

Earnings Release

1H21



Padtec Holding S.A.

August 13, 2021



Results Webcast

August 16, Monday, 02:00 p.m. (Sao Paulo, Brazil)

Zoom platform

The webcast will be hosted in Portuguese. Access www.padtec.com to add the meeting to your calendar.

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Earnings Release 1H21

Campinas, SP, August 13th, 2021. Padtec Holding S.A. (B3: PDTC3) ("Company" or "Padtec") presents its results for the first half of 2021 ("1H21"), comprising information related to the first ("1Q21") and second quarter ("2Q21") of the year, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). For the purpose of a better comparison with the previous quarters, the Company presents in this report and on its website combined consolidated information, considering Padtec SA as its wholly-owned subsidiary since January 2018.

- 1H21 Highlights

Global supplier of high capacity optical transport systems

➤ Greater demand for connectivity, growth in data consumption and search for better internet quality benefited Padtec's growth.

➤ The telecommunications sector remains thriving, with unprecedented demand since the start of the Covid-19 pandemic: related companies continue to show good results.

Key provider of the mission-critical telecom ecosystem

➤ Gross revenues of R\$ 205.7 million in the semester (63.7% above 1H20), R\$ 119.6 million in 2Q21 and R\$ 86.1 million in 1Q21, with growth in the two business lines: DWDM (very high capacity connections) and Premium Services.

➤ In 2Q21: the best gross revenue in the Company's recent history: R\$ 119.6 million, 86.3% higher than in 2Q20 and 38.8% higher than in 1Q21.

Innovative solutions, diversified product portfolio, qualified team with high expertise in the technologies developed

➤ Gross profit of R\$ 55.3 million in the semester, gross margin of 35.5%. Gross profit of R\$ 32.0 million in 2Q21, with a gross margin of 35.8%.

➤ Net income of R\$ 22.6 million in 1H21, comprising R\$ 10.9 million in 2Q21 and R\$ 11.7 million in 1Q21.

Proximity and partnership with customers in offering Premium Services for high capacity networks

➤ EBITDA reached R\$ 36.0 million in 1H21, with an EBITDA margin of 23.2%. Adjusted EBITDA, excluding non-recurring effects, reached R\$ 21.1 million in 1H21, with an Adjusted EBITDA margin of 13.6%.

➤ In 2Q21, EBITDA was R\$ 15.7 million (with an EBITDA margin of 17.6%). Adjusted EBITDA reached R\$ 15.3 million in 2Q21, a quarterly record in the Company's recent history, with an Adjusted EBITDA margin of 17.1%.

Leadership in the high capacity data connectivity market in Brazil

➤ R\$ 19.4 million allocated to R&D in 1H21, representing 12% of the Company's revenue in the semester.

➤ Solid capital structure: total debt of R\$ 79.5 million at the end of June 2021 (31% short term and 69% long term), net debt of R\$ 4.0 million.

➤ Inauguration of its distance training studio: by offering an extensive portfolio of technical training at a distance, Padtec contributes to the development of professionals specialized in high-capacity communication networks systems.

- Continuous improvement in the client satisfaction index and creation of the Satisfaction Committee, which brings together managers from different areas of the Company, to listen to clients, debate innovations suited to each client profile and promote improvements in the products and services offered.
- Adherence to the B3's Novo Mercado: since May 10, the Company's shares have been listed on this special segment of the Brazilian stock exchange, intended for companies with the highest standards of corporate governance.

- Agreement with Televés, a reference in telecommunications infrastructure solutions, aiming to expand the Company's operations in Europe, the Middle East and Africa (EMEA) signed in June 2021.

R\$ thousand	Selected Financial Indicators - Combined*									
	1Q20	2Q20	3Q20	4Q20	1H20	2020	1Q21	2Q21	1H21	2021
Gross operating revenues	61.475	64.178	84.777	107.448	125.653	317.876	86.133	119.554	205.687	205.687
Gross profit	15.452	17.785	23.051	28.939	33.237	85.223	23.341	31.958	55.299	55.299
Net profit	(821)	1.454	7.801	7.860	633	16.293	11.721	10.903	22.624	22.624
Adjusted EBITDA	(1.250)	5.867	11.339	10.802	4.617	26.756	5.816	15.323	21.139	21.139
Adjusted EBITDA margin	-2,4%	11,5%	17,9%	13,2%	0,0%	10,8%	8,8%	17,1%	13,6%	13,6%
Gross debt	44.857	74.177	79.354	82.510	74.177	82.510	81.071	79.502	79.502	79.502
Net debt	(2.461)	(4.970)	9.929	(1.565)	(4.970)	(1.565)	11.823	3.981	3.981	3.981

- The Company's performance in 1H21

In the last few months, the definition of “normal life” has changed a lot, being widely recognized that in the midst of the Covid-19 pandemic, with the implementation of social distance policies, the whole society had to adapt to a new reality of remote work, education, consumption, entertainment and relationships, which resulted in the acceleration of digitalization for companies of all segments and sizes. Experts predict that even after the end of this pandemic, hybrid models of education (face-to-face and distance) and remote work will be trends that will remain on the rise, leading to the continued growing and high demand for connectivity and data transport capacity.

For this reason, the technology sector has been one of the least affected and related companies have been showing good results. In 1H21, Padtec's gross revenues grew 63.7% compared to the same period of the previous year and Adjusted EBITDA reached R\$ 21.1 million, with an Adjusted EBITDA margin of 13.6%.

Padtec remains well positioned in the telecommunications ecosystem to offer the market increasingly innovative telecommunications solutions and services and state-of-the-art technology, in a competitive manner, and thus consolidate its leadership in Brazil and expand its presence abroad.

Operating Revenue

Gross operating revenue totaled R\$ 205.7 million in 1H21, 63.7% higher than in 1H20, R\$ 125.7 million, with sales of optical transport systems (DWDM equipment) accounting for R\$ 179 million (89% of the total in the semester) and Premium Services for R\$ 26.7 million (11% of total revenues).

Padtec's client portfolio is made up of several companies, of various sizes, that operate on different fronts in the telecommunications ecosystem. In 1H21, revenue from sales of optical transport systems, in the amount of R\$ 179 million, increased by R\$ 77.1 million, or 75.6%, compared to 1H20, with growth in all categories of clients.

Revenues from Premium Services, comprising high-tech services that assist in the operation and development of the Company's clients' data networks, recorded an increase of 12.4% in the semester, equivalent to R\$ 2.9 million.

In quarterly terms, 2Q21 was the best in the Company's recent history: gross revenue was R\$ 119.6 million, 86.3% higher than in 2Q20, R\$ 64.2 million, and 38.8% higher than 1Q21, R\$ 86.1 million. In turn, gross revenue in 1Q21 was 40.1% higher than that recorded in 1Q20, R\$ 61.5 million.

R\$ thousand	GROSS REVENUES										1H2021 x		2Q2021 x		2Q2021 x		1Q2021 x	
	1Q2020	2Q2020	3Q2020	4Q2020	1H2020	2020	1Q2021	2Q2021	1H2021	2021	1H2020	2Q2020	1Q2021	1Q2020	4Q2020			
DWDM	49.873	52.040	72.695	95.156	101.913	269.764	72.705	106.303	179.008	179.008	75,6%	104,3%	46,2%	45,8%	88,1%			
Premium Service	11.602	12.136	12.082	12.292	23.738	48.112	13.428	13.250	26.678	26.678	12,4%	9,2%	-1,3%	15,7%	117,0%			
Total Revenues	61.475	64.176	84.777	107.448	125.651	317.876	86.133	119.553	205.686	205.686	63,7%	86,3%	38,8%	40,1%	-19,8%			

Gross Profit

In 1H21, gross profit was R\$ 55.3 million, 66.4% higher than in 1H20, R\$ 33.2 million. Gross margin in the semester was 35.5%, compared to 32.5% in 1H20, an increase of 3 (three) basis points, proving the good profitability of the Company, even with the exchange rate fluctuation between the periods.

Gross profit in 2Q21 totaled R\$ 32 million, with a gross margin of 35.8%, and in 1Q21, R\$ 23.3 million, with a gross margin of 35.2%.

Operating Expenses/Revenues

In 1H21, administrative expenses were R\$ 13.0 million (R\$ 6.5 million in each quarter), an increase of 10.4% compared to R\$ 11.8 million in 1H20.

Selling expenses totaled R\$ 14.9 million (R\$ 7.1 million in 2Q21 and R\$ 7.8 million in 1Q21), 52.3% higher than in 1H20, R\$ 9.8 million, due to higher expenses associated with the structuring of the Company's international expansion and higher sales in the period.

The Company invested R\$ 19.4 million in research and development in 1H21, having allocated R\$ 10.2 million in 2Q21 and R\$ 9.2 million in 1Q21. However, the amounts recorded in the Income Statement bring the effect of deferrals and, therefore, these expenses total R\$ 13.5 million, R\$ 7.6 million and R\$ 5.6 million, respectively, in these periods, 8,5% above expenditures in 1H20.

Other operating revenues (expenses) were R\$ 1.8 million in 1H21. Changes in provisions for contingency made in the semester and the registration of ICMS gain on PIS and COFINS in the amount of R\$ 1.7 million in 1Q21, according to the decision obtained by the Company in August 2020, make up this amount.

Finance Result

The financial result for the semester was composed of financial income of R\$ 9.6 million and financial expenses of R\$ 9.1 million, totaling a positive financial result of R\$ 0.5 million, impacted by the appreciation of the Brazilian Real exchange rate against the US Dollar in recent months.

Income for the period

In March 2021, the Company received R\$ 12.0 million due to the completion of the third milestone of the divestment of its Submarine Systems division, which took place in 1Q19. In that same month, the Company received R\$ 0.8 million from the sale of the remaining equity interest in Batanga, a company that was invested by Ideiasnet. In 2Q21, R\$ 0.4 million was paid to Padtec due to Batanga's divestiture.

In 1Q20, the Company received approximately R\$ 7.4 million related to the divestment of its Submarine Systems division.

Net income recorded in 1H21 was R\$ 22.6 million compared to R\$ 0.6 million in 1H20. In 2Q21, the Company's net income amounted to R\$ 10.9 million and in 1Q21, R\$ 11.7 million.

Adjusted EBITDA

	Adjusted EBITDA									
R\$ thousand	1Q20	2Q20	3Q20	4Q20	1H20	2020	1Q21	2Q21	1H21	2021
From EBITDA to Net Income										
Net Income	(821)	1.454	7.801	7.860	633	16.293	11.721	10.903	22.624	22.624
Depreciation & Amortization	2.874	2.681	2.967	3.237	5.555	11.759	3.143	3.899	7.042	7.042
Net Financial Results	2.256	2.621	1.143	(805)	4.877	5.214	(168)	(328)	(496)	(496)
Income tax and social contribution	1.864	(888)	(573)	510	975	912	5.613	1.247	6.860	6.860
EBITDA	6.172	5.867	11.339	10.802	12.039	34.178	20.309	15.721	36.030	36.030
Adjustment to Present Value	-	-	-	-	-	-	-	-	-	-
Fiscal Credits (PIS/Cofins)	-	-	-	-	-	-	(1.736)	-	(1.736)	(1.736)
Net Income from Discontinued Operations and Others	(7.423)	-	-	-	(7.423)	(7.423)	(12.759)	(398)	(13.157)	(13.157)
Adjusted EBITDA	(1.250)	5.867	11.339	10.802	4.617	26.755	5.814	15.323	21.137	21.137
Adjusted EBITDA Margin	-2,4%	11,5%	17,9%	13,2%	4,5%	10,8%	8,8%	17,1%	13,6%	13,6%

EBITDA corresponds to net income, plus income and social contribution taxes, depreciation and amortization expenses and financial results. From this number, in 1H21, the non-recurring effects of (i) the third milestone related to the divestment of the Submarine Systems division concluded in 2019 (revenue net of tax effects), in the amount of R\$ 12.8 million, (ii) R\$ 1.2 million related to the sale of the remaining equity interest in Batanga, and (iii) R\$ 1.7 million related to tax credits qualified for offsetting, resulting from a final favorable decision in the process regarding the exclusion of ICMS from the base of PIS/Cofins calculation were discounted, resulting in the Adjusted EBITDA.

Padtec considers that EBITDA is an important parameter for investors, as it provides relevant information about its operating and profitability results. In 1H21, EBITDA totaled R\$ 36.0 million, with an EBITDA margin of 23.2%, and the Adjusted EBITDA reached R\$ 21.1 million, with an Adjusted EBITDA margin of 13.6%.

The EBITDA recorded in 2Q21 was R\$ 15.7 million (EBITDA margin of 17.6%) and the Adjusted EBITDA recorded amounted to R\$ 15.3 million (with Adjusted EBITDA margin of 17.1%), representing a quarterly record in the recent history of the Company.

Indebtedness and Cash

At the end of 1H21, the Company had loans and financing in the amount of R\$ 42.9 million, comprising funding from Banco Safra, Banco ABC Brasil and Banco Daycoval, in addition to a credit line taken with FINEP and whose funds are destined to investments in new products and technologies.

In December 2020, Padtec SA issued R\$ 40 million in simple non-convertible debentures, of the kind with real guarantee, in a single series, for public distribution, placed with restricted efforts under the terms of CVM Instruction 476 and maturity in December 2024. The net funds raised through this issuance were allocated to the re-profiling and lengthening of the Company's debts, including the full payment of debts originally contracted with Banco do Brasil and Banco Itaú.

Thus, total indebtedness, comprising loans, financing and debentures, totaled R\$ 79,5 million at the end of June 2021, with an average borrowing cost of 7.7% per year (compared to 6.3% per year in 2020).

The amounts available in cash and cash equivalents at the end of 1H21 were R\$ 64.1 million and financial investments in guarantee, R\$ 11.4 million, totaling R\$ 75.5 million.

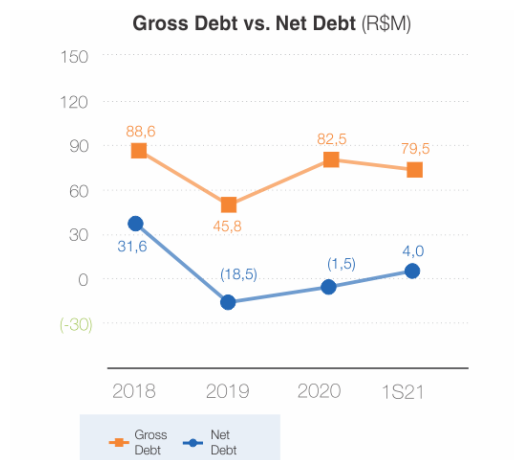
The amounts allocated to financial investments in guarantee correspond to investments made in quotas of the FIC FIDC OSHER fund, the purpose of which is to finance clients and prepay their receivables, in Banco Bradesco's CDB, part used as judicial guarantee insurance and part used to guarantee the debt with the FINEP and financial investments in Banco Alfa and Banco do Brasil that also guarantee the debt with FINEP.

R\$ thousand					CONSOLIDATED	
Modality	Agreed Rate	Due Date (Maturity)	Due Date (Maturity)	Guarantee	Jun 30, 2021	Dec 31, 2020
Working Capital - Safra	CDI + 5,53% p.a.	5,68%	04/26/21 until 09/24/24	-	9.300	10.020
Working Capital - Daycoval	5,9% to 10,08% p.a.	8,33%	07/29/20 until 09/30/24	Receivables	11.565	15.036
Working Capital - ABC Brasil	CDI + 4,38% p.a.	4,47%	12/23/20 until 05/23/24	Receivables	7.791	8.011
FINEP	TR + 2,80% p.a.	2,84%	02/01/23 until 02/01/40	Bank guarantee	14.278	10.365
					42.934	43.432
Padtec S.A. debentures	CDI + 3,80% p.a.	CDI + 3,80% p.a.	06/21/21 until 12/21/24		36.568	39.078
					79.502	82.510
Current liabilities					24.739	18.916
Non-current liabilities					54.763	63.594
					79.502	82.510

Repayment Schedule by Year of Maturity - R\$ thousand							
	2021	2022	2023	2024	2025	2026 onwards	total
Loan and financing	7.104	10.995	7.954	5.596	1.152	10.133	42.934
Debentures	5.413	10.667	10.667	10.667	-	-	37.414
Total	12.517	21.662	18.621	16.263	1.152	10.133	80.348

Of the debt at the end of June 2021, R\$ 79.5 million, 31% (R\$ 24.7 million) correspond to short-term obligations and 69% (R\$ 54.8 million) to long-term obligations. Part of the indebtedness taken by the Company is justified by the need to finance clients, mainly ISPs, in addition to the anticipation of the purchase of supplies to meet the demand presented by clients for the coming months.

In June 2021, net debt was R\$ 4.0 million, with a net debt/Adjusted EBITDA ratio of 0.19 and a net debt/equity ratio of 0.03.



Co-obligations

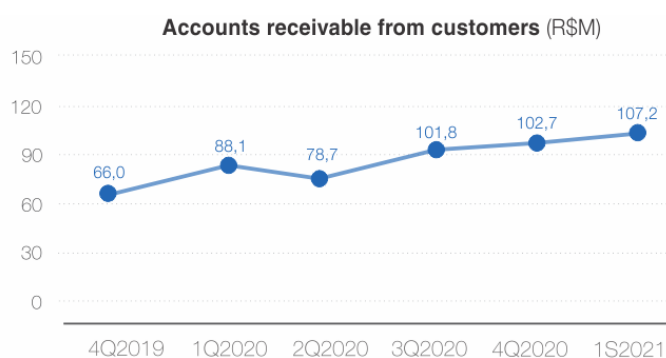
To facilitate the acquisition of its deployment products and services by clients who do not have direct access to the credit lines available on the market, Padtec carries out financial operations of Vendor and in a credit rights investment fund (FIDC, created in October 2019 and administered by the Sifra Group).

In the 1H21, the Company had on its balance sheet operations of this nature in the amount of R\$ 51.7 million, given as guarantee for financing taken by some of its clients. Approximately 77% of these obligations are short-term (23% long-term) and the counterpart of these entries is in current and non-current assets.

Vendor operations, which consist of granting credits through Financing Pledge Agreements entered into between financial institutions and Padtec clients and whose resources are used to purchase Company's products and services, total R\$ 48.5 million.

The operations carried out through the FIDC, in which Padtec holds a 25% interest and operates similarly to the Vendor operations, total R\$ 3.2 million.

Padtec has been carrying out this type of transaction for about three years now, its portfolio is highly dispersed and the default rate is close to zero. In order to better mitigate the credit risk of its counterparties, the Company conducts a meticulous follow-up with each of its clients.



- Investments and growth opportunities

Padtec is in a unique moment of growth, which is based on three main pillars: (i) local expansion in Brazil and international with a focus on Latin America, (ii) diversification of the portfolio of products and services offered, making them more advanced and robust, and (iii) expanding its leadership in the Brazilian market, with an increase in the customer base and a greater recurrence in its sales. All of these initiatives are part of the Company's strategy and are already being implemented.

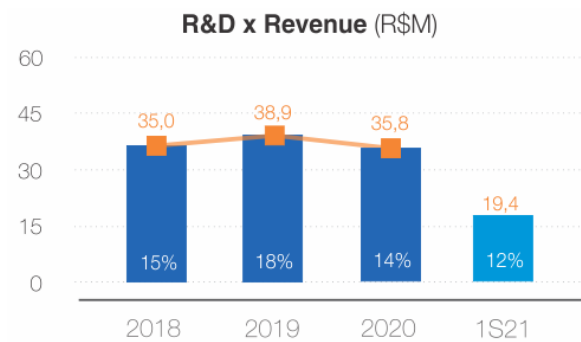
The Company has also been investing in the enhancement of its Corporate Governance and, accordingly, in early May, entered into a contract for the adhesion of Padtec Holding to B3's Novo Mercado. Then, since May 10, its shares are being traded in this special listing segment, considered the maximum standard of corporate governance existing in the Brazilian capital market.

Companies that have shares listed on B3's Novo Mercado undertake to adhere to more stringent governance practices than those practiced in other listing segments of the stock exchange. The adoption of good corporate governance practices results in more efficient management of companies, greater awareness of their role in relation to society and an increase in the perception of value of these companies by all their stakeholders.

As already mentioned above, the Company is present in 16 countries in Latin America, which together represent about 94% of the region's GDP. It has commercial and technical teams in Argentina, Colombia and Chile, besides commercial representation in the United States of America, which serve the international customers locally. The ISPs movement seen in Brazil is being replicated in other countries in Latin America, and the Company sees it as an opportunity for its business.

Continuing to grow in the Brazilian market is another Padtec's focus, an extremely well recognized and respected player for its products and also for all the support offered to its clients. According to a survey conducted with customers in 2020, the Company's satisfaction index reached 8.2 on a scale of 1.0 to 10.0. Local ISPs still have a long way to go and thousands of them will demand DWDM transmission networks to increase the efficiency of their infrastructure in the coming years. Being a local supplier, who speaks the customer's language and has the same culture, is a competitive advantage that sets Padtec apart from its competitors.

Padtec works continuously to expand its portfolio of products and services, following the evolution of the demands of the telecommunications ecosystem, following the technological advance. Thus, in 1H21, R\$ 19.4 million was invested, adding research and development (R&D) expenses and amounts allocated to intangible assets. In the 2Q21 were allocated R\$ 10.2 million and in the 1Q21, R\$ 9.2 million.



In June, Padtec announced a partnership with Televés, a multinational company headquartered in Spain and a leading provider of telecommunications infrastructures solutions, aiming at expanding its operations in Europe, the Middle East and Africa (EMEA). This agreement is part of Padtec's strategy for the coming years which focuses on expanding its presence in the international market. The partnership with Televés enables both companies to enhance their leverage, their market knowledge and add to their technological and production capabilities. Under this partnership, the DWDM (Dense Wavelength Division Multiplexing) solutions developed by Padtec will be part of Televés' product line and will be available in other geographies besides the Americas.

In order to finance the investments planned for 2021 and the following years, in addition to the amounts kept in its cash and the resources from new sales, Padtec constantly and recurrently evaluates alternatives for raising funds from the capital market, always aligned with its strategic planning and current market conditions.

In March, the Company announced the engagement of two financial institutions to assist it in the process of evaluating and defining the viability of potential capitalization structures, including the possibility of carrying out an eventual initial public offering for distribution of shares, with restricted efforts, pursuant to CVM Instruction 476/09 (a "follow on"). At the Shareholders' Meeting held that month, a public offering of shares of the Company was approved, pursuant to CVM Instruction 476/09. However, on April 15th, due to market conditions, the Company chose to postpone, momentarily, the realization of this potential public offering of shares with restricted efforts.

- **The impacts of the pandemic on Padtec's operations**

Padtec continues to monitor the developments of the Covid-19 pandemic in its operational activities and in its financial and equity position, continuously assessing events to implement appropriate measures to mitigate possible impacts.

Among the measures taken since the beginning of the pandemic, the Company highlights the creation of the Crisis Committee/Covid-19 Commission in March 2020, when the home office was also implemented for the administrative, commercial and technology (R&D) areas, a measure that also protects employees working in operational activities that require their presence at the Company's and/or customers' facilities, monitoring and assessing the risk of default by customers and monitoring delivery and payment terms to international suppliers of raw material, among others.

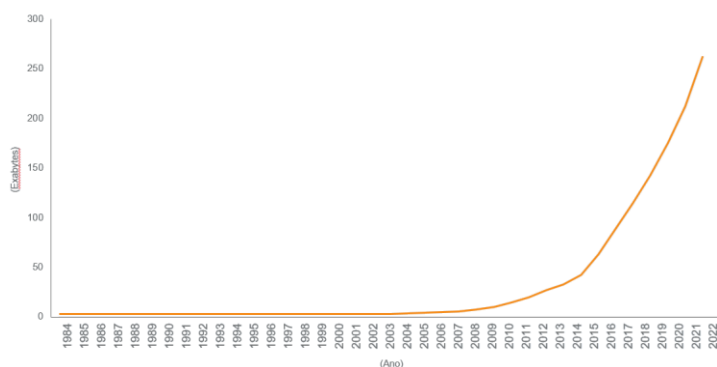
Considering all the analyzes carried out since the beginning of the pandemic, Padtec concluded that there were no material effects on the results obtained to date and the Company continues to work intensively with

its employees, customers, suppliers, partners and other stakeholders to minimize any possible impacts. However, the outcome of the pandemic and its macroeconomic impacts, especially related to the downturn in economic activity, may have negative consequences for the Company.

- **Padtec: for a smartly connected world**

Padtec is the largest manufacturer of optical transport systems in Latin America, operating from the design of the project together with its customers, through the development, installation and provision of operation and maintenance services for complete end-to-end systems based on technology DWDM (Dense Wavelength Division Multiplexing). This technology allows large amounts of data to be transmitted over short, medium and long distances quickly and at an increasingly low cost per bit transmitted, supporting the exponential growth in data traffic that has occurred in recent years worldwide.

Historical evolution of data consumption (exabytes)



Source: Cisco Visual Networking Index - Forecast and Methodology (2017-2022)

Almost all of the data that travels over the world networks is currently transmitted through fiber optic networks, whether over short or long distances, and Padtec is well positioned in this chain with its DWDM solutions, which encode the data in light carriers, transmitted through optical fiber. In any internet access made in Brazil or in the other countries where the Company is present (there are already 16 countries in Latin America, which together represent about 94% of the region's GDP), whether to watch videos in very high definitions, access social networks or read a document online, this information can travel through Padtec's developed DWDM solutions.

Fiber optic networks are becoming more and more relevant as they have several advantages over the others: low incidence of oscillations and interference, low latency, high speed data transmission capacity over long distances, being more economical to operate because it is a passive access network, in addition to being considered a "future-proof" technology due to its easy scalability.

Padtec is in the daily lives of people enabling access to the internet, with a B2B model (business-to-business, established between companies) and is experiencing a strong period of growth, mainly due to the advancement of new providers in the Internet market (the so-called ISPs or Internet Service Providers). This advance has been supported by developments in the entire telecom ecosystem, with new technologies that demand better infrastructure to meet the needs of end users.

Since its foundation, Padtec has followed the growth of data demand with the development of new technologies for high capacity optical connectivity. For example, in 2001 it was possible to convert 2.5 Gb per second of information per channel. Today, the Company already exceeds the rate of 600 Gb per second in its devices and continues to prepare new generations that will further expand these capacities. The Company develops most of its products and, despite not being so vertical, the development of technology is fundamental to its operation. Padtec invests between 15% to 20% of its revenues in Research & Development (R&D), a key process, and thus is able to remain competitive in the market and deliver the best possible products to its customers.

The proximity and partnership with customers, not only through the sale of products and softwares, as well as through the preventive and corrective operation and maintenance services of telecommunications networks, guaranteeing the quality of the connectivity of these networks to final consumers, make Padtec a fundamental part of an intelligently connected world.

In April, in order to continue contributing to the training of professionals specialized in systems for high-capacity communication networks, the Company opened its distance learning studio and, thus, started to offer its extensive portfolio of technical training in the areas of planning, engineering and operation and maintenance of networks, in a totally virtual format. In this way, Padtec can meet the demand of its customers, from all over Brazil and also from abroad, reducing the time and travel costs for the training of its teams and neutralizing the risks that arose with the Covid-19 pandemic. The difference of these distance courses is that the classes are taught live, allowing real-time interaction between students and instructors.

- **The evolution of the adoption of connectivity in fixed and mobile accesses and the future presented by 5G technology**

According to the International Telecommunication Union (or ITU), there are currently more than 4.1 billion internet users in the world, with approximately 3.6 billion people remaining to be integrated into the digital world of the internet. According to the report "Connecting Humanity", released by the ITU in August 2020, US\$ 428 billion will be needed to connect all the inhabitants of the planet by 2030 and approximately 700 thousand kilometers of fiber and more than 2.6 million cellular sites.

According to information from Teleco – Intelligence in Telecommunications website (teleco.com.br), Brazil ended May 2021 with 37.4 million fixed broadband accesses, stable compared to December 2020. Accesses through optical fiber totaled 19.1 million, 51% of the total accesses, and in the last twelve months they have accumulated a growth of 50%, replacing old technologies such as ADSL and radio and initiating the replacement of connectivity solutions cable modem. Definitely, the demand for better quality in connections driven by the Covid-19 pandemic and the evolution of fiber players, have driven this technological transformation in the Brazilian market.

The adoption of optical fiber, which in current technologies offers from dozens of MBps to 40 GBps, requires transport and access networks, backbones and long-distance and metropolitan routes that are increasingly capable of meeting the demands of consumption, quality and latency, which is the response time of the networks. Padtec aims to help thousands of broadband operators to improve the capabilities of their networks through their products and services and, for this reason, the Company is a relevant part of this ecosystem.

According to data from the GSMA Association, we live in a hyper-connected world, with more than 5.2 billion unique mobile users and about 10 billion accesses on cell phones or other equipment. This is the form of

access that represents the most frequent type of personal voice and data communication today. Mobile broadband, now more and more common in mobile solutions using 4G technology, represents the most frequent data access technology. In Brazil, according to Teleco website, the month of May 2021 ended with 169 million 4G accesses by individuals and more than 14 million accesses in the corporate environment. 4G accesses still grew 15% in 1Q21 compared to 1Q20 and 6% between December 2020 and May 2021, at a time that marks the beginning of the intensification of investments in 5G. Globally, according to the GSMA Association, there are already more than 113 5G networks dispersed in more than 78 countries.

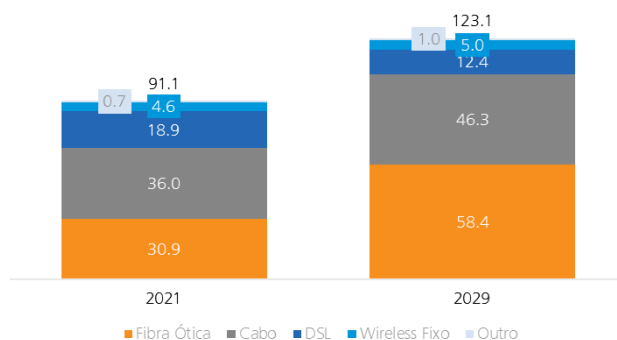
In Brazil, 2021 will be a challenging year: the auction of specific frequencies for the 5G networks is scheduled for the next months and it is believed that the first networks of traditional and regional operators should be in operation in the first half of 2022. The architecture of the new networks in 5G will increase the transmission capacity and data offers in MBps by dozens of times, besides offering speed of responses, the so-called latency, more than a dozen times lower than the current networks in 4G. To achieve this progress in capacity, latency, and also segregate the network for specific applications for people, machines and private networks of companies, it will be necessary to multiply the presence of sites (the antennas) and access networks (the so-called fiber optic backbones). It is expected that all this investment in optical fiber infrastructure to face the implementation of 5G, will also significantly increase the demand for high capacity data transmission equipment, such as those manufactured and implemented by Padtec.

- **Broadband internet market in Latin America and the Caribbean**

Latin America has more than 40 million disconnected households¹ and access to high capacity internet is still low in Latin American countries when compared to more developed regions in the world. Therefore, there is a lot of room for growth in broadband connectivity in homes and businesses and, as a consequence, in the optical infrastructure essential for this connectivity.

High-speed fiber optic connections are believed to be driving the growth of broadband internet. Data from S&P Global Market Intelligence (S&P) indicate that FTTH (fiber to the home) broadband is expected to grow 21.9% in 2021, reaching 30.9 million subscribers by the end of the year in this region, while cable technologies metallic DSL (digital subscriber line) and HFC (coaxial cable) should continue to have their use reduced. The S&P forecast also points to the reach of 58.4 million subscribers in Latin American and Caribbean countries by the end of 2029.

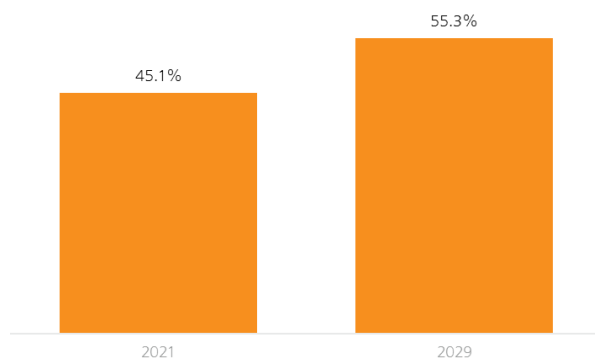
*Estimated broadband subscribers by technology in Latin America and the Caribbean
(in millions)*



¹According to the report “Universalizing access to digital technologies to face the effects of COVID-19” of the Economic Commission for Latin America and the Caribbean - ECLAC of August 2020

Also according to S&P studies, these trends, driven by the growth of fiber optic networks, are expected to lead to an increase of approximately 10.2 basis points in broadband penetration in homes in Latin America and the Caribbean, reaching 55.3 % in 2029.

Projection of broadband penetration in Latin America and the Caribbean



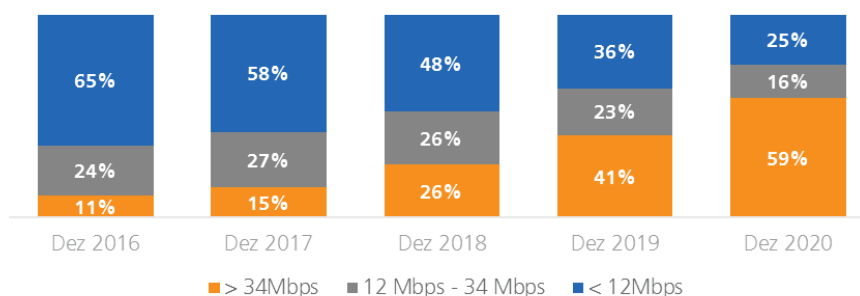
Source: S&P Global Market Intelligence

- **Broadband internet market in Brazil**

Over the past few years, Brazil has followed the same upward trend in data consumption seen in other countries and, according to the Brazilian Internet Association (Associação Brasileira de Internet or Abranet), in 2020 the internet in the country reached a peak of 14.4 Tb/s of traffic, 74% higher than in 2019. This significant increase in the use of the internet translates into a constant need for investment in infrastructure to maintain the resilience and stability of data traffic.

Each year, fixed broadband is being adopted by more households in Brazil, at ever greater speeds. According to the Brazilian National Telecommunications Agency (Agência Nacional de Telecomunicações or Anatel), in December 2020, 59% of households with broadband had connections with more than 34 Mb/s, compared to 11% in 2016.

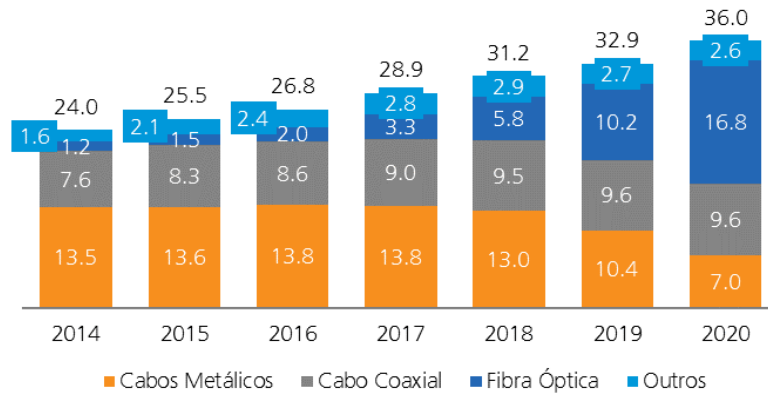
Evolution of broadband speed adopted in Brazil in 2020



Source: ANATEL

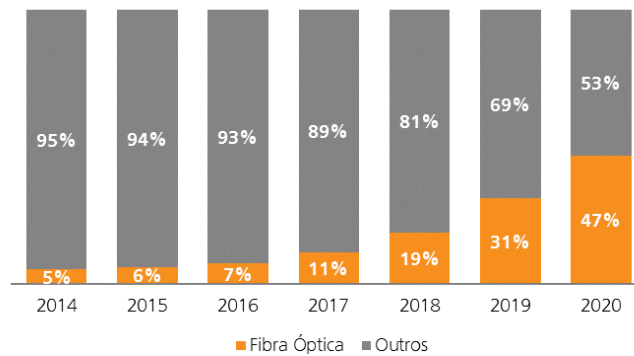
Still according to Anatel data, optical fiber has stood out as the most used technology for fixed broadband, and reached the mark of 16.8 million subscriptions in 2020, an expressive average annual growth of 54.8% since 2014, higher than all other technologies. And in terms of representativeness, optical fiber went from 5% of total accesses in 2014 to 47% in 2020, an increase of 42 basis points.

Broadband subscriptions for technology in Brazil in 2020
(in millions)



Source: ANATEL

Participation of optical fiber in the total of fixed broadband subscriptions in Brazil in 2020



Source: ANATEL

The large increase in the number of users served by optical fiber networks was made possible by significant investments in fiber backhaul in Brazil, which recently surpassed the mark of more than 4,000 municipalities served, an increase of about 49%, according to data from the Teleco website.

Padtec benefits from this increase in data consumption and connectivity growth, which can be seen in the results obtained by the Company in the last quarters.

- **Brazilian Internet Service Providers (ISPs)**

The significant growth of fiber optics as the main means of transmitting fixed broadband in Brazil was accompanied by the rise of regional internet providers, currently estimated at approximately 11 thousand names², who became responsible (together) for around 60% of the total fiber optic accesses in 2020, an increase of about 36 basis points compared to 2016.

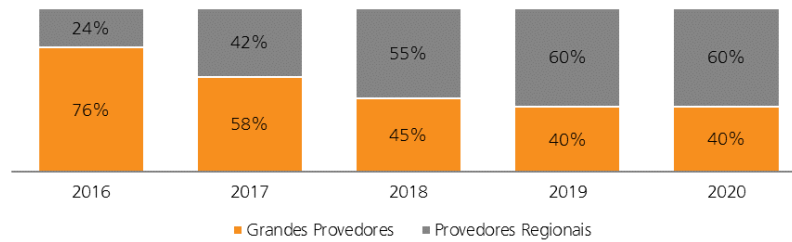
In a country of continental dimensions such as Brazil, these providers are of paramount importance for the expansion of broadband, as they are capable of bringing connectivity to cities and regions outside the main

² 2019 data from Abrint (Associação Brasileira de Provedores de Internet e Telecomunicações, the Brazilian Association of Internet and Telecommunications Providers)

population centers of Brazil, which were not captured by the investments of large telecommunications companies. Today, ISPs are already the main means of accessing broadband internet in Brazil.

Padtec stands out for its proximity and partnership with its customers, being the main local supplier for telecommunications operators and ISPs in Brazil, and contributes to its growth and the consolidation of this market, through the offer of quality products and operation services and maintenance of telecommunications networks.

Participation of regional providers in the fiber optic segment in Brazil



Source: Anatel, Teleco

- Income Statement – Consolidated³

<i>(in thousand of Brazilian Reals)</i>	CONSOLIDATED			
	1Q21	2Q21	1H21	2021
Gross operating revenues	86.133	119.554	205.687	205.687
Sales taxes	(19.854)	(30.185)	(50.039)	(50.039)
Net operating revenues	66.279	89.369	155.648	155.648
Cost of products sold and services rendered	(42.938)	(57.411)	(100.349)	(100.349)
Gross profit	23.341	31.958	55.299	55.299
Operational income (expenses)				
Administrative expenses	(6.462)	(6.535)	(12.997)	(12.997)
Commercial expenses	(7.769)	(7.101)	(14.870)	(14.870)
Research and development expenses	(5.591)	(7.854)	(13.445)	(13.445)
Other operational expenses (income)	888	956	1.844	1.844
	(18.934)	(20.534)	(39.468)	(39.468)
Profit/(losses) before financial income (expenses)	4.407	11.424	15.831	15.831
Financial income	(5.332)	(3.787)	(9.119)	(9.119)
Financial expenses	5.500	4.115	9.615	9.615
Profit/(losses) income tax and social contribution	4.575	11.752	16.327	16.327
Income tax and social contribution				
Current	(5.613)	(1.247)	(6.860)	(6.860)
Deferred	-	-	-	-
Profit in the period from continuing operations	(1.038)	10.505	9.467	9.467
Discontinued operations				
Net income from discontinued operations	12.759	398	13.157	13.157
Net income from discontinued operations	12.759	398	13.157	13.157
Net profit in the period	11.721	10.903	22.624	22.624

³ Combined information for the year 2020, considering Padtec S.A. as wholly-owned subsidiary of Padtec Holding S.A. since January 2018.

	CONSOLIDATED					
(in thousand of Brazilian Reais)	1Q20	2Q20	3Q20	4Q20	1H20	2020
Gross operating revenues	61.475	64.178	84.777	107.448	125.653	317.876
Sales taxes	(10.076)	(13.349)	(21.424)	(25.314)	(23.425)	(70.163)
Net operating revenues	51.400	50.829	63.353	82.134	102.228	247.713
Cost of products sold and services rendered	(35.948)	(33.044)	(40.302)	(53.196)	(68.992)	(162.490)
Gross profit	15.452	17.785	23.051	28.939	33.236	85.223
Operational income (expenses)						
Administrative expenses	(7.269)	(4.501)	(5.923)	(6.535)	(11.769)	(24.227)
Commercial expenses	(5.109)	(4.652)	(5.525)	(6.702)	(9.761)	(21.988)
Research and development expenses	(6.813)	(5.579)	(7.433)	(8.831)	(12.392)	(28.657)
Other operational expenses (income)	(385)	133	4.202	695	(252)	4.646
	(19.576)	(14.598)	(14.679)	(21.373)	(34.174)	(70.226)
Profit/(losses) before financial income (expenses)	(4.124)	3.187	8.372	7.566	(937)	14.997
Financial income	(8.377)	(4.982)	(4.431)	(2.492)	(13.359)	(20.282)
Financial expenses	6.121	2.361	3.288	3.297	8.482	15.067
Profit/(losses) income tax and social contribution	(6.380)	566	7.229	8.371	(5.814)	9.783
Income tax and social contribution						
Current	(1.864)	888	572	(510)	(975)	(912)
Deferred	-	-	-	-	-	-
Profit in the period from continuing operations	(8.243)	1.454	7.801	7.860	(6.790)	8.871
Discontinued operations						
Net income from discontinued operations	7.423	-	-	-	7.423	7.423
Net income from discontinued operations	7.423	-	-	-	7.423	7.423
Net profit in the period	(821)	1.454	7.801	7.860	633	16.293

- **Balance Sheet – Consolidated**

(in thousand of Brazilian Reais)

	Consolidated			Consolidated	
	06/30/2021	12/31/2020		06/30/2021	12/31/2020
Assets			Liability		
Current			Current		
Cash and cash equivalents	64.070	64.680	Loans and financing	14.239	11.151
Accounts receivable	107.190	100.296	Debentures	10.500	7.765
Inventories	76.121	61.989	Commercial leasing operations	2.054	2.733
Recoverable taxes	25.045	23.562	Suppliers	53.206	55.832
Related parties	116	-	Forfeiting	2.000	1.971
Sales financing operation	39.730	37.139	Related parties	83	948
Other credits	4.606	2.356	Payable taxes and contributions	7.481	9.204
Total current assets	316.878	290.022	Payable taxes and contributions in installment	6.465	6.331
Non-current			Social contributions	21.185	18.976
Accounts receivable	-	2.377	General provisions	3.890	2.745
Recoverable taxes	-	324	Sales financing operation	39.731	37.139
Restricted financial investments	11.451	19.395	Other accounts payable	2.706	4.946
Sales financing operation	11.983	11.460	Total current liabilities	163.540	159.741
Judicial deposits	1.474	2.364	Non-current		
Other credits	2.893	2.905	Provisions for labor and tax risks	39.115	35.970
Total non-current assets	79.125	86.582	Loans and financing	28.695	32.281
Total assets	396.003	376.604	Debentures	26.068	31.313
			Commercial leasing operations	-	624
			Payable taxes and contributions in installment	1.185	2.203
			Sales financing operation	11.983	11.460
			Total non-current liabilities	107.046	113.851
			Total liabilities	270.586	273.592
			Equity		
			Capital stock	199.211	199.211
			Capital reserve	(2.674)	(2.674)
			Accumulated losses	(70.786)	(83.331)
			Currency translation adjustments	599	599
			Other comprehensive income	(933)	(10.793)
			Total of shareholders' equity	125.417	103.012
			Total of liabilities and shareholders' equity	396.003	376.604

This report may contain projections and/or estimates of future events. The use of the terms "anticipates", "believes", "expects", "estimates", "plans", "predicts", "projects", among others, intends to signal possible trends and statements that, of course, involve uncertainties and risks, and future results may differ from current expectations. Forward-looking statements are based on several assumptions and factors, including economic, market and industry conditions, in addition to operating factors. Any changes in these assumptions and factors may lead to practical results that are different from current expectations. These forward-looking statements should not be fully trusted. Forward-looking statements reflect opinions only on the date they were prepared and presented. The Company is not obliged to update them in the face of new information or new developments. The Company is not responsible for operations that are carried out or for investment decisions that are made based on these projections and estimates. Finally, the pro forma financial information contained in this report has not been audited, and therefore may differ from the final audited results.