Ltda – ME	170	7,153	6,440	99.99%	7,153	6,440
Global Industria de Equipamentos para Redes de Comunicação Ltda	1,000	(486)	(13)	99.99%	(486)	(13)
					<b>127,524</b>	<b>29,132</b>

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
December 31, 2020, 2019 and 2018  
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### 8. Investments (Individual) (Continued)

#### c) Information on investments in subsidiaries (Continued)

2019						
Capital	Equity (capital deficiency)	Net income (loss) for the year	Interest held - %	Investment balance	Equity pickup	
					(restated)	
Brisanet Serviços de Telecomunicações Ltda	65,582	42,497	5,329	99.99%	42,497	5,329
Brisanet Gerenciadora de Ativos Ltda	5	(849)	(483)	99.99%	(849)	(483)
RPS - Prestação de Serviços de Informática Ltda	12,000	49,251	22,915	99.99%	49,251	22,915
Interservice - Serviços de Elaboração de Dados Ltda – ME	70	7,157	20,369	99.99%	7,157	20,369
Universo Serviços de Telecomunicações Ltda – ME	170	94	3,021	99.99%	94	3,021
Global Indústria de Equipamentos para Redes de Comunicação Ltda	1,000	(475)	(71)	99.99%	(475)	(71)
					<u>97,675</u>	<u>51,080</u>

  

2018						
Capital	Equity (capital deficiency)	Net income (loss) for the year	Interest held - %	Investment balance	Equity pickup	
					(restated)	
Brisanet Serviços de Telecomunicações Ltda	3,982	(16,121)	(6,979)	99.99%	(16,121)	(6,979)
Brisanet Gerenciadora de Ativos Ltda	5	(366)	(333)	99.99%	(366)	(333)
RPS - Prestação de Serviços de Informática Ltda	12,000	56,333	18,859	99.99%	56,333	18,859
Interservice - Serviços de Elaboração de Dados Ltda – ME	70	25,995	12,837	99.99%	25,995	12,837
Universo Serviços de Telecomunicações Ltda – ME	70	(969)	1,936	99.99%	(969)	1,936
Global Indústria de Equipamentos para Redes de Comunicação Ltda	1,000	(411)	(1,086)	99.99%	(411)	(1,086)
					<u>64,461</u>	<u>25,234</u>

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2020, 2019 and 2018

(In thousands of reais)

### 9. Property, plant and equipment - PPE (Consolidated)

#### a) Breakdown

	Annual average depreciation rate - %	2020		
		Cost	Accumulated depreciation	Net
Land	-	3,014	-	3,014
Optical fiber cables	5%	118,226	(9,714)	108,512
Network construction	10%	58,032	(3,891)	54,141
Machinery and equipment	10%	33,950	(15,084)	18,866
Furniture and fixtures	10%	2,447	(332)	2,115
Sundry installations (i)	10%	90,693	(12,853)	77,840
Computers and peripherals	20%	16,311	(5,501)	10,810
Vehicles	20%	17,188	(10,493)	6,695
Software (vi)	20%	147,044	(38,433)	108,611
Electronic equipment	20%	219,581	(54,133)	165,448
Leasehold improvements	-	765	-	765
Advances to suppliers (ii)	-	40,461	-	40,461
PPE in progress (iii)	-	50,254	-	50,254
		<b>797,966</b>	<b>(150,434)</b>	<b>647,532</b>

  

	Annual average depreciation rate - %	2019		
		Cost	Accumulated depreciation (restated)	Net
Land	-	3,008	-	3,008
Optical fiber cables	5%	69,798	(5,078)	64,720
Machinery and equipment	10%	25,243	(10,824)	14,419
Furniture and fixtures	10%	1,372	(134)	1,238
Sundry installations (i)	10%	52,560	(6,114)	46,446
Computers and peripherals	20%	10,238	(3,019)	7,219
Vehicles	20%	16,556	(7,347)	9,209
Trucks and truck bodies	20%	677	(251)	426
Software (vi)	20%	56,518	(22,820)	33,698
Electronic equipment	20%	91,383	(24,910)	66,473
Leasehold improvements	-	765	-	765
Advances to suppliers (ii)	-	32,081	-	32,081
PPE in progress (iii)	-	37,046	-	37,046
		<b>397,245</b>	<b>(80,497)</b>	<b>316,748</b>

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 9. Property, plant and equipment - PPE (Consolidated) (Continued)

#### a) Breakdown

	Annual average depreciation rate - %	2018		
		Cost	Accumulated depreciation (restated)	Net
Land	-	3,004	-	3,004
Optical fiber cables	5%	45,058	(6,348)	38,710
Machinery and equipment	10%	35,606	(20,727)	14,879
Furniture and fixtures	10%	735	(320)	415
Sundry installations (i)	10%	24,416	(4,851)	19,565
Computers and peripherals	20%	13,276	(9,851)	3,425
Vehicles	20%	22,215	(10,105)	12,110
Trucks and truck bodies	20%	214	(42)	172
Software (vi)	20%	54,898	(11,629)	43,269
Electronic equipment	20%	57,280	(11,605)	45,675
Leasehold improvements	-	110	-	110
Advances to suppliers (ii)	-	6,105	-	6,105
PPE in progress (iii)	-	2,734	-	2,734
		<b>265,651</b>	<b>(75,478)</b>	<b>190,173</b>

#### b) Changes

	12/31/19 (restated)	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 installations (i)	46,446	18,651	-	19,602	(6,859)	77,840
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 (vi)	33,698	889	-	89,636	(15,612)	108,611
Electronic equipment	66,473	9,813	(2)	118,392	(29,228)	165,448
Leasehold improvements	765	-	-	-	-	765
Advances to suppliers (ii)	32,081	278,697	-	(270,317)	-	40,461
PPE in progress (iii)	37,046	67,476	(1,852)	(52,416)	-	50,254
	<b>316,748</b>	<b>403,368</b>	<b>(1,960)</b>	<b>-</b>	<b>(70,624)</b>	<b>647,532</b>

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### 9. Property, plant and equipment - PPE (Consolidated) (Continued)

#### b) Changes

	12/31/18	Additions	Write-offs	Transfers (a) (restated)	Depreciation	12/31/19
Land	3,004	4	-	-	-	3,008
Optical fiber cables	38,710	24,281	(159)	6,882	(4,994)	64,720
Machinery and equipment	14,879	4,354	-	-	(4,814)	14,419
Furniture and fixtures	415	938	-	-	(115)	1,238
Sundry installations (i)	19,565	24,322	-	6,318	(3,759)	46,446
Computers and peripherals	3,425	6,588	-	-	(2,794)	7,219
Vehicles	12,110	632	-	-	(3,533)	9,209
Trucks and truck bodies	172	341	-	-	(87)	426
Software (vi)	43,269	1,719	(37)	-	(11,253)	33,698
Electronic equipment	45,675	11,402	(54)	24,193	(14,743)	66,473
Leasehold improvements	110	655	-	-	-	765
Advances to suppliers (ii)	6,105	64,308	(815)	(37,517)	-	32,081
PPE in progress (iii)	2,734	34,353	-	(41)	-	37,046
	190,173	173,897	(1,065)	(165)	(46,092)	316,748

(a) Transfer of leased assets to lease rights-of-use upon adoption of CPC 06 (R2).

	12/31/17	Additions	Write-offs	Transfers (restated)	Depreciation	12/31/18
Land	2,330	674	-	-	-	3,004
Optical fiber cables	17,273	22,357	-	367	(1,287)	38,710
Machinery and equipment	10,985	7,028	-	-	(3,134)	14,879
Furniture and fixtures	262	190	-	-	(37)	415
Sundry installations (i)	9,245	11,972	-	19	(1,671)	19,565
Computers and peripherals	2,791	1,906	-	(274)	(998)	3,425
Vehicles	8,673	6,432	(30)	(38)	(2,927)	12,110
Trucks and truck bodies	208	43	-	-	(79)	172
Software (vi)	26,935	25,160	-	-	(8,826)	43,269
Electronic equipment	17,752	36,018	-	273	(8,368)	45,675
Leasehold improvements	-	110	-	-	-	110
Advances to suppliers (ii)	5,472	3,563	(2,930)	-	-	6,105
PPE in progress (iii)	884	2,197	-	(347)	-	2,734
	102,810	117,650	(2,960)	-	(27,327)	190,173

#### i) Sundry installations

This refers to materials used in infrastructure of external networks.

#### ii) Advances to suppliers

These refer basically to advances for import of equipment items.

#### iii) PPE in progress

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



## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 9. Property, plant and equipment - PPE (Consolidated) (Continued)

iv) Interest capitalization

In the current year, the Company and its subsidiaries capitalized interest on loans and financing amounting to R\$ 5,081 (R\$ 1,776 and R\$ 282 in 2019 and 2018, respectively).

v) Guarantees

As at December 31, 2020, the Company and its subsidiaries recorded PPE assets given in guarantee amounting to R\$ 155,993 (R\$ 16,016 and R\$ 12,987 at December 31, 2019 and 2018, respectively).

vi) Software

Software relating specifically to operation of Company modems, which are jointly controlled and meet the PPE classification criteria, in accordance with CPC 04 (R1).

vii) Impairment

From time to time, the Company and its subsidiaries analyze whether there are indications that certain assets could be recorded in accounting for amounts that exceed the recoverable amount. After an internal analysis, management concluded that no provision for impairment on PPE items of the Company and its subsidiaries was required for December 31, 2020, 2019 and 2018.

viii) Assets' useful life

In the current year, management of the Company and its subsidiaries reviewed the useful life of PPE items, including use of external experts, and concluded that the useful lives currently used remain adequate.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 10. Intangible assets (Consolidated)

#### a) Changes

	Average annual amortization	12/31/19	Additions	Write- offs	12/31/20
	rate - %				
Cost		(restated)			
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

	Average annual amortization	12/31/18	Additions	Write- offs	12/31/19
	rate - %				
Cost				(restated)	
Trademarks, registrations and patents	20%	1	-	(1)	-
Radiofrequency license - GHZ	20%	205	-	-	205
Software and system licenses	20%	-	1,336	-	1,336
ADM projects		-	1,455	-	1,455
Total cost		206	2,791	(1)	2,996
Accumulated amortization					
Radiofrequency license - GHZ	20%	-	(13)	-	(13)
Software and system licenses	20%	-	(8)	-	(8)
Total accumulated amortization		-	(21)	-	(21)
Intangible assets, net		206	2,770	(1)	2,975

	Average annual amortization	12/31/17	Additions	Write- offs	12/31/18
	rate - %				
Cost				(restated)	
Software					
Trademarks, registrations and patents	20%	1	-	-	1
Radiofrequency license - GHZ	20%	-	205	-	205
Total cost		1	205	-	206

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 11. Trade accounts payable (Consolidated)

As at December 31, 2020, 2019 and 2018, breakdown of trade accounts payable is as follows:

	2020	2019	2018
		(restated)	
Domestic suppliers	17,040	15,550	5,345
Foreign suppliers	120,189	13,155	13,792
	<b>137,229</b>	<b>28,705</b>	<b>19,137</b>

### 12. Loans and financing (Consolidated)

Type	Weighted average rates	2020	2019	2018
			(restated)	
Working capital	0.95% p.m. – Fixed rate	54,879	3,273	2,950
Working capital	0.35 p.m. + CDI	340,449	19,357	17,445
Working capital	0.27% p.m. + Long-term Interest Rate (TJLP)	13,304	684	616
Working capital	0.23% p.m. + TLP	11,340	681	614
Leases	1.08% p.m.	-	530	1,004
Machinery and Equipment Financing (Finame)	0.28% p.m. + TJLP	-	-	158
PPE financing (CDC)	1.05% p.m. – Fixed rate	26,800	43,021	21,793
PPE financing (Venture Financing - FINEM)	0.29% p.m. + TJLP	12,652	19,948	10,105
PPE financing (FINEM)	0.27% p.m. + TLP	55,262	87,131	44,137
PPE financing (Brazilian Financing Fund for the Northeast - FNE)	0.22% p.m. + Extended Consumer Price Index (IPCA)	44,448	69,366	35,138
Import financing	0.54% p.m. + exchange rate/swap	92,613	20,992	-
		<b>651,747</b>	<b>264,983</b>	<b>133,960</b>
Current		251,877	104,747	60,553
Noncurrent		399,870	160,236	73,407

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
December 31, 2020, 2019 and 2018  
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### 12. Loans and financing (Consolidated) (Continued)

Certificate accounts with lottery prizes and assets such as ONU equipment (optical fiber modem), servers or machinery are 100% given in guarantee, as well as real properties under construction, as follows:

	2020	2019	2018
		(restated)	
Certificates of deposit	464,068	148,466	52,014
Financial guarantees and liens	819,620	345,768	161,837
PPE given in guarantee	155,993	16,016	12,987
	<b>1,439,681</b>	<b>510,250</b>	<b>226,838</b>

Changes in loans and financing are as follows:

	2020	2019	2018
		(restated)	
Opening balance	264,983	133,960	76,595
Funds raised	474,435	193,138	85,894
Interest and currency differences recorded	49,562	13,030	15,033
Monetary variations	7,314	1,240	2,141
Amortization of principal	(120,581)	(61,781)	(33,345)
Interest paid	(23,966)	(14,604)	(12,358)
Closing balance	<b>651,747</b>	<b>264,983</b>	<b>133,960</b>

Noncurrent portions mature as follows:

	2020	2019	2018
		(restated)	
2020	-	-	28,421
2021	-	70,401	29,506
2022	117,054	46,500	7,571
2023	103,882	26,476	7,909
2024	83,466	16,859	-
2025	55,271	-	-
2026	34,217	-	-
2027 onwards	5,980	-	-
	<b>399,870</b>	<b>160,236</b>	<b>73,407</b>

#### Covenants

Loan and financing covenants substantially refer to annual financial ratios, default, in-court or out-of-court measures that compromise payment capacity, insolvency and commitment of guarantees offered. The Company and its subsidiaries analyzed the covenants for the years ended December 31, 2020, 2019 and 2018 and concluded specifically that current liquidity and debt ratios for 2020 were not complied with for loan agreements with two financial institutions, which granted waivers thereof on a timely basis. Concerning the other loan and financing agreements, management concluded that all covenants were complied with for 2020, 2019 and 2018.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 13. 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, 2020 and 2019 and adjusted at each date when new capitalizations relating to new lease agreements were recognized. Nominal rates practiced at December 31, 2020 and 2019 are as follows:

Agreements per period and discount rate:

Agreement period	Rate % p.a.	
	2020	2019
2 years	7.89%	7.89%
3 years	7.89%	7.89%
4 years	7.89%	7.89%
5 years	7.89%	7.89%
10 years	7.89%	7.89%

Changes in lease obligations are as follows:

	2020	2019
Opening balance	9,817	(restated) -
First-time adoption of CPC 06 (R2)	-	11,809
Interest recorded	2,781	275
Additions due to new agreements	43,203	-
Consideration paid	(20,077)	(1,732)
Interest paid	(2,250)	(535)
Closing balance	33,474	9,817
Current	5,562	2,267
Noncurrent	27,912	7,550

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 13. Rights-of-use and lease obligations (Consolidated) (Continued)

Agreement maturity and undiscounted installments, reconciled to the balances at December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u> (restated)
Installment maturity		
2020	-	2,936
2021	4,076	2,185
2022	7,852	1,967
2023	7,637	1,844
2024 to 2026	27,893	2,988
Undiscounted amounts	<u>47,458</u>	11,920
Embedded interest	<u>(13,984)</u>	<u>(2,103)</u>
Lease obligation balance	<u>33,474</u>	9,817

Changes in rights-of-use are as follows:

	<u>2020</u>	<u>2019</u> (restated)
Opening balance	9,901	-
First-time adoption of CPC 06 (R2)	-	11,809
Additions due to new agreements	43,203	-
Amortization expenses in the year	<u>(18,987)</u>	<u>(1,908)</u>
Closing balance	<u>34,117</u>	9,901

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	47,458	33,474
Potential PIS/COFINS (9.25%)	4,390	3,096

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 13. Rights-of-use and lease obligations (Consolidated) (Continued)

*Misstatement due to application of CPC 06 (R2):*

In compliance with CPC 02 (R2), in measuring and remeasuring their lease obligations and rights-of-use, Company's subsidiaries used the cash flow method without considering future inflation projected in the flows to be discounted, as barred by CPC 06 (R2). 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, 2020 and 2019 are presented below.

	<b>2020</b>	<b>2019</b>
Rights-of-use, net		(restated)
CPC06(R2) / IFRS 16	<b>34,117</b>	9,901
Amounts including future inflation	<b>35,311</b>	10,248
Difference	<b>1,194</b>	347
Lease obligations		
CPC06(R2) / IFRS 16	<b>33,474</b>	9,817
Amounts including future inflation	<b>34,646</b>	10,161
Difference	<b>1,172</b>	344
Finance costs		
CPC06(R2) / IFRS 16	<b>(2,781)</b>	(275)
Amounts including future inflation	<b>(2,878)</b>	(285)
Difference	<b>(97)</b>	(10)
Depreciation expenses		
CPC06(R2) / IFRS 16	<b>(18,987)</b>	(1,908)
Amounts including future inflation	<b>(19,652)</b>	(1,975)
Difference	<b>(665)</b>	(67)

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

December 31, 2020, 2019 and 2018

(In thousands of reais)

### 14. Labor and social obligations (Consolidated)

	2020	2019	2018
		(restated)	
Salaries and wages	9,946	5,681	2,279
Social charges on salaries and wages	5,885	3,457	1,462
Accrued vacation pay and 13 <sup>th</sup> monthly salary	8,214	6,173	3,383
Social charges on accrued vacation pay and 13 <sup>th</sup> monthly salary	2,994	2,253	1,236
Other	61	141	26
	<b>27,100</b>	<b>17,705</b>	<b>8,386</b>

### 15. Taxes paid in installments (Consolidated)

	2020	2019	2018
		(restated)	
Federal (a)	7,806	8,040	9,910
Social security (b)	-	374	512
State (c)	57	252	487
	<b>7,863</b>	<b>8,666</b>	<b>10,909</b>
Current	1,274	1,574	1,781
Noncurrent	6,589	7,092	9,128

- 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 104 are not yet due at December 31, 2020.
- b) Social security installment payment program enrolled in on 01/15/2018 in accordance with Law No. 10522/2002, in 60 installments.
- c) Refis installment payment in the state of Rio Grande do Norte, whose last installment matures in May 2021.

Changes in taxes paid in installments are as follows:

	2020	2019	2018
		(restated)	
Opening balance	8,666	10,909	12,049
Restatement	149	43	41
New installment payments	2,077	-	197
Amortization of principal and interest	(3,029)	(2,286)	(1,378)
Closing balance	<b>7,863</b>	<b>8,666</b>	<b>10,909</b>



## Brisanet Participações S.A. and Consolidated

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

Noncurrent portions mature as follows:

	2020	2019	2018
		(restated)	
2020	-	-	1,606
2021	-	1,727	1,606
2022	<b>1,390</b>	1,390	1,382
2023	<b>818</b>	818	811
2024	<b>818</b>	818	811
2025	<b>818</b>	818	811
2026 onwards	<b>2,745</b>	1,521	2,101
	<b>6,589</b>	7,092	9,128

### 16. Provision for contingencies (Consolidated)

As at December 31, 2020, 2019 and 2018, the Company and its subsidiaries are party to proceedings of a civil, tax and labor nature whose likelihood of an unfavorable outcome was considered probable, for which management set up provision for contingencies, amounting to R\$ 2,729 (at December 31, 2019 and 2018, R\$ 1,938 and R\$ 452, respectively). There are no contingencies whose individual amounts are significant.

Changes in provision for contingencies are as follows:

	Labor	Tax	Civil	Total
Balance at December 31, 2017 (restated)	94	-	-	94
Set-up	22	203	133	358
Balance at December 31, 2018 (restated)	116	203	133	452
Set-up	833	950	-	1,783
Reversals	-	(203)	(94)	(297)
Balance at December 31, 2019 (restated)	949	950	39	1,938
Set-up	<b>844</b>	-	<b>1</b>	<b>845</b>
Reversals	<b>(16)</b>	-	<b>(38)</b>	<b>(54)</b>
Balance at December 31, 2020	<b>1,777</b>	<b>950</b>	<b>2</b>	<b>2,729</b>

Additionally, at December 31, 2020, 2019 and 2018, the Company and its subsidiaries were party to proceedings of a civil and labor nature whose likelihood of an unfavorable outcome was rated as possible, amounting to R\$ 88 (R\$ 213 in 2019; in 2018, no proceedings were considered possible loss).

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 17. Government grants (Consolidated)

#### a) Federal Government

Subsidiary Brisanet 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. 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.

Subsidiaries Brisanet Serviços de Telecomunicações Ltda and Universo Serviços de Telecomunicações Ltda, by decision of the executive board, opted for the Sudene tax benefit, only in 2020, and recorded tax benefits relating to income tax decrease amounting to R\$ 809 as a reduction in income tax expenses.

#### b) State Government

Subsidiary Brisanet Serviços de Telecomunicações Ltda. was granted a 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 as from 06/2020, Agreement No. 00556/2020 – State of Ceará Finance Office (Sefaz-CE), effective as from 09/2020 (renewal).

In the year ended December 31, 2020, subsidiary Brisanet Serviços de Telecomunicações Ltda. recorded ICMS tax benefits amounting to R\$ 33.758, as a reduction of ICMS expense.

## Brisanet Participações S.A. and Consolidated

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### 18. Equity (Individual)

#### a) Capital

As at December 31, 2020, subscribed and paid-in capital amounts to R\$ 66,209 (R\$ 66,209 and R\$ 5 at December 31, 2019 and 2018, respectively) represented by 66,209,213 shares (66,209,213 and 5,000 units of interest at December 31, 2019 and 2018, respectively), at par value of R\$ 1.00 (one real) each.

Members	Shares	Units of interest		Percentage - %		
	2020	2019	2018	2020	2019	2018
JRN Participações Eireli	<b>27,807,617</b>	33,766,445	2,550	<b>42%</b>	51%	51%
PES Participações Eireli	<b>6,620,973</b>	13,241,946	1,000	<b>10%</b>	20%	20%
JPE Participações Eireli	<b>6,620,973</b>	6,620,973	500	<b>10%</b>	10%	10%
JEN Participações Eireli	<b>6,620,973</b>	6,620,973	500	<b>10%</b>	10%	10%
MEP Participações Eireli	<b>3,972,584</b>	3,972,584	300	<b>6%</b>	6%	6%
ANP Participações Eireli	<b>3,310,486</b>	-	-	<b>5%</b>	-	-
JKN Participações Eireli	<b>3,310,486</b>	-	-	<b>5%</b>	-	-
GPF Participações Ltda	<b>5,958,829</b>	-	-	<b>9%</b>	-	-
FFR Participações Eireli	<b>1,986,292</b>	1,986,292	150	<b>3%</b>	3%	3%
Total	<b>66,209,213</b>	66,209,213	5,000	<b>100%</b>	100%	100%

Under the terms of the 5<sup>th</sup> amendment registered on May 2, 2019, the Company increased its capital from R\$ 5 to R\$ 50,005. Under the terms of the 6<sup>th</sup> amendment registered on December 6, 2019, the Company increased its capital from R\$ 50,005 to R\$ 66,209.

On December 02, 2020, by unanimous vote, the partners approved the following decisions:

- Conversion from a limited liability company into a stock corporation, change in corporate name to Brisanet Participações S.A, and maintenance of the main office in the city of Pereiro, state of Ceará, at Rodovia CE-138 – Trecho Pereico CE Divisa com RN – km14 – Estrada Carrossal brisa 1KM – Portão A – Prédio 1 – Entrada 2 – 1º Andar – Sala 1 CEP 63.460-000;
- Conversion of the current 66,209,213 (sixty-six million, two hundred and nine thousand and two hundred and thirteen) units of interest into an equal number of shares to comprise the stock corporation capital, all of which common registered shares, at par value of R\$ 1.00 (one real) each; as such, capital now amounts to R\$ 66,209; and
- Current interest holders of the limited liability company were change to shareholders of the stock corporation, in proportion to the equity interests previously held.

Company authorized capital is comprised of 69,209,213 common shares. 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 number of shares.

## Brisanet Participações S.A. and Consolidated

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### 18. Equity (Individual) (Continued)

a) 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 remaining retained profits balance will be allocated as decided by the shareholders.

b) Profit distribution

Profits computed will be distributed in proportion to or not in proportion to equity interests held by the shareholders. No shareholder may be excluded from distribution. Pursuant to the statutory conditions established: At least 1% (one per cent) will be allocated to pay mandatory minimum dividends to shareholders, in compliance with the other provisions set out in these articles of association and applicable legislation.

Mandatory minimum dividend is calculated as follows:

	<u>2020</u>
Net income for the year	29,127
(-) Legal reserve	<u>(1,456)</u>
Distribution base	27,671
Minimum %	1%
Mandatory minimum dividend	<u>277</u>

Changes in dividend payable / profits to be distributed are as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Opening balance	-	-	-
Mandatory minimum dividend	277	-	-
Additional dividends	9,374	-	-
Profits distributed	-	19,211	3,597
Dividends paid	<u>(9,651)</u>	<u>(19,211)</u>	<u>(3,597)</u>
Closing balance	<u>-</u>	<u>-</u>	<u>-</u>

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 19. Net operating revenue (Consolidated)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
		(restated)	
Gross sales revenue			
Services provided	<b>539,405</b>	336,020	242,761
Products resold	<b>650</b>	-	1
Unbilled revenues	<b>10,373</b>	4,927	3,768
	<b>550,428</b>	340,947	246,530
Deductions from gross revenue			
(-) Taxes on revenue	<b>(112,412)</b>	(47,985)	(31,671)
Tax benefits (Note 17)	<b>33,758</b>	-	-
	<b>(78,654)</b>	(47,985)	(31,671)
Net operating revenue	<b>471,774</b>	292,962	214,859

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 20. Operating expenses by nature and function

	Individual			Consolidated		
	2020	2019	2018	2020	2019	2018
		(restated)			(restated)	
By nature:						
Direct costs	-	-	-	<b>(20,021)</b>	(9,880)	(5,158)
Direct connectivity costs	-	-	-	<b>(13,250)</b>	(9,682)	(6,457)
Indirect costs	-	-	-	<b>(9,068)</b>	(6,724)	(11,370)
Indirect costs of right of way (poles)	-	-	-	<b>(19,269)</b>	(6,293)	(3,097)
Indirect costs of customer activation	-	-	-	<b>(3,636)</b>	(3,214)	(3,633)
Salaries and wages	-	-	-	<b>(118,071)</b>	(70,184)	(46,615)
Salaries and wages relating to customer activation	-	-	-	<b>(30,975)</b>	(10,969)	(8,547)
Third-party services	-	(2)	-	<b>(10,241)</b>	(7,544)	(3,003)
Advertising and promotion	-	-	-	<b>(9,192)</b>	(8,834)	(3,056)
Depreciation and amortization	-	-	-	<b>(87,618)</b>	(48,021)	(27,327)
General expenses	-	-	-	<b>(23,999)</b>	(6,767)	(3,096)
Tax expenses	-	-	-	<b>(2,143)</b>	(1,896)	(1,779)
Rentals (a)	-	-	-	<b>(16,491)</b>	(12,176)	(3,041)
Materials and maintenance	-	-	-	<b>(1,515)</b>	(635)	(1,250)
Other personnel expenses	-	-	-	<b>(10,206)</b>	(5,586)	(3,490)
Allowance for doubtful accounts	-	-	-	<b>(25,454)</b>	1,930	(22,244)
Provision for contingencies	-	-	-	<b>(791)</b>	(1,486)	(358)
Software and projects (b)	-	-	-	<b>(2,417)</b>	(2,301)	(1,513)
Other	<b>(4)</b>	<b>(1)</b>	<b>(7)</b>	<b>18,439</b>	5,868	(3,355)
	<b>(4)</b>	<b>(3)</b>	<b>(7)</b>	<b>(385,918)</b>	<b>(204,394)</b>	<b>(158,389)</b>
By function:						
Cost of services provided	-	-	-	<b>(237,141)</b>	(130,521)	(95,262)
Administrative expenses	<b>(1)</b>	<b>(2)</b>	-	<b>(86,591)</b>	(49,230)	(32,025)
Selling expenses	-	-	-	<b>(34,693)</b>	(19,950)	(7,323)
Tax expenses	-	<b>(1)</b>	-	<b>(2,143)</b>	(925)	(1,457)
Other operating income, net	<b>(3)</b>	-	<b>(7)</b>	<b>(25,350)</b>	(3,768)	(22,322)
	<b>(4)</b>	<b>(3)</b>	<b>(7)</b>	<b>(385,918)</b>	<b>(204,394)</b>	<b>(158,389)</b>

(a) These refer to short-term rentals for indefinite periods and/or leases for which the underlying asset is of low value, which were treated as an exception for purposes of recognition of rights-of-use and lease liabilities, as provided for in CPC 06 (R2).

(b) These refer to system maintenance services.

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Notes to financial statements (Continued)  
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### 21. Financial income/(expenses) (Consolidated)

	2020	2019	2018
Financial expenses		(restated)	
Interest expenses on loans and financing	<b>(39,054)</b>	(13,030)	(15,033)
Late-payment interest and fines	<b>(2,974)</b>	(187)	(1,908)
Exchange losses	<b>(54,225)</b>	(4,806)	(3,078)
Interest - leases	<b>(2,781)</b>	(275)	-
Tax on Financial Transactions (IOF)	<b>(631)</b>	(1,921)	-
Collection fees	-	(608)	(186)
Monetary losses	-	(13)	(365)
Interest on installment payments	<b>(751)</b>	(2,985)	(945)
Derivative operations – swap	<b>(5,591)</b>	-	-
Other	<b>(2,521)</b>	(3,516)	(432)
	<b>(108,528)</b>	(27,341)	(21,947)
Financial income			
Interest income received	<b>4,602</b>	4,268	2,773
Short-term investment yield	<b>1,551</b>	1,063	592
Exchange gains	<b>35,566</b>	3,078	520
Derivative operations – swap	<b>17,358</b>	-	-
Other finance income	<b>7,339</b>	422	63
	<b>66,416</b>	8,831	3,948
Financial income/(expenses)	<b>(42,112)</b>	(18,510)	(17,999)

### 22. Income and social contribution taxes (Consolidated)

As at December 31, 2020, 2019 and 2018, income and social contribution taxes were calculated on taxable profit computed as a percentage of gross revenue ("*Lucro Presumido*") and on taxable profit computed on accounting records of the Company ("*Lucro real*"), at the rate of 15% income tax, and surtax of 10% for profits exceeding R\$ 240 over 12 months, and 9% social contribution tax.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 22. Income and social contribution taxes (Consolidated) (Continued)

Current income and social contribution tax expense is as follows:

	2020	2019	2018
Taxable profit computed on accounting records: (a)		(restated)	
Current income tax	<b>(3,157)</b>	(2,171)	(132)
Tax benefit – income tax reduction (Note 17)	<b>809</b>	-	-
Current social contribution tax	<b>(365)</b>	(1,597)	379
Deferred income and social contribution taxes	<b>(189)</b>	813	1,520
	<b>(2,902)</b>	(2,955)	1,767
Taxable profit computed as a percentage of gross revenue: (b)			
Income tax	<b>(8,815)</b>	(11,763)	(11,016)
Social contribution tax	<b>(2,905)</b>	(4,260)	(3,994)
	<b>(11,720)</b>	(16,023)	(15,010)
Total income and social contribution tax expenses:			
Current income and social contribution taxes	<b>(15,241)</b>	(19,791)	(14,763)
Deferred income and social contribution taxes	<b>(189)</b>	813	1,520
Tax benefit – income tax reduction (Note 17)	<b>809</b>	-	-
	<b>(14,621)</b>	(18,978)	(13,243)

- (a) Subsidiaries Brisanet Serviços de Telecomunicações Ltda. 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:

	2020	2019	2018
		(restated)	
Assets			
Income and social contribution tax losses	<b>2,098</b>	704	829
Temporary differences on allowance for doubtful accounts	<b>1,490</b>	1,312	652
Temporary differences on provision for contingencies	<b>353</b>	236	39
Temporary differences on leases payable	<b>21</b>	81	-
	<b>3,962</b>	2,333	1,520
Liabilities			
Temporary differences on derivative operations	<b>(1,818)</b>	-	-
	<b>(1,818)</b>	-	-
	<b>2,144</b>	2,333	1,520



## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 22. Income and social contribution taxes (Consolidated) (Continued)

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

a) Subsidiaries that adopt the real profit regime ('lucro real'):

	2020	2019	2018
		(restated)	
Income before income and social contribution taxes	<b>31,318</b>	11,743	(4,289)
Combined statutory rate - 34%	<b>34%</b>	34%	34%
Income and social contribution taxes at statutory rates	<b>(10,648)</b>	(3,993)	1,458
Permanent differences			
Tax benefit – income tax reduction (Note 17)	<b>809</b>	-	-
Tax loss carryforwards	<b>1,091</b>	1,484	4,494
(Additions) exclusions, net	<b>6,035</b>	(1,259)	(5,705)
Income and social contribution tax expenses	<b>(2,713)</b>	(3,768)	247
Effective rate (%)	<b>7%</b>	24%	-

Company and subsidiaries that adopt the presumed profit regime ('lucro presumido'):

	2020		2019		2018	
	Income tax	Social contribution tax	Income tax	Social contribution tax	Income tax	Social contribution tax
				(restated)		
Gross revenue	<b>96,368</b>	<b>96,368</b>	147,758	147,758	138,338	138,338
Gross revenue percentage	<b>32%</b>	<b>32%</b>	32%	32%	32%	32%
Finance income	<b>4,797</b>	<b>4,797</b>	325	325	59	59
Other operating income	<b>21</b>	<b>21</b>	-	-	23	23
Deducted portion	<b>(240)</b>	-	(240)	-	(240)	-
Gross revenue base	<b>35,416</b>	<b>35,656</b>	47,368	47,608	44,110	44,350
	<b>8,815</b>	<b>2,905</b>	11,763	4,260	11,016	3,994
Effective rate (%)	<b>25%</b>	<b>9%</b>	25%	9%	25%	9%

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 23. Earnings 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>2020</u>	<u>2019</u>	<u>2018</u>
Profit attributable to Company shareholders	<b>29,127</b>	51,072 (restated)	25,227
Weighted average of common shares/units of interest issued	<b>66,209,213</b>	36,513,509	5,000
Basic and diluted earnings per share – in (R\$)	<b>0.44</b>	1.40	5,045.40

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 24. Financial instruments and risk management

#### a) Capital management

Company management controls 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.

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.

As at December 31, 2020, 2019 and 2018, debt ratios are summarized as follows:

	Note	Consolidated		
		2020	2019	2018
Total loans and financing	12	<b>651,747</b>	264,983	133,960
Total lease obligations		<b>33,474</b>	9,817	-
Less: cash and cash equivalents		<b>(171,104)</b>	(38,810)	(12,026)
Less: short-term investments		<b>(9,665)</b>	(4,669)	-
Less: derivatives	25	<b>(11,767)</b>	-	-
Net debt	A	<b>492,685</b>	231,321	121,934
Total equity	18	<b>127,191</b>	107,715	59,650
Equity plus net debt – total capital	B	<b>619,876</b>	339,036	181,584
Financial leverage ratio	A / B	<b>79.4%</b>	68.2%	67.1%

#### 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)  
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### 24. Financial instruments and risk management (Continued)

#### c) Category of financial instruments

	<b>Consolidated</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Financial assets at amortized cost:		(restated)	
Cash and cash equivalents	<b>171,104</b>	38,810	12,026
Short-term investments	<b>16,145</b>	4,707	2,000
Trade accounts receivable	<b>69,555</b>	59,285	29,155
Financial assets at fair value through profit or loss			
Derivative operations	<b>11,918</b>	-	-
	<b>268,722</b>	102,802	43,181
Financial liabilities at amortized cost:			
Trade accounts payable	<b>137,229</b>	28,705	19,137
Loans and financing	<b>651,747</b>	264,983	133,960
Lease obligations	<b>33,474</b>	9,817	-
Financial liabilities at fair value through profit or loss			
Derivative operations	<b>151</b>	-	-
	<b>822,601</b>	303,505	153,097

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 doubtful accounts, when applicable.
- *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.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 24. Financial instruments and risk management (Continued)

#### d) Credit risk

This is the risk of financial loss due to a customer's or counterparty's failure to perform contractual obligations. 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. As of December 31, 2020, Company subsidiaries recorded allowance for doubtful accounts amounting to R\$ 20,791 (R\$ 21,232 and R\$ 28,687 at December 31, 2019 and 2018, respectively), 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 fair value of future cash flows from a financial instrument will fluctuate due to variations 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)  
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### 24. Financial instruments and risk management (Continued)

#### h) Currency risk

This risk refers to exchange rate fluctuations on commitments in foreign currency (import transactions). 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.

#### *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. As of December 31, 2020, Company subsidiaries presented a consolidated balance receivable of R\$ 11,918, equivalent to the estimated positive adjustment to be received financially upon contract maturity, based on their market value on respective date.

#### Breakdown of financial instruments

Description	2020	2019	2018
Derivative operations receivable – Swap	11,918	-	-
	<u>11,918</u>	<u>-</u>	<u>-</u>
Current	3,701	-	-
Noncurrent	8,217	-	-
	<u>11,918</u>	<u>-</u>	<u>-</u>

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 24. Financial instruments and risk management (Continued)

#### *Derivative financial instruments (Continued)*

Aging list of swap operations:

	2020	2019	2018
2021	3,701	-	-
2022	1,413	-	-
2023	3,817	-	-
2024	2,987	-	-
	<b>11,918</b>	-	-

  

	2020	2019	2018
Outstanding swap operations:			
Loans and financing – book value	52,716	-	-
Loans and financing – fair value	(40,798)	-	-
Gain adjustments from financial instruments – swap	<b>11,918</b>	-	-

Subsidiaries Brisanet Serviços and RPS Prestação de Serviços engage in instruments for financial transactions in foreign currency aimed at fundraising and import financing. As a result of the exchange increase, the policy adopted by the subsidiaries was efficient in the period. As of December 31, 2020, hedging transactions represented 8.09% (R\$ 52,716 / R\$ 651,747) of these subsidiaries' bank debt.

Company management does not engage in transactions involving other financial instruments.

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.

As of December 31, 2020, derivative financial instruments amounted to R\$ 11,918 (no operations performed for 2019 and 2018). 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 2020, net realized and unrealized gains (losses) deriving from these contracts were recorded in finance income (costs), and represented consolidated net gains amounting to R\$ 17,358 (R\$ 11,918 – unrealized).



## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 24. Financial instruments and risk management (Continued)

#### 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's risk management policy (item g).

Three scenarios are considered below: (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.

The Company does not consider loans and financing as subject to currency risk since these operations are hedged by derivative financial instruments (currency rate swaps).

#### *Interest rate risk*

Instrument/operation	Probable scenario	Risk	Consolidated		
			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)			<u>(10,893)</u>	<u>(16,111)</u>	<u>(21,329)</u>

#### *Currency risk*

Instrument/operation	Probable US dollar rate	Risk	Consolidated		
			Current scenario	Scenario II	Scenario III
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)			<u>-</u>	<u>63,308</u>	<u>339,419</u>

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 24. Financial instruments and risk management (Continued)

#### i) Fair value hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets and 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			
	2020	Level 1	Level 2	Level 3
Financial assets				
Derivative operations	11,918	-	11,918	-
Financial liabilities				
Derivative operations	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.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
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### 25. 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:

	<u>2020</u>
Aircraft	US\$ 20,000
Real property	R\$ 1,450
Vehicles	R\$ 200

### 26. Events after the reporting period

a) Merger of indirect subsidiary Global Indústria de Equipamentos

At the Special General Meeting held on February 26, 2021, the shareholders approved the merger of net assets amounting to R\$ 1 of indirect subsidiary Global Indústria de Equipamentos by Brisanet Serviços.

b) Acquisition of investments

On March 11, 2021, Brisanet Serviços acquired all units of interest of Agility Serviços de Telecomunicações Ltda., a company owned by the shareholders of Brisanet Group, for R\$ 10.

c) Issue of debentures

On March 15, 2021, the Company issued non-convertible debentures amounting to R\$ 500,000, to be settled in semi-annual installment, with first maturity in March 2025 and final maturity in March 2028. These debentures are subject to interest/remuneration equivalent to the Extended Consumer Price Index (IPCA) + 5.7694%. In the period from April 28 to April 30, 2021, the Company received the net amount of approximately R\$ 468 million referring to these debentures.

d) Capital increase

On June 21, 2021, the Company increased capital by incorporating future capital contributions amounting to R\$ 5,650, distributing it proportionally among shareholders. The restated subscribed and paid-in capital is R\$ 71,859, represented by 71,859,213 shares.

e) Distribution of dividends

In January, February, March and June 2021, the Company distributed dividends amounting to R\$ 1,020, R\$ 486, R\$ 200 and R\$ 500, respectively.