

Interim Financial Information

Brisanet Participações S.A.

June 30, 2021

with Independent Auditor's Review Report

Brisanet Participações S.A.

Interim financial information

June 30, 2021

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

Independent auditor's review report on interim financial information

To the
Shareholders, Board of Directors and Officers
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 June 30, 2021, comprising the statement of financial position as of June 30, 2021, and the related statements of profit or loss and of comprehensive income (loss) for the three- and six-month periods then ended, and of changes in equity and of cash flows for six-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 Accounting Pronouncement 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 fair presentation of this financial 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 of 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 individual and consolidated interim financial information included in the quarterly financial information referred to above was not prepared, in all material respects, 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).

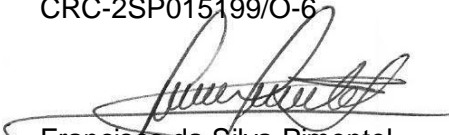
Other matters

Statements of value added

The quarterly information referred to above includes the individual and consolidated statements of value added (SVA) for the six-month period ended June 30, 2021, prepared under the responsibility of the Company management and presented as supplementary information for IAS 34 purposes. These statements were subject to review procedures conducted jointly with the review of the quarterly information for the purpose of concluding whether they are reconciled with the interim financial information and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in NBC TG 09 – Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that these statements of value added were not prepared, in all material respects, pursuant to such standard and consistently with the individual and consolidated interim financial information taken as a whole.

Recife, August 13, 2021.

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



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

A free translation from Portuguese into English of interim financial information prepared in Brazilian currency in accordance with 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
June 30, 2021
(In thousands of reais)

	Note	Individual		Consolidated	
		06/30/2021	12/31/2020	06/30/2021	12/31/2020
Assets					
Current assets					
Cash and cash equivalents	3	158	5	269,191	171,104
Short-term investments	3	-	-	78,368	9,665
Trade accounts receivable	4	-	-	86,352	69,555
Inventories		-	-	231	525
Taxes recoverable	5	-	-	20,194	18,424
Derivative transactions	24	-	-	2,306	3,701
Prepaid expenses		-	-	999	1,398
Dividends receivable	7	32,247	-	-	-
Other assets		-	-	5,177	12,627
Total current assets		32,405	5	462,818	286,999
Noncurrent assets					
Long-term receivables					
Short-term investments	3	-	-	9,670	6,480
Taxes recoverable	5	-	-	39,500	23,166
Transactions with related parties	6	-	-	942	1,153
Judicial deposits		-	-	1,183	905
Derivative transactions	24	-	-	3,248	8,217
Prepaid expenses		-	-	-	778
Deferred income and social contribution taxes	22	-	-	4,766	2,144
Other assets		-	-	38	38
Investments	7	109,988	131,292	-	-
Rights-of-use	13	-	-	42,449	34,117
Property, plant and equipment	8	-	-	946,561	647,532
Intangible assets	9	-	-	16,106	6,721
Total noncurrent assets		109,988	131,292	1,064,463	731,251
Total assets		142,393	131,297	1,527,281	1,018,250

See accompanying notes.

	Note	Individual		Consolidated	
		06/30/2021	12/31/2020	06/30/2021	12/31/2020
Liabilities and equity					
Current liabilities					
Trade accounts payable	10	56	-	175,973	137,229
Loans and financing	11	-	-	214,674	251,877
Debentures	12	-	-	11,566	-
Lease obligations	13	-	-	14,593	5,562
Labor and social obligations	14	73	-	44,030	27,100
Taxes payable	5	19	-	29,486	18,100
Taxes paid in installments	15	-	-	1,551	1,274
Derivative transactions	24	-	-	458	151
Other accounts payable		2	1	4,846	499
Total current liabilities		150	1	497,177	441,792
Noncurrent liabilities					
Loans and financing	11	-	-	387,352	399,870
Debentures	12	-	-	468,183	-
Lease obligations	13	-	-	27,927	27,912
Transactions with related parties	6	-	330	-	12,161
Taxes paid in installments	15	-	-	5,643	6,589
Derivative transactions	24	-	-	1,948	-
Valuation allowance	7	4,294	3,768	-	-
Provision for contingencies	16	-	7	1,095	2,729
		4,294	4,105	892,148	449,261
Equity					
Capital	18	71,859	66,209	71,859	66,209
Income reserves		66,090	60,982	66,090	60,982
		137,949	127,191	137,949	127,191
Noncontrolling interests		-	-	7	6
Total equity		137,949	127,191	137,956	127,197
Total liabilities and equity		142,393	131,297	1,527,281	1,018,250

Brisanet Participações S.A.

Statements of profit or loss

Three- and six-month periods ended June 30, 2021

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

	Note	Individual				Consolidated			
		04/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2021 to 06/30/2021	01/01/2020 to 06/30/2020	04/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2021 to 06/30/2021	01/01/2020 to 06/30/2020
Net operating revenue	19	-	-	-	-	170,144	102,303	334,273	200,317
Cost of services	20	-	-	-	-	(103,221)	(49,062)	(184,429)	(95,255)
Gross profit		-	-	-	-	66,923	53,241	149,844	105,062
Operating expenses									
Administrative expenses	20	(1,252)	-	(1,407)	-	(41,120)	(16,316)	(76,151)	(37,423)
Selling expenses	20	-	-	-	-	(16,098)	(5,318)	(29,875)	(14,638)
Tax expenses	20	-	-	-	-	(1,578)	(525)	(2,542)	(1,707)
Equity pickup	7	15,811	11,928	8,728	(6,825)	-	-	-	-
Other operating expenses, net	20	(6)	-	(6)	-	(1,674)	(778)	(8,314)	(18,560)
Income (loss) before finance income (costs) and taxes		14,553	11,928	7,315	(6,825)	6,453	30,304	32,962	32,734
Finance income	21	-	-	-	-	42,133	7,932	52,375	9,962
Finance costs	21	(2)	(1)	(2)	(1)	(32,488)	(24,276)	(72,871)	(44,094)
Finance income (costs)		(2)	(1)	(2)	(1)	9,645	(16,344)	(20,496)	(34,132)
Income before income and social contribution tax		14,551	11,927	7,313	(6,826)	16,098	13,960	12,466	(1,398)
Income and social contribution taxes	22	-	-	-	-	(1,560)	(2,033)	(5,152)	(5,429)
Net income (loss) for the period		14,551	11,927	7,313	(6,826)	14,538	11,927	7,314	(6,827)
Net income (loss) attributed to controlling interests		-	-	-	-	14,551	11,927	7,313	(6,826)
Noncontrolling interests		-	-	-	-	(13)	-	1	(1)
Basic earnings (loss) per share – R\$	23	0.22	0.18	0.11	(0.10)	-	-	-	-
Diluted earnings (loss) per share – R\$	23	0.22	0.18	0.11	(0.10)	-	-	-	-

See accompanying notes.

Brisanet Participações S.A.

Statements of comprehensive income (loss)
 Three- and six-month periods ended June 30, 2021
 (In thousands of reais)

	Individual				Consolidated			
	04/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2021 to 06/30/2021	01/01/2020 to 06/30/2020	04/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2021 to 06/30/2021	01/01/2020 to 06/30/2020
Net income (loss) for the period	14,551	11,927	7,313	(6,826)	14,538	11,927	7,314	(6,827)
Other comprehensive income (loss)	-	-	-	-	-	-	-	-
Comprehensive income (loss) for the period	14,551	11,927	7,313	(6,826)	14,538	11,927	7,314	(6,827)
Net income (loss) attributed to								
Controlling interests	-	-	-	-	14,551	11,927	7,313	(6,826)
Noncontrolling interests	-	-	-	-	(13)	-	1	(1)

See accompanying notes.

Brisanet Participações S.A.

Statements of changes in equity
Six-month period ended June 30, 2021
(In thousands of reais)

	Consolidated						Equity	
	Individual			Subtotal	Noncontrolling interests			
	Capital	Income reserves						Retained earnings (accumulated losses)
		Legal reserve	Retained profits					
Balances at December 31, 2019	66,209	-	41,506	-	107,715	13	107,728	
Loss for the period	-	-	-	(6,826)	(6,826)	(1)	(6,827)	
Profit allocation (Note 17):								
Dividend distributed	-	-	(6,900)	-	(6,900)	-	(6,900)	
Offset of losses with income reserves	-	-	(6,826)	6,826	-	-	-	
Balances at June 30, 2020	66,209	-	27,780	-	93,989	12	94,001	
Balances at December 31, 2020	66,209	1,456	59,526	-	127,191	6	127,197	
Capital increase	5,650	-	-	-	5,650	-	5,650	
Net income for the period	-	-	-	7,313	7,313	1	7,314	
Profit allocation (Note 17):								
Dividend distributed	-	-	(2,205)	-	(2,205)	-	(2,205)	
Retained profits	-	-	7,313	(7,313)	-	-	-	
Balances at June 30, 2021	71,859	1,456	64,634	-	137,949	7	137,956	

See accompanying notes.

Brisanet Participações S.A.

Statements of cash flows Six-month period ended June 30, 2021 (In thousands of reais)

	Individual		Consolidated	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Cash flow from operating activities				
Net income (loss) for the period	7,313	(6,826)	7,314	(6,827)
Adjustments to reconcile income (loss) for the period:				
Depreciation and amortization	-	-	69,491	37,015
Residual value upon write-off of PPE and intangible assets	-	-	12	432
Allowance for expected credit losses	-	-	10,377	11,925
Provision for contingencies	(5)	-	(1,634)	-
Equity pickup	(8,728)	6,825	-	-
Monetary variation and exchange differences	-	-	(26,267)	18,430
Derivative transactions	-	-	8,619	-
Interest on leases	-	-	1,905	959
Interest on loans and financing, and debentures	-	-	39,628	10,092
Short-term investment yield	-	-	(2,670)	(763)
Deferred income and social contribution taxes	-	-	(2,622)	(2,638)
(Increase) decrease in assets				
Trade accounts receivable	-	-	(27,174)	(15,060)
Inventories	-	-	294	(203)
Taxes recoverable	-	-	(18,104)	(7,206)
Prepaid expenses	-	-	1,177	(2,833)
Judicial deposits	-	-	(278)	(71)
Other assets	(2)	-	7,661	(7,897)
Increase (decrease) in liabilities				
Trade accounts payable	56	-	69,318	12,155
Labor and social obligations	73	-	16,930	11,921
Taxes payable	19	-	16,322	3,974
Taxes paid in installments	-	-	(669)	1,221
Other accounts payable	1	-	4,346	141
Cash flows from (used in) operating activities	(1,273)	(1)	173,976	64,767
Interest paid	-	-	(44,777)	(15,546)
Income and social contribution taxes paid	-	-	(4,936)	(4,343)
Net cash flows from (used in) operating activities	(1,273)	(1)	124,263	44,878
Cash flows from investing activities				
Increase in investments and future capital contribution at subsidiaries	(8,170)	-	-	-
Short-term investments	-	-	(76,020)	(38,415)
Redemption of short-term investments	-	-	6,797	22,020
Additions to PPE	-	-	(357,087)	(147,640)
Additions to intangible assets	-	-	(10,170)	(4,906)
Loans granted to related parties	-	1	-	(663)
Intercompany loans received	-	-	-	4,442
Dividend and profit received	6,481	6,900	-	-
Net cash flows from (used in) investing activities	(1,689)	6,901	(436,480)	(165,162)
Cash flows from financing activities				
Loans and financing raised	-	-	54,086	206,537
Repayment of principal of loans and financing	-	-	(92,719)	(41,940)
Debentures raised	-	-	500,000	-
Costs with debentures raised	-	-	(32,646)	-
Lease payments	-	-	(9,701)	(3,011)
Intercompany loans paid	(330)	-	(12,161)	-
Capital increase	5,650	-	5,650	-
Dividend/Profits distributed	(2,205)	(6,900)	(2,205)	(6,900)
Net cash flows from (used in) financing activities	3,115	(6,900)	410,304	154,686

Brisanet Participações S.A.

Statements of cash flows (Continued)
Six-month period ended June 30, 2021
(In thousands of reais)

	Individual		Consolidated	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Increase in cash and cash equivalents	153	-	98,087	34,402
Cash and cash equivalents				
At beginning of period	5	12	171,104	38,810
At end of period	158	12	269,191	73,212
Increase in cash and cash equivalents	153	-	98,087	34,402

See accompanying notes.

Brisanet Participações S.A.

Statements of value added
Six-month period ended June 30, 2021
(In thousands of reais)

	Individual		Consolidated	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Revenues				
Gross operating income less discounts	-	-	384,545	233,451
Allowance for expected credit losses	-	-	(10,377)	(11,925)
Other revenues	7	-	3,406	431
Inputs acquired from third parties				
Cost of sales	-	-	(27,177)	(15,208)
Materials, electricity, third-party services and other	(944)	-	(59,255)	(28,668)
Loss on/recovery of assets	(13)	-	(105)	(26)
Other inputs	-	-	(1,581)	(357)
Gross value added	(950)	-	289,456	177,698
Depreciation and amortization	-	-	(69,491)	(37,015)
Net value added generated	(950)	-	219,965	140,683
Value added received in transfer				
Equity pickup	8,728	(6,825)	-	-
Finance income	-	-	52,375	9,962
Total value added to be distributed	7,778	(6,825)	272,340	150,645
Distribution of value added				
Taxes, charges and contributions				
Federal	-	-	25,386	18,878
State	-	-	31,933	20,230
Municipal	-	-	644	969
Other taxes, charges and contributions	-	-	2	194
Personnel				
Salaries	385	-	73,662	40,760
Social Security Tax (INSS)	77	-	20,866	11,693
Unemployment Compensation Fund (FGTS)	-	-	6,351	4,122
Benefits	1	-	18,918	9,011
Debt remuneration				
Interest, exchange differences and borrowing costs	2	1	72,871	44,094
Rentals	-	-	14,394	7,520
Equity remuneration				
Dividend/profits paid	2,205	6,900	2,205	6,900
Retained profits	5,108	(13,726)	5,108	(13,726)
Value added	7,778	(6,825)	272,340	150,645

See accompanying notes.

Brisanet Participações S.A. and Consolidated

Notes to interim financial information

June 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, the conversion of Brisanet Participações Ltda. from a limited liability company into a stock corporation was approved.

a) Subsidiaries

Currently, the Company has the following subsidiaries:

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

Provision of telecommunication services - MCS (Multimedia Communication Service); equipment rental; IT services; radio and optical fiber network installation services; wholesale, retail and import of telecommunications and IT equipment; pay television; pay cable television; provision of monitoring services; wholesale, retail, import and rental of electronic monitoring equipment; electronic equipment maintenance; wholesale, retail and import of monitoring cameras and materials; manufacture of pre-cast concrete structures, in series or by order; electronic equipment installation and assembly; 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 interim financial information (Continued)

June 30, 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. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

1. Operations (Continued)

a) Subsidiaries (Continued)

i) *Brisanet Serviços de Telecomunicações Ltda. (“Brisanet Serviços”)* (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>01/31/2021</u>
Assets	
Current	
Cash and cash equivalents	<u>1</u>
Total assets	<u>1</u>
 Merged net assets	 <u>1</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. and Consolidated

Notes to interim financial information (Continued)

June 30, 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:

<u>Company</u>	<u>Grant</u>	<u>Area</u>	<u>Effective period</u>
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 at June 30, 2021, the Company and its subsidiaries recorded negative consolidated net working capital amounting to R\$34,363 (R\$154,793 at December 31, 2020) mainly due to funds raised to support the expansion of their operations. As disclosed in Note 26, on July 28, 2021, the public offering of the Company’s shares on the stock market of B3 S.A. - Brasil, Bolsa e Balcão, denominated “Novo Mercado” was approved at the Board of Directors’ Meeting, under ticker symbol “BRIT3”, completed upon settlement of the shares on July 30, 2021. On this same date, the Company increased its capital by R\$1,250,000.

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 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 also had impacts on economic activities, which suffered and are still suffering significant losses.

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

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

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

The federal government adopted various measures to minimize the pandemic impacts on the companies' cash flow. From these measures, the Company and its subsidiaries used Provisional Executive Order (MP) 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.

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 interim financial information (Continued)

June 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

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.

e) Approval of interim financial information

Completion of the individual and consolidated interim financial information was authorized by the Executive Board of the Company and its subsidiaries on August 13, 2021.

2. Basis of preparation and presentation of interim financial information and summary of significant accounting policies

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.

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

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

2.1. Basis of preparation (Continued)

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.

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.

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

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

2.3. Accounting judgments, estimates and assumptions (Continued)

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.

2.4. Basis of consolidation

As at June 30, 2021, the Company maintains investments by means of direct subsidiaries, all of which are located in Brazil, as follows:

	<u>06/30/2021</u>	<u>12/31/2020</u>
Brisanet Serviços de Telecomunicações Ltda.	99.99%	99.99%
Brisanet Gerenciadora de Ativos Ltda.	99.98%	99.98%
RPS - Prestação de Serviços de Informática Ltda.	99.99%	99.99%
Interservice - Serviços de Elaboração de Dados Ltda. - ME	99.99%	99.99%
Universo Serviços de Telecomunicações Ltda. - ME	99.99%	99.99%
Global Indústria de Equipamentos para Redes de Comunicação Ltda.	-	99.99%

Subsidiaries are all entities 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 interim financial information of the parent company, investments in subsidiaries are recorded under the equity method.

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

3. Cash and cash equivalents and short-term investments

	Individual		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Cash	4	3	5	6
Checking accounts	153	-	6,460	5,402
Short-term investments	1	2	259,917	165,222
Debit cards	-	-	2,809	474
	158	5	269,191	171,104

Cash equivalents correspond to transactions with financial institutions in the Brazilian financial market and subject to low credit risk. These transactions are remunerated by the Interbank Deposit Certificates (CDI) variation at the average rate of 101% at June 30, 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.

Short-term investments

	Consolidated	
	06/30/2021	12/31/2020
Financial bills (a)	56,901	-
Investment funds (b)	16,278	6,480
Certificate accounts with lottery prizes (c)	12,077	9,665
CDB (d)	2,782	-
	88,038	16,145
Current	78,368	9,665
Noncurrent	9,670	6,480

(a) Financial bills are sold in the form of private credit securities, with yields equivalent to rates ranging from 105% to 120% of the CDI.

(b) Investment funds bear interest corresponding to the CDI rate plus interest of 0.37% p.m.;

(c) Certificate accounts with lottery prizes are investments scheduled during a pre-established period. Their maturities are mostly of more than 12 months; and

(d) These refer to CDB's with investment rates between 108% to 108% and liquidity of more than 90 days.

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

4. Trade accounts receivable (Consolidated)

	<u>06/30/2021</u>	<u>12/31/2020</u>
Trade accounts receivable	111,900	90,346
Allowance for expected credit losses	(25,548)	(20,791)
Accounts receivable, net	86,352	69,555

Aging list of trade accounts receivable is as follows:

	<u>06/30/2021</u>	<u>12/31/2020</u>
Falling due	44,835	29,075
Past due:		
01 to 30 days	15,651	20,064
31 to 60 days	4,352	2,677
61 to 180 days	11,897	6,384
181 to 360 days	10,081	8,687
Over 361 days	25,084	23,459
	111,900	90,346
(-) Allowance for expected credit losses	(25,548)	(20,791)
	86,352	69,555

As at June 30, 2021, DSO was of 42 days (34 days at December 31, 2020).

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

4. Trade accounts receivable (Consolidated) (Continued)

Changes in allowance for expected credit losses are as follows:

	<u>06/30/2021</u>	<u>12/31/2020</u>
Opening balance	(20,791)	(21,232)
Set-up	(13,567)	(26,324)
Reversal	3,190	870
Write-off	5,620	25,895
Closing balance	(25,548)	(20,791)

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

5. Taxes recoverable and payable (Consolidated)

	<u>06/30/2021</u>	<u>12/31/2020</u>
Assets		
State VAT (ICMS) recoverable	993	4,040
ICMS recoverable on fixed assets	54,469	31,372
PIS and COFINS recoverable	136	1,334
Corporate Income Tax (IRPJ) and Social Contribution on Net Profit (CSLL) recoverable	1,652	1,864
Other taxes recoverable	2,444	2,980
	59,694	41,590
Current	20,194	18,424
Noncurrent	39,500	23,166
Current liabilities		
ICMS payable	12,078	3,739
IRPJ payable	5,774	8,177
CSLL payable	4,373	3,193
PIS and COFINS payable	2,782	2,730
ISS payable	128	261
Other taxes payable	4,351	-
	29,486	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. and Consolidated

Notes to interim financial information (Continued)

June 30, 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>
AGILITY Segurança Eletrônica Ltda	Software rental and licensing
BWM Consortium	Cinturão Digital project
Imobiliária Pau D'arco Ltda	Real property rental agreement
JPMF Imobiliária Ltda	Real property rental agreement
S&L Locadora de Veículos Ltda.	Vehicle rental agreement

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.

Guarantees in financial contracts of related parties

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

<u>Related party</u>	<u>Nature of transaction</u>
Nossa Fruta Brasil Indústria de Alimentos Ltda.	Guarantees for loans and financing totaling approximately R\$23,472
Agritec Semiárido Agricultura Ltda.	Guarantees for loans and financing totaling approximately R\$684
AGILITY Segurança Eletrônica Ltda	Guarantees for loans and financing totaling approximately R\$66

Key management personnel compensation – Company and subsidiaries

Compensation of the key management personnel of the Company and its subsidiaries totaled R\$620 in the six-month period ended June 30, 2021 (R\$44 in the six-month period ended June 30, 2020).

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

7. Investments (Individual)

a) Breakdown

	06/30/2021	12/31/2020
Interests held in subsidiaries		
Brisanet Serviços de Telecomunicações Ltda	70,667	73,529
Brisanet Gerenciadora de Ativos Ltda	(4,294)	(3,282)
RPS - Prestação de Serviços de Informática Ltda	32,306	41,377
Interservice - Serviços de Elaboração de Dados Ltda. - ME	3,440	9,864
Universo Serviços de Telecomunicações Ltda. - ME	3,575	6,522
Global Indústria de Equipamentos para Redes de Comunicação Ltda.	-	(486)
	105,694	127,524
Classified as:		
Investments	109,988	131,292
Valuation allowance	(4,294)	(3,768)
	105,694	127,524

b) Changes in investments

	06/30/2021	12/31/2020
Opening balance	127,524	97,675
Capital increase (i)	6,660	10,363
Future capital contributions	1,510	4
Dividends receivable	(32,247)	-
Dividends received	(6,481)	(9,650)
Equity pickup	8,728	29,132
Closing balance	105,694	127,524

(i) In 2021, this refers to a capital increase in Brisanet Serviços de Telecomunicações Ltda. amounting to R\$6,860 (R\$10,363 in 2020).

(ii) The dividends receivable are composed of R\$8,750 of Interservice, R\$14,500 of RPS and R\$8,997 of Universo Serviços and these amounts were used by the Company to increase the investments in the subsidiary Brisanet Serviços on July, 2021.

c) Information on investments in subsidiaries

	06/30/2021					
	Capital	Equity (capital deficiency)	Net income (loss) for the period	Interest held - %	Investment balance	Equity pickup
Brisanet Serviços de Telecomunicações Ltda	72,242	70,674	(9,516)	99.99%	70,667	(9,515)
Brisanet Gerenciadora de Ativos Ltda	5	(4,295)	(1,012)	99.98%	(4,294)	(1,012)
RPS - Prestação de Serviços de Informática Ltda	32,000	32,309	9,191	99.99%	32,306	9,190
Interservice - Serviços de Elaboração de Dados Ltda. - ME	70	3,440	2,326	99.99%	3,440	2,326
Universo Serviços de Telecomunicações Ltda. - ME	170	3,575	7,741	99.99%	3,575	7,739
					105,694	8,728

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

7. Investments (Individual) (Continued)

c) Information on investments in subsidiaries (Continued)

	12/31/2020					
	Capital	Equity (capital deficiency)	Net income (loss) for the period	Interest held - %	Investment balance	Equity pickup
Brisanet Serviços de Telecomunicações Ltda	65,582	73,529	20,856	99.99%	73,529	20,856
Brisanet Gerenciadora de Ativos Ltda	5	(3,282)	(2,434)	99.99%	(3,282)	(2,434)
RPS - Prestação de Serviços de Informática Ltda	32,000	41,377	712	99.99%	41,377	712
Interservice - Serviços de Elaboração de Dados Ltda. - ME	70	9,864	3,571	99.99%	9,864	3,571
Universo Serviços de Telecomunicações Ltda. - ME	170	6,522	6,440	99.99%	6,522	6,440
Global Industria de Equipamentos para Redes de Comunicação Ltda	1,000	(486)	(13)	99.99%	(486)	(13)
					<u>127,524</u>	<u>29,132</u>

8. Property, plant and equipment (Consolidated)

a) Breakdown

	Annual average depreciation rate - %	06/30/2021		12/31/2020	
		Cost	Accumulated depreciation	Net	Net
Land	-	3,089	-	3,089	3,014
Optical fiber cables	5%	169,800	(13,114)	156,686	108,512
Network construction	10%	58,032	(6,792)	51,240	54,141
Machinery and equipment	10%	36,209	(17,423)	18,786	18,866
Furniture and fixtures	10%	3,412	(478)	2,934	2,115
Sundry facilities (i)	10%	115,379	(17,994)	97,385	77,840
Leasehold improvements	15%	765	(15)	750	765
Computers and peripherals	20%	19,778	(7,218)	12,560	10,810
Vehicles	20%	17,375	(11,972)	5,403	6,695
Software	20%	166,332	(53,838)	112,494	108,611
Electronic equipment	20%	315,350	(79,632)	235,718	165,448
Advances to suppliers (ii)	-	25,925	-	25,925	5,035
Imports in progress (iii)	-	69,623	-	69,623	35,426
PPE in progress (iv)	-	153,968	-	153,968	50,254
		<u>1,155,037</u>	<u>(208,476)</u>	<u>946,561</u>	<u>647,532</u>

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

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

b) Changes in balances

	12/31/2020	Additions	Write-offs	Transfers	Depreciation	06/30/2021
Land	3,014	75	-	-	-	3,089
Optical fiber cables	108,512	3,370	-	48,204	(3,400)	156,686
Network construction	54,141	-	-	-	(2,901)	51,240
Machinery and equipment	18,866	2,257	-	-	(2,337)	18,786
Furniture and fixtures	2,115	973	(9)	-	(145)	2,934
Sundry facilities (i)	77,840	7,689	(1)	16,996	(5,139)	97,385
Leasehold improvements	765	-	-	-	(15)	750
Computers and peripherals	10,810	3,467	-	-	(1,717)	12,560
Vehicles	6,695	192	(2)	-	(1,482)	5,403
Software	108,611	69	-	19,220	(15,406)	112,494
Electronic equipment	165,448	25,585	-	70,189	(25,504)	235,718
Advances to suppliers (ii)	5,035	-	-	20,890	-	25,925
Imports in progress (iii)	35,426	204,207	-	(170,010)	-	69,623
PPE in progress (iv)	50,254	109,203	-	(5,489)	-	153,968
	647,532	357,087	(12)	-	(58,046)	946,561

	12/31/2019	Additions	Write-offs	Transfers	Depreciation	12/31/2020
Land	3,008	6	-	-	-	3,014
Optical fiber cables	64,720	11,305	-	37,123	(4,636)	108,512
Network construction	-	-	-	58,032	(3,891)	54,141
Machinery and equipment	14,419	9,190	(64)	(52)	(4,627)	18,866
Furniture and fixtures	1,238	1,075	-	-	(198)	2,115
Sundry facilities (i)	46,446	18,651	-	19,602	(6,859)	77,840
Leasehold improvements	765	-	-	-	-	765
Computers and peripherals	7,219	6,073	-	-	(2,482)	10,810
Vehicles	9,209	193	(42)	426	(3,091)	6,695
Trucks and truck bodies	426	-	-	(426)	-	-
Software	33,698	889	-	89,636	(15,612)	108,611
Electronic equipment	66,473	9,813	(2)	118,392	(29,228)	165,448
Advances to suppliers (ii)	3,836	-	-	1,199	-	5,035
Imports in progress (iii)	28,245	278,697	-	(271,516)	-	35,426
PPE in progress (iv)	37,046	67,476	(1,852)	(52,416)	-	50,254
	316,748	403,368	(1,960)	-	(70,624)	647,532

(i) Sundry facilities

This refers to materials used in infrastructure of external networks.

(ii) Advances to suppliers

These refer basically to advances for purchase of equipment items.

(iii) Imports in progress

Refers to shipping of equipment and costs incurred in transit.

(iv) PPE in progress

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

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

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

b) Changes in balances (Continued)

(v) Interest capitalization

In the current period, the Company and its subsidiaries capitalized interest on loans and financing amounting to R\$5,574 (R\$5,081 in the year ended December 31, 2020).

(vi) Guarantees

As at June 30, 2021, the Company and its subsidiaries recorded PPE items given in guarantee amounting to R\$150,098 (R\$155,993 at December 31, 2020).

(vii) 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).

(viii) 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.

9. Intangible assets (Consolidated)

a) Changes in balances

	Average annual amortization rate - %	12/31/2020	Additions	Write- offs	12/31/2021
Cost					
Radiofrequency license - GHZ	20%	205	527	-	732
Software and system licenses	20%	6,326	-	-	6,326
ADM projects	20%	1,433	-	-	1,433
Goodwill	-	-	9,641	-	9,641
Trademarks and patents	-	-	2	-	2
Total cost		7,964	10,170	-	18,134
Accumulated amortization					
Radiofrequency license - GHZ	20%	(27)	(10)	-	(37)
Software and system licenses	20%	(929)	(633)	-	(1,562)
ADM projects	20%	(287)	(143)	-	(429)
Total accumulated amortization		(1,243)	(786)	-	(2,028)
Intangible assets, net		6,721	9,384	-	16,106

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

9. Intangible assets (Consolidated) (Continued)

a) Changes in balances (Continued)

	Average annual amortization rate - %	12/31/2019	Additions	Write- offs	12/31/2020
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 June 30, 2021 and December 31, 2020, breakdown of trade accounts payable is as follows:

	06/30/2021	12/31/2020
Domestic suppliers	59,552	17,040
Foreign suppliers	116,421	120,189
	175,973	137,229

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

11. Loans and financing (Consolidated)

Type	Weighted average rates	06/30/2021	12/31/2020
Working capital	0.95% p.m. – Fixed rate	72,878	54,879
Working capital	0.35% p.m. + CDI	263,579	340,449
	0.27% p.m. + Long-term Interest Rate		
Working capital	(TJLP)	9,830	13,304
Working capital	0.23% p.m. + TLP	8,879	11,340
Working capital (foreign currency)	0.35% p.m. + CDI (Swap)	42,644	-
PPE financing (CDC)	1.05% p.m. – Fixed rate	24,802	26,800
	0.29% p.m. + Long-term Interest Rate		
PPE financing (FINEM)	(TJLP)	10,304	12,652
PPE financing (FINEM)	0.27% p.m. + TLP	52,018	55,262
PPE financing (Brazilian Financing Fund for the Northeast - FNE)	0.22% p.m. + Extended Consumer Price Index (IPCA)	41,156	44,448
Import financing	0.54% p.m. + exchange rate	75,936	92,613
		602,026	651,747
Current		214,674	251,877
Noncurrent		387,352	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:

	06/30/2021	12/31/2020
Certificate accounts with lottery prizes	420,031	464,068
Guarantees and disposals	1,675,758	819,620
Assets given in guarantee	150,098	155,993
	2,245,887	1,439,681

Changes in loans and financing are as follows:

	06/30/2021	12/31/2020
Opening balance	651,747	264,983
Funds raised	54,086	474,435
Interest recognized	27,233	49,562
Monetary variations	4,307	7,314
Amortization of principal	(92,719)	(120,581)
Interest paid	(42,628)	(23,966)
Closing balance	602,026	651,747

Noncurrent portions mature as follows:

	06/30/2021	12/31/2020
2022	115,022	117,054
2023	102,079	103,882
2024	81,017	83,466
2025	52,612	55,271
2026	30,855	34,217
2027 onwards	5,767	5,980
	387,352	399,870

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

11. Loans and financing (Consolidated) (Continued)

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.

12. Debentures

a) Breakdown

	<u>Installments</u>	<u>Charges (p.a.)</u>	<u>06/30/2021</u>
First issue (i)			
Nonconvertible debentures	7	5.76% p.a. + IPCA	511,566
(-) Issue costs to be recorded			(31,817)
			<u>479,749</u>
Current			11,566
Noncurrent			468,183

Changes in loans and financing are as follows:

b) Changes

	<u>06/30/2021</u>
Opening balance	-
Debentures raised	500,000
Interest	11,566
Debenture costs	(32,646)
Amortization of funding costs	829
Closing balance	<u>479,749</u>

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

12. Debentures (Continued)

Noncurrent portions mature as follows:

	<u>06/30/2021</u>
2025	142,889
2026	142,844
2027 onwards	<u>182,450</u>
	<u>468,183</u>

i. First issue

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

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

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

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

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

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

13. Rights-of-use and lease obligations (Consolidated)

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

Agreements per period and discount rate:

Agreement period	Rate % p.a.	
	06/30/2021	12/31/2020
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:

	06/30/2021	12/31/2020
Opening balance	33,474	9,817
Interest recognized	1,905	2,781
Additions due to new agreements	18,991	43,203
Consideration paid	(9,701)	(20,077)
Interest paid	(2,149)	(2,250)
Closing balance	42,520	33,474
Current	14,593	5,562
Noncurrent	27,927	27,912

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

	06/30/2021	12/31/2020
Installment maturity		
2021	14,585	4,076
2022	8,913	7,852
2023	8,259	7,637
2024	6,419	5,126
2025 onwards	18,446	22,767
Undiscounted amounts	56,622	47,458
Embedded interest	(14,102)	(13,984)
Lease obligation balance	42,520	33,474

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

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

Changes in rights-of-use are as follows:

	<u>06/30/2021</u>	<u>12/31/2020</u>
Opening balance	34,117	9,901
Additions due to new agreements	18,991	43,203
Amortization expenses	(10,659)	(18,987)
Closing balance	<u>42,449</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	56,422	42,520
Potential PIS/COFINS (9.25%)	5,219	3,933

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 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 June 30, 2021 and December 31, 2020 are presented below.

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

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

Misstatement due to application of CPC 06 (R2) (Continued)

	<u>06/30/2021</u>	<u>12/31/2020</u>
Rights-of-use, net		
CPC06(R2) / IFRS 16	42,449	34,117
Amounts including future inflation	43,815	35,311
Difference	<u>1,366</u>	<u>1,194</u>
Lease obligations		
CPC06(R2) / IFRS 16	42,520	33,474
Amounts including future inflation	43,802	34,646
Difference	<u>1,282</u>	<u>1,172</u>
Finance costs		
CPC06(R2) / IFRS 16	(1,905)	(2,781)
Amounts including future inflation	(1,971)	(2,878)
Difference	<u>(66)</u>	<u>(97)</u>
Depreciation expenses		
CPC06(R2) / IFRS 16	(10,659)	(18,987)
Amounts including future inflation	(11,032)	(19,652)
Difference	<u>(373)</u>	<u>(665)</u>

14. Labor and social obligations (Consolidated)

	<u>06/30/2021</u>	<u>12/31/2020</u>
Salaries and wages	13,137	9,946
Social charges on salaries and wages	7,223	5,885
Accrued vacation pay and 13 th monthly salary	17,295	8,214
Social charges on accrued vacation pay and 13 th monthly salary	6,189	2,994
Other	186	61
	<u>44,030</u>	<u>27,100</u>

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

15. Taxes paid in installments (Consolidated)

	<u>06/30/2021</u>	<u>12/31/2020</u>
Federal (a)	7,194	7,806
State	-	57
	<u>7,194</u>	<u>7,863</u>
Current	1,551	1,274
Noncurrent	5,643	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 98 installments are not yet due at June 30, 2021.

Changes in taxes paid in installments are as follows:

	<u>06/30/2021</u>	<u>12/31/2020</u>
Opening balance	7,863	8,666
Restatements	386	149
New installment payments	-	2,077
Amortization of principal and interest	(1,055)	(3,029)
Closing balance	<u>7,194</u>	<u>7,863</u>

Noncurrent portions mature as follows:

	<u>06/30/2021</u>	<u>12/31/2020</u>
2022	1,048	1,390
2023	543	818
2024	543	818
2025	543	818
2026 onwards	2,966	2,745
	<u>5,643</u>	<u>6,589</u>

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

16. Provision for contingencies (Consolidated)

As at June 30, 2021, the Company and its subsidiaries are parties to proceedings of civil, tax and labor natures whose likelihood of an unfavorable outcome was considered probable, for which management set up provision for contingencies, amounting to R\$1,095 (R\$2,729 at December 31, 2020). 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
Reversal	(16)	-	(38)	(54)
Balance at December 31, 2020	1,777	950	2	2,729
Set-up	362	-	65	427
Reversal	(1,113)	(948)	-	(2,061)
Balance at June 30, 2021	1,026	2	67	1,095

Additionally, at June 30, 2021, the Company and its subsidiaries were parties to proceedings of civil and labor natures whose likelihood of an unfavorable outcome was rated as possible, amounting to R\$3,267 (R\$88 at December 31, 2020).

17. Government grants (Consolidated)

a) Federal Government

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

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

Effective period: 10 years.

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

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

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

Effective period: 10 years.

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

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

17. Government grants (Consolidated) (Continued)

a) Federal Government (Continued)

Subsidiaries Brisanet Serviços de Telecomunicações Ltda. and Universo Serviços de Telecomunicações Ltda. used the Sudene tax benefit in the six-month period ended June 30, 2021, and recorded tax benefits relating to income tax decrease amounting to R\$686 (R\$764 in the six-month period ended June 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 six-month period ended June 30, 2021, subsidiary Brisanet Serviços de Telecomunicações Ltda. recorded ICMS benefits amounting to R\$28,489 (R\$10,892 at June 30, 2020), as a reduction of ICMS expenses.

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

18. Equity (Individual)

a) Capital

As at June 30, 2021, subscribed and paid-in capital amounts to R\$71,859 (R\$66,209 at December 31, 2020), represented by 71,859,213 shares, with a par value of R\$1.00 (one real) each.

Shareholders	Shares		Percentage - %	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
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	30,180,617	-	42%	-
Paulo Estevam da Silva	7,185,973	-	10%	-
João Paulo Estevam	7,185,973	-	10%	-
Jordão Estevam Nogueira	7,185,973	-	10%	-
Miguel Estevam Parente	4,311,584	-	6%	-
Jordania Karina Nogueira Estevam	3,592,986	-	5%	-
Ana Paula Nogueira	3,592,986	-	5%	-
Francisco Estevam Sobrinho	3,233,663	-	4.5%	-
Francisco de França Reis	2,155,792	-	3%	-
Pedro Salas Queiroz Estevam	1,616,833	-	2.25%	-
Gabriela Queiroz Estevam	1,616,833	-	2.25%	-
Total	71,859,213	66,209,213	100%	100%

On June 21, 2021, the Company carried out a capital increase in the amount of R\$5,650, distributed proportionally among shareholders. Subscribed and paid-in capital increased to R\$71,859, represented by 71,859,213 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.

As of June 30, 2021, capital authorized for increase by the Board of Directors, regardless of statutory amendment, is of up to 150,000,000 additional common shares.

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

18. Equity (Individual) (Continued)

b) Income reserves

Legal reserve: recorded based on 5% of net income for the period, 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.

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 payable are as follows:

	<u>06/30/2021</u>	<u>12/31/2020</u>
Opening balance	-	-
Mandatory minimum dividend	-	277
Dividend approved	2,205	9,374
Dividend paid	(2,205)	(9,651)
Closing balance	<u>-</u>	<u>-</u>

19. Net operating revenue (Consolidated)

	<u>Consolidated</u>			
	<u>04/01/2021 to 06/30/2021</u>	<u>04/01/2020 to 06/30/2020</u>	<u>01/01/2021 to 06/30/2021</u>	<u>01/01/2020 to 06/30/2020</u>
Gross sales revenue				
Services provided	196,880	120,604	384,320	233,451
Products resold	222	-	225	-
	<u>197,102</u>	<u>120,604</u>	<u>384,545</u>	<u>233,451</u>
Deductions from gross revenue				
(+) Taxes on revenue	(41,875)	(24,815)	(78,761)	(44,026)
Tax benefits (Note 17)	14,917	6,514	28,489	10,892
	<u>(26,958)</u>	<u>(18,301)</u>	<u>(50,272)</u>	<u>(33,134)</u>
Net operating revenue	<u>170,144</u>	<u>102,303</u>	<u>334,273</u>	<u>200,317</u>

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

20. Operating costs and expenses by nature and function

	Individual			
	04/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2021 to 06/30/2021	01/01/2020 to 06/30/2020
By nature:				
Third-party services	(76)	-	(76)	-
General expenses	(1.176)	-	(1.331)	-
Provision for contingencies	5	-	5	-
Other	(11)	-	(11)	-
	(1.258)	-	(1.413)	-
By function:				
Administrative expenses	(1.252)	-	(1.407)	-
Other operating expenses, net	(6)	-	(6)	-
	(1.258)	-	(1.413)	-
	Consolidated			
	04/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2021 to 06/30/2021	01/01/2020 to 06/30/2020
By nature:				
Direct costs	(8,822)	(1,079)	(13,165)	(1,613)
Direct connectivity costs	(4,347)	(5,898)	(9,497)	(8,480)
Indirect costs	(3,287)	(655)	(7,955)	(2,339)
Indirect costs of right of way (poles)	(8,385)	(8,152)	(11,343)	(10,704)
Indirect costs of customer activation	(1,284)	(2,372)	(4,312)	(3,965)
Salaries and wages	(42,542)	(20,442)	(82,373)	(47,772)
Salaries and wages of customer activation	(10,835)	(6,078)	(20,189)	(10,402)
Third-party services	(11,967)	(2,890)	(19,921)	(7,319)
Advertising and promotion	(5,731)	(1,681)	(9,580)	(4,116)
Depreciation and amortization	(37,667)	(18,858)	(69,491)	(37,015)
General expenses	(2,801)	44	(8,718)	(4,368)
Tax expenses	(1,578)	(526)	(2,542)	(1,707)
Rentals (a)	(1,430)	(39)	(3,051)	(590)
Materials and maintenance	(7,193)	539	(10,768)	(3,904)
Other personnel expenses	(8,633)	(3,801)	(16,814)	(7,367)
Allowance for expected credit losses	(2,534)	(78)	(10,377)	(11,925)
Provision for contingencies	(347)	-	1,634	-
Software and projects (b)	(332)	(1,057)	(2,807)	(1,907)
Other	(3,976)	1,024	(42)	(2,090)
	(163,691)	(71,999)	(301,311)	(167,583)
By function:				
Cost of services	(103,221)	(49,062)	(184,829)	(95,255)
Administrative expenses	(41,120)	(16,316)	(76,151)	(37,423)
Selling expenses	(16,098)	(5,318)	(29,875)	(14,638)
Tax expenses	(1,578)	(525)	(2,542)	(1,707)
Other operating expenses, net	(1,674)	(778)	(8,314)	(18,560)
	(163,691)	(71,999)	(301,311)	(167,583)

(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). In the second quarter, pole lease expenses were reclassified to indirect costs of rights of way (poles); and

(b) These refer to system maintenance services.

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Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

21. Finance income/(costs) (Consolidated)

	04/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2021 to 06/30/2021	01/01/2020 to 06/30/2020
Finance costs				
Interest on loans and financing, and debentures	(12.896)	(3.455)	(39.628)	(10.092)
Late-payment interest and fines	(615)	(1.694)	(1.014)	(2.112)
Exchange losses	(3.909)	(15.784)	(12.412)	(26.361)
Bank charges	(2.101)	(2.654)	(4.751)	(2.980)
Interest on leases	(696)	(264)	(1.905)	(959)
Tax on Financial Transactions (IOF)	(406)	(134)	(1.125)	(604)
Collection fees	(348)	(340)	(679)	(596)
Interest on installment payments	(171)	(74)	(386)	(389)
Derivative transactions – swap	(11.327)	-	(11.781)	-
Other	(19)	123	810	(1)
	(32.488)	(24.276)	(72.871)	(44.094)
Finance income				
Interest income received	2.332	16	4.224	1.268
Short-term investment yield	2.262	282	2.670	763
Exchange gains	35.144	7.722	38.679	7.931
Derivative transactions – swap	2.174	-	3.162	-
Other finance income	221	(88)	3.640	-
	42.133	7.932	52.375	9.962
Finance income (costs)	9.645	(16.344)	(20.496)	(34.132)

22. Income and social contribution taxes (Consolidated)

As at June 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\$120 over 6 months, and at 9% social contribution tax.

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Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

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

Current income and social contribution tax expense is as follows:

	04/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2021 to 06/30/2021	01/01/2020 to 06/30/2020
Taxable profit computed on accounting records: (a)				
Current income tax	(1,101)	(420)	(2,968)	(1,353)
Current social contribution tax	(412)	(145)	(808)	(484)
Tax benefit – income tax reduction (Note 17)	248	659	686	764
Deferred income and social contribution taxes	2,862	1,171	2,622	2,638
	1,597	1,265	(468)	1,565
Taxable profit computed as a percentage of gross revenue: (b)				
Income tax	(2,219)	(2,444)	(3,473)	(5,157)
Social contribution tax	(938)	(854)	(1,211)	(1,837)
	(3,157)	(3,298)	(4,684)	(6,994)
Total income and social contribution tax expenses:				
Current income and social contribution taxes	(4,670)	(3,863)	(8,460)	(8,831)
Deferred income and social contribution taxes	2,862	1,171	2,622	2,638
Tax benefit – income tax reduction (Note 17)	248	659	686	764
	(1,560)	(2,033)	(5,152)	(5,429)

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

(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:

	06/30/2021	12/31/2020
Assets		
Income and social contribution tax losses	2,098	2,098
Allowance expected credit losses	2,400	1,490
Provision for contingencies	125	353
Lease payable	623	21
	5,246	3,962
Liabilities		
Derivative transactions	(480)	(1,818)
	(480)	(1,818)
Deferred income and social contribution taxes, net	4,766	2,144

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Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

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

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

a) Subsidiaries that adopt 'lucro real':

	Consolidated		Consolidated	
	04/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2021 to 06/30/2021	01/01/2020 to 06/30/2020
Income (loss) before income and social contribution taxes	4,325	6,936	(1,470)	(788)
Combined statutory rate - 34%	34%	34%	34%	34%
Income and social contribution taxes at statutory rates	(1,470)	(2,358)	500	268
Permanent differences				
Tax benefit – income tax reduction (Note 17)	248	659	686	764
(Additions) exclusions, net	2,819	2,964	(1,654)	533
Income and social contribution tax expenses	1,597	1,265	(468)	1,565
Effective rate (%)	(37%)	(18%)	(32%)	199%

b) Company and subsidiaries that adopt 'lucro presumido':

	01/01/2021 to 06/30/2021		01/01/2020 to 06/30/2020	
	Income tax	Social contribution tax	Income tax	Social contribution tax
Gross revenue	34,899	34,899	60,135	60,135
Gross revenue percentage	32%	32%	32%	32%
	11,168	11,168	19,243	19,243
Finance income	2,273	2,273	1,085	1,085
	13,441	13,441	20,328	20,328
Deducted portion	(120)	-	(120)	-
Gross revenue base	13,321	13,441	20,208	20,328
	(3,473)	(1,211)	(5,157)	(1,837)
Effective rate (%)	26%	9%	26%	9%

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

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

b) Company and subsidiaries that adopt 'lucro presumido': (Continued)

	04/01/2021 to 06/30/2021		04/01/2020 to 06/30/2020	
	Income tax	Social contribution tax	Income tax	Social contribution tax
Gross revenue	17,530	17,530	26,891	26,891
Gross revenue percentage	32%	32%	32%	32%
	5,610	5,610	8,605	8,605
Finance income	2,016	2,016	1,083	1,083
	7,626	7,626	9,688	9,688
Deducted portion	(60)	-	(60)	-
Gross revenue base	7,566	7,626	9,628	9,688
	(2,219)	(938)	(2,444)	(854)
Effective rate (%)	29%	5%	25%	9%

23. 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.

	06/30/2021	06/30/2020
Profit (loss) attributable to Company shareholders	7,313	(6,826)
Weighted average number of common shares issued	66,271,991	66,209,213
Basic and diluted earnings (loss) per share – in (R\$)	0.11	(0.10)

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

24. Financial instruments and risk management

a) Capital management

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

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

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

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 June 30, 2021 and December 31, 2020, debt ratios are summarized as follows:

	Note	Consolidated	
		06/30/2021	12/31/2020
Total loans and financing	11	602,026	651,747
Total debentures	12	479,749	-
Total lease obligations	13	42,520	33,474
Less: cash and cash equivalents	3	(269,191)	(171,104)
Less: short-term investments		(78,368)	(9,665)
Less: derivatives		(3,148)	(11,767)
Net debt	A	773,588	492,685
Total equity	18	137,949	127,191
Equity plus net debt – total capital	B	911,537	619,876
Financial leverage ratio	A / B	84.9%	79.5%

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

24. Financial instruments and risk management (Continued)

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.

c) Category of financial instruments

	Consolidated	
	06/30/2021	12/31/2020
Financial assets at amortized cost:		
Cash and cash equivalents	269,191	171,104
Short-term investments	88,038	16,145
Trade accounts receivable	86,352	69,555
Financial assets at fair value through profit or loss		
Derivative transactions	5,554	11,918
	449,135	268,722
Financial liabilities at amortized cost:		
Trade accounts payable	175,973	137,229
Loans and financing	602,026	651,747
Debentures	479,749	-
Lease obligations	42,520	33,474
Financial liabilities at fair value through profit or loss.		
Derivative transactions	2,406	151
	1,302,674	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.

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

24. Financial instruments and risk management (Continued)

c) Category of financial instruments (Continued)

- *Trade accounts receivable*: classified as receivables and recorded at their original amounts, subject to allowance for expected credit losses, when applicable.
- *Trade account payable*: derive from transactions with third parties for purchase of assets and materials necessary for company operation, at market prices.
- *Loans and financing and debentures*: measured at amortized cost under the effective interest rate method.

d) Credit risk

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

Trade accounts receivable subject to credit risk are presented in Note 4. As at June 30, 2021, Company subsidiaries recorded allowance for expected credit losses amounting to R\$25,548 (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.

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

24. Financial instruments and risk management (Continued)

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.

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:

	<u>Total at 06/30/2021</u>	<u>Within 6 months</u>	<u>From 6 to 12 months</u>	<u>From 1 to 2 years</u>	<u>From 2 to 5 years</u>	<u>Over 5 years</u>
Trade accounts payable	175,973	149,325	26,648	-	-	-
Loans	536,686	89,188	97,400	142,198	204,285	3,615
Derivatives	65,340	10,854	11,854	17,306	24,862	464
Debentures	479,749	11,566	-	-	200,653	267,530
Lease obligations	42,520	10,940	3,453	12,016	9,670	6,441
	<u>Total at 12/31/2020</u>	<u>Within 6 months</u>	<u>From 6 to 12 months</u>	<u>From 1 to 2 years</u>	<u>From 2 to 5 years</u>	<u>Over 5 years</u>
Trade accounts payable	137,229	111,461	25,768	-	-	-
Loans	599,031	119,272	132,605	116,848	230,306	-
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 interim financial information (Continued)

June 30, 2021

(In thousands of reais)

24. Financial instruments and risk management (Continued)

h) Currency risk

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

Derivative financial instruments

The derivatives and fx forward contracts have as counterparty a financial institution and were contracted to cover potential risks involved in the purchase of PPE items abroad. The essential terms of the fx forward contracts were negotiated so as to be in line with the existing sale commitments contracted in foreign currency. As at June 30, 2021, Company subsidiaries presented a consolidated balance receivable of R\$5,554 (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	06/30/2021	12/31/2020
Derivative transactions receivable – Swap	5,554	11,918
	5,554	11,918
Current	2,306	3,701
Noncurrent	3,248	8,217
	5,554	11,918

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

24. Financial instruments and risk management (Continued)

h) Currency risk (Continued)

Derivative financial instruments (Continued)

Aging list of swap transactions:

	<u>06/30/2021</u>	<u>12/31/2020</u>
2021	2,306	3,701
2022	1,724	1,413
2023	1,392	3,817
2024	132	2,987
	<u>5,554</u>	<u>11,918</u>
	<u>06/30/2021</u>	<u>12/31/2020</u>
Outstanding swap transactions:		
Loans and financing – book value	65,340	52,716
Loans and financing – fair value	(59,786)	(40,798)
Gain adjustments from financial instruments – swap	<u>5,554</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 at June 30, 2021 and December 31, 2020, hedging transactions represented 10.85% (R\$65,340 / R\$602,026) 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 hedging instruments to protect financial transactions denominated in foreign currency. These transactions were performed using the same credit operations in order to prevent any position mismatch.

As at June 30, 2021, derivative financial instruments amounted to R\$5,554 (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 June 30, 2021, net realized and unrealized gains (losses) deriving from these contracts were recorded in finance income (costs), and represented consolidated net losses amounting to R\$6,364 (no derivative transactions were performed in the quarter ended June 30, 2020).

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

24. Financial instruments and risk management (Continued)

i) Sensitivity analysis of CDI and USD variations

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

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

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

June 30, 2021

Instrument/transaction	Probable scenario	Risk	Consolidated		
			Current scenario	Scenario II	Scenario III
Loans and financing	1.28%	CDI increase	(10,350)	(12,938)	(15,526)
Loans and financing	4.88%	TJLP increase	(1,321)	(1,651)	(1,981)
Loans and financing	2.87%	TLP increase	(2,661)	(3,326)	(3,992)
Loans and financing	6.56%	IPCA increase	(3,243)	(4,054)	(4,865)
Short-term investments	1.28%	CDI decrease	149	112	75
Projected income (loss)			(17,426)	(21,857)	(26,289)

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

24. Financial instruments and risk management (Continued)

i) Sensitivity analysis of CDI and USD variations

December 31, 2020

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

Currency risk

June 30, 2021

Instrument/transaction	Probable US dollar rate	Risk	Consolidated		
			Current scenario	Scenario II	Scenario III
Trade accounts payable	5.02	Dollar increase	-	(29,687)	(59,375)
Loans and financing	5.02	Dollar increase	-	(19,415)	(38,829)
Projected income (loss)			<u>-</u>	<u>(49,102)</u>	<u>(98,204)</u>

December 31, 2020

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

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

24. Financial instruments and risk management (Continued)

i) Fair value hierarchy

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

- Level 1: 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			
	06/30/2021	Level 1	Level 2	Level 3
Financial assets				
Derivative transactions	5,554	-	5,554	-
Financial liabilities				
Derivative transactions	2,406	-	2,406	-

	Consolidated			
	31/12/20	Level 1	Level 2	Level 3
Financial assets				
Derivative transactions	11.918	-	11.918	-
Financial liabilities				
Derivative transactions	151	-	151	-

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

25. Insurance coverage (Consolidated)

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

Insurance coverage in effect is as follows:

	06/30/2021
Aircraft – civil liability risk	US\$20,000
Aircraft – operational risk	US\$5,200
Other items – operational risk	R\$9,003

Brisanet Participações S.A. and Consolidated

Notes to interim financial information (Continued)

June 30, 2021

(In thousands of reais)

26. Events after the reporting period

a) Going public process

On July 2021, B3, the public offering of the Company's shares on the stock market of B3 S.A. - Brasil, Bolsa e Balcão, denominated "Novo Mercado" was approved at the Board of Directors' Meeting, under ticker symbol "BRIT3", completed upon settlement of the shares on July 30, 2021.

b) Capital increase

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

On July 28, 2021, the Company's capital increase was approved, within the authorized capital limit, in the amount of R\$1,250,000, from R\$71,859 to R\$1,321,859, upon issue of 89,798,851 common shares within the scope of the public offering of shares, with increase in the Company's capital from 359,296,065 to 449,094,916 common shares.

c) Increase in investments at the investee

On July 13, 2021, the Company increased its investment in the investee Brisanet Serviços, by R\$33,758. The Company now holds 99.99% of the investee's capital as of June 30, 2021.