

# **Individual and Consolidated Financial Statements**

**Brisanet Participações S.A.**

April 30, 2021  
with Independent Auditor's Report

## **Brisanet Participações S.A.**

### Individual and consolidated financial statements

April 30, 2021

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Centro Empresarial Iguatemi  
Av. Washington Soares, 55  
5º andar - sala 508 - Bairro Cocó  
60811-341 - Fortaleza - CE - Brasil  
Tel: +55 85 3392-5600  
Fax: +55 85 3392-5659  
ey.com.br

**A free translation from Portuguese into English of Independent Auditor's Report on Individual and Consolidated Interim 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 interim 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 interim financial statements of Brisanet Participações S.A. (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at April 30, 2021, and the statements of profit or loss, of comprehensive income (loss), of changes in equity, and cash flows for the four-month period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying interim financial statements present fairly, in all material respects, the individual and consolidated financial position of Brisanet Participações S.A. as at April 30, 2021, and its individual and consolidated financial performance and cash flows for the four-month period then ended in accordance with the accounting practices adopted in Brazil and 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 interim 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 financial statements**

We draw attention to Note 2.7 to the financial statements for the period ended April 30, 2021, which have been amended and are being restated to include events after the reporting period. On May 31, 2021, we issued an unmodified auditor's report on the Company's financial statements for the period ended April 30, 2021, which are now being restated. Our opinion is still unmodified.

### **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 interim 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 20, are acceptable in the context of the interim financial statements taken as a whole.

#### **Other matters**

Statements of value added

The individual and consolidated statements of value added (SVA) for the four-month period ended April 30, 2021, 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 interim financial statements. To form our opinion, we evaluated whether these statements are reconciled to the interim 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 interim financial statements.



## **Other information accompanying the individual and consolidated interim 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 interim 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 interim financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the interim 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 interim financial statements**

Management is responsible for the preparation and fair presentation of the individual and consolidated interim 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 interim 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' interim financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the individual and consolidated interim 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 interim 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 interim 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 interim financial statements, including the disclosures, and whether the individual and consolidated interim 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 is 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

A handwritten signature in black ink, appearing to read 'Francisco da Silva Pimentel', is written over a horizontal line.

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



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## Brisanet Participações S.A.

Statements of financial position  
April 30, 2021  
(In thousands of reais)

	Note	Individual		Consolidated	
		04/30/21	12/31/20	04/30/21	12/31/20
Assets					
Current assets					
Cash and cash equivalents	4	<b>3,297</b>	5	<b>453,476</b>	171,104
Short-term investments		-	-	<b>82,335</b>	9,665
Trade accounts receivable	5	-	-	<b>75,631</b>	69,555
Inventories		-	-	<b>236</b>	525
Taxes recoverable	6	-	-	<b>18,390</b>	18,424
Derivative operations	25	-	-	<b>3,858</b>	3,701
Prepaid expenses		-	-	<b>570</b>	1,398
Other assets		<b>4</b>	-	<b>4,036</b>	12,627
Total current assets		<b>3,301</b>	5	<b>638,532</b>	286,999
Noncurrent assets					
Long-term receivables					
Short-term investments		-	-	<b>19,950</b>	6,480
Taxes recoverable	6	-	-	<b>28,298</b>	23,166
Transactions with related parties	7	-	-	<b>1,095</b>	1,153
Court-related deposits		-	-	<b>861</b>	905
Derivative operations	25	-	-	<b>6,014</b>	8,217
Prepaid expenses		-	-	-	778
Deferred income and social contribution taxes	23	-	-	<b>2,448</b>	2,144
Other assets		-	-	<b>898</b>	38
Investments	8	<b>141,748</b>	131,292	-	-
Rights-of-use	14	-	-	<b>44,704</b>	34,117
Property, plant and equipment	9	-	-	<b>826,591</b>	647,532
Intangible assets	10	-	-	<b>14,570</b>	6,721
Total noncurrent assets		<b>141,748</b>	131,292	<b>945,429</b>	731,251
Total assets		<b>145,049</b>	131,297	<b>1,583,961</b>	1,018,250

See accompanying notes.

	Note	Individual		Consolidated	
		04/30/21	12/31/20	04/30/21	12/31/20
Liabilities and equity					
Current liabilities					
Trade accounts payable	11	-	-	196,293	137,229
Loans and financing	12	-	-	287,529	251,877
Debentures	13	-	-	334	-
Lease obligations	14	-	-	16,605	5,562
Labor and social obligations	15	75	-	36,791	27,100
Taxes payable	6	18	-	18,796	18,100
Taxes paid in installments	16	-	-	854	1,274
Derivative operations	25	-	-	230	151
Debenture costs payable	13	-	-	10,047	-
Other accounts payable		12	1	958	499
Total current liabilities		105	1	568,437	441,792
Noncurrent liabilities					
Loans and financing	12	-	-	371,882	399,870
Debentures	13	-	-	467,354	-
Lease obligations	14	-	-	27,737	27,912
Transactions with related parties	7	331	330	851	12,161
Taxes paid in installments	16	-	-	6,560	6,589
Provision for impairment of investments		4,510	3,768	-	-
Future capital contributions	7	8,359	-	8,359	-
Provision for contingencies	17	-	7	1,028	2,729
Total noncurrent liabilities		13,200	4,105	883,771	449,261
Equity					
Capital	19	66,209	66,209	66,209	66,209
Income reserves		59,276	60,982	59,276	60,982
Retained earnings		6,259	-	6,259	-
		131,744	127,191	131,744	127,191
Noncontrolling interests		-	-	9	6
Total equity		131,744	127,191	131,753	127,197
Total liabilities and equity					
		145,049	131,297	1,583,961	1,018,250

## Brisanet Participações S.A.

Statements of profit or loss

Period ended April 30, 2021

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

	Note	Individual		Consolidated	
		04/30/21	04/30/20	04/30/21	04/30/20
Net operating revenue	20	-	-	<b>218,983</b>	131,311
Cost of services	21	-	-	<b>(111,042)</b>	(61,225)
Gross profit		-	-	<b>107,941</b>	70,086
Operating expenses					
Administrative expenses	21	<b>(274)</b>	-	<b>(48,116)</b>	(26,858)
Selling expenses	21	-	-	<b>(18,866)</b>	(10,896)
Tax expenses	21	-	-	<b>(1,168)</b>	(1,364)
Equity pickup	8	<b>6,535</b>	(7,429)	-	-
Other operating expenses, net	21	-	-	<b>(7,180)</b>	(17,952)
Income (loss) before financial income (expenses) and taxes		<b>6,261</b>	(7,429)	<b>32,611</b>	13,016
Financial income	22	-	-	<b>26,525</b>	5,701
Financial expenses	22	<b>(2)</b>	-	<b>(50,226)</b>	(25,322)
Financial income/(expenses)		<b>(2)</b>	-	<b>(23,701)</b>	(19,621)
Income (loss) before income tax and social contribution		<b>6,259</b>	(7,429)	<b>8,910</b>	(6,605)
Income tax and social contribution	23	-	-	<b>(2,648)</b>	(825)
Net income (loss) for the period		<b>6,259</b>	(7,429)	<b>6,262</b>	(7,430)
Net income (loss) attributed to					
Controlling interests		-	-	<b>6,259</b>	(7,429)
Noncontrolling interests		-	-	<b>3</b>	(1)
Basic earnings (loss) per share – R\$	24	<b>0.09</b>	(0.11)		
Diluted earnings (loss) per share – R\$	24	<b>0.09</b>	(0.11)		

See accompanying notes.

## Brisanet Participações S.A.

Statements of comprehensive income (loss)

Period ended April 30, 2021

(In thousands of reais)

	Individual		Consolidated	
	04/30/21	04/30/20	04/30/21	04/30/20
Net income (loss) for the period	6,259	(7,429)	6,262	(7,430)
Other comprehensive income (loss)	-	-	-	-
Comprehensive income (loss) for the period	<b>6,259</b>	<b>(7,429)</b>	<b>6,262</b>	<b>(7,430)</b>
Net income (loss) attributed to				
Controlling interests	-	-	6,259	(7,429)
Noncontrolling interests	-	-	3	(1)

See accompanying notes.

## Brisanet Participações S.A.

Statements of changes in equity  
 Period ended April 30, 2021  
 (In thousands of reais)

	Consolidated						
	Individual				Subtotal	Noncontrolling interests	Equity
	Capital	Income reserves		Retained earnings /(accumulated losses)			
Legal reserve		Retained earnings					
Balances at December 31, 2019	66,209	-	41,506	-	107,715	10	107,725
Loss for the period	-	-	-	(7,429)	(7,429)	(1)	(7,430)
Income allocation (Note 19):							
Dividends	-	-	(5,400)	-	(5,400)	-	(5,400)
Balance at April 30, 2020	66,209	-	36,106	(7,429)	94,886	9	94,895
Balances at December 31, 2020	66,209	1,456	59,526	-	127,191	6	127,197
Net income for the period	-	-	-	6,259	6,259	3	6,262
Income allocation (Note 19):							
Dividends	-	-	(1,706)	-	(1,706)	-	(1,706)
Balances at April 30, 2021	66,209	1,456	57,820	6,259	131,744	9	131,753

See accompanying notes.

## Brisanet Participações S.A.

### Statements of cash flows Period ended April 30, 2021 (In thousands of reais)

	Individual		Consolidated	
	04/30/21	04/30/20	04/30/21	04/30/20
Cash flow from operating activities				
Net income (loss) for the period	6,259	(7,429)	6,262	(7,430)
Adjustments to reconcile net income for the period:				
Depreciation and amortization	-	-	42,906	24,874
Residual value upon write-off of PPE and intangible assets	-	-	15	-
Allowance for doubtful accounts	-	-	9,043	17,912
Provision for contingencies	-	-	(1,701)	-
Equity pickup	(6,535)	7,429	-	-
Monetary and exchange variation	-	-	7,721	13,094
Derivative operations	-	-	2,125	-
Interest on leases	-	-	937	634
Interest on loans and financing, and debentures	-	-	15,528	7,868
Short-term investment income	-	-	(571)	(1,063)
Deferred income and social contribution taxes	-	-	(304)	(4,049)
(Increase) decrease in assets				
Trade accounts receivable	-	-	(15,119)	(16,529)
Inventories	-	-	289	(203)
Taxes recoverable	-	-	(5,098)	(5,281)
Prepaid expenses	-	-	1,606	(4,021)
Court-related deposits	(1)	-	44	(26)
Other assets	-	-	7,731	3,486
Increase (decrease) in liabilities				
Trade accounts payable	-	-	54,542	30,429
Labor and social obligations	75	-	9,691	5,902
Taxes payable	18	-	6,783	10,567
Taxes paid in installments	-	-	(449)	(451)
Other accounts payable	(1)	-	459	37
Cash from (used in) operating activities	(185)	-	142,440	75,750
Interest paid	-	-	(15,791)	(7,554)
Income tax and social contribution paid	-	-	(6,087)	(4,418)
Net cash from (used in) operating activities	(185)	-	120,562	63,778
Cash flows from investing activities				
Short-term investments	-	-	203,964	164,930
Redemption of short-term investments	-	-	(289,533)	(218,723)
Additions to Property, plant and equipment	-	-	(214,581)	(92,187)
Additions to intangible assets	-	-	(8,370)	(6,318)
Capital increase in subsidiaries	(5,084)	-	-	-
Dividends received	1,905	5,400	-	-
Net cash from (used in) investing activities	(3,179)	5,400	(308,520)	(152,298)
Cash flows from financing activities				
Loans and financing raised	-	-	53,785	86,365
Amortization of principal of loans and financing	-	-	(49,660)	(30,603)
Debentures raised	-	-	477,401	-
Lease payments	-	-	(6,597)	(2,098)
Intercompany loans raised	3	-	-	4,836
Intercompany loans paid	-	-	(11,252)	-
Future capital contributions	8,359	-	8,359	-
Dividend/Profits distributed	(1,706)	(5,400)	(1,706)	(5,400)
Net cash from (used in) financing activities	6,656	(5,400)	470,330	53,100

## Brisanet Participações S.A.

Statements of cash flows (Continued)  
Period ended April 30, 2021  
(In thousands of reais)

	Individual		Consolidated	
	04/30/21	04/30/20	04/30/21	04/30/20
Increase (decrease) in cash and cash equivalents	<u>3,292</u>	-	<u>282,372</u>	(35,420)
Cash and cash equivalents				
At beginning of period	5	12	171,104	38,810
At end of period	<u>3,297</u>	12	<u>453,476</u>	3,390
Increase (decrease) in cash and cash equivalents	<u>3,292</u>	-	<u>282,372</u>	(35,420)

See accompanying notes.

## Brisanet Participações S.A.

Statements of value added  
 Period ended April 30, 2021  
 (In thousands of reais)

	Individual		Consolidated	
	04/30/21	04/30/20	04/30/21	04/30/20
Revenue				
Gross operating income less discounts	-	-	251,131	151,718
Allowance for doubtful accounts	-	-	(9,043)	(11,847)
Other revenues	-	-	3,587	-
Inputs acquired from third parties				
Cost of sales	-	-	(31,939)	(13,698)
Materials, electricity, third-party services and other	(274)	-	(14,615)	(9,357)
Loss on/recovery of assets	-	-	(455)	(50)
Other inputs	-	-	(496)	(4,803)
Gross value added	(274)	-	198,170	111,963
Depreciation and amortization	-	-	(42,906)	(24,874)
Net value added generated	(274)	-	155,264	87,089
Value added received/transferred				
Equity pickup	6,535	(7,429)	-	-
Finance income	-	-	26,525	5,701
Total value added to be distributed	6,261	(7,429)	181,789	92,790
Distribution of value added				
Taxes, charges and contributions				
Federal	-	-	29,193	20,336
State	-	-	19,276	11,959
Municipal	-	-	367	612
Other taxes, charges and contributions	-	-	57	49
Personnel				
Salaries	-	-	65,514	34,974
Unemployment Compensation Fund (FGTS)	-	-	4,023	2,713
Benefits	-	-	4,974	2,833
Debt remuneration				
Interest, exchange differences and borrowing costs	2	-	50,226	25,322
Rentals	-	-	1,897	1,422
Equity remuneration				
Dividend distributed	1,706	5,400	1,706	5,400
Retained earnings	4,553	(12,829)	4,556	(12,830)
Value added	6,261	(7,429)	181,789	92,790

See accompanying notes.



## Brisanet Participações S.A. and Consolidated

Notes to financial statements

April 30, 2021

(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.

##### *Acquisition of investments*

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

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 1. Operations (Continued)

#### a) Subsidiaries (Continued)

Agility Serviços de Telecomunicações Ltda. ("Agility Telecom")

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

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

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

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

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

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 1. Operations (Continued)

#### b) Subsidiaries (Continued)

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

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

##### iii) RPS - Prestação de Serviços de Informática Ltda. (“RPS”)

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

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

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

##### v) Universo Serviços de Telecomunicações Ltda. – ME (“Universo Serviços”)

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)

April 30, 2021

(In thousands of reais)

### 1. Operations (Continued)

#### b) Authorizations

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

<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 provided Conditioned Access Services (SeAC)	All regions in Brazil	Indefinite

#### c) COVID-19

Covid-19 was identified in December 2019 in China, reached various countries rapidly and was declared a pandemic on March 11, 2020 by the World Health Organization (WHO). This disease 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)

April 30, 2021

(In thousands of reais)

### 1. Operations (Continued)

#### c) 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)

April 30, 2021

(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.

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 interim 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 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.

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

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

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

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

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.

#### **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.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

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

#### 2.6 Basis of consolidation

As of April 30, 2021 and December 31, 2020, the Company maintains investments by means of direct subsidiaries, all of which are located in Brazil, as follows:

	<u>04/30/21</u>	<u>04/30/20</u>
Brisanet Serviços de Telecomunicações Ltda.	<b>99.99%</b>	99.99%
Brisanet Gerenciadora de Ativos Ltda.	<b>99.98%</b>	99.98%
RPS – Prestação de Serviços de Informática Ltda.	<b>99.99%</b>	99.99%
Interservice – Serviços de Elaboração de Dados Ltda. – ME	<b>99.99%</b>	99.99%
Universo Serviços de Telecomunicações Ltda. – ME	<b>99.99%</b>	99.99%
Global Indústria de Equipamentos para Redes de Comunicação Ltda.	-	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.

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

The Company is restating its individual and consolidated financial statements for the period ended April 30, 2021 to include events after the reporting period disclosed in its individual and consolidated financial statements for the year ended December 31, 2021, by virtue of the restatement of those financial statements. For further details, refer to Note 27.



## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 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.

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.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 3. Summary of significant accounting practices (Continued)

#### (a) Revenue recognition (Continued)

- 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.

- 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)

April 30, 2021

(In thousands of reais)

### 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. Costs of bank charges are recorded 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)

April 30, 2021

(In thousands of reais)

### 3. Summary of significant accounting practices (Continued)

#### e) Transactions in foreign currency

Transactions in foreign currency are translated into the 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 period 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 period. 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)

April 30, 2021

(In thousands of reais)

### 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 period.

##### *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)

April 30, 2021

(In thousands of reais)

### 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.

#### g) 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)

April 30, 2021

(In thousands of reais)

### 3. Summary of significant accounting practices (Continued)

#### g) 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.

#### h) 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 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.

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

PPE and 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 period.

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)

April 30, 2021

(In thousands of reais)

### 3. Summary of significant accounting practices (Continued)

#### j) 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.

#### k) Taxation

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

Current tax assets and liabilities for the last and previous periods 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 period 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
Agility Serviços de Telecomunicações Ltda.	Taxable profit computed as a percentage of gross revenue ('lucro presumido')



## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 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.

#### n) 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.

#### o) 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 period are presented below.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 3. Summary of significant accounting practices (Continued)

o) Significant accounting judgments and estimates (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 17. 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)

April 30, 2021

(In thousands of reais)

### 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)

April 30, 2021

(In thousands of reais)

### 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)

April 30, 2021

(In thousands of reais)

### 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 judicial 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)

April 30, 2021

(In thousands of reais)

### 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)

April 30, 2021

(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, debentures 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)

April 30, 2021

(In thousands of reais)

### 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 2021

The Company and its subsidiaries did not apply for the first time certain standards and amendments to standards in effect for annual periods beginning on or after January 01, 2021. 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)

April 30, 2021

(In thousands of reais)

### 3. Summary of significant accounting practices (Continued)

#### 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 end of the interim reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

These amendments are effective for annual periods beginning on or after January 01, 2023 and should be applied retrospectively.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 4. Cash and cash equivalents

	Individual		Consolidated	
	04/30/21	12/31/20	04/30/21	12/31/20
Cash	4	3	5	6
Checking accounts	3,291	-	369,469	5,402
Short-term investments	2	2	82,335	165,222
Debit cards	-	-	1,667	474
	<b>3,297</b>	<b>5</b>	<b>453,476</b>	<b>171,104</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 99.01% on April 30, 2021 (98.10% in 2020) and are available for use in the operations of the Company and its subsidiaries, i.e. are highly-liquid financial assets.

### 5. Trade accounts receivable (Consolidated)

	04/30/21	12/31/20
Trade accounts receivable	100,571	90,346
Allowance for doubtful accounts	(24,940)	(20,791)
Accounts receivable, net	<b>75,631</b>	<b>69,555</b>

Aging list of trade accounts receivable is as follows:

	04/30/21	12/31/20
Falling due	39,264	29,075
Past due:		
01 to 30 days	15,023	20,064
31 to 60 days	3,885	2,677
61 to 180 days	9,841	6,384
181 to 360 days	8,060	8,687
Over 361 days	24,498	23,459
	<b>100,571</b>	<b>90,346</b>
(-) Allowance for doubtful accounts	(24,940)	(20,791)
	<b>75,631</b>	<b>69,555</b>

As of April 30, 2021, DSO was of 41 days (34 days in 2020).

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 5. Trade accounts receivable (Consolidated) (Continued)

Changes in allowance for doubtful accounts are as follows:

	<u>2021</u>	<u>2020</u>
Opening balance	(20,791)	(21,232)
Additions	<b>(9,043)</b>	(26,324)
Reversals	-	870
Write-offs	<b>4,894</b>	25,895
Closing balance	<b><u>(24,940)</u></b>	<u>(20,791)</u>

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)

	<u>04/30/21</u>	<u>12/31/20</u>
Assets		
State VAT (ICMS) recoverable	<b>918</b>	4,040
ICMS recoverable on fixed assets	<b>41,123</b>	31,372
PIS and Cofins recoverable	<b>530</b>	1,334
Corporate Income Tax (IRPJ) and Social Contribution on Net Profit (CSLL) recoverable	<b>772</b>	1,864
Other taxes recoverable	<b>3,345</b>	2,980
	<b><u>46,688</u></b>	<u>41,590</u>
Current	<b>18,390</b>	18,424
Noncurrent	<b>28,298</b>	23,166
Current liabilities		
ICMS payable	<b>3,936</b>	3,739
IRPJ payable	<b>1,326</b>	8,177
CSLL payable	<b>595</b>	3,193
PIS and COFINS payable	<b>2,999</b>	2,730
ISS payable	<b>124</b>	261
Other taxes payable	<b>9,816</b>	-
	<b><u>18,796</u></b>	<u>18,100</u>

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)

April 30, 2021

(In thousands of reais)

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

The nature of transactions with related parties is as follows:

<u>Related party</u>	<u>Nature of transaction</u>
Brisanet Serviços de Telecomunicações Ltda.	Loan
BWM Consortium	Cinturão Digital project
RPS Prestação de Serviço de Informática Ltda	Loan
Interservice Serviços de Elaboração de Dados Ltda	FCC
Imobiliária Pau D'arco Ltda	Real property rental agreement
JPMF Imobiliária Ltda	Real property rental agreement
AGILITY Segurança Eletrônica Ltda	Software rental and licensing
S&L Locadora de Veículos Ltda.	Vehicle rental agreement
Individuals (*):	
Jose Roberto Nogueira	Loan
Paulo Estevam da Silva	Loan
João Paulo Estevam	Loan
Jordão Estevam Nogueira	Loan
Francisco de França Reis	Loan
Miguel Estevam Parente	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.

The balances with individuals (related parties) were duly settled until April 28, 2021.

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

The Company's and its subsidiaries' key management personnel compensation amounted to R\$ 262 in the period ended April 30, 2021 (R\$ 30 at April 30, 2020).

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 8. Investments (Individual)

#### a) Breakdown

	04/30/21	04/30/20
Interests held in subsidiaries		
Brisanet Serviços de Telecomunicações Ltda	74,107	65,362
Brisanet Gerenciadora de Ativos Ltda	(4,510)	(3,282)
RPS - Prestação de Serviços de Informática Ltda	42,404	46,750
Interservice – Serviços de Elaboração de Dados Ltda – ME	12,990	12,027
Universo Serviços de Telecomunicações Ltda - ME	12,247	7,153
Global Industria de Equipamentos para Redes de Comunicação Ltda.	-	(486)
	<u>137,238</u>	<u>127,524</u>
Classified as:		
Investments	141,748	131,292
Provision for impairment of investments	(4,510)	(3,768)
	<u>137,238</u>	<u>127,524</u>

#### b) Changes in investments

	2021	2020
Opening balance	127,524	97,675
Capital increase (i)	5,084	10,363
Future capital contributions	-	4
Dividends receivable	(1,905)	(9,650)
Equity pickup	6,535	29,132
Closing balance	<u>137,238</u>	<u>127,524</u>

(i) In 2020, this refers to a capital increase in Brisanet Serviços de Telecomunicações Ltda. amounting to R\$ 10,363.

#### c) Information on investments in subsidiaries

	04/30/21					
	Capital	Equity (capital deficiency)	Net income (loss) for the period	Interest held - %	Investment balance	Equity pickup
Brisanet Serviços de Telecomunicações Ltda	71,667	74,179	(2,062)	99.99%	74,107	(2,061)
Brisanet Gerenciadora de Ativos Ltda	5	(4,511)	(1,262)	99.99%	(4,510)	(1,261)
RPS - Prestação de Serviços de Informática Ltda	32,000	42,408	2,424	99.99%	42,404	2,422
Interservice – Serviços de Elaboração de Dados Ltda – ME	70	12,992	1,852	99.99%	12,990	1,851
Universo Serviços de Telecomunicações Ltda – ME	170	12,248	5,586	99.99%	12,247	5,584
					<u>137,238</u>	<u>6,535</u>

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 8. Investments (Individual) (Continued)

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

	12/31/20					
	Capital	Equity (capital deficiency)	Net income (loss) for the period	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)
					<u>127,524</u>	<u>29,132</u>

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

#### a) Breakdown

	Annual average depreciation rate - %	04/30/21		
		Cost	Accumulated depreciation	Net
Land	-	3,089	-	3,089
Optical fiber cables	5%	140,613	(11,852)	128,761
Network construction	10%	58,032	(4,375)	53,657
Machinery and equipment	10%	35,773	(16,665)	19,108
Furniture and fixtures	10%	3,003	(426)	2,577
Sundry installations (i)	10%	108,530	(16,138)	92,392
Leasehold improvements	15%	765	(10)	755
Computers and peripherals	20%	18,131	(6,614)	11,517
Vehicles	20%	17,368	(11,503)	5,865
Software (vi)	20%	160,073	(48,396)	111,677
Electronic equipment	20%	272,340	(69,966)	202,374
Advances to suppliers (ii)	-	92,543	-	92,543
PPE in progress (iii)	-	102,276	-	102,276
		<u>1,012,536</u>	<u>(185,945)</u>	<u>826,591</u>

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

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

#### a) Breakdown (Continued)

	Annual average depreciation rate - %	12/31/20		
		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
Leasehold improvements	15%	765	-	765
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
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>

	12/31/20	Additions	Write-offs	Transfers	Depreciation	04/30/21
Land	3,014	75	-	-	-	3,089
Optical fiber cables	108,512	1,761	-	20,625	(2,137)	128,761
Network construction	54,141	-	-	-	(484)	53,657
Machinery and equipment	18,866	1,823	-	-	(1,581)	19,108
Furniture and fixtures	2,115	564	(9)	-	(93)	2,577
Sundry installations (i)	77,840	3,141	(1)	14,696	(3,284)	92,392
Computers and peripherals	10,810	1,820	-	-	(1,113)	11,517
Vehicles	6,695	185	(5)	-	(1,010)	5,865
Software (vi)	108,611	69	-	12,959	(9,962)	111,677
Electronic equipment	165,448	13,905	-	38,854	(15,833)	202,374
Leasehold improvements	765	-	-	-	(10)	755
Advances to suppliers (ii)	40,461	139,216	-	(87,134)	-	92,543
PPE in progress (iii)	50,254	52,022	-	-	-	102,276
	<b>647,532</b>	<b>214,581</b>	<b>(15)</b>	<b>-</b>	<b>(35,507)</b>	<b>826,591</b>



## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

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

#### b) Changes in balances

	12/31/19	Additions	Write-offs	Transfers	Depreciation	12/31/20
Land	3,008	6	-	-	-	3,014
Optical fiber cables	64,720	11,305	-	37,123	(4,636)	108,512
Network construction	-	-	-	58,032	(3,891)	54,141
Machinery and equipment	14,419	9,190	(64)	(52)	(4,627)	18,866
Furniture and fixtures	1,238	1,075	-	-	(198)	2,115
Sundry 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
	316,748	403,368	(1,960)	-	(70,624)	647,532

#### 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.

#### iv) Interest capitalization

In the period ended April 30, 2021, the Company and its subsidiaries capitalized interest on loans and financing amounting to R\$ 2,800 (R\$ 5,081 in the year ended December 31, 2020).

#### v) Guarantees

As at April 30, 2021, the Company recorded PPE assets given in guarantee amounting to R\$ 150,936 (R\$ 155,993 at December 31, 2020).

#### 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).

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

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

#### 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 April 30, 2021 and December 31, 2020.

### 10. Intangible assets (Consolidated)

#### a) Changes in balances

	Average annual amortization rate - %	12/31/20	Additions	Write- offs	04/30/21
<b>Cost</b>					
Radiofrequency license - GHZ	20%	205	-	-	205
Software and system licenses	20%	6,326	-	-	6,326
ADM projects	20%	1,455	-	-	1,455
Goodwill	-	-	8,368	-	8,368
Trademarks and patents	-	-	2	-	2
<b>Total cost</b>		<b>7,986</b>	<b>8,370</b>	-	<b>16,356</b>
<b>Accumulated amortization</b>					
Radiofrequency license - GHZ	20%	(27)	(5)	-	(32)
Software and system licenses	20%	(929)	(421)	-	(1,350)
ADM projects	20%	(309)	(95)	-	(404)
<b>Total accumulated amortization</b>		<b>(1,265)</b>	<b>(521)</b>	-	<b>(1,786)</b>
<b>Intangible assets, net</b>		<b>6,721</b>	<b>7,849</b>	-	<b>14,570</b>

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

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 11. Trade accounts payable (Consolidated)

As at April 30, 2021 and December 31, 2020, breakdown of trade accounts payable is as follows:

	<u>04/30/21</u>	<u>12/31/20</u>
Domestic suppliers	42,841	17,040
Foreign suppliers	153,452	120,189
	<u>196,293</u>	<u>137,229</u>

### 12. Loans and financing (Consolidated)

<u>Type</u>	<u>Weighted average rates</u>	<u>04/30/21</u>	<u>12/31/20</u>
Working capital	0.95% p.m. – Fixed rate	97,682	54,879
Working capital	0.35% p.m. + CDI	272,892	340,449
Working capital	0.27% p.m. + TLP	9,700	13,304
Working capital	0.23% p.m. + TLP	10,395	11,340
PPE financing (CDC)	1.05% p.m. – Fixed rate	57,337	26,800
PPE financing (FINEM)	0.29% p.m. + TLP	39,141	12,652
PPE financing (FINEM)	0.27% p.m. + TLP	25,641	55,262
PPE financing (Brazilian Financing Fund for the Northeast - FNE)	0.22% p.m. + Extended Consumer Price Index (IPCA)	42,162	44,448
Import financing	0.54% p.m. + Exchange/swap	104,461	92,613
		<u>659,411</u>	<u>651,747</u>
Current		287,529	251,877
Noncurrent		371,882	399,870

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 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:

	<u>04/30/21</u>	<u>12/31/20</u>
Certificates of deposit	<b>451,919</b>	464,068
Financial guarantees and liens	<b>1,787,611</b>	819,620
PPE given in guarantee	<b>150,936</b>	155,993
	<b><u>2,390,466</u></b>	<u>1,439,681</u>

Changes in loans and financing are as follows:

	<u>2021</u>	<u>2020</u>
Opening balance	651,747	264,983
Funds raised	<b>53,785</b>	474,435
Interest and currency differences recorded	<b>15,194</b>	49,562
Monetary variations	<b>3,199</b>	7,314
Amortization of principal	<b>(49,660)</b>	(120,581)
Interest paid	<b>(14,854)</b>	(23,966)
Closing balance	<b><u>659,411</u></b>	<u>651,747</u>

Noncurrent portions mature as follows:

	<u>04/30/21</u>	<u>12/31/20</u>
2022	<b>69,708</b>	117,054
2023	<b>56,189</b>	103,882
2024	<b>34,710</b>	83,466
2025	<b>66,857</b>	55,271
2026	<b>60,238</b>	34,217
2027 onwards	<b>84,180</b>	5,980
	<b><u>371,882</u></b>	<u>399,870</u>

#### 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 year ended December 31, 2020 and concluded specifically that current liquidity and debt ratios for December 31, 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.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 13. Debentures

#### a) Breakdown

	<u>Installments</u>	<u>Charges (p.a.)</u>	<u>04/30/21</u>
First issue (i)			
Debentures not convertible into shares	7	5.76% p.a. + IPCA	477,735
(-) Issue costs to be recorded			(10,047)
			<u>467,688</u>
Current			334
Noncurrent			467,354

Changes in debentures are as follows:

#### b) Changes

	<u>04/30/21</u>
Opening balance	-
Debentures raised	477,401
Interest	334
Debenture costs	(10,047)
Closing balance	<u>467,688</u>

Noncurrent portions mature as follows:

	<u>04/30/21</u>
2025	142,555
2026	142,844
2027 onwards	181,955
	<u>467,354</u>

#### i. First issue

On March 15, 2021, Brisanet Serviços issued 500,000 junior debentures, not convertible into shares, in a single series, secured, and with additional personal guarantee, at unit value of R\$1,000.00, amounting to R\$ 500,000 ("Debentures - 1<sup>st</sup> issue"), for public distribution with restricted placement efforts.

The debt balance relating to the unit value of debentures – 1<sup>st</sup> issue is subject interest corresponding to 100% of IPCA plus 5.7694% p.a.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
April 30, 2021  
(In thousands of reais)

### 13. Debentures (Continued)

#### i. First issue (Continued)

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

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

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

### 14. Rights-of-use and lease obligations (Consolidated)

Company subsidiaries are parties to lease agreements and used discount rates based on risk-free interest rates observable in the Brazilian market, for their agreement periods, adjusted to these subsidiaries’ reality (credit spread). These spreads were obtained based on the debt profile presented by Company subsidiaries at April 30, 2021 and December 31, 2020 and adjusted at each date when new capitalizations relating to new lease agreements were recognized. Nominal rates practiced at April 30, 2021 and December 31, 2020 are as follows:

Agreements per period and discount rate:

Agreement period	Rate % p.a.	
	04/30/21	12/31/20
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%

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

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

Changes in lease obligations are as follows:

	<u>2021</u>	<u>2020</u>
Opening balance	33,474	9,817
Interest recognized	<b>937</b>	2,781
Additions due to new agreements	<b>17,465</b>	43,203
Consideration paid	<b>(6,597)</b>	(20,077)
Interest paid	<b>(937)</b>	(2,250)
Closing balance	<b>44,342</b>	33,474
Current	<b>16,605</b>	5,562
Noncurrent	<b>27,737</b>	27,912

Agreement maturity and undiscounted installments, reconciled to the balances at April 30, 2021 and December 31, 2020 are as follows:

	<u>04/30/21</u>	<u>12/31/20</u>
Installment maturity		
2021	<b>7,091</b>	4,076
2022	<b>8,509</b>	7,852
2023	<b>8,292</b>	7,637
2024	<b>7,639</b>	6,247
2025 to 2026	<b>27,004</b>	21,646
Undiscounted amounts	<b>58,535</b>	47,458
Embedded interest	<b>(15,193)</b>	(13,984)
Lease obligation balance	<b>43,342</b>	33,474

Changes in rights-of-use are as follows:

	<u>2021</u>	<u>2020</u>
Opening balance	34,117	9,901
Additions due to new agreements	<b>17,465</b>	43,203
Amortization expenses	<b>(6,878)</b>	(18,987)
Closing balance	<b>44,704</b>	34,117

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	<b>58,535</b>	<b>43,342</b>
Potential PIS/COFINS (9.25%)	<b>5,414</b>	<b>4,009</b>

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 14. 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 April 30, 2021 and December 31, 2020 are presented below.

	04/30/21	12/31/20
Rights-of-use, net		
CPC06(R2) / IFRS 16	44,704	34,117
Amounts including future inflation	46,269	35,311
Difference	<u>1,565</u>	<u>1,194</u>
Lease obligations		
CPC06(R2) / IFRS 16	44,342	33,474
Amounts including future inflation	45,894	34,646
Difference	<u>1,552</u>	<u>1,172</u>
Finance costs		
CPC06(R2) / IFRS 16	(937)	(2,781)
Amounts including future inflation	(970)	(2,878)
Difference	<u>(33)</u>	<u>(97)</u>
Depreciation expenses		
CPC06(R2) / IFRS 16	(6,878)	(18,987)
Amounts including future inflation	(7,119)	(19,652)
Difference	<u>(241)</u>	<u>(665)</u>



## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

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

	<u>04/30/21</u>	<u>12/31/20</u>
Salaries and wages	10,792	9,946
Social charges on salaries and wages	<b>5,885</b>	5,885
Accrued vacation pay and 13 <sup>th</sup> monthly salary	<b>14,393</b>	8,214
Social charges on accrued vacation pay and 13 <sup>th</sup> monthly salary	<b>5,578</b>	2,994
Other	<b>143</b>	61
	<u><b>36,791</b></u>	<u>27,100</u>

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

	<u>04/30/21</u>	<u>12/31/20</u>
Federal (a)	<b>7,414</b>	7,806
State (b)	-	57
	<u><b>7,414</b></u>	<u>7,863</u>
Current	<b>854</b>	1,274
Noncurrent	<b>6,560</b>	6,589

a) These refer to Tax Recovery Program (REFIS) and Special Tax Settlement Program (PERT) implemented by Law No. 13496 of October 24, 2017, in 150 installments, of which 100 installments are not yet due at April 30, 2021.

Changes in taxes paid in installments are as follows:

	<u>2021</u>	<u>2020</u>
Opening balance	7,863	8,666
Restatements	<b>288</b>	149
New installment payments	-	2,077
Amortization of principal and interest	<b>(737)</b>	(3,029)
Closing balance	<u><b>7,414</b></u>	<u>7,863</u>

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
April 30, 2021  
(In thousands of reais)

### 16. Taxes paid in installments (Consolidated) (Continued)

Noncurrent portions mature as follows:

	04/30/21	12/31/20
2022	1,312	1,390
2023	767	818
2024	767	818
2025	767	818
2026 onwards	2,947	2,745
	<b>6,560</b>	<b>6,589</b>

### 17. Provision for contingencies (Consolidated)

As at April 30, 2021, 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\$ 1,028 (R\$ 2,729 at December 31, 2019). 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, 2019	949	950	39	1,938
Set-up	844	-	1	845
Reversals	(16)	-	(38)	(54)
Balance at December 31, 2020	1,777	950	2	2,729
Set-up	-	-	73	73
Reversals	(826)	(948)	-	(1,774)
Balance at April 30, 2021	<b>951</b>	<b>2</b>	<b>75</b>	<b>1,028</b>

Additionally, at April 30, 2021, 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\$ 461 (R\$ 88 at December 31, 2020).

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 18. 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 recorded tax benefits relating to income tax decrease amounting to R\$ 438 for the quarter ended April 30, 2021 (R\$ 105 at April 30, 2020) as reduction of 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 period ended April 30, 2021, subsidiary Brisanet Serviços de Telecomunicações Ltda. recorded ICMS benefits amounting to R\$ 18,253 (R\$ 5,975 at April 30, 2020), as a reduction of ICMS expenses.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 19. Equity (Individual)

#### a) Capital

As at April 30, 2021 and December 31, 2020, subscribed and paid-in capital amounts to R\$ 66,209 represented by 66,209,213 shares, at par value of R\$ 1.00 (one real) each.

Members	Shares		Percentage - %	
	04/30/21	12/31/20	04/30/21	12/31/20
JRN Participações Eireli	-	27,807,617	-	42%
PES Participações Eireli	-	6,620,973	-	10%
JPE Participações Eireli	-	6,620,973	-	10%
JEN Participações Eireli	-	6,620,973	-	10%
MEP Participações Eireli	-	3,972,584	-	6%
ANP Participações Eireli	-	3,310,486	-	5%
JKN Participações Eireli	-	3,310,486	-	5%
GPF Participações Ltda	-	5,958,829	-	9%
FFR Participações Eireli	-	1,986,292	-	3%
Jose Roberto Nogueira	27,807,617	-	42%	-
Jordão Estevam Nogueira	6,620,973	-	10%	-
João Paulo Estevam	6,620,973	-	10%	-
Paulo Estevam da Silva	6,620,973	-	10%	-
Miguel Estevam Parente	3,972,584	-	6%	-
Ana Paula Nogueira	3,310,486	-	5%	-
Jordania Karina Nogueira Estevam	3,310,486	-	5%	-
Francisco Estevam Sobrinho	2,979,413	-	4.50%	-
Francisco de França Reis	1,986,292	-	3%	-
Pedro Sales Queiroz Estevam	1,489,708	-	2.25%	-
Gabriela Queiroz Estevam	1,489,708	-	2.25%	-
Total	66,209,213	66,209,213	100%	100%

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

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 19. 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>12/31/20</u>
Net income for the year	29,127
(-) Legal reserve	<u>(1,456)</u>
Distribution base	27,671
Minimum %	<u>1%</u>
Mandatory minimum dividend	<u>277</u>

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

	<u>2021</u>	<u>2020</u>
Opening balance	-	-
Mandatory minimum dividend	-	277
Dividends approved	1,706	9,374
Dividends paid	<u>(1,706)</u>	<u>(9,651)</u>
Closing balance	<u>-</u>	<u>-</u>

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 20. Net operating revenue (Consolidated)

	<u>04/30/21</u>	<u>04/30/20</u>
Gross sales revenue		
Services provided	244,782	146,475
Products resold	187	-
Unbilled revenues	6,182	5,243
	<u>251,151</u>	<u>151,718</u>
Deductions from gross revenue		
(-) Taxes on revenue	(50,421)	(26,382)
Tax benefits (Note 18)	18,253	5,975
	<u>(32,168)</u>	<u>(20,407)</u>
Net operating revenue	<u>218,983</u>	<u>131,311</u>

### 21. Operating costs and expenses by nature and function

	<u>Individual</u>		<u>Consolidated</u>	
	<u>04/30/21</u>	<u>04/30/20</u>	<u>04/30/21</u>	<u>04/30/20</u>
By nature:				
Direct costs	-	-	(6,172)	(2,407)
Direct connectivity costs	-	-	(6,709)	(3,839)
Indirect costs	-	-	(1,114)	-
Indirect costs of right of way (poles)	-	-	(3,980)	(3,530)
Indirect costs of customer activation	-	-	(6,672)	(3,329)
Salaries and wages	-	-	(54,520)	(32,846)
Salaries and wages of customer activation	-	-	(10,994)	(6,101)
Third-party services	-	-	(11,674)	(4,714)
Advertising and promotion	-	-	(5,376)	(3,106)
Depreciation and amortization	-	-	(42,906)	(24,874)
General expenses	(274)	-	(5,446)	(3,017)
Tax expenses	-	-	(1,069)	(1,364)
Rentals (a)	-	-	(1,897)	(1,422)
Materials and maintenance	-	-	(6,869)	(4,784)
Other personnel expenses	-	-	(11,223)	(5,374)
Allowance for doubtful accounts	-	-	(9,043)	(17,912)
Provision for contingencies	-	-	(1,701)	(48)
Software and projects (b)	-	-	(4,265)	(1,165)
Other	-	-	5,258	1,537
	<u>(274)</u>	<u>-</u>	<u>(186,372)</u>	<u>(118,295)</u>
By function:				
Cost of services	-	-	(111,042)	(61,225)
Administrative expenses	(274)	-	(48,116)	(26,858)
Selling expenses	-	-	(18,866)	(10,896)
Tax expenses	-	-	(1,168)	(1,364)
Other operating expenses, net	-	-	(7,180)	(17,952)
	<u>(274)</u>	<u>-</u>	<u>(186,372)</u>	<u>(118,295)</u>

(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.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 22. Financial income/(expenses) (Consolidated)

	<u>04/30/21</u>	<u>04/30/20</u>
Financial expenses		
Interest expenses on loans and financing	(15,194)	(7,868)
Late-payment interest and fines	(657)	(955)
Exchange losses	(25,680)	(13,403)
Bank charges	(3,372)	(1,360)
Interest - leases	(937)	(634)
Tax on Financial Transactions (IOF)	(514)	(390)
Collection fees	(434)	(366)
Interest on installment payments	(286)	(346)
Derivative operations – swap	(3,152)	-
	<u>(50,226)</u>	<u>(25,322)</u>
Financial income		
Interest income received	2,589	4,268
Short-term investment yield	571	1,063
Exchange gains	17,959	309
Derivative operations – swap	5,277	-
Other finance income	129	61
	<u>26,525</u>	<u>5,701</u>
Financial income / (expenses)	<u>(23,701)</u>	<u>(19,621)</u>

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

As at April 30, 2021 and 2020, income and social contribution taxes were calculated on taxable profit computed as a percentage of gross revenue (“Lucro Presumido”) and on taxable profit computed on accounting records of the Company (“Lucro real”), at the rate of 15% income tax, and surtax of 10% for profits exceeding R\$ 80 over 4 months, and at 9% social contribution tax.

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 23. Income and social contribution taxes (Consolidated) (Continued)

Current income and social contribution tax expense is as follows:

	<u>04/30/21</u>	<u>04/30/20</u>
Taxable profit computed on accounting records: (a)		
Current income tax	(715)	(161)
Tax benefit – income tax reduction (Note 18)	438	105
Current social contribution tax	(427)	(48)
Deferred income and social contribution taxes	304	4,049
	<u>(400)</u>	<u>3,945</u>
Taxable profit computed as a percentage of gross revenue: (b)		
Income tax	(1,688)	(3,494)
Social contribution tax	(560)	(1,276)
	<u>(2,248)</u>	<u>(4,770)</u>
Total income and social contribution tax expenses:		
Current income and social contribution taxes	(2,403)	(3,655)
Deferred income and social contribution taxes	304	4,049
Tax benefit – income tax reduction (Note 18)	438	105
Social contribution tax	(987)	(1,324)
	<u>(2,648)</u>	<u>(825)</u>

(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:

	<u>04/30/21</u>	<u>12/31/20</u>
Assets		
Income and social contribution tax losses	2,098	2,098
Temporary differences on allowance for doubtful accounts	1,795	1,490
Temporary differences on provision for contingencies	116	353
Temporary differences on leases payable	(55)	21
	<u>3,954</u>	<u>3,962</u>
Liabilities		
Temporary differences on derivative operations	(1,506)	(1,818)
	<u>(1,506)</u>	<u>(1,818)</u>
	<u>2,448</u>	<u>2,144</u>



## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 23. 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'):

	04/30/21	04/30/20
Income before income and social contribution taxes	4,691	568
Combined statutory rate - 34%	34%	34%
Income and social contribution taxes at statutory rates	<u>(1,595)</u>	<u>(193)</u>
Permanent differences		
Tax benefit – income tax reduction (Note 16)	438	105
(Additions) exclusions, net	453	(16)
Income and social contribution tax expenses – current	<u>(704)</u>	<u>(104)</u>
Effective rate (%)	15%	18%

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

	04/30/21		04/30/20	
	Income tax	Social contribution tax	Income tax	Social contribution tax
Gross revenue	23,286	23,286	43,687	43,687
Gross revenue percentage	32%	32%	32%	32%
	<u>7,451</u>	<u>7,451</u>	13,980	13,980
Finance income	1,771	1,771	87	87
	<u>9,222</u>	<u>9,222</u>	14,067	14,067
Deducted portion	(80)	-	(80)	-
Gross revenue base	<u>9,142</u>	<u>9,222</u>	13,987	14,067
	<u>(1,688)</u>	<u>(560)</u>	(3,494)	(1,276)
Effective rate (%)	18%	6%	25%	9%

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 24. Earnings (loss) per share

#### a) Basic and diluted

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

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

	<u>04/30/21</u>	<u>04/30/20</u>
Profit attributable to Company shareholders	6,259	(7,429)
Weighted average number of common shares issued	<u>66,209,213</u>	<u>66,209,213</u>
Basic and diluted earnings (loss) per share – in (R\$)	<u>0.09</u>	<u>(0.11)</u>

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 25. 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 April 30, 2021 and December 31, 2020, debt ratios are summarized as follows:

	Note	Consolidated	
		04/30/21	12/31/20
Total loans and financing		659,411	651,747
Total debentures		467,688	-
Total lease obligations		44,342	33,474
Less: cash and cash equivalents		(453,476)	(171,104)
Less: short-term investments		(82,335)	(9,665)
Less: derivatives		(9,642)	(11,767)
Net debt	A	625,988	492,685
Total equity		140,112	127,197
Equity plus net debt – total capital	B	766,100	619,882
Financial leverage ratio	A / B	81.7%	79.4%

#### b) Significant accounting policies

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

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

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

#### c) Category of financial instruments

	<b>Consolidated</b>	
	<b>04/30/21</b>	<b>12/31/20</b>
Financial assets at amortized cost:		
Cash and cash equivalents	<b>453,476</b>	171,104
Short-term investments	<b>102,285</b>	16,145
Trade accounts receivable	<b>75,631</b>	69,555
Financial assets at fair value through profit or loss		
Derivative operations	<b>9,872</b>	11,918
	<b>641,264</b>	268,722
Financial liabilities at amortized cost:		
Trade accounts payable	<b>196,293</b>	137,229
Loans and financing	<b>659,411</b>	651,747
Debentures	<b>467,688</b>	-
Lease obligations	<b>44,342</b>	33,474
Financial liabilities at fair value through profit or loss.		
Derivative operations	<b>230</b>	151
	<b>1,367,964</b>	822,601

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

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

April 30, 2021

(In thousands of reais)

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

#### d) Credit risk

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

Trade accounts receivable subject to credit risk are presented in Note 5. As of April 30, 2021, Company subsidiaries recorded allowance for doubtful accounts amounting to R\$ 24,940 (R\$ 20,791 at December 31, 2020), considered sufficient by management to cover expected losses on realization of trade receivables. As disclosed in Note 5, no individual customer represents more than 10% of total accounts receivable.

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

#### e) Market Risk

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

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

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

#### f) Liquidity risk

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

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

	<b>Total at 04/30/21</b>	<b>Within 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 to 2 years</b>	<b>From 2 to 5 years</b>	<b>Over 5 years</b>
Trade accounts payable	196,293	149,659	46,634	-	-	-
Loans and financing	596,363	143,234	114,992	120,363	142,857	74,917
Debentures	467,688	334	-	-	467,354	-
Derivatives	63,048	16,917	12,386	33,745	-	-
Lease obligations	44,342	7,777	8,828	10,738	12,746	4,253

	<b>Total at 12/31/20</b>	<b>Within 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 to 2 years</b>	<b>From 2 to 5 years</b>	<b>Over 5 years</b>
Trade accounts payable	137,229	111,461	25,768	-	-	-
Loans and financing	599,182	119,272	132,605	116,848	230,457	-
Derivatives	52,716	6,061	11,791	27,241	7,623	-
Lease obligations	33,474	961	4,601	7,779	9,914	10,219

#### g) Financial risk factors

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

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 25. 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 April 30, 2021, Company subsidiaries presented a consolidated balance receivable of R\$ 9,872 (R\$ 11,918 at December 31, 2020) 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	04/30/21	12/31/20
Derivative operations receivable – Swap	9,872	11,918
	9,872	11,918
Current	3,858	3,701
Noncurrent	6,014	8,217
	9,872	11,918

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

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

*Derivative financial instruments (Continued)*

Aging list of swap operations:

	<u>04/30/21</u>	<u>12/31/20</u>
2021	3,331	3,701
2022	1,272	1,413
2023	3,435	3,817
2024	1,834	2,987
	<u>9,872</u>	<u>11,918</u>
	<u>04/30/21</u>	<u>12/31/20</u>
Loans and financing – book value	62,195	52,716
Loans and financing – fair value	<u>(52,323)</u>	<u>(40,798)</u>
Gain adjustments from financial instruments – swap	<u>9,872</u>	<u>11,918</u>

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 April 30, 2021 and December 31, 2020, hedging transactions represented 9.43% (R\$ 52,323 / R\$ 659,411) and 8.09% (R\$ 52,716 / R\$ 651,747), respectively, of these subsidiaries' bank debt.

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

For the current year, the Company engaged in derivative financial 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 April 30, 2021, derivative financial instruments amounted to R\$ 9,872 (R\$ 11,918 at December 31, 2020). The Company measures its foreign-currency loan liabilities at amortized cost and hedges such items by means of derivative financial instruments (swaps). In order to prevent accounting mismatches between measurement of financial liabilities (amortized cost and fair value), the Company classified referred to instruments as financial liabilities measured at fair value.

In the quarter ended April 30, 2021, net realized and unrealized gains (losses) deriving from these contracts were recorded in finance income (costs), and represented consolidated net gains amounting to R\$ 721 (No derivative operations were performed in the quarter ended March 31, 2020).



## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

### 25. 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*

April 30, 2021

Instrument/operation	Probable scenario	Risk	Consolidated		
			Current scenario	Scenario II	Scenario III
Loans and financing	2.56%	CDI increase	(7,232)	(9,040)	(10,847)
Loans and financing	4.58%	TLP increase	(3,913)	(4,891)	(5,869)
Loans and financing	5.76%	IPCA increase	(2,850)	(3,563)	(4,275)
Debentures	5.76%	IPCA increase	(31,616)	(39,520)	(47,424)
Short-term investments	1.77%	CDI decrease	2,711	2,033	1,355
Projected income (loss)			<b>(42,900)</b>	<b>(54,981)</b>	<b>(67,060)</b>

December 31, 2020

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)			<b>(10,893)</b>	<b>(16,111)</b>	<b>(21,329)</b>

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)

April 30, 2021

(In thousands of reais)

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

#### j) Sensitivity analysis of CDI and USD variations

##### *Currency risk*

April 30, 2021

Instrument/operation	Probable scenario	Risk	Consolidated		
			Current scenario	Scenario II	Scenario III
Trade accounts payable	5.40	Dollar increase	-	(38,363)	(76,726)
Loans and financing	5.40	Dollar increase	-	(26,115)	(52,231)
Projected income (loss)			-	(64,478)	(128,957)

December 31, 2020

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)			-	(63,308)	(339,419)

#### k) Fair value hierarchy

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

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

	Consolidated			
	04/30/21	Level 1	Level 2	Level 3
Financial assets				
Derivative operations	9,872	-	9,872	-
Financial liabilities				
Derivative operations	230	-	230	-

## Brisanet Participações S.A. and Consolidated

Notes to financial statements (Continued)  
April 30, 2021  
(In thousands of reais)

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

#### k) Fair value hierarchy (Continued)

	Consolidated			
	12/31/20	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.

### 26. 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:

	04/30/21
Aircraft – civil liability risk	US\$ 20,000
Aircraft – operational risk	US\$ 5,200
Other assets – operational risk	R\$ 8,603

### 26. Events after the reporting period

#### a) 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.

#### b) Distribution of dividends

In June 2021, the Company distributed dividends amounting to R\$ 500.