

## **Quarterly Information**

### **Brisanet Participações S.A.**

March 31, 2021  
with Independent Auditor's Report

# **Brisanet Participações S.A.**

## Quarterly Information

March 31, 2021

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**A free translation from Portuguese into English of Independent Auditor's Report on Review of Quarterly Information (ITR) prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil, and in accordance with IAS 34 - Interim Financial Reporting, issued by International Accounting Standards Board (IASB)**

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## **Report on review of quarterly information (ITR)**

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

### **Introduction**

We have reviewed the accompanying individual and consolidated interim financial information, contained in the Quarterly Information Form (ITR) of Brisanet Participações S.A. (the “Company”) for the quarter ended March 31, 2021, comprising the statement of financial position as of March 31, 2021, and the related statements of profit or loss, of comprehensive income (loss), of changes in equity and of cash flows for three-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with NBC TG 21 – Interim Financial Statements and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of this information in conformity with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information Form (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with Brazilian and international standards on review engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review on interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## **Conclusion on the individual and consolidated interim financial information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the quarterly financial information referred to above is not fairly prepared, in all material aspects, in accordance with NBC TG 21 and IAS 34 applicable to the preparation of Quarterly Information Form (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

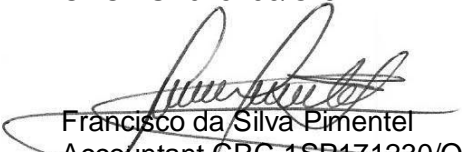
## **Other matters**

### *Statements of value added*

The abovementioned quarterly information include the individual and consolidated statements of value added (SVA) for the three-month period ended March 31, 2021, prepared under Company's management responsibility and presented as supplementary information for IAS 34. These statements have been subject to review procedures performed together with the review of the quarterly information and accounting records, as applicable, and if its format and content are in accordance with the criteria set forth by NBC TG 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that were not fairly prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

Recife, May 31, 2021.

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



Francisco da Silva Pimentel  
Accountant CRC-1SP174230/O-7-T-PE

A free translation from Portuguese into English of Review of Quarterly Information (ITR) prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil, and in accordance with IAS 34 - Interim Financial Reporting, issued by International Accounting Standards Board (IASB)

## Brisanet Participações S.A.

### Statements of financial position

March 31, 2021

(In thousands of reais)

	Note	Individual		Consolidated	
		03/31/21	12/31/20	03/31/21	12/31/20
Assets					
Current assets					
Cash and cash equivalents	3	100	5	57,423	171,104
Short-term investments		-	-	45,487	9,665
Trade accounts receivable	4	-	-	81,560	69,555
Inventories		-	-	277	525
Taxes recoverable	5	-	-	20,885	18,424
Derivative operations	23	-	-	3,502	3,701
Prepaid expenses		-	-	784	1,398
Other assets		-	-	10,249	12,627
Total current assets		100	5	220,167	286,999
Noncurrent assets					
Long-term receivables					
Short-term investments		-	-	6,480	6,480
Taxes recoverable	5	-	-	25,283	23,166
Transactions with related parties	6	-	-	984	1,153
Court-related deposits		-	-	937	905
Derivative operations	23	-	-	9,555	8,217
Prepaid expenses		-	-	-	778
Deferred income and social contribution taxes	21	-	-	1,904	2,144
Other assets		-	-	814	38
Investments	7	122,742	131,292	-	-
Rights-of-use	12	-	-	44,270	34,117
Property, plant and equipment	8	-	-	764,432	647,532
Intangible assets	9	-	-	14,700	6,721
Total noncurrent assets		122,742	131,292	869,359	731,251
Total assets		122,842	131,297	1,089,526	1,018,250

See accompanying notes.

	Note	Individual		Consolidated	
		03/31/21	12/31/20	03/31/21	12/31/20
Liabilities and equity					
Current liabilities					
Trade accounts payable	10	-	-	174,960	137,229
Loans and financing	11	-	-	285,995	251,877
Lease obligations	12	-	-	16,384	5,562
Labor and social obligations	13	59	-	36,715	27,100
Taxes payable	5	14	-	17,997	18,100
Taxes paid in installments	14	-	-	968	1,274
Derivative operations	23	-	-	-	151
Other accounts payable		6	1	897	499
Total current liabilities		79	1	533,916	441,792
Noncurrent liabilities					
Loans and financing	11	-	-	391,123	399,870
Lease obligations	12	-	-	27,409	27,912
Transactions with related parties	6	333	330	11,501	12,161
Taxes paid in installments	14	-	-	6,560	6,589
Provision for impairment of investments	7	4,176	3,768	-	-
Provision for contingencies	15	5	7	748	2,729
		4,514	4,105	437,341	449,261
Equity					
Capital	17	66,209	66,209	66,209	66,209
Income reserves		59,278	60,982	59,278	60,982
Accumulated losses		(7,238)	-	(7,238)	-
		118,249	127,191	118,249	127,191
Noncontrolling interests		-	-	20	6
Total equity		118,249	127,191	118,269	127,197
Total liabilities and equity		122,842	131,297	1,089,526	1,018,250

## Brisanet Participações S.A.

### Statements of profit or loss

Three-month period ended March 31, 2021

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

	Note	Individual		Consolidated	
		03/31/21	03/31/20	03/31/21	03/31/20
Net operating revenue	18	-	-	164,129	98,014
Cost of services	19	-	-	(81,208)	(46,193)
Gross profit		-	-	82,921	51,821
Operating expenses					
Administrative expenses	19	(155)	-	(35,031)	(21,107)
Selling expenses	19	-	-	(13,777)	(9,320)
Tax expenses	19	-	-	(964)	(1,182)
Equity pickup	7	(7,083)	(18,753)	-	-
Other operating expenses, net	19	-	-	(6,640)	(17,782)
Income (loss) before financial income (expenses) and taxes		(7,238)	(18,753)	26,509	2,430
Financial income	20	-	-	10,242	2,030
Financial expenses	20	-	-	(40,383)	(19,818)
Financial income (expenses)		-	-	(30,141)	(17,788)
Loss before income tax and social contribution		(7,238)	(18,753)	(3,632)	(15,358)
Income tax and social contribution	21	-	-	(3,592)	(3,396)
Loss for the period		(7,238)	(18,753)	(7,224)	(18,754)
Net income (loss) attributed to					
Controlling interests		-	-	(7,238)	(18,753)
Noncontrolling interests		-	-	14	(1)
Basic loss per share – R\$	22	(0.10)	(0.27)		
Diluted loss per share – R\$	22	(0.10)	(0.27)		

See accompanying notes.

## Brisanet Participações S.A.

Statements of comprehensive income (loss)  
Three-month period ended March 31, 2021  
(In thousands of reais)

	Individual		Consolidated	
	31/03/21	03/31/20	03/31/21	03/31/20
Loss for the period	<b>(7,238)</b>	(18,753)	<b>(7,224)</b>	(18,754)
Other comprehensive income (loss)	-	-	-	-
Comprehensive income (loss) for the period	<b>(7,238)</b>	(18,753)	<b>(7,224)</b>	(18,754)
Net income (loss) attributed to				
Controlling interests	-	-	<b>(7,238)</b>	(18,753)
Noncontrolling interests	-	-	<b>14</b>	(1)

See accompanying notes.



## Brisanet Participações S.A.

Statements of changes in equity  
 Three-month period ended March 31, 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	-	-	-	(18,753)	(18,753)	(1)	(18,754)
Income allocation (Note 17):							
Dividends	-	-	(900)	-	(900)	-	(900)
Balances at March 31, 2020	66,209	-	40,606	(18,753)	88,062	9	88,071
Balances at December 31, 2020	66,209	1,456	59,526	-	127,191	6	127,197
Net income (loss) for the period	-	-	-	(7,238)	(7,238)	14	(7,224)
Income allocation (Note 17):							
Dividends	-	-	(1,704)	-	(1,704)	-	(1,704)
Balances at March 31, 2021	66,209	1,456	57,822	(7,238)	118,249	20	118,269

See accompanying notes.

## Brisanet Participações S.A.

### Statements of cash flows Three-month period ended March 31, 2021 (In thousands of reais)

	Individual		Consolidated	
	03/31/21	03/31/20	03/31/21	03/31/20
Cash flow from operating activities				
Loss for the period	<b>(7,238)</b>	(18,753)	<b>(7,224)</b>	(18,754)
Adjustments to reconcile income (loss) for the period:				
Depreciation and amortization	-	-	<b>31,824</b>	18,157
Residual value upon write-off of PPE and intangible assets	-	-	<b>138</b>	-
Allowance for doubtful accounts	-	-	<b>7,843</b>	17,751
Provision for contingencies	<b>(2)</b>	-	<b>(1,981)</b>	-
Equity pickup	<b>7,083</b>	18,753	-	-
Monetary and exchange variation	-	-	<b>4,968</b>	10,368
Derivative operations	-	-	<b>(534)</b>	-
Interest on leases	-	-	<b>1,209</b>	695
Interest on loans and financing	-	-	<b>25,903</b>	6,637
Short-term investment income	-	-	<b>(408)</b>	(481)
Deferred income and social contribution taxes	-	-	<b>240</b>	(1,467)
(Increase) decrease in assets				
Trade accounts receivable	-	-	<b>(19,848)</b>	(15,214)
Inventories	-	-	<b>248</b>	(139)
Taxes recoverable	-	-	<b>(4,578)</b>	(4,178)
Prepaid expenses	-	-	<b>1,392</b>	(201)
Court-related deposits	-	-	<b>(32)</b>	(26)
Other assets	-	-	<b>1,602</b>	1,479
Increase (decrease) in liabilities				
Trade accounts payable	-	-	<b>35,085</b>	35,126
Labor and social obligations	<b>59</b>	-	<b>15,986</b>	8,049
Taxes payable	<b>14</b>	-	<b>(103)</b>	9,358
Taxes paid in installments	-	-	<b>(345)</b>	(352)
Other accounts payable	<b>5</b>	-	<b>418</b>	5,286
Cash from (used in) operating activities	<b>(79)</b>	-	<b>91,803</b>	72,094
Interest paid	-	-	<b>(13,528)</b>	(5,023)
Income tax and social contribution paid	-	-	<b>(6,371)</b>	(4,580)
Net cash from (used in) operating activities	<b>(79)</b>	-	<b>71,904</b>	62,491
Cash flows from investing activities				
Short-term investments	-	-	<b>(76,324)</b>	(55,003)
Redemption of short-term investments	-	-	<b>40,910</b>	5,267
Additions to Property, plant and equipment	-	-	<b>(143,264)</b>	(78,132)
Additions to intangible assets	-	-	<b>(8,368)</b>	-
Loans granted to related parties	-	-	<b>(635)</b>	(683)
Intercompany loans received	-	-	<b>804</b>	-
Dividends received	<b>1,875</b>	900	-	-
Net cash from (used in) investing activities	<b>1,875</b>	900	<b>(186,877)</b>	(128,551)
Cash flows from financing activities				
Loans and financing raised	-	-	<b>49,835</b>	55,427
Amortization of principal of loans and financing	-	-	<b>(39,735)</b>	(22,962)
Lease payments	-	-	<b>(5,688)</b>	(273)
Derivative financial instruments paid	-	-	<b>(756)</b>	-
Intercompany loans raised	<b>3</b>	-	<b>7,624</b>	559
Intercompany loans paid	-	-	<b>(8,284)</b>	-
Dividend/Profits distributed	<b>(1,704)</b>	(900)	<b>(1,704)</b>	(900)
Net cash from (used in) financing activities	<b>(1,701)</b>	(900)	<b>1,292</b>	31,851

## Brisanet Participações S.A.

Statements of cash flows (Continued)  
Three-month period ended March 31, 2021  
(In thousands of reais)

	Individual		Consolidated	
	03/31/21	03/31/20	03/31/21	03/31/20
Increase (decrease) in cash and cash equivalents	<b>95</b>	-	<b>(113,681)</b>	(34,209)
Cash and cash equivalents				
At beginning of period	5	12	171,104	38,810
At end of period	<b>100</b>	12	<b>57,423</b>	4,601
Increase (decrease) in cash and cash equivalents	<b>95</b>	-	<b>(113,681)</b>	(34,209)

See accompanying notes.

## Brisanet Participações S.A.

Statements of value added  
Three-month period ended March 31, 2021  
(In thousands of reais)

	Individual		Consolidated	
	03/31/21	03/31/20	03/31/21	03/31/20
Revenue				
Gross operating income less discounts	-	-	188,311	112,847
Allowance for doubtful accounts	-	-	(7,843)	(17,751)
Other revenues	-	-	63	4
Inputs acquired from third parties				
Cost of sales	-	-	(23,264)	(11,115)
Materials, electricity, third-party services and other	(1)	-	(18,966)	(11,354)
Loss on/recovery of assets	-	-	(32)	(9)
Other inputs	-	-	1,940	(25)
Gross value added	(1)	-	140,209	72,597
Depreciation and amortization	-	-	(31,824)	(17,380)
Net value added generated	(1)	-	108,385	55,217
Value added received/transferred				
Equity pickup	(7,083)	(18,753)	-	-
Finance income	-	-	10,242	2,030
Total value added to be distributed	(7,084)	(18,753)	118,627	57,247
Distribution of value added				
Taxes, charges and contributions				
Federal	-	-	21,836	14,999
State	-	-	16,474	10,124
Municipal	-	-	316	505
Other taxes, charges and contributions	-	-	-	148
Personnel				
Salaries	154	-	36,116	22,943
Unemployment Compensation Fund (FGTS)	-	-	3,169	1,553
Benefits	-	-	2,987	2,089
Debt remuneration				
Interest, exchange differences and borrowing costs	-	-	40,374	19,818
Rentals	-	-	4,579	3,822
Equity remuneration				
Dividend/profits paid	1,704	900	1,704	900
Retained earnings	(8,942)	(19,653)	(8,928)	(19,654)
Value added	(7,084)	(18,753)	118,627	57,247

See accompanying notes.

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information

March 31, 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. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### 1. Operations (Continued)

#### a) Subsidiaries (Continued)

##### i) Brisanet Serviços de Telecomunicações Ltda. ("Brisanet Serviços") (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.

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### 1. Operations (Continued)

#### a) Subsidiaries (Continued)

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

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

Global is primarily engaged in industrial manufacture of equipment for optical fiber and communication networks; and import and export.

#### 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.

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### 1. Operations (Continued)

#### a) Subsidiaries (Continued)

##### 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.

#### 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:

Company	Grant	Area	Effective period
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) Financial reorganization

As of March 31, 2021, the Company and its subsidiaries recorded negative consolidated net working capital amounting to R\$ 313,749 (R\$ 154,793 at December 31, 2020) mainly due to funds raised to support the expansion of its operations. Management plans to reverse this scenario include debt extension through issue of debentures, which already occurred on March 15, 2021. As disclosed in Note 25, from April 28 to April 30, the amounts referring to debentures issued were received.



## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### 1. Operations (Continued)

#### d) 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.

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.

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### 1. Operations (Continued)

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

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.

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

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

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

#### d) Approval of interim financial information

Conclusion of the individual and consolidated interim financial information was authorized by the Executive Board of the Company and its subsidiaries on May 31, 2021.

## **Brisanet Participações S.A. e Consolidado**

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### **2. Basis of preparation and presentation of interim financial information and summary of significant accounting practices**

Significant accounting policies applied in the preparation of this interim financial information are defined below. These policies have been consistently applied in all periods presented, unless otherwise stated.

#### **2.1. Basis of preparation**

This interim financial information was prepared under the historical cost convention which, in the case of certain financial assets and liabilities (including derivative instruments), is adjusted to reflect measurement at fair value. This interim financial information is prepared and presented in accordance with NBC TG 21 – Interim Financial Statements and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB).

Additionally, the Company considered the guidance provided in Technical Guidance OCPC 07 issued by the CPC in November 2014, in the preparation of its interim financial information. As such, management evidences all significant information that is consistent with the information used to manage the Company's operations.

This interim financial information should be read in conjunction with the Company's and its subsidiaries' individual and consolidated financial statements for the year ended December 31, 2020, specifically Notes 2 and 3, which were prepared and presented in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian FASB (CPC) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

#### **2.2. Changes in accounting practices**

Preparation of quarterly information requires the use of certain critical accounting estimates and use of professional judgment by Company management in the process of applying the accounting practices. No changes have been recorded in assumptions and judgements by Company management in using such estimates to prepare this interim financial information, in relation to those applied in the individual and consolidated financial statements as at December 31, 2020.

## **Brisanet Participações S.A. e Consolidado**

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### **2. Basis of preparation and presentation of interim financial information and summary of significant accounting practices (Continued)**

#### 2.3. Accounting judgments, estimates and assumptions

The individual and consolidated interim financial information was prepared in accordance with several measurement bases used in accounting estimates. Accounting estimates involved in the preparation of the interim financial information 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 interim financial information. Significant items subject to these estimates and assumptions include the selection of useful lives of property, plant and equipment and intangible assets, analyses of their recoverability in operations, share-based payment transactions, measurement at fair value of financial assets and liabilities, as well as other risk analyses to determine other provisions, including for contingencies.

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

The interim financial information is presented in reais, the functional and presentation currency, and all amounts are expressed in thousands of reais, unless otherwise stated.

The interim financial information was prepared in accordance with the accounting practices adopted in Brazil, which comprise the pronouncements of the Brazilian FASB (CPC), approved by Brazil's National Association of State Boards of Accountancy (CFC). As such, management evidences all significant information that is consistent with the information used to manage the Company's operations.

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)  
March 31, 2021  
(In thousands of reais)

### 2. Basis of preparation and presentation of interim financial information and summary of significant accounting practices (Continued)

#### 2.4. Basis of consolidation

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

	<u>03/31/21</u>	<u>12/31/20</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%
Universe 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.

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### 3. Cash and cash equivalents

	Individual		Consolidated	
	03/31/21	12/31/20	03/31/21	12/31/20
Cash	4	3	5	6
Checking accounts	95	-	2,586	5,402
Financial investments	1	2	54,263	165,222
Debit cards	-	-	569	474
	<b>100</b>	<b>5</b>	<b>57,423</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 98.15% on March 31, 2021 (98.10% at December 31, 2020) and are available for use in the operations of the Company and its subsidiaries, i.e. are highly-liquid financial assets.

### 4. Trade accounts receivable (Consolidated)

	03/31/21	12/31/20
Trade accounts receivable	105,300	90,346
Allowance for doubtful accounts	(23,740)	(20,791)
Accounts receivable, net	<b>81,560</b>	<b>69,555</b>

Aging list of trade accounts receivable is as follows:

	03/31/21	12/31/20
Falling due	39,276	29,075
Past due:		
01 to 30 days	21,943	20,064
31 to 60 days	4,341	2,677
61 to 180 days	8,435	6,384
181 to 360 days	7,565	8,687
Over 361 days	23,740	23,459
	<b>105,300</b>	<b>90,346</b>
(-) Allowance for doubtful accounts	<b>(23,740)</b>	<b>(20,791)</b>
	<b>81,560</b>	<b>69,555</b>

As of March 31, 2021, DSO was of 35 days (34 days at December 31, 2020).

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### 4. Trade accounts receivable (Consolidated)

Changes in allowance for doubtful accounts are as follows:

	<u>03/31/21</u>	<u>12/31/20</u>
Opening balance	(20,791)	(21,232)
Additions	<b>(7,843)</b>	(26,324)
Reversals	-	870
Write-offs	<b>4,894</b>	25,895
Closing balance	<b>(23,740)</b>	(20,791)

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.

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

	<u>03/31/21</u>	<u>12/31/20</u>
Assets		
State VAT (ICMS) recoverable	<b>4,125</b>	4,040
ICMS recoverable on fixed assets	<b>36,949</b>	31,372
PIS and Cofins recoverable	<b>529</b>	1,334
Corporate Income Tax (IRPJ) and Social Contribution on Net Profit (CSLL) recoverable	<b>2,247</b>	1,864
Other taxes recoverable	<b>2,318</b>	2,980
	<b>46,168</b>	41,590
Current	<b>20,885</b>	18,424
Noncurrent	<b>25,283</b>	23,166
Current liabilities		
ICMS payable	<b>4,224</b>	3,739
IRPJ payable	<b>8,659</b>	8,177
CSLL payable	<b>150</b>	3,193
PIS and COFINS payable	<b>2,085</b>	2,730
ISS payable	<b>120</b>	261
Other taxes payable	<b>2,759</b>	-
	<b>17,997</b>	18,100

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

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### 6. Transactions with related parties

Outstanding balances and total transactions with related parties for the quarter ended March 31, 2021 and December 31, 2020 are as follows:

	Individual		Consolidated	
	03/31/21	12/31/20	03/31/21	12/31/20
Assets				
Noncurrent assets				
Other related parties				
AGILITY Segurança Eletronic	-	-	-	165
BWM Consortium (a)	-	-	974	978
Legal entities (*)	-	-	10	10
	-	-	984	1,153
Noncurrent liabilities				
Loans from subsidiaries				
Brisanet Serviços de Telecomunicações Ltda.	183	180	-	-
Rps Prestação de Serviço de Informática Ltda	150	150	-	-
Individuals and legal entities (*) (b)	-	-	11,501	12,161
	333	330	11,501	12,161
	Individual		Consolidated	
	03/31/21	03/31/20	03/31/21	03/31/20
Statement of profit or loss				
AGILITY Segurança Eletronic (c)	-	-	(293)	(70)
BWM Consortium (d)	-	-	(420)	(556)
Individuals and legal entities (*) (b)	-	-	(277)	(78)
Imobiliária Pau D'arco Ltda. (e)	-	-	(10)	(12)
JPMF Imobiliária Ltda (e)	-	-	(103)	-
S&L Locadora de Veículos Ltda. (f)	-	-	(3,920)	(3,906)
	-	-	(5,023)	(4,622)

(a) BWM Consortium refers to project Cinturão Digital do Ceará (CDC), comprised by Brisanet Serviços, Wirelink Telecom and MOB Telecom, which currently consists of a modern optical fiber network of approximately 3,000 km in the entire state of Ceará, which serves over 90% of the urban population. Brisanet Serviços holds 50% interests in the project structure.

(b) Loans taken out from individuals (related parties) (\*), in order to cover eventual expenses related to the Company's operation.

(c) Expenses with software rental and licensing.

(d) Expenses with maintenance of Cinturão Digital project.

(e) Expenses with real property rental.

(f) Expenses with vehicle, real property and billboard rental.



## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### 6. 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	Loan
RPS Prestação de Serviço de Informática Ltda	Cinturão Digital project
Imobiliária Pau D'arco Ltda	Real property rental agreement
JPMF Imobiliária Ltda	Real property rental agreement
S&L Locadora de Veículos Ltda.	Vehicle rental agreement
Individuals (*):	Loan
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.

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

The Company's and its subsidiaries' key management personnel compensation amounted to R\$ 177 in the quarter ended March 31, 2021 (R\$ 22 in the quarter ended March 31, 2020).

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### 7. Investments (Individual)

#### a) Breakdown

	03/31/21	12/31/20
Interests held in subsidiaries		
Brisanet Serviços de Telecomunicações Ltda	59,232	65,362
Brisanet Gerenciadora de Ativos Ltda	(4,176)	(3,282)
RPS - Prestação de Serviços de Informática Ltda	40,591	46,750
Interservice - Serviços de Elaboração de Dados Ltda - ME	12,304	12,027
Universo Serviços de Telecomunicações Ltda - ME	10,615	7,153
Global Industria de Equipamentos para Redes de Comunicação Ltda.	-	(486)
	<b>118,566</b>	<b>127,524</b>
Classified as:		
Investments	122,742	131,292
Provision for impairment of investments	(4,176)	(3,768)
	<b>118,566</b>	<b>127,524</b>

#### b) Changes in investments

	03/31/2021	12/31/2020
Opening balance	127,524	97,675
Capital increase (i)	-	10,363
Future capital contributions	-	4
Dividends receivable	(1,875)	(9,650)
Equity pickup	(7,083)	29,132
Closing balance	<b>118,566</b>	<b>127,524</b>

(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

	03/31/21					
	Capital	Equity (capital deficiency)	Net income (loss) for the period	Interest held - %	Investment balance	Equity pickup
Brisanet Serviços de Telecomunicações Ltda	66,582	59,232	(11,859)	99.99%	59,232	(11,859)
Brisanet Gerenciadora de Ativos Ltda	5	(4,176)	(927)	99.98%	(4,176)	(927)
RPS - Prestação de Serviços de Informática Ltda	32,000	40,591	584	99.99%	40,591	584
Interservice - Serviços de Elaboração de Dados Ltda - ME	70	12,304	1,165	99.99%	12,304	1,165
Universo Serviços de Telecomunicações Ltda - ME	170	10,615	3,954	99.99%	10,615	3,954
					<b>118,566</b>	<b>(7,083)</b>

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### 7. 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>

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

#### a) Breakdown

	Annual average depreciation rate - %	03/31/21		12/31/20	
		Cost	Accumulated depreciation	Net	Net
Land	-	3,089	-	3,089	3,014
Optical fiber cables	5%	128,451	(11,281)	117,170	108,512
Network construction	10%	58,032	(4,375)	53,657	54,141
Machinery and equipment	10%	32,587	(16,276)	16,311	18,866
Furniture and fixtures	10%	2,947	(399)	2,548	2,115
Sundry installations (i)	10%	100,947	(15,257)	85,690	77,840
Leasehold improvements	15%	765	(8)	757	765
Computers and peripherals	20%	16,004	(6,322)	9,682	10,810
Vehicles	20%	17,368	(11,251)	6,117	6,695
Software	20%	152,732	(45,868)	106,864	108,611
Electronic equipment	20%	248,221	(65,626)	182,595	165,448
Advances to suppliers (ii)	-	99,798	-	99,798	40,461
PPE in progress (iii)	-	80,154	-	80,154	50,254
		<u>941,095</u>	<u>(176,663)</u>	<u>764,432</u>	<u>647,532</u>

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

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

#### b) Changes in balances

	12/31/20	Additions	Write-offs	Transfers	Depreciation	03/31/21
Land	3,014	86	(11)	-	-	3,089
Leasehold improvements						
third parties	765	-	-	-	(8)	757
Optical fiber cables	108,512	1,092	-	9,133	(1,567)	117,170
Network construction	54,141	-	-	-	(484)	53,657
Machinery and equipment	18,866	1,063	-	-	(3,618)	16,311
Furniture and fixtures	2,115	511	(12)	-	(66)	2,548
Sundry installations (i)	77,840	2,245	(18)	8,025	(2,402)	85,690
Computers and peripherals	10,810	975	-	-	(2,103)	9,682
Vehicles	6,695	185	(5)	-	(758)	6,117
Software	108,611	69	-	4,338	(6,154)	106,864
Electronic equipment	165,448	11,610	(92)	14,695	(9,066)	182,595
Advances to suppliers (ii)	40,461	95,528	-	(36,191)	-	99,798
PPE in progress (iii)	50,254	29,900	-	-	-	80,154
	647,532	143,264	(138)	-	(26,226)	764,432

	12/31/19	Additions	Write-offs	Transfers	Depreciation	12/31/20
Land	3,008	6	-	-	-	3,014
Leasehold improvements						
third parties	765	-	-	-	-	765
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	33,698	889	-	89,636	(15,612)	108,611
Electronic equipment	66,473	9,813	(2)	118,392	(29,228)	165,448
Advances to suppliers (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.

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

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

iv) Interest capitalization

In the current period, the Company and its subsidiaries capitalized interest on loans and financing amounting to R\$ 1,601 (R\$ 5,081 in the year ended December 31, 2020).

v) Guarantees

As at March 31, 2021, the Company recorded PPE assets given in guarantee amounting to R\$ 154,911 (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).

vii) Impairment

Annually, 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. For the year ended December 31, 2020, management concluded that no provision for impairment was required.

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### 9. Intangible assets (Consolidated)

#### a) Changes in balances

	Average annual amortization rate - %	12/31/20	Additions	Write- offs	03/31/21
Cost					
Radiofrequency license - GHZ	20%	205	-	-	205
Software and system licenses	20%	6,326	-	-	6,326
ADM projects	20%	1,433	-	-	1,433
Goodwill	-	-	8,367	-	8,367
Trademarks and patents	-	-	1	-	1
Total cost		7,964	8,368	-	16,332
Accumulated amortization					
Radiofrequency license - GHZ	20%	(27)	(2)	-	(29)
Software and system licenses	20%	(929)	(316)	-	(1,245)
ADM projects	20%	(287)	(71)	-	(358)
Total accumulated amortization		(1,243)	(389)	-	(1,632)
Intangible assets, net		6,721	7,979	-	14,700

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

### 10. Trade accounts payable (Consolidated)

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

	03/31/21	12/31/20
Domestic suppliers	27,975	17,040
Foreign suppliers	146,985	120,189
	174,960	137,229

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### 11. Loans and financing (Consolidated)

Type	Weighted average rates	03/31/21	12/31/20
Working capital	0.95% p.m. – Fixed rate	<b>54,832</b>	54,879
Working capital	0.35% p.m. + CDI	<b>332,822</b>	340,449
Working capital	0.27% p.m. + Long-term Interest Rate (TJLP)	<b>10,544</b>	13,304
Working capital	0.23% p.m. + TLP	<b>11,025</b>	11,340
PPE financing (CDC)	1.05% p.m. – Fixed rate	<b>60,869</b>	26,800
PPE financing (FINEM)	0.29% p.m. + Long-term Interest Rate (TJLP)	<b>39,984</b>	12,652
PPE financing (FINEM)	0.27% p.m. + TLP	<b>25,641</b>	55,262
PPE financing (Brazilian Financing Fund for the Northeast - FNE)	0.22% p.m. + Extended Consumer Price Index (IPCA)	<b>43,384</b>	44,448
Import financing	0.54% p.m. + exchange rate	<b>98,017</b>	92,613
		<b>677,118</b>	651,747
Current		<b>285,995</b>	251,877
Noncurrent		<b>391,123</b>	399,870

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:

	03/31/21	12/31/20
Certificates of deposit	<b>361,073</b>	464,068
Financial guarantees and liens	<b>1,716,810</b>	819,620
PPE given in guarantee	<b>154,911</b>	155,993
	<b>2,232,794</b>	1,439,681

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)  
March 31, 2021  
(In thousands of reais)

### 11. Loans and financing (Consolidated) (Continued)

Changes in loans and financing are as follows:

	<u>03/31/21</u>	<u>12/31/20</u>
Opening balance	651,747	264,983
Funds raised	49,835	474,435
Interest recognized	25,903	49,562
Monetary variations	2,332	7,314
Amortization of principal	(39,735)	(120,581)
Interest paid	(12,964)	(23,966)
Closing balance	<u>677,118</u>	<u>651,747</u>

Noncurrent portions mature as follows:

	<u>03/31/21</u>	<u>12/31/20</u>
2022	114,324	117,054
2023	99,543	103,882
2024	82,863	83,466
2025	53,747	55,271
2026	18,404	34,217
2027 onwards	22,242	5,980
	<u>391,123</u>	<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. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### 12. 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 March 31, 2021 and December 31, 2020 and adjusted at each date when new capitalizations relating to new lease agreements were recognized. Nominal rates practiced at March 31, 2021 and December 31, 2020 are as follows:

Agreements per period and discount rate:

Agreement period	Rate % p.a.	
	03/31/21	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%

Changes in lease obligations are as follows:

	03/31/21	12/31/20
Opening balance	33,474	9,817
Interest recognized	1,209	2,781
Additions due to new agreements	15,362	43,203
Consideration paid	(5,688)	(20,077)
Interest paid	(564)	(2,250)
Closing balance	43,793	33,474
Current	16,384	5,562
Noncurrent	27,409	27,912

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

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

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

	<u>03/31/21</u>	<u>12/31/20</u>
Installment maturity		
2021	5,799	4,076
2022	6,958	7,852
2023	6,781	7,637
2024	6,247	5,126
2025 onwards	<u>32,402</u>	<u>22,767</u>
Undiscounted amounts	58,187	47,458
Embedded interest	<u>(14,394)</u>	<u>(13,984)</u>
Lease obligation balance	<u>43,793</u>	<u>33,474</u>

Changes in rights-of-use are as follows:

	<u>03/31/21</u>	<u>12/31/20</u>
Opening balance	34,117	9,901
Additions due to new agreements	15,362	43,203
Amortization expenses	<u>(5,209)</u>	<u>(18,987)</u>
Closing balance	<u>44,270</u>	<u>34,117</u>

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

<u>Cash flows</u>	<u>Nominal amount</u>	<u>Amount adjusted to present value</u>
Lease consideration	58,187	43,793
Potential PIS/COFINS (9.25%)	5,382	4,051

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### 12. 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 March 31, 2021 and December 31, 2020 are presented below.

	<b>03/31/21</b>	<b>12/31/20</b>
Rights-of-use, net		
CPC06(R2) / IFRS 16	<b>44,270</b>	34,117
Amounts including future inflation	<b>45,819</b>	35,311
Difference	<b>1,549</b>	1,194
Lease obligations		
CPC06(R2) / IFRS 16	<b>43,793</b>	33,474
Amounts including future inflation	<b>45,326</b>	34,646
Difference	<b>1,533</b>	1,172
Finance costs		
CPC06(R2) / IFRS 16	<b>(1,209)</b>	(2,781)
Amounts including future inflation	<b>(1,251)</b>	(2,878)
Difference	<b>(42)</b>	(97)
Depreciation expenses		
CPC06(R2) / IFRS 16	<b>(5,209)</b>	(18,987)
Amounts including future inflation	<b>(5,391)</b>	(19,652)
Difference	<b>(182)</b>	(665)

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

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

	<u>03/31/21</u>	<u>12/31/20</u>
Salaries and wages	12,121	9,946
Social charges on salaries and wages	6,719	5,885
Accrued vacation pay and 13 <sup>th</sup> monthly salary	12,899	8,214
Social charges on accrued vacation pay and 13 <sup>th</sup> monthly salary	4,839	2,994
Other	137	61
	<u>36,715</u>	<u>27,100</u>

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

	<u>03/31/21</u>	<u>12/31/20</u>
Federal (a)	7,506	7,806
State	22	57
	<u>7,528</u>	<u>7,863</u>
Current	968	1,274
Noncurrent	6,560	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 101 installments are not yet due at March 31, 2021.

Changes in taxes paid in installments are as follows:

	<u>2021</u>	<u>2020</u>
Opening balance	7,863	8,666
Restatements	10	149
New installment payments	-	2,077
Amortization of principal and interest	(345)	(3,029)
Closing balance	<u>7,528</u>	<u>7,863</u>

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

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

Noncurrent portions mature as follows:

	<u>2021</u>	<u>2020</u>
2022	1,185	1,390
2023	613	818
2024	613	818
2025	613	818
2026 onwards	3,536	2,745
	<u>6,560</u>	<u>6,589</u>

### 15. Provision for contingencies (Consolidated)

As at March 31, 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\$ 748 (R\$ 2,729 at December 31, 2020). There are no contingencies whose individual amounts are significant.

Changes in provision for contingencies are as follows:

	<u>Labor</u>	<u>Tax</u>	<u>Civil</u>	<u>Total</u>
Balance at December 31, 2019	949	950	39	1,938
Set-up	844	-	1	845
Reversals	(16)	-	(38)	(54)
Balance at December 31, 2020	1,777	950	2	2,729
Reversals	(1,113)	(868)	-	(1,981)
Balance at March 31, 2021	<u>664</u>	<u>82</u>	<u>2</u>	<u>748</u>

Additionally, at March 31, 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\$ 1,758 (R\$ 88 at December 31, 2020).

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)  
March 31, 2021  
(In thousands of reais)

### 16. 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 e Universo Serviços de Telecomunicações Ltda used the Sudene tax benefit, in the quarter ended March 31, 2021, and recorded tax benefits relating to income tax decrease amounting to R\$ 438 (R\$ 105 in the quarter ended March 31, 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 March 31, 2021, subsidiary Brisanet Serviços de Telecomunicações Ltda. recorded ICMS benefits amounting to R\$ 13,572 (R\$ 4,378 in the period ended March 31, 2020), as a reduction of ICMS expenses.

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### 17. Equity (Individual)

#### a) Capital

As at March 31, 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.

Shareholders	Shares		Percentage - %	
	03/31/21	12/31/20	03/31/21	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%
José Roberto Nogueira	<b>27,807,617</b>	-	<b>42%</b>	-
Paulo Estevam da Silva	<b>6,620,973</b>	-	<b>10%</b>	-
João Paulo Estevam	<b>6,620,973</b>	-	<b>10%</b>	-
Jordão Estevam Nogueira	<b>6,620,973</b>	-	<b>10%</b>	-
Miguel Estevam Parente	<b>3,972,584</b>	-	<b>6%</b>	-
Francisco de França Reis	<b>1,986,292</b>	-	<b>3%</b>	-
Francisco Estevam Sobrinho	<b>2,979,413</b>	-	<b>4.5%</b>	-
Pedro Salas Queiroz Estevam	<b>1,489,708</b>	-	<b>2.25%</b>	-
Gabriela Queiroz Estevam	<b>1,489,708</b>	-	<b>2.25%</b>	-
Jordania Karina Nogueira Estevam	<b>3,310,486</b>	-	<b>5%</b>	-
Ana Paula Nogueira	<b>3,310,486</b>	-	<b>5%</b>	-
Total	<b>66,209,213</b>	66,209,213	<b>100%</b>	100%

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.

#### b) Income reserves

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

*Retained profits:* The remaining retained profits balance will be allocated as decided by the shareholders.

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### 17. Equity (Individual) (Continued)

#### c) 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.

Changes in dividend payables are as follows:

	<u>03/31/21</u>	<u>12/31/20</u>
Opening balance	-	-
Mandatory minimum dividend	-	277
Dividends approved	<b>1,704</b>	9,374
Dividends paid	<b>(1,704)</b>	<b>(9,651)</b>
Closing balance	<u>-</u>	<u>-</u>



## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### 18. Net operating revenue (Consolidated)

	03/31/21	03/31/20
Gross sales revenue		
Services provided	181,093	107,680
Products resold	3	-
Unbilled revenues	6,347	5,167
	<u>187,443</u>	<u>112,847</u>
Deductions from gross revenue		
(+) Taxes on revenue	(36,886)	(19,211)
Tax benefits (Note 16)	13,572	4,378
	<u>(23,314)</u>	<u>(14,833)</u>
Net operating revenue	<u>164,129</u>	<u>98,014</u>

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

	Individual		Consolidated	
	03/31/21	03/31/20	03/31/21	03/31/20
By nature:				
Direct costs	-	-	(4,343)	(534)
Direct connectivity costs	-	-	(5,150)	(2,582)
Indirect costs	-	-	(1,710)	-
Indirect costs of right of way (poles)	-	-	(2,958)	(2,552)
Indirect costs of customer activation	-	-	(3,028)	(1,593)
Salaries and wages	-	-	(39,831)	(27,330)
Salaries and wages of customer activation	-	-	(9,354)	(4,324)
Third-party services	-	-	(7,954)	(4,429)
Advertising and promotion	-	-	(3,849)	(2,435)
Depreciation and amortization	-	-	(31,824)	(18,157)
General expenses	(155)	-	(5,917)	(4,412)
Tax expenses	-	-	(964)	(1,181)
Rentals (a)	-	-	(4,579)	(3,822)
Materials and maintenance	-	-	(3,575)	(4,443)
Other personnel expenses	-	-	(8,181)	(3,566)
Allowance for doubtful accounts	-	-	(7,843)	(11,847)
Provision for contingencies	-	-	1,981	-
Software and projects (b)	-	-	(3,380)	(850)
Other	-	-	4,839	(1,527)
	<u>(155)</u>	<u>-</u>	<u>(137,620)</u>	<u>(95,584)</u>
By function:				
Cost of services	-	-	(81,208)	(46,193)
Administrative expenses	(155)	-	(35,031)	(21,107)
Selling expenses	-	-	(13,777)	(9,320)
Tax expenses	-	-	(964)	(1,182)
Other operating expenses, net	-	-	(6,640)	(17,782)
	<u>(155)</u>	<u>-</u>	<u>(137,620)</u>	<u>(95,584)</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. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

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

	<u>03/31/21</u>	<u>03/31/20</u>
Financial expenses		
Interest expenses on loans and financing	<b>(25,903)</b>	(6,637)
Late-payment interest and fines	<b>(399)</b>	(418)
Exchange losses	<b>(8,503)</b>	(10,577)
Bank charges	<b>(2,650)</b>	(326)
Interest - leases	<b>(1,209)</b>	(695)
Tax on Financial Transactions (IOF)	<b>(719)</b>	(470)
Collection fees	<b>(331)</b>	(256)
Interest on installment payments	<b>(215)</b>	(315)
Derivative operations – swap	<b>(454)</b>	-
Other	-	(124)
	<b><u>(40,383)</u></b>	<b><u>(19,818)</u></b>
Financial income		
Interest income received	<b>1,892</b>	1,252
Short-term investment yield	<b>408</b>	481
Exchange gains	<b>3,535</b>	209
Derivative operations – swap	<b>988</b>	-
Other finance income	<b>3,419</b>	88
	<b><u>10,242</u></b>	<b><u>2,030</u></b>
Financial income (expenses)	<b><u>(30,141)</u></b>	<b><u>(17,788)</u></b>

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

As at March 31, 2021 and 2020, income and social contribution taxes were calculated on taxable profit computed as a percentage of gross revenue (“Lucro Presumido”) and on taxable profit computed on accounting records of the Company (“Lucro real”), at the rate of 15% income tax, and surtax of 10% for profits exceeding R\$ 60 over 3 months, and at 9% social contribution tax.

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

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

Current income and social contribution tax expense is as follows:

	<u>03/31/21</u>	<u>03/31/20</u>
Taxable profit computed on accounting records: (a)		
Current income tax	<b>(1,348)</b>	(933)
Tax benefit – income tax reduction (Note 16)	<b>438</b>	105
Current social contribution tax	<b>(916)</b>	(338)
Deferred income and social contribution taxes	<b>(240)</b>	1,467
	<u><b>(2,066)</b></u>	<u>301</u>
Taxable profit computed as a percentage of gross revenue: (b)		
Income tax	<b>(1,254)</b>	(2,713)
Social contribution tax	<b>(273)</b>	(983)
	<u><b>(1,527)</b></u>	<u>(3,696)</u>
Total income and social contribution tax expenses:		
Current income and social contribution taxes	<b>(3,790)</b>	(4,968)
Deferred income and social contribution taxes	<b>(240)</b>	1,467
Tax benefit – income tax reduction (Note 16)	<b>438</b>	105
	<u><b>(3,592)</b></u>	<u>(3,396)</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>03/31/21</u>	<u>12/31/20</u>
Assets		
Income and social contribution tax losses	<b>2,098</b>	2,098
Temporary differences on allowance for doubtful accounts	<b>1,795</b>	1,490
Temporary differences on provision for contingencies	<b>75</b>	353
Temporary differences on leases payable	<b>(73)</b>	21
	<u><b>3,895</b></u>	<u>3,962</u>
Liabilities		
Temporary differences on derivative operations	<b>(1,991)</b>	(1,818)
	<u><b>(1,991)</b></u>	<u>(1,818)</u>
Deferred income and social contribution taxes, net	<u><b>1,904</b></u>	<u>2,144</u>

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### 21. 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'):

	<u>03/31/21</u>	<u>03/31/20</u>
Loss before income and social contribution taxes	<b>(5,795)</b>	(7,724)
Combined statutory rate - 34%	<b>34%</b>	34%
Income and social contribution taxes at statutory rates	<u><b>1,970</b></u>	<u>2,626</u>
Permanent differences		
Tax benefit – income tax reduction (Note 16)	<b>438</b>	105
(Additions) exclusions, net	<u><b>(4,232)</b></u>	<u>(3,898)</u>
Income and social contribution tax expenses	<u><b>(1,824)</b></u>	<u>(1,167)</u>
Effective rate (%)	<b>(31%)</b>	(15%)

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

	<u>03/31/21</u>		<u>03/31/20</u>	
	<u>Income tax</u>	<u>Social contribution tax</u>	<u>Income tax</u>	<u>Social contribution tax</u>
Gross revenue	<b>17,369</b>	<b>17,369</b>	33,244	33,244
Gross revenue percentage	<b>32%</b>	<b>32%</b>	32%	32%
Finance income	<b>257</b>	<b>257</b>	2	2
Deducted portion	<b>(60)</b>	-	(60)	-
Gross revenue base	<u><b>5,755</b></u>	<u><b>5,815</b></u>	<u>10,580</u>	<u>10,640</u>
	<u><b>(1,254)</b></u>	<u><b>(273)</b></u>	<u>(2,713)</u>	<u>(983)</u>
Effective rate (%)	<b>22%</b>	<b>5%</b>	26%	9%

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### 22. 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>03/31/21</u>	<u>03/31/20</u>
Loss attributable to Company shareholders	<b>(7,238)</b>	(18,753)
Weighted average number of common shares issued	<b>69,209,213</b>	69,209,213
Basic and diluted loss per share – in (R\$)	<b><u>(0.10)</u></b>	<u>(0.27)</u>

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### 23. 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 March 31, 2021 and December 31, 2020, debt ratios are summarized as follows:

	Note	Consolidated	
		03/31/21	12/31/20
Total loans and financing	11	677,118	651,747
Total lease obligations		43,793	33,474
Less: cash and cash equivalents		(57,423)	(171,104)
Less: short-term investments		(45,487)	(9,665)
Less: derivatives	23	(13,057)	(11,767)
Net debt	A	604,944	492,685
Total equity	17	118,249	127,191
Equity plus net debt – total capital	B	723,193	619,876
Financial leverage ratio	A / B	84.2%	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 2.

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

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

#### c) Category of financial instruments

	Consolidated	
	03/31/21	12/31/20
Financial assets at amortized cost:		
Cash and cash equivalents	57,423	171,104
Short-term investments	51,967	16,145
Trade accounts receivable	81,560	69,555
Financial assets at fair value through profit or loss		
Derivative operations	13,057	11,918
	<b>204,007</b>	<b>268,722</b>
Financial liabilities at amortized cost:		
Trade accounts payable	174,960	137,229
Loans and financing	677,118	651,747
Lease obligations	43,793	33,474
Financial liabilities at fair value through profit or loss		
Derivative operations	-	151
	<b>895,871</b>	<b>822,601</b>

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. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### 23. 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 4. As of March 31, 2021, Company subsidiaries recorded allowance for doubtful accounts amounting to R\$ 23,740 (R\$ 20,791 at December 31, 2020), considered sufficient by management to cover expected losses on realization of trade receivables. As disclosed in Note 4, 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 3.

#### 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. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### 23. 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 03/31/21</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	174,960	127,094	47,866	-	-	-
Loans	614,825	162,270	123,725	104,788	224,042	-
Derivatives	62,293	24,173	9,729	28,391	-	-
Lease obligations	43,793	8,203	8,181	5,848	12,321	9,240

	<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	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. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### 23. 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 March 31, 2021, Company subsidiaries presented a consolidated balance receivable of R\$ 13,057 (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	03/31/21	12/31/20
Derivative operations receivable – Swap	13,057	11,918
	13,057	11,918
Current	3,502	3,701
Noncurrent	9,555	8,217
	13,057	11,918

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)  
March 31, 2021  
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### 23. Financial instruments and risk management (Continued)

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

Aging list of swap operations:

	<u>03/31/21</u>	<u>12/31/20</u>
2021	4,250	3,701
2022	3,809	1,413
2023	3,133	3,817
2024	1,865	2,987
	<u>13,057</u>	<u>11,918</u>

	<u>2021</u>	<u>2020</u>
Outstanding swap operations:		
Loans and financing – book value	62,293	52,716
Loans and financing – fair value	<u>(49,236)</u>	<u>(40,798)</u>
Gain adjustments from financial instruments – swap	<u>13,057</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 March 31, 2021 and December 31, 2020, hedging transactions represented 9.20% (R\$ 62,293 / R\$ 677,118) 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 March 31, 2021, derivative financial instruments amounted to R\$ 13,057 (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 March 31, 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\$ 534 (No derivative operations were performed in the quarter ended March 31, 2020).

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

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

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

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

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

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

#### *Interest rate risk*

Instrument/operation	Probable scenario	Risk	Consolidated		
			Current scenario	Scenario II	Scenario III
Loans and financing	2.65%	CDI increase	(8,820)	(11,025)	(13,230)
Loans and financing	4.39%	TJLP increase	(3,828)	(4,785)	(5,742)
Loans and financing	6.10%	IPCA increase	(2,646)	(3,308)	(3,970)
Short-term investments	2.65%	CDI decrease	4,021	3,016	2,010
Projected income (loss)			<u>(11,273)</u>	<u>(16,102)</u>	<u>(20,932)</u>

#### *Currency risk*

Instrument/operation	Probable US dollar rate	Risk	Consolidated		
			Current scenario	Scenario II	Scenario III
Trade accounts payable	5.70	Dollar increase	-	(36,746)	(104,666)
Loans and financing	5.70	Dollar increase	-	(24,504)	(69,797)
Projected income (loss)			<u>-</u>	<u>(61,250)</u>	<u>(174,463)</u>

## Brisanet Participações S.A. e Consolidado

Notes to interim financial information (Continued)  
March 31, 2021  
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### 23. Financial instruments and risk management (Continued)

#### i) Fair value hierarchy

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

- Level 1: 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			
	03/31/21	Level 1	Level 2	Level 3
Financial assets				
Derivative operations	13,057	-	13,057	-

	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.

### 24. 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:

	03/31/21
Aircraft – civil liability risk	US\$ 20.000
Aircraft – operational risk	US\$ 5,200
Other assets – operational risk	R\$ 5,821

## **Brisanet Participações S.A. e Consolidado**

Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais)

### **25. Events after the reporting period**

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