Padtec Holding S.A. (Previously denominated Ideiasnet S.A.)

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Individual and consolidated financial statements and independent auditor's report

As at December 31, 2020

Contents

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail. See Note No. 37 to the financial statements.)

Independent auditor's report on the individual and consolidates financial statements

Grant Thornton Auditores Independentes

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To the Management, Board of Directors and Shareholders of
Padtec Holding S.A. (Previously denominated Ideiasnet S.A.)
Campinas - SP

Opinion

We have audited the accompanying individual and consolidated financial statements of Padtec Holding S.A. (Previously denominated Ideiasnet S.A.) ("Company"), identified as Parent Company and Consolidated, respectively, which comprises the balance sheet as at December 31, 2020, and the statement of profit and loss, comprehensive income (loss), changes in equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis of Opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements set forth in the Code of Ethics for Professional Accountants and the professional standards issued by the Federal Accounting Council and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis

Shareholding restructuring

We draw attention to Note No 1.2. to the individual and consolidated financial statements, which describes that the Company has concluded the process of shareholding restructuring, where Padtec Holding S.A. (Previously denominated Ideiasnet S.A.), acquired the shares of Padtec S.A., starting to hold and consolidate 100% of the balances of the investee as of June 1, 2020. In the reading of these financial statements, such subject matter should be considered. Our opinion is not qualified regarding this matter.

Key Audit Matters

Key audit matters (KAM) are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole and in forming our opinion on the individual and consolidated financial statements, and we do not provide a separate opinion on these matters.

Revenue recognition

Reason why the matter was considered a PAA

As mentioned in Notes No. 3.16. and 27 and due to the materiality and risks involved in the revenue recognition process, we again considered this area as a key audit matter in the current year. The Company recognizes revenue based on Technical Pronouncement CPC 47 – Revenue from Contracts with Customers. Revenue from hardware and installation services have distinct performance obligations; customers can immediately benefit from the good or services and revenue is recognized when the Company satisfies the obligation performance. We understand that a risk exists that revenue could be recognized before the entity satisfies all the performance obligations under the contract, since manual controls are used over some of the Company's revenue recognition activities, which increases the risk of unintentional errors being committed in recognizing revenue. This required additional focused audit procedures and tests to properly address risks associated with revenue recognition.

How the matter was conducted in our audit

To mitigate the risk of material misstatements in revenue recognition, the following procedures, among others, were performed:

- We evaluate the internal controls implemented by Management over the flow of sales and provision of services;
- We performed substantive analytical procedures and tests of details, including confirmation with third parties to obtain evidence of the existence of sales and make sure that recognition was made in the appropriate period;
- We performed tests to determine that products were actually delivered, and the related risks and rewards were actually transferred to customers;
- We checked if the accounting principle used to recognize revenue was consistently applied by testing the sales transactions performed during and the year and at year-end.

Based on our audit approach and the procedures performed, we understand that the criteria and assumptions adopted by the Company to recognize revenue were appropriate in the context of the individual and consolidated financial statements taken as a whole.

Intangible assets - Initial recognition of the cost and recoverability of the balance

Reason why the matter was considered a PAA

As described in Notes No. 3.8 and 14, the Company has balances recorded in the individual and consolidated financial statements in the amounts of R$24 and R$29,217 respectively. The Company recognizes intangible assets relating to development projects, which are initially recognized at acquisition cost and have a finite useful life.

Since balances in this area is significant and the recognition of intangible assets relating to project development is subject to estimates and assumptions by the Company's Management, as the respective amounts may ultimately be either written off or recorded in assets and, therefore, subject to impairment, due to possible non-profitability or changes in the cost of the projects, which may prove to be unprofitable for the Company, thus requiring Management's judgment of such assumptions, this matter was again considered an area of risk and key audit matter in the current period.

How the matter was conducted in our audit

To mitigate the risk of material misstatements in the balances, the following procedures, among others, were performed:

- We evaluated the framework of internal controls implemented by Management over the initial recognition of the amounts recorded in intangible assets;
- We performed substantive procedures on a sampling basis to check if the capitalized amounts are consistent with the nature of the transactions and meet the definitions of intangible assets;
- We challenged the criteria and assumptions adopted by Management to determine the useful life and, consequently, the amortization period for these assets, and checked if they were reasonable and properly supported by consistent documentation and analyses;
- We analyzed the recoverability of these assets based on studies provided by Management;
- We tested the calculations and assumptions used by Management to support that these assets are not impaired.

As a result of the audit procedures performed, we considered that the audit evidence obtained was appropriate and acceptable for measuring intangible assets with finite useful life and respective disclosures in the context of the individual and consolidated financial statements taken as a whole.

Other Matters

Statements of Value Added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2020, prepared under the responsibility of the Company's Management, the presentation of which is required by Brazilian Corporation Law for public companies and considered supplemental information by IFRS (which does not require the presentation of a DVA) have been submitted to auditing procedures performed in conjunction with our audit of the Company's financial statements. In forming our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 – Statement of Value Added.

In our opinion, these statements of value added were appropriately prepared, in all material respects, according to the criteria defined in said Technical Pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

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

The Company's management is responsible for this other information that comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not, and will not, express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Management Report, we are required to report this fact. We have nothing to report in this regard.

Management and governance responsibilities for individual and consolidated financial statements

Management is responsible for the preparation and proper presentation of individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for the internal controls it has determined as necessary to allow the preparation of these financial statements free of material distortion, regardless of whether caused by fraud or error.

In the preparation of the individual and consolidated financial statements, management is responsible for evaluating the Company's ability to continue operating, disclosing, where applicable, matters related to its operational continuity and the use of this accounting base in the preparation of the financial statements, unless management intends to liquidate the Company or cease its operations, or has no realistic alternative to avoid the closure of operations.

Those responsible for the governance of the Company and its subsidiaries are those responsible for supervising the process of preparing the financial statements.

Responsibilities of the independent auditor for auditing the individual and consolidated financial statements

Our objectives are to obtain reasonable security that the individual and consolidated financial statements, taken together, are free from material distortion, regardless of whether caused by fraud or error, and issue an audit report containing our opinion. Reasonable security is a high level of security, but not a guarantee that the audit carried out in accordance with Brazilian and international auditing standards will always detect any relevant existing. Distortions may be due to fraud or error and are considered relevant when, individually or jointly, they may influence, from a reasonable perspective, the economic decisions of users made based on such financial statements.

As part of the audit carried out in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition:

- We identify and evaluate the risks of material distortion in the individual and consolidated financial statements, regardless of whether caused by fraud or error, we plan and execute audit procedures in response to such risks, as well as obtain ed evidence of an appropriate audit and sufficient to support our opinion. The risk of non-detection of relevant distortion resulting from fraud is greater than that arising from error, since fraud may involve the act of circumventing internal controls, collusion, forgery, omission or intentional false representations;
- We obtained an understanding of the internal controls relevant to the audit to plan appropriate audit procedures in the circumstances, but not with the objective of expressing an opinion on the effectiveness of the internal controls of the Company and its subsidiaries;

- We evaluate the adequacy of the accounting policies used and the reasonableness of the accounting estimates and respective disclosures made by management;
- We conclude on the adequacy of the use by management of the accounting base of operational continuity and, based on the audit evidence obtained, whether there is a relevant uncertainty regarding events or conditions that may raise significant doubt regarding the Company's operational continuity capacity. If we conclude that there is significant uncertainty, we should draw attention in our audit report to the respective disclosures in the individual and consolidated financial statements or include modification in our opinion if disclosures are inappropriate. Our findings are based on audit evidence obtained as of the date of our report. However, future events or conditions may lead the Company to no longer remain in operational continuity;
- We evaluate the general presentation, structure and content of the financial statements, including disclosures, and whether the individual and consolidated financial statements represent the corresponding transactions and events in a manner compatible with the objective of proper presentation;
- We obtained appropriate and sufficient audit evidence regarding the financial information of the group's entities or business activities to express an opinion about the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the group and, consequently, for the audit opinion.

We communicate with governance officials about, among other aspects, the scope and time of planned audit work and significant audit findings, including significant deficiencies in internal controls that may have been identified during our work.

We also provide governance officers with a statement that we comply with relevant ethical requirements, including applicable independence requirements, and communicate any relationships or matters that could considerably affect our independence, including, where applicable, their safeguards.

Of the issues that were the subject of communication with the governance officials, we determined those that were considered the most significant in the audit of the financial statements of the current financial year and, thus, constitute the main audit issues. We describe these matters in our audit report unless law or regulation has prohibited public disclosure of the matter, or when, in extremely rare circumstances, we determine that the matter should not be communicated in our report because the adverse consequences of such communication may, within a reasonable perspective, outweigh the benefits of communication to the public interest.

Campinas, February 11, 2021

Érica Daniela da Silva Martins
Assurance Partner

Grant Thornton Auditores Independentes

Padtec Holding S.A. (Previously denominated Ideiasnet S.A.)

Balance sheets as of 31, December 2020 and December 31, 2019

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

(Amounts expressed in thousands of reais - R$)

		Parent Company		Consolidated	
Assets	*Note*	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Current					
Cash and cash equivalents	*4*	1	1	64,680	3,328
Accounts receivable	*5*	-	-	100,296	-
Inventories	*6*	-	-	61,989	-
Recoverable Taxes	*7*	1,717	1,630	23,562	1,657
Financing operation	*17*	-	-	37,139	-
Other credits	*9*	356	-	2,356	-
Total current assets		2,074	1,631	290,022	4,985
Non-current assets held for sale					
Non-current assets held for sale	*11*	-	255	-	255
Total non-current assets held for sale		-	255	-	255
Non-current					
Accounts receivable	*5*	-	-	2,377	-
Recoverable Taxes	*7*	-	240	324	10,097
Related Parts	*10*	6,072	2,585	-	-
Financial Investments in Guarantee	*8*	-	-	19,395	-
Financial Operations	*17*	-	-	11,460	-
Judicial Deposit	*22.2*	1,187	11,099	2,364	11,771
Other credits	*9*	925	1,008	2,905	1,008
Investments	*12.1*	122,227	35,811	-	35,515
Fixed Assets	*13*	-	16	18,540	16
Intangible Assets	*14*	24	24	29,217	24
Total non-current assets		130,435	50,783	86,582	58,431
Total assets		132,509	52,669	376,604	63,671

The explanatory notes are an integral part of the financial statements.

Padtec Holding S.A. (Previously denominated Ideiasnet S.A.)

Balance sheets as of 31, December 2020 and December 31, 2019

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

(Amounts expressed in thousands of reais - R$)

		Parent Company		Consolidated	
ability	*Note*	12/31/2020	12/31/2019	12/31/2020	12/31/2019
;urrent					
Loans and financing	*15*	-	-	11,151	-
Debentures	*16*	-	-	7,765	-
Mercantile Collection with Related Parties	*10.1*	-	-	2,733	-
Suppliers	*18*	-	-	55,832	151
Risk Drawn	*19*	-	-	1,971	-
Related Parties	*10*	2,188	-	948	-
Taxes and Contributions Payable	*20*	4	12	9,204	769
Taxes and Contributions Payable - Installment	*21*	-	-	6,331	2,956
Social Obligations	*23*	186	126	18,976	127
Diverse Provisions	*22.1*	-	-	2,745	188
Financial Operations	*17*	-	-	37,139	-
Other Accounts Payable		121	260	4,946	285
Total current liabilities		2,499	398	159,741	4,476
Ion-current					
Provisions for Labor and tax risks	*22.2*	23,110	22,780	35,970	30,948
Loans and Financial	*15*	-	-	32,281	-
Debentures	*16*	-	-	31,313	-
Mercantile Collection with Related Parties	*10.1*	-	-	624	-
Taxes and Contributions Payable - Installment	*21*	-	240	2,203	9,899
Financial Operations	*17*	-	-	11,460	-
Provision for Overdue Liabilities	*12.2*	3,888	10,903	-	-
Total non-current liabilities		26,998	33,923	113,851	40,847
Total liabilities		29,497	34,321	273,592	45,323
:quity					
Capital stock	*25.1*	199,211	131,846	199,211	131,846
Capital Reserves	*25.2*	(2,674)	(2,674)	(2,674)	(2,674)
Accumulated losses/profits		(83,331)	(100,542)	(83,331)	(100,542)
Goodwill on Capital Transaction	*25.3*	599	-	599	-
Other Comprehensive Results	*25.4*	(10,793)	(10,282)	(10,793)	(10,282)
Total of shareholders' equity		103,012	18,348	103,012	18,348
'otal of liabilities and shareholders' equity		132,509	52,669	376,604	63,671

The explanatory notes are an integral part of the financial statements

Padtec Holding S.A. (Previously denominated Ideiasnet S.A.)

Balance sheets as of 31, December 2020 and December 31, 2019

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

(Amounts expressed in thousands of reais - R$, except earnings per share, expressed in Reais - R$)

		Parent Company		Consolidated	
	Note	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Net operating revenue	27	-	-	169,293	-
Cost of goods sold and services rendered	28	-	-	(107,614)	-
Gross Profit		-	-	61,679	-
Operational income (expenses)					
Administrative Expenses	29.1	(3,332)	(4,936)	(15,928)	(5,558)
Commercial Expenses	29.1	-	-	(13,754)	-
Research and development Expenses	29.1	-	-	(17,852)	-
Equity income	12.5	25,650	7,349	(476)	6,220
Other operating expenses (income), net	29.2	(6,033)	2,997	4,088	3,228
Profit / (losses) before financial income (expenses)		16,285	5,410	17,757	3,890
Financial result					
Financial income	30.1	982	32	7,157	211
Financial expenses	30.2	(56)	(3)	(7,513)	(1,282)
Profit (loss) before Income tax and social contribution		17,211	5,439	17,401	2,819
Income tax and social contribution					
Current	31	-	-	(190)	9
Deferred	31	-	-	-	2,611
Net results dor the year		17,211	5,439	17,211	5,439
Turnover atributable to:					
Controlling Shareholders		17,211	5,439	17,211	5,439
Net results dor the year		17,211	5,439	17,211	5,439
Profit per share					
Basic earnings (loss) per share	26	0,2194	0,3328	0,2194	0,3328

The explanatory notes are an integral part of the financial statements.

Padtec Holding S.A. (Previously denominated Ideiasnet S.A.)

Balance sheets as of 31, December 2020 and December 31, 2019

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

(Amounts expressed in thousands of reais - R$)

	Parent Company and Consolidated	
	12/31/2020	12/31/2019
Net profit in the period	17.211	5.439
Items that may be reclassified after the income statement:		
Other comprehensive income		
Translation adjustments of the balance of subsidiaries abroad	(511)	(195)
Equity valuation adjustments	-	(191)
	-	-
Comprehensive income in the period	16.700	5.053
Comprehensive income attributable to:		
Controlling shareholders	16.700	32.366
Comprehensive income in the period	16.700	5.053

The explanatory notes are an integral part of the financial statements.

Padtec Holding S.A. (Previously denominated Ideiasnet S.A.)

Statements of changes in shareholders' equity for the years ended December 31, 2020 and 2019

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

(Amounts expressed in thousands of reais - R$)

	Note	Parent Company and Consolidated					
		Capital stock	Capital reserve	Equity Valuation Adjustments	Cumulative Conversion Adjustments	Accumulated losses/ profits	Total of shareholders' equity
Balances at January 31, 2018		131,846	(2,674)	(8,472)	(1,424)	(105,981)	13,295
Profit in the period		-	-	-	-	5,439	5,439
Equity Valuation Adjustment		-	-	(191)	-	-	(191)
Foreign Exchange Variation Adjustment of Subsidiaries		-	-	-	(195)	-	(195)
Balances at December 31, 2019		131,846	(2,674)	(8,663)	(1,619)	(100,542)	18,348

The explanatory notes are an integral part of the financial statements.

	Note	Parent Company and Consolidated						
		Capital stock	Capital reserve	Goodwill on Capital Transition	Equity Valuation Adjustments	Cumulative Conversion Adjustments	Accumulated losses/ profits	Total of shareholders' equity
Balances at January 31, 2019		131,846	(2,674)	-	(8,663)	(1,619)	(100,542)	18,348
Profit in the period		-	-	-	-	-	17,211	*17,211*
Foreign Exchange Variation Adjustment of Subsidiaries		-	-	-	-	(511)	-	(511)
Capital Increase		67,365						67,365
Goodwill on Capital Transition	26.3	-	-	599	-	-		599
Balances at December 31, 2020		199,211	(2,674)	599	(8,663)	(2,130)	(83,331)	103,012

Management's explanatory notes are an integral part of the financial statements.

Padtec Holding S.A. (Previously denominated Ideiasnet S.A.)

Cash flow statements for the years ended December 31, 2020 and 2019

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

(Amounts expressed in thousands of reais - R$)

		Parent Company		Consolidated	
	Note	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Cash flow from operating activities					
Profit in the period before taxes of continuing operations		17,211	5,439	17,401	5,439
Profit in the period before taxes of discontinued operations		-	-	-	-
Profit in the period before taxes		17,211	5,439	17,401	5,439
Adjustment to reconcile the net income with the cash generated by (applied on) operational activities:					
Depreciation and amortization		3	3	7,163	3
Interest and monetary variance on loans		-	-	3,080	-
Provision for doubtful accounts		(3)	-	(7,906)	-
Creational (reversal) of general provisions		-	-	284	-
Provisions for Labor and tax risks		330	(3,876)	(5,547)	(2,806)
Provisions for obsolescence of inventory		-	-	230	-
Equity Income		(25,650)	(1,006)	476	(4,379)
Creational (reversal) of discovered liability		-	(2,586)	-	(1,841)
Disposal and writing off of fixed and intangible assets		13	(2)	271	(2)
Deferred income tax and social contribution		-	-	-	(2,611)
Loss on property sales		-	991	-	991
Reduction (increase) in operational assets:					
Accounts receivable		3	-	(22,784)	-
Inventories		-	-	(11,909)	-
Assets held for sale		255	-	255	-
Recoverable Taxes		153	-	1,539	-
Income Taxes and Social Contribution		-	(1,341)	-	(1,836)
Transactions with related parties		(3,487)	-	-	-
Financial Operations		-	-	(3,160)	-
Judicial Deposits		9,912	(4,751)	9,407	(422)
Other Accounts Receivable		(273)	666	(747)	2,050
Increase (reduction) in operating liabilities:					
Leasing with Related Parties		-	-	(1,550)	-
Suppliers		-	-	24,337	128
Sacced Risk		-	-	(1,937)	-
Social Contributions		60	(37)	2,262	(156)
Payable taxes and contributions		(248)	7	(8,980)	50
Transactions with related parties		-	-	(1,340)	-
Financial Operations		-	-	3,160	-
Income tax and social contribution - paid		-	(21)	(190)	(710)
Debt Charges - paid	15.1	-	-	(3,052)	-
Other Accounts Payable		(139)	(227)	2,780	(423)
Net cash used in operational activities		(1,860)	(6,741)	3,543	(6,525)
Cash Flow of Investment Activities					
Increase in Capital in controlled companies (Cash)		(336)	-	(336)	-
Financial Investments in Guarantee		-	-	(5,389)	2,278
Acquisition of fixed and intangible assets		-	4,988	(12,654)	2,981
Cash and Asset Equivalents Held for Sale		-	1,000	-	1,000
Mutual Contract Related Parties		2,188	754	-	-
			-		
Net cash used in investing activities		1,852	6,742	(18,379)	6,259
Net cash used in investing activities					
Capital Payment		8	-	8	-
Payment the loans and finacing		-	-	49,364	-
Payment the loans and finacing - Principal amount	15.2	-	-	(66,327)	-
Debentures	15.1	-	-	39,078	-
Net cash provided by financing activities		8	-	22,123	-
Cash exchange rate variation in foreign currency transactions		-	-	(511)	-
Increase (reduction) in Cash and Cash Equivalents		-	1	6,776	(266)
Cash and Initial Cash Equivalents through consolidation		-	-	54,576	-
Cash and Cash Equivalents at the start of the period		1	-	3,328	3,594
Cash and Cash Equivalents at the end of the period		1	1	64,680	3,328

The explanatory notes are an integral part of the financial statements

Padtec Holding S.A. (Previously denominated Ideiasnet S.A.)

Statements of value added for the years ended December 31, 20,2020

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

(Amounts expressed in thousands of reais - R$)

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
1 - Revenue	3	-	230.718	-
1.1. Sales of merchandise, goods and services	-	-	222.812	-
1.2. Forecast for Bad Debts	3	-	7.906	-
2 - Inputs acquired from third parties	(7.437)	(3.792)	(91.267)	(7.014)
2.1. Ccosts of products, goods and services sold	-	-	(67.219)	-
2.2. Energy, third party services and other operating expenses	(1.916)	(1.885)	(21.337)	(2.083)
2.3. Others	(5.521)	(1.907)	(2.711)	(4.931)
3 - Withholdings	(3)	(3)	(7.163)	(3)
3.1. Depreciation and amortization	(3)	(3)	(7.163)	(3)
4 - Net added value	(7.437)	(3.795)	132.288	(7.017)
5 - Added value received in tranfers	26.632	11.676	6.681	11.888
5.1. Equity income	25.650	3.592	(476)	5.079
5.2. Financial income	982	32	7.157	211
5.3. Others	-	8.052	-	6.598
6 - Total added value to distribute	19.195	7.881	138.969	4.871
7 - Distribution of added value	19.195	7.881	138.969	4.871
7.1. Personnel and charges	1.624	1.866	48.691	1.957
Direct Compensation	1.312	1.404	36.653	1.495
Benefits	286	381	9.556	381
Goverment Severance Indemnity Fund (FGTS)	26	81	2.482	81
7.2. Taxes, charges and contributions	257	351	62.966	(4.079)
Federais	257	351	43.943	(4.079)
State	-	-	17.975	-
Municipal	-	-	1.048	-
7.3. Compensation from third-party equity capital	103	225	10.101	1.554
Financial expenses	56	-	7.513	1.329
Leases	47	225	2.588	225
7.4. Remuneration of shareholders' equity	17.211	5.439	17.211	5.439
Withheld profit	17.211	5.439	17.211	5.439

The explanatory notes are an integral part of the financial statements.

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Notes to the financial statements for the year ended December 31, 2020 and 2019

(Amounts expressed in thousands of reais - R$, unless otherwise indicated)

1. General information

1.1. Operational context

Padtec Holding S.A. (“Company”, B3: PDTC3) (previously denominated Ideiasnet S.A. or “Ideiannet”), started its operations as an investment company in Internet projects in 2000, the year it went public in B3. Its focus was to invest in technology companies with rapid growth in several areas of activity, such as SaaS (from English Software as a Service) in the security and construction industry, technology in the financial and payments sector, digital commerce, digital media, mobility, broadband and optical. For many years, the Company has positioned itself as a technology venture capital in Brazil, actively participating in all stages of development of its investees, consolidating itself as a reference in the sector and was synonymous with entrepreneurship with a high level of Corporate Governance.

1.2. Incorporation of Padtec S.A. Shares by the Company

The Company's Management had been studying Padtec's Merger of Shares operation, according to Article 252 of the “Lei das S.A”, for about two years. On April 6, Ideiasnet convened an Extraordinary General Meeting to resolve on the Merger of Shares. On June 1, 2020, the Company merged shares issued by Padtec S.A., as approved in the EGM of April 27, 2020, then its only asset, with the consequent conversion of Padtec S.A. into its wholly-owned subsidiary. Today, the Company is the sole shareholder of Padtec S.A., a privately held company.

For this consolidated financial information, full consolidation of Padtec S.A. was considered as of June 1, 2020, the date on which the shares were merged.

PADTEC S.A
Balance Sheet on June,1st, 2020
(In thousands of Brazilian reais)

Assets	Consolidated	Liability	Consolidated
Current		Current	
Cash and cash equivalents	54,576	Loans and financing	39,623
Accounts receivable	69,606	Leasing Operations	2,716
Inventories	50,310	Suppliers	31,150
Recoverable Taxes	13,657	Risk Drawn	3,908
Financing operation	36,548	Related Parties	2,288
Other credits	1,525	Taxes and Contributions Payable	9,099
		Taxes and Contributions Payable - Installme	234
		Social Obligations	17,156
		Diverse Provisions	2,273
		Financial Operations	36,548
		Other Accounts Payable	1,996
Total current assets	226,222		
		Total current liabilities	146,991
Non-current		Non-current	
		Provisions for Labor and tax risks	11,082
Accounts receivable	2,377	Loans and Financial	20,744
Recoverable Taxes	14	Leasing Operations	2,191
Financial Investments in Guarantee	14,006	Taxes and Contributions Payable - Installme	3,192
Financial Operations	8,891	Financial Operations	8,891
Judicial Deposit	513		
Other credits	1,980	Total non-current liabilities	46,100
		Net Equity	
Investments	-	Capital Stock	230,003
Fixed Assets	17,033	Capital Reserve	21
Intangible Assets	25,270	Accumulated Profit / Loss	(124,829)
		Balance Adjustment or Conversion	(1,980)
Total non-current assets	70,084		
		Total net equity	103,215
Total Assets	296,306	Total liability and net equity	296,306

The Company has direct and indirect interests in the following subsidiaries:

	Participation %		
	12/31/2020		12/31/2019
	Direct	Indirect	Direct
Chenonceau Participações S.A (a)	100,00%		100,00%
Automatos Participações Ltda. (b)	100,00%		100,00%
Padtec S.A. (c)	100,00%		34,16%
Sucursal Argentina (d)		100,00%	100,00%
Padtec US (e)		100,00%	100,00%
Padtec Colombia (f)		100,00%	100,00%
Padtec Chile (g)		100,00%	100,00%

(a) Chenonceau is a non-operating company whose objective is interest in other companies and holds a minority interest in Batanga Media Inc. This minority interest was subject to *impairment* (loss recognition) in December 2019, as Management understands that the Company has a low probability of recovering the value of this investment;

(b) Automatos Participações is a non-operating company whose purpose is to hold interest in other companies. It's currently has no investment;

(c) Padtec S/A, is a privately held company, is operational focused on the development, manufacture and commercialization of *turnkey* solutions for optical systems. Its portfolio includes equipment for corporate access, Data Center *Interconnect*, *Storage Area Network* Extension, metropolitan networks and multi-terabit networks of long-distance networks;

(d) Padtec Sucursal Argentina is an operating company set up as a branch in 2007 whose primary objective is to perform sales activities, resell Group’s products and provide implementation, operation and maintenance services. All of its shares are held by Padtec S.A.;

(e) Padtec United States of America is an operating company established in the USA in the state of Georgia. Incorporated in February 2014. An operating company set up in February 2014 primarily to resell Group’s products and provide implementation, operation and maintenance services. The Company holds a 100% equity interest;

(f) Padtec Colombia is an operating company established in Colombia in the state/province of Bogotá. An operating company set up as a branch in October 2014 whose primary objective is to resell Group’s products and provide implementation, operation and maintenance services. The Company holds a 100% equity interest; and

(g) Padtec Chile is an operating company established in Chile. An operating company set up in June 2019, with 100% of its shares subscribed by Padtec Sucursal Argentina. The main objective is to perform sales activities, to resell Group's products and provide implementation, operation and maintenance services.

1.3. Covid-19 Impacts

Management has been constantly evaluating the impact of Covid-19 on the operations and the equity and financial position of the Company and its subsidiaries, to implement appropriate measures to mitigate impacts on operations. Up to the date of the authorization for the issuance of these individual and consolidated financial statements, the following measures have been taken and the main issues that are under constant monitoring are listed below:

- Creation of the Crisis Committee in the first quarter of 2020,with the objective of continuously analyzing the situation, ensuring the continuity of operations, protecting cash, improving liquidity and promoting the health and safety of all employees, directors and other stakeholders of the Company;
- Implementation of home office for the administrative, commercial and technology areas since March 2020, which should last until the first half of 2021;
- Monitoring and evaluation of delivery and payment deadlines of international raw material suppliers, and so far there are no indications of significant risk of delay that may impact operations;
- Evaluation of contractual conditions for loans and financing. In the first half of 2020, the payment terms of the installments of principal were postponed to some financial institutions in the total amount of R$ 7,300, in order to mitigate possible liquidity risks; and
- Monitoring of customer’s default risk, and therefore there is no significant impact to be disclosed.

Considering all the analyses performed on the aspects related to the possible impacts of Covid-19 on its business and those of its subsidiaries, up to the period ended December 31, 2020, the Company concluded that there were no material effects that significantly affected its equity and financial situation in relation to its individual and consolidated financial statements. However, the financial and economic effect for the Padtec Group will depend on the outcome of the crisis and its macroeconomic impacts, especially about the retraction in economic activity. The Company and its subsidiaries will continue toconstantly monitor the effects of the crisis and the impacts on their operations and financial statements.

2. Presentation of individual and consolidated financial statements

2.1. Preparation base

The parent company and consolidated interim financial information were prepared according to International Accounting Standards International Financial Reporting Standards (IFRS), issued according to the International Accounting Standards Board (IASB), and the accounting practices adopted in Brazil).

The consolidated financial statements include the financial statements of Padtec Holding S.A. (formerly Ideiasnet S.A.) and the companies over which the Company maintains control directly or indirectly, detailed in Note No. 1, whose fiscal years and accounting practices are coincident. Direct and indirect subsidiaries have been consolidated since the date of acquisition, which corresponds to the date on which the Company obtained control.

The Company's management declares and confirms that all relevant information, contained in the individual and consolidated interim financial information (Parent Company) and consolidated, are being evidenced and correspond to the information used by the Company's management in its management..

The authorization for the issuance of these financial statements was given by management on February 11, 2021.

2.2. Basis of measurement

The financial statements were prepared based on historical cost, except for the following items recorded in the balance sheets: i) derivative financial instruments measured at a fair value, ii) financial instruments measured at a fair value through P&L. The classification of fair value measurement in categories levels 1, 2 or 3 (depending on the degree of compliance with the variables used) is presented in Explanatory Note No. 35, Financial Instruments.

2.3. Use of estimates and judgments

In applying the accounting policies of the Company and its subsidiaries, the management should exercise judgment, estimates and assumptions about the carrying amounts of assets, liabilities, revenues and expenses.

Accounting estimates may differ from their actual results. Thus, the Company Administration reviews the continuous estimates and assumptions adopted, based on historical experience and other factors considered relevant. Adjustments arising from these revisions are recognized in the period in which estimates are reviewed and applied.

The main accounting accounts that require the adoption of premises and estimates, which are subject to a greater degree of uncertainty and which have a risk of resulting in a material adjustment if these assumptions and estimates suffer significant changes in periods subsequent are:

- **Explanatory Note No. 5** - Accounts receivable from customers (allowance for loan losses: main assumptions regarding the expected credit loss expectation);
- **Explanatory Note No. 6** - Inventory (provision for inventory realization and obsolescence: main assumptions regarding the expected loss of the inventory);
- **Explanatory Note No. 13 -** Property, plant and equipment (application of defined useful lives and main assumptions in relation to recoverable values);
- **Explanatory Note No. 14** - Intangible (main assumptions regarding recoverable values);
- **Explanatory Note No. 10.1** - Leasing Operations (determination whether a contract contains a lease);
- **Explanatory Note No. 22.1** - Various provisions (recognition and measurement: main assumptions about the probability of outflows);
- **Explanatory Note No. 22.2** - Provisions for labor, tax and civil risks (recognition and measurement: main assumptions about the probability of outflows); and
- **Explanatory Note No. 24** - Private Pension Plan (main actuarial assumptions in the measurement of defined benefit obligations).

2.4. Functional and reporting currency

The financial statements are presented in Brazilian Reais, which is the functional and presentation currency of the Company (Parent Company). The functional currency of the subsidiaries in the United States and Argentina is in the US dollar and in the Colombia is in the Colombian peso. The conversion effects of functional currency of foreign subsidiaries for the real are recorded in equity as other comprehensive income - investment conversion effects abroad. All balances were rounded to the nearest thousand, except when otherwise.

2.5. Statement of Value Added

The Company prepared the individual and consolidated Statements of Added Value (“DVA”) under the terms of Technical Pronouncement CPC 09 - Statement of added value, which are presented as an integral part of the financial statements according to accounting practices adopted in Brazil and as supplementary information to the financial statements in IFRSs, as it is not a predicted or mandatory statement according to IFRSs.

2.6. Cash Flow Statement

The Cash Flow Statements were prepared by the indirect method and are presented in accordance with CPC 03 (R2).

3. Accounting Practices

The main accounting policies used in the preparation of these individual and consolidated financial statements are described below. These policies were consistently applied in all the exercises presented.

3.1. Consolidation Base

Investments in subsidiaries and affiliates are valued at the Parent Company by the equity method. The Company's participation in the results of the subsidiaries is recognized in the results of the year, as a equity income. In the case of exchange variation of investments abroad, which have functional currency different from the Company's functional currency, the variations in the value of the investment arising exclusively from exchange variation are recorded in shareholders' equity statement as other comprehensive results - adjustment of conversion of investments abroad - and are only taken to the result of the year when the investment is sold or write-off for loss.

For the calculation of equity, unrealized profits in operations with subsidiaries are fulyl eliminated, both in the sales operations of the Parent Company to the subsidiary, and between the subsidiaries. Unrealized losses are eliminated, but only if there is no evidence of loss by reducing recoverable value. Balances and transactions between companies and any income or expenses of these transactions are fully eliminated for the preparation of the consolidated financial statements.

In the case of investments in controlled companies, affiliated or controlled together with negative equity (short liability), these are presented in non-current liabilities. The Company's Management understands that there is no difference between the accounting practice adopted in Brazil and IFRS since the Company acts as joint liability with the debt of its subsidiaries that have unsecured liabilities.

3.2. Transactions and balances in currency other than your functional currency

Transactions in foreign currency are converted to the functional currency of the Padtec Group (R$ - reais) using the exchange rates in force on the dates of the transactions. Balances of balance sheet accounts are converted at the prevailing exchange rate on balance sheet dates. Gains and losses on exchange variation resulting from the settlement of these transactions and the conversion of monetary assets and liabilities denominated in foreign currency are recognized in the income for the year under the headings "Financial Income" and "Financial expenses".

3.3. Financial instruments

i. Financial assets

Financial assets are initially recognized on the date they originated or on the date of trading when the Companyor its subsidiaries become one of the parties to the contractual provisions of the instrument. The derecognition of a financial asset occurs when the contractual rights to the respective cash flows of the asset expire or when the risks and benefits of the ownership of the financial asset are transferred.

Measurement:

- Financial assets measured at fair value through income: These assets are subsequently measured at fair value. Net income, including interest or dividend revenue, is recognized in the profit and loss.
- Financial assets at amortized cost: These assets are measured in a subsequent form to the amortized cost using the method of effective interest. The amortized cost is reduced by impairment losses. Interest, earnings and foreign exchange and impairment revenues are recognized in the profit and loss. Any profit or loss in derecognition is recognized in the profit and loss.
- Fair value debt instruments through other comprehensive income: These assets are measured in a subsequent form to the fair value. Net income are recognized in other comprehensive profit and loss, with the exception of interest income calculated using the method of effective interest, exchange rate gains and losses and losses that must be recognized in the profit and loss. At the time of derecognition, the accumulated effect on other comprehensive income is reclassified to the profit and loss
- Equity instruments at fair value through other comprehensive income: These assets are measured in a subsequent form to the fair value. All variations are recognized in other comprehensive income and will never be reclassified to the profit and loss, except dividends that are recognized as a profit and loss gain (unless the dividend clearly represents a recovery of part of the cost of the investment).

In initial recognition, a financial asset is classified as measured: at amortized cost; fair value through other comprehensive income; or fair value through the profit and loss.

Financial assets are not reclassified following initial recognition unless the Company changes the business model to the management of financial assets, and in this case all affected financial assets are reclassified on the first day of the subsequent presentation period to the change in the business model.

Evaluation of Business model:

The Group evaluates the objective of the business model in which a financial asset is kept in a portfolio because this better reflects the way in which the business is managed and the information is provided to the Management. The information considered includes the policies and objectives stipulated for the portfolio and practical functioning of these policies. They include the question of whether:

- The Management's strategy focuses on obtaining contractual interest revenues, maintaining a particular interest rate profile, combining the duration of financial assets and the duration of related liabilities or expected outflows of cash, or the realization of cash flows through the sale of assets;
- How the performance of the portfolio is evaluated and reported to the Group Administration;
- The risks that affect the performance of the business model (and the financial asset maintained in that business model) and the way those risks are managed;
- How business managers are remunerated - for example, whether remuneration is based on the fair value of managed assets or contractual cash flows obtained; And

- The frequency, volume and timing of sales of financial assets in previous periods, the reasons for such sales and their expectations about future sales.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales, consistent with the continued recognition of the Company's assets.

Financial assets held for trading or managed with valuated performance based on fair value are measured at fair value through the income

Assessment of whether contractual cash flows are only principal and interest payments

For the purpose of evaluating contractual cash flows, the principal is defined as the fair value of the financial asset in the initial recognition. Interest is defined as a consideration for the value of money in time and credit risk associated with the core open value over a certain period of time and by other basic risks and costs of loans (for example, liquidity risk administrative costs), as well as a profit margin.

The Group evaluate the contractual terms of the instrument to assess whether contractual cash flows are only payments from the principal and interest. This includes evaluating whether the financial asset contains a contractual term that could change the timing or value of contractual cash flows so that it would not meet that condition. When making this assessment, the Group considers:

- Contingent events that modify the value or time of cash flows;
- Terms that can adjust the contractual rate, including variable rates;
- Prepayment and extension of the deadline; And
- The terms that limit the Company's access to specific asset cash flows (for example, based on the performance of an asset).

Purchases or sales of financial assets requiring the delivery of assets within a period established by regulation or convention in the market (regular negotiations) are recognized on the date of negotiation, that is, on the date which the Company commits to buy or sell the asset.

ii. Financial liabilities

Financial liabilities are initially recognized on the date on which they originate or on the trading date on which the Company or its subsidiaries become part of the contractual provisions of the instrument. The classifications of financial liabilities are as follows:

- Measured at fair value through income: financial liabilities are financial liabilities that are: **(i)** held for trading, **(ii)** assigned to fair value in order to confront the effects of revenue and expense recognition in order to obtain more relevant and consistent accounting information or **(iii)** derivatives. These liabilities are recorded by the respective fair values, whose changes are recognized in the income for the year and any change in the subsequent measurement of fair values that is attributable to changes in the credit risk of the liability is recorded against other comprehensive results.
- Measured at amortized cost: these are the other financial liabilities that do not fit the above classification. They are initially recognized at fair value deducted from any costs attributable to the transaction and subsequently recorded at the amortized cost using the effective interest rate method.

The amortized cost of the effective interest method, loans and financing, debentures and balances payable to suppliers and risk operation drawn.

iii. Derivative financial instruments

The Company and its subsidiaries did not conduct transactions with derivative financial instruments in the years ended December 31, 2020 and 2019. In accordance with the financial policies, the Company and its subsidiaries didn’t perform any transactions involving financial instruments that are speculative in nature.

3.4. Cash and Cash Equivalent

Cash and cash equivalents comprise cash balances and financial investments with original maturity of three months or less from the date of contract, which are subject to an insignificant risk of change in fair value at the time of settlement and are used by the Padtec Group in the management of short-term obligations. The determination of the company's cash and cash equivalents is to maintain sufficient cash to ensure the continuity of investments and compliance with short- and long-term obligations, maintaining the return of its capital structure at appropriate levels, aiming at the continuity of its business and the increase in Padtec's value.

3.5. Accounts receivable from customers

Recorded at their original amounts. The allowance for expected credit loss was recognized in an amount considered by Management as sufficient to cover probable losses on the collection of receivables. The present value, when applicable, is calculated on the transaction date based on an interest rate that reflects the market terms and conditions as of that date.

3.6. Inventories

Inventories are stated at the lower of net realizable value (estimated sales amount in the normal course of business less estimated costs necessary to make the sale) and average production cost or acquisition price.The allowances for slow-moving or obsolete inventories are recognized when considered necessary by Management. The Company and its subsidiaries calculated the cost of their inventories under the absorption method, using the weighted moving average for the inventory items.

3.7. Asset

Fixed assets are measured at the cost of acquisition and/or construction, plus interest capitalized during the construction period, when applicable for cases of qualifying assets and reduced by accumulated depreciation and, where applicable, accumulated losses by reduction to recoverable value. They also include any other costs to place the asset in local and in a necessary condition for them to be able to operate in the manner intended by management, the costs of disassembling and restoring the local where these assets are located and borrowing costs on other qualifying assets.

The rights that have as object tangible assets intended for the maintenance of the activities of the Company and its subsidiaries, originated from financial leasing operations type, are recorded as if it were a financed purchase, recognizing at the beginning of each operation a fixed asset and a financing liability, and the assets are also subject to depreciation calculated according to the estimated useful lives of the respective assets or duration of the contract , in cases where there is no purchase option.

Depreciation is recognized based on the estimated useful life of each asset or group of assets on a straight-line basis so that its residual value after its useful life is fully written off. The estimated useful lives, the residual values, and the depreciation methods are reviewed on an annual basis, and the effects from any change in estimates are recorded prospectively.

Gains and losses in the disposal/retirement of fixed asset are determined by comparing the resources arising from disposal with the residual value of the asset, and are recognized net within other operating revenues/expenses.

3.8. Intangible

i) Software

Licenses purchased from computer programs are capitalized and amortized over their estimated useful life. Expenses associated with software development or maintenance are recognized as expenses to the extent that they are incurred. Expenses directly associated with identifiable and unique software controlled by the Company and likely to generate greater economic benefits than costs for more than one year are recognized as intangible assets. The estimated useful life of significant items of intangible assets for the years presented are disclosed in Note No. 14;

ii) Product research and development

Research expenses are recognized in the result as incurred. Development expenses are recognized in intangible assets only when they meet all of the following criteria: **(i)** development costs can be reliably measured; **(ii)** the product or process is technically and commercially viable and future economic benefits are likely; and **(iii)** the Company and its subsidiaries have sufficient intent and resources to complete development and use or sell the asset.

Capitalized development expenses are measured at cost, deducted from accumulated amortization and any losses due to reduction to recoverable value, where applicable. Intangible assets are amortized based on the linear method, and amortization is recognized in the result by the estimated useful life of the assets from the date they are available for use.

3.9. Reduction to recoverable value - impairment

At the end of each year, the Company's and its subsidiaries' Management revise the carrying amount of their tangible and intangible assets to determine if there are any indications that the assets will not be recovered from their continuing use or from their sale. If there is any indication that an asset is impaired, the recoverable amount of the asset is estimated to measure the impairment loss, if any. Where estimating the recoverable amount of an individual asset is not possible, the Company and its subsidiaries estimate the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent allocation basis can be identified, corporate assets are also allocated to the individual cash-generating unit or the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives or not yet ready for use are tested for impairment at least annually or when there is any indication that such assets may be impaired.

The recoverable amount of an asset is the higher of its fair value less costs to sell or its value in use. In determining the value in use, the estimated future cash flows are discounted to present value at a pretax discount rate that reflects a current market assessment rate of the value of money over time and the specific risks for the asset.

If the calculated recoverable value of an asset (or cash-generating unit) is lower than its carrying amount, then the carrying amount is reduced to its recoverable amount. The impairment loss is immediately recognized in profit or loss.

Impairment losses on goodwill are not reversed in subsequent periods. However, for other tangible and intangible assets, when an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) increases to match the revised estimate of its recoverable value, provided that it does not exceed the carrying amount that would have been determined if no impairment loss had been recognized for the asset (or cash generating unit) in prior years. The reversal of the impairment loss is immediately recognized in profit or

3.10. Active available for sale

Assets are classified as available for sale if it is probable that the Company will sell them within one (01) year from their classification date and provided that they are in a condition to be sold. Available-for-sale assets are measured at the lower of the carrying amount and the fair value, less selling expenses.

3.11. Provisions

Provisions are recognized in the balance sheet when the Company and its subsidiaries have a legal or constructive obligation as a result of a past events and it's probable that an economic resource be required to settle the obligation. Where applicable, provisions are calculated by discounting expected future cash disbursement flows at a rate that considers current market valuations and liability-specific risks. The provision for labor, tax and civil contingencies, when applicable, is recorded based on legal opinions and Management's assessment of lawsuits known at the balance sheet date for the risks assessed as probable loss.

3.12. Leasing

The Padtec Group recognizes in the balance sheet at the beginning of the lease the fair value of the leased asset and the present value of the minimum payments for that lease. Each installment of the lease paid is allocated partly to liabilities and partly to financial charges. The corresponding obligations, net of financial charges, are classified in current and non-current liabilities according to the term of the contract. Property, plant and equipment acquired through leasing is depreciated according to the term established in the respective lease.

3.13. Employee benefits

Pension plan

The Company grants pension plans to its employees, which is recognized on the accrual basis, in accordance with CPC 33 – Employee Benefits, with the Company being considered the Sponsor of these plans. The plans are managed by Fundação Sistel de Seguridade Social and have the following characteristics:

- **Defined contribution plan:** : postemployment benefit plan in which the Sponsor pays fixed contributions to a separate entity, and has not responsibility for any plan´s actuarial deficits. The obligations are recognized as expenses in profit or loss for the period in which services are provided; the result of the period in which the services are provided.
- **Defined benefit plan:** the net obligation is calculated as the difference between the present value of the actuarial obligation obtained based on assumptions, biometric studies, and interest rates matching market yields, and the fair value of plan's assets at the balance sheet date. The actuarial obligation is calculated annually by independent actuaries, under Management's responsibility, using the projected credit unit method. Actuarial gains and losses are recognized in other comprehensive income, as earned/incurred.

3.14. Income per share

The basic income per share is calculated through the income for the year attributable to shareholders and the weighted average of the shares outstanding in the respective fiscal year. The diluted earnings per share is calculated by means of the income for the year attributable to shareholders, adjusted for the effects of the instruments that would potentially impact the results of the year and the average of the shares in circulation, adjusted by the instruments potentially convertible into shares, with a dilutive effect, in the years presented, in accordance with CPC 41/IAS 33.

3.15. Current and deferred income tax and social contribution

Income tax and the current and deferred social contribution are calculated based on the rates of 15%, plus the additional 10% on the taxable income surplus of R$ 240 for income tax and 9% on the taxable profit for the social contribution on net income and considering the compensation of tax losses and negative basis of social contribution, limited to 30% of the real profit for the year. The expense of income tax and social contribution comprises income taxes and current and deferred social allocation. Current tax and deferred taxes are recognized in profit or loss unless they relate to the combination of business or items directly recognized in equity or other comprehensive results.

The expense of income tax and current social contribution is calculated according to the tax legal bases in force on the date of presentation of the financial statements in the countries where the Company and its subsidiaries operate and generate taxable results. Periodically, the Administration evaluates positions taken in relation to tax issues that are subject to interpretation and recognizes provision when income tax and social contribution are expected to pay according to tax bases.

Deferred income tax and social contribution are recognized on differences generated between the assets and liabilities for tax purposes and the respective amounts are recognized in the individual and consolidated financial statements; however, deferred income tax and social contribution are not recognized if generated in the initial recognition of assets and liabilities in transactions that do not affect the tax bases, except in business combinations.

Deferred income tax and social contribution are determined considering the rates and (and laws) prevailing as of the date of the individual and consolidated financial statements and applicable when the respective income tax and social contribution are realized and are recognized only to the extent that it is probable that there will be positive taxable base for which temporary differences may be used and against which tax losses may be offset. Deferred tax assets and liabilities are revised at each year end and are reduced as their realization is no longer probable. The Group does not have deferred asset balances recorded until December 31, 2020.

The Padtec Group only recognizes a provision on tax matters if a past event originates a present obligation. The Company and its subsidiaries determine whether there is a present obligation at yearend taking in account all the available evidence, including, for example, the opinion of its legal counsel. The Company also takes into consideration if it is probable that there will be an outflow of assets and if a reliable estimate can be made.

3.16. Revenue recognition

The operating revenue of the normal course of Padtec's group activities is measured at the fair value in the consideration that is receivable. Operating revenue is recognized when representing the transfer (or promise) of goods or services to customers in order to reflect consideration of which amount you expect to exchange for those goods or services.

The IFRS 15/CPC 47 establishes a model for revenue recognition that considers five steps: **(i)** identification of the contract with the customer; **(ii)** identification of the performance obligation defined in the contract; **(iii)** determination of the transaction price; **(iv)** allocation of the transaction price to contract performance obligations and **(v)** revenue recognition if and when the company meets performance obligations.

Therefore, revenue is recognized only when (or if) the performance obligation is fulfilled, that is, when the "control" of the goods or services of a given operation is effectively transferred to the customer. If discounts are probable to be granted and the amount can be reliably measured, then the discount is recognized as a reduction in operating revenue as sales are recognized.

3.17. Product warranty

Warranty expenses related to spare parts are recognized at the time the revenue is recorded in the income statement. The record is made through estimated values based on historical factors. The warranty coverage period varies from one to three years.

3.18. New norms and interpretations in force

The following are the main, pronouncements and accounting interpretations issued by the IASB and CPC, which have entered into force for accounting periods started onJanuary1, 2020:

- IFRS 7 and IFRS 9 – Financial Instruments: In September 2019, the IASB issued Reference Interest Rate Reform (Changes to IFRS 9, IAS 39 and IFRS 7). These changes modify the specific *hedge* accounting requirements to allow the maintenance of *hedge* accounting for affected *hedges* during the period of uncertainty before the items of *hedge* or *hedging* instruments affected by the current reference interest rates are changed due to the ongoing reforms of the reference interest rates. The amendments also introduce new disclosure requirements in IFRS 7 for *hedge* relationships that are subject to exceptions introduced through changes to IFRS 9.
- Business Definition (Changes in CPC 15 (R1) / IFRS 3): This change clarifies the definition of "business", aiming to facilitate the decision of companies on how to classify the acquisition of a set of activities and assets between an effective business combination or simply an acquisition of asset groups.
- Disclosure Initiative – Material Definition (Changes in IAS 1 / CPC 26 (R1) and IAS 8 / CPC 23): this change clarifies the definition of "material", aiming to help companies make a better judgment to define whether information about a particular item, transaction or other event should be disclosed in the financial statements without substantially changing existing requirements.

3.19. New standards and interpretations not yet in force and not adopted in advance

New standards and amendments to IFRS standards and interpretations have been issued by the IASB and have not yet entered into force for the wrong encexercise on December 31, 2020. The Padtec Group has not adopted these changes in the preparation of these individual and consolidated financial statements.

- IAS 16 - Fixed Assets — Resources Prior to Intended Use (Applicable for annual periods beginning on or after January 1, 2022). The changes prohibit deducting from the cost of an asset item any resource from the sale of items produced before the asset is available for use, that is, resources to bring the asset to the site and in the condition necessary for it to be able to operate in the manner intended by management. Consequently, the entity recognizes these resources from the sale and corresponding costs in the result. The changes also clarify the meaning of 'testing whether an assetis working properly'. The entity shall recognize the cumulative effect of the initial adoption of the changes as an adjustment of the initial balance of accumulated profits (or other component of shareholders' equity, as applicable) at the beginning of the first period presented.
- Changes to IAS 37 - Onerous Contracts - Contract Compliance Cost (Applicable for annual periodsbeginning and after or after January 1, 2022). The changes specify that the 'cost of compliance' of the contract comprises the 'costs directly related to the contract'. Costs directly related to the contract comprise the incremental costs of fulfilling this contract (for example, employees or materials) and the allocation of other costs directly related to the fulfillment of contracts (for example, allocation of depreciation expenses to an asset item used in the performance of the contract). The changes apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual period in which the entity applies the changes for the first time. The entity shall recognize the cumulative effect of the initial adoption of the changes as an adjustment of the initial balance of retained earnings (or other component of shareholders' equity, as applicable) on the date of initial adoption.

4. Cash and Cash Equivalents

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Cash Bank deposits	-	-	24,358	595
Financial investments of immediate liquid	1	1	40,322	2,733
	1	1	64,680	3,328

Financial investments of immediate liquidity refer to investments in CBD (Bank Deposit Certificate), maintained in first-line financial institutions, remunerated between rates of 97% to 106% of CDI (Interbank Deposit Certificate), and are subject to a negligible risk of change in value. (Average rate of 77.7% of CDI as of December 31, 2019).

5. Trade Receivable

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Accounts Receivable:				
Referred in domestic currency	880	883	79,585	883
Referred in foreign currency (a)	-	-	18,232	-
	880	883	97,817	883
(+) Provision of revenue - Oi (b)	-	-	14,847	-
(+) Judicial Recovery Oi (e)	-	-	3,347	-
(-) Allowance for doubtful accounts (c)	(880)	(883)	(10,270)	(883)
(-) Provision for recognition of revenue outside the accrual period (d)	-	-	(3,068)	-
	-	-	102,673	-
Current Assets	-	-	100,296	-
Non Current Assets	-	-	2,377	-
	-	-	102,673	-

(a) Consolidated represented by by US$3.508;

(b) In 2019, the subsidiary Padtec S.A. signed an amendment to the contract with the telecommunications operator Oi, to supply equipment, materials and provide services for the implementation of new DWDN systems, as well as for the expansion of the network. The object of the contract is divided into two parts: (a) "common parts" associated with the installation of the equipment; and (b) portion associated with the use of the 10G, 100G, or 200G equivalent transponder. Common parts comprise common hardware, software, materials, and associated services. These items will be billed 100% after delivery of the product and/or after the issuance of the Term of Acceptance Experimental (TAF). Licenses used will be billed quarterly after auditing how many are properly in use. The balance to be received in December 31,2020 is R$14,847 for 1,063 licenses. The subsidiary recognizes the license revenue when it satisfies a performance obligation when transferring the good or service (that is, an asset) promised to the client, as required by accounting practices adopted in Brazil and IFRSs. These amounts are written off quarterly effectively with the realization for the use of the installed capacity;

(c) Allowance for loan losses are recorded based on individual analyzes of amounts receivable, based on incurred losses and expected credit losses that may occur in the collection of credits;

(d) Provision for reversal of revenue recognition outside the accrual period ("cut-off"); and

(e) Oi Group applied for judicial reorganization on June 20, 2016, based on the Bankruptcy and Judicial Reorganization Law (Law No. 11,101 / 2005). On March 14, 2018, the Company adhered to Clause 4.3.5.2 of Oi's Judicial Reorganization Plan, which states that: "the securities that are part of the judicial reorganization will be paid with a 10% discount in 4 annual installments, equal and successive, plus TR + 0.5% per year, with the first installment due on the last business day of the first year after the expiry of the term for choosing the credit payment option. Up to now, Padtec S.A. received two installments related to the Plan.

For the years presented, the Company and its These amounts refer to independent customers with no recent history of default and that are not expected to be in default. The aging list of trade receivables is as follows:

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
On maturity date	-	-	73,400	-
Overdue from 01 to 30 days	-	-	2,169	-
Overdue from 31 to 60 days	-	-	1,963	-
Overdue from 61 to 90 days	-	-	3,888	-
Overdue from 91 to 120 days	-	-	419	-
Overdue from 151 to 180 days	-	-	768	-
Overdue from 181 to 360 days	-	-	4,319	-
Overdue from 361 to 730 days	-	-	621	-
Overdue over 730 days	880	883	10,270	883
	880	883	97,817	883

The following are the balances of accounts receivable from customers due to risk exposure of losses of overdue balances overdue to more than 730days, the total value of which is provisioned for loss:

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Overdue from 731 to 1095 days	880	883	1,138	883
Overdue from 1096 to 1460 days	-	-	786	-
Overdue from 1461 to 1825 days	-	-	2,739	-
Overdue from 1826 to 2190 days	-	-	3,023	-
Overdue from 2191 to 2555 days	-	-	1,701	-
Overdue over 2556 days	-	-	883	-
	880	883	10,270	883

6. Inventories

	Consolidated	
	12/31/2020	12/31/2019
Finished goods	13,648	-
Work in process	1,691	-
Raw materials	32,687	-
Resale materials	3,340	-
Import in progress	13,195	-
Inventory in possession of third parties (a)	7,127	-
Provision for obsolesce and slow turnover (b)	(9,699)	-
	61,989	-

(a) Refers substantially to raw materials under manufacturing process and pieces of equipment held as guarantee by customers;

(b) Refers to an allowance for inventory obsolescence and slow-moving inventory items. For this estimate, discontinued inventories are considered materials out of the quality standard and items with no movements whose realization is considered unlikely by Management, since newer technologies and/or solutions are available in the market. The provision for the realization of inventories is constituted based on the analysis of the sales prices charged, net effects of taxes and fixed expenses incurred in sales efforts.

The movement of provisions for obsolescence and slow turnover is as follows:

	Parent Company and Consolidated			
	06/01/20	12/31/2020		
	Initial Balance	Addition to the provision	Reversal	Final balance
Stock	(8,825)	(2,797)	3,018	(8,604)
Inventory in possession of third parties	(644)	(973)	522	(1,095)
Total	(9,469)	(3,770)	3,540	(9,699)

7. Recoverable Taxes

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Tax on Circulation of Goods and Services - ICMS	-	-	1,162	-
Industrialized product tax forwarding in transit - IPI	-	-	518	-
Financial Credit (a)	-	-	4,385	-
Social Integration Program - PIS	4	4	385	6
Contribution to Social Security Financing - COFINS	15	16	1,773	23
Social contribution over net profit - CSLL (c)	-	-	1,600	198
Advance of Corporate Income Tax - IRPJ (c)	1,698	1,607	4,820	3,364
Special Tax Regularization Program - PERT (b)	-	240	-	8,143
National Social Security Institute - INSS	-	-	683	13
Withholding Income Tax - IRRF	-	-	1,356	-
Withholding taxes	-	-	4,967	-
Others	-	3	2,237	7
	1,717	1,870	23,886	11,754
Current Assets	1,717	1,630	23,562	1,657
Non-current assets	-	240	324	10,097
	1,717	1,870	23,886	11,754

(a) Financial Credit: In December 2019, the amendment to Law No. 8,248 / 1991 (Law of Informatics) by Law No. 13,969 / 2019 was published, effective from April 1, 2020, until December 2029. With the new law, the tax incentive becomes the receipt of financial credit proportional to the R&D investments made in advance. The financial credit is calculated quarterly and will be used to pay federal taxes controlled by the Brazilian Federal Revenue Secretary

(b) Negative balances arising from the largest payments arising from mandatory monthly advances;

(c) CSLL Tax Loss and Negative Base Credits used to pay the outstanding balance of the Special Tax Regularization Program (PERT).

8. Restrict Financial Investments

On December 31, 2020, the subsidiary Padtec S.A. registered R$19,395, being:

a) Financial application of Safra Bank in the amount of R$ 8,995 CDB (Bank Deposit Certificate), given as a guarantee to the letter of guarantee, which by its guarantee one the debt with BNDES, settled in November 2020. The average rate of remuneration is 99% of the CDI and the Company is awaiting the release of this letter of bail.

b) FIDC operation with the Sifra Group in the amount of R$5,171 in senior quotas of FIC FIDC OSHER, long-term, whose purpose is to finance customers and anticipate resources (receivables). The average rate of remuneration is 125% of the CDI; and

c) Financial application at Bradesco Bank in the amount of R$ 5,229 CBD modality, which R$3,288 is for judicial guarantee insurance (referring to the action to include ICMS in the calculation basis of PIS and Cofins) and R$1,941 given in guarantee of the bail letter that guarantees a debt taken with FINEP. The average rate of remuneration is 99% of the CDI.

9. Other Receivables

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Avais Officer (a)	913	913	913	913
Receivable Credits (b)	-	-	1,980	-
Rental Security Deposit	-	35	175	35
Payroll Advance	-	-	544	-
Other Advances	-	-	690	-
Other Accounts Receivable	368	60	959	60
	1,281	1,008	5,261	1,008
Current Assets	356	-	2,356	-
Non-current assets	925	1,008	2,905	1,008
	1,281	1,008	5,261	1,008

(a) The Company was listed as a "Officer" on the Bank Credit Note No. 1,250, issued by Officer S.ATechnology Products Distributor, then in judicial recovery ("Officer"),in favor of BCV - Credit and Retail Bank S.A., a member of the BMG Financial Group. On November 6, 2015, the Company, as a copyist, concluded a Private Instrument of Assumption and Debt Confession, through which **(i)** it fully assumed the debt for which it was already co-obliged and **(ii)** repacted the payment terms. Due to the assumption of the debt, the Company was surrogacy in the concursal credit once due by the Officer.

(b) Amounts received from the Mecominas Group, paid at 100% of the CDI due in October 2022.

10. Related Parties

The Company has the following companies as shareholders holding a relevant stake in its share capital (a stake of more than 5% (five percent) of the share capital):

a) CPqD Foundation - Telecommunications Research and Development Center; and

b) BNDES Participações S.A - BNDESPAR

Direct equity interests in operating subsidiaries are described in Note No. 01.

Related parties were considered controlling shareholders, subsidiaries and associates, joint ventures and entities under common control that somehow have significant influence over the Company.The main natures and transactions are listed below:

a) **Mutual:** Financial transactions between the Company and its subsidiaries. The balances of the loan contracts active and liabilities do not prevent in interest collection, since these are transactions signed with full subsidiaries, maturing less than one year;

b) Technological development services: Agreement with the CPqD Foundation to carry out research and development activities. The values of technological services with the CPqD Foundation are the result of investments by the Company and its subsidiaries in a center of excellence in optical communication aimed at the development of innovative technologies for use in the full range of solutions offered by Padtec SA to the market, carried out at prices and under market conditions;

c) Sale of products: Refers to the sale of finished products between the subsidiary Padtec S.A. and its subsidiaries abroad, carried out under conditions considered by the Company to be similar to those of the market at the time of each negotiation, in accordance with the internal policies pre-established by the Administration;

d) Other assets and liabilities: Transactions made between the CPqD Foundation and Padtec S.A, related to infrastructure expenses and administrative expenses as defined by the parties to the contract.

In addition to the balances described above, the subsidiary Padtec S.A. had a loan and financing agreement with BNDES, which was settled in November 2020 and is described in Note No. 15.

	Parent Company			Consolidated			
	12/31/2020		12/31/2019	31/12/20			
	Automatos	Total	Total	Fundação CPqD	Padtec Argentina	Padtec Colombia	Total
Assets							
Mutual (a)	6,072	6,072	2,585	-	-	-	-
	6,072	6,072	2,585	-	-	-	-
Non-current assets	6,072	6,072	2,585	-	-	-	-
	6,072	6,072	2,585	-	-	-	-
Liability							
Services of technology development (b)	-	-	-	948	-	-	948
Mutual (e)	2,188	2,188	-	-	-	-	-
	2,188	2,188	-	948	-	-	948
Current Liabilities	2,188	2,188	-	948	-	-	948
	2,188	2,188	-	948	-	-	948
Revenue							
Sales of goods (c)	-	-	-	-	2,786	2,710	5,496
	-	-	-	-	2,786	2,710	5,496
Expenses / Costs							
Services of technology development (b)	-	-	-	883	-	-	883
Other Services (e)	-	-	-	8	-	-	8
	-	-	-	891		-	891

10.1. Leasing with related parties

The Company and its subsidiaries maintain a commitment arising from the operational lease of the property where its administrative headquarters are located. The lease lasts three years (due in 2022), with renewal option after this period and has no purchase option clauses at the respective termination. The lease payment is adjusted annually by the IGPM, and to reflect market values was applied at the actual rate of 7.47%. The effect of this accounting is the registration of R$3,357 in fixed assets, having as counterpart the rental obligation on current liabilities of R$2,733 and non-current of R$624, net of taxes.

Remuneration of key management staff

The compensation paid to Executive Officers, Board of Directors and Supervisory Board members is set by the General Shareholders Meeting and is consistent with market standards. The amount approved for 2020 was R$8,000. The balance payable on December 31, 2020 is approximately R$ 1,000, there were no amounts payable on December 31, 2019. The annual remuneration of key management staff includes the following expenses:

	12/31/20	12/31/19
Short-Term Benefits		
Salary Including Bonus	2,295	956
National Social Security Institute - INSS	460	105
Private Pension	180	-
Total Remuneration	2,935	1,061

The Company has no additional post-employment obligation to Directors, nor does it offer other long-term benefits, such as service time leave and other service time benefits. The Company also does not offer any other benefits in the dismissal of its members of the Board of Directors, in addition to those defined in the employment contract, concluded between them and the Company.

11. Assets classified as held for sale

	Parent Company		Consolidated	
			12/31/2020	12/31/2019
Properties (a)	-	255	-	255
	-	255	0	255

(a) Properties

The Company had 15 properties as collateral for sureties granted in a fiduciary sale agreement on the sale of the investee Latin and Ventures. On September 30, 2015, the Company classified these properties as “assets held for sale” as a result of the court decision issued in May of that same year, guaranteeing the right to sell the properties.

In December 2019, the Company entered into a purchase and sale agreement for 11 units and a purchase and sale promise for the other 4 units, for the total amount of R$ 1,000, having received R$ 744 in that month. In January 2020, R$ 203 was received for three other properties and in June 2020, R$ 52 was received for the last property.

12. Investments and provision for uncovered liabilities

The summary accounting information of the Company's subsidiaries, including the total values of assets, liabilities, uncovered liabilities, income and loss for the year, are presented below:

12.1. Breakdown of investments

	Parent Company		Consolidated	
Participation in subsidiaries	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Chenonceau Participações S.A	294	296	-	-
Padtec S.A	121,933	35,515	-	35,515
	122,227	35,811	-	35,515

12.2. Provision uncovered liabilities

	Parent Company	
Participation in subsidiaries	12/31/2020	12/31/2019
Automatos Participações Ltda.	(3,888)	(10,903)
	(3,888)	(10,903)

12.3. Summarized subsidiaries' financial information

	Padtec S.A Sucursal Argentina		Padtec US		Padtec Colombia	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Capital	2.160	2.160	18.213	15.384	949	3.210
Total assets	2.701	1.631	1.720	429	9.169	4.753
Total liability	931	616	1.492	13	7.771	3.301
Equity	1.770	1.015	228	416	1.398	1.452
Outcome of the fiscal year	930	(6)	(2.952)	(4.073)	(208)	(632)
Amount of shares (in thousands)	2.160	2.160	18.213	15.384	1.456	1.456
Amount of owned shares (in thousands)	2.160	2.160	18.213	15.384	1.456	1.456
Percentage of Participation	100,00%	100,00%	100,00%	100,00%	100,00%	34,16%

12.4. Summary of financial information of jointly owned subsidiaries

	Padtec S.A Sucursal Argentina		Padtec US		Padtec Colombia	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Capital	2,160	2,160	18,213	15,384	949	3,210
Total assets	2,701	1,631	1,720	429	9,169	4,753
Total liability	931	616	1,492	13	7,771	3,301
Equity	1,770	1,015	228	416	1,398	1,452
Outcome of the fiscal year	930	(6)	(2,952)	(4,073)	(208)	(632)
Amount of shares (in thousands)	2,160	2,160	18,213	15,384	1,456	1,456
Amount of owned shares (in thousands)	2,160	2,160	18,213	15,384	1,456	1,456
Percentage of Participation	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

12.5. Charges in Investments (Parent)

	Automatos Participações Ltda.		Chenonceau Participações S.A		Ideiasventures Participações S/A.		Padtec S.A		Total	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Initial Balance of investments	-	-	296	2.528	-	-	35.515	32.663	35.811	35.191
Initial Balance loss of investments	10.903	10.903	-	-	-	-	-	-	10.903	10.903
Capital Reduction	-	-	-	-	-	-	-	(191)	-	(191)
Capital Payment	-	-	-	-	-	-	67.357	-	67.357	-
Applications / Contributions	336	160	-	-	-	679	-	-	336	839
Goodwill on Capital Transaction	-	-	-	-	-	-	599	-	599	-
Equity Income Result	6.679	745	(2)	(2.232)	-	1.841	18.973	3.238	25.650	3.592
Exchange Variation on Investments (accumulated)	-	-	-	-	-	-	(511)	(195)	(511)	(195)
Others	(14.030)	(905)	-	-	-	(2.520)	-	-	(14.030)	(3.425)
Balance of Provision for Losses in Subsidiaries	(3.888)	(10.903)	-	-	-	-	-	-	(3.888)	(10.903)
Final balance of investiments	-	-	294	296	-	-	121.933	35.515	122.227	35.811

(*) Share control arising from corporate reorganization.

13. Property, plant and equipment

	Parent Company			
	Computer equipment	Furniture and appliances	Telephony Devices	Total
Balances on December 31, 2019				
Cost	18	19	1	*38*
Accumulated depreciation	(10)	(11)	(1)	*(22)*
Balances on December 31, 2019	8	8	-	16
Casualties and Disposals (Acquisition)	(18)	(19)	(1)	*(38)*
Casualties and Disposals (Depreciatiom)	11	13	1	*25*
Depreciation	(1)	(2)	-	*(3)*
Balances on December 31, 2019	-	-	-	-
Cost	-	-	-	-
Accumulated depreciation	-	-	-	-
Balances on December 31, 2019	-	-	-	-

	Consolidated						
	Machinery and equipments	Computer equipment	Furniture and appliances	Telephony Devices	Others	Right of use lease (a)	Total
Balances on December 31, 2019							
Cost	-	18	19	1	-	-	*38*
Accumulated depreciation	-	(10)	(11)	(1)	-	-	*(22)*
Balances on December 31, 2019	-	8	8	-	-	-	16
Costs - Opening Balance for Consolidation	21.555	7.441	2.481	21	226	6.043	*37.767*
Accumulated Depreciation - Opening Balance for Consolidation	(14.627)	(3.728)	(1.241)	(19)	-	(1.135)	*(20.750)*
Acquisitions	128	2.352	227	-	2.717	-	*5.424*
Casualties and Disposals (Acquisition)	(67)	(19)	(200)	(1)	-	-	*(287)*
Casualties and Disposals (Depreciatiom)	23	22	139	1	-	(157)	*28*
Depreciation	(968)	(920)	(150)	-	(226)	(1.394)	*(3.658)*
Balances on December 31, 2019	*6.044*	*5.156*	*1.264*	*2*	*2.717*	*3.357*	*18.540*
Cost	21.616	9.792	2.527	21	2.943	6.043	*42.942*
Accumulated depreciation	(15.572)	(4.636)	(1.263)	(19)	(226)	(2.686)	*(24.402)*
Balances on December 31, 2019	6.044	5.156	1.264	2	2.717	3.357	18.540

(a) Refers to the building lease agreement for the Company's administrative headquarters (see Note No. 10.1).

The following table shows presents the average rates of depreciation of fixed assets in the period described below:

	In years	% per year
Machinery and equipment	02 to 10 years	10% per year to 50% per year
Computing equipment	01 to 5 years	20% per year at 100% per year
Furniture and utensils	06 to 15 years	6.67% per year to 16.67% per year
Telephone device	04 to 10 years	10% per year to 25% per year
Other	05 years old	20% per year

14. Intangible

	Parent Company	
	Brands and Patents	Total
Balances on December 31, 2019		
Cost	24	24
Balances on December 31, 2019	24	24
Balances on December 31, 2020	24	24

	Consolidated				
	Software	Brands and Patents	Technical Information License	Development Project	Total
Balances on December 31, 2019					
Cost	-	24	-	-	*24*
Balances on December 31, 2019	-	24	-	-	24
Costs - Opening Balance for Consolidation	9.804	3	3.889	28.475	42.171
Accumulated Amortization - Opening Balance for Consolidation	(5.432)	-	(3.845)	(7.625)	(16.902)
Acquisitions	407	-	1.255	5.762	7.424
Casualties and Disposals (Amortization)	5	-	-	-	5
Amortization	(670)	-	(411)	(2.424)	(3.505)
Balances on December 31, 2019	4.114	27	888	24.188	29.217
Cost	10.211	27	5.144	34.237	49.619
Accumulated Amortization	(6.097)	-	(4.256)	(10.049)	(20.402)
Balances on December 31, 2019	4.114	27	888	24.188	29.217

(*) Development projects: refer to new technologies that are being developed and meet the recognition criteria related to the completion and use of assets and generation of future economic benefits.

The following table shows the average amortization rates of the intangible in the year:

Description	In years	% per year
Software	05 years old	20% per year
Development of new products	05 to 10 years	10% per year to 20% per year

15. Loans and financing

Modality	Agreed rate	Average annual Effective rate	Due date	Guarantee	Consolidated 12/31/2020	12/31/2019
Domestic currency						
Working Capital - Safra	CDI + 5,53% per year	5,65%	04/26/21 until 09/24/24	-	10,020	-
Working Capital - Daycoval	5,9% to 10,08% per year	8,22%	07/29/20 until 09/30/24	Receivables	15,036	-
Working Capital - ABC Brasil	CDI + 4,38% per year	4.43%	12/23/20 until 05/23/24	Receivables	8,011	-
Finep	TR+ 2,80% per year	2,83%	02/01/23 until 02/01/40	Bank guarantee	10,365	-
					43,432	-
Current liabilities					11,151	-
Non-current liabilities					32,281	-
					43,432	-

Schedule by year of duo date:

	Consolidated 2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031-2040	TOTAL
Loans and Financing	11,151	11,380	7,692	5,065	739	739	739	739	739	739	3,710	43,432

Loans and Financing do not require compliance with restrictive financial clauses.

The main movements in the exercise are described below.

15.1. Payments

During the period from June 1 to December 31, 2020, R $ 69,379 was paid in the consolidated, referring to interest and principal on loans obtained by the Company.

15.2. Reconciliation of liabilities resulting from operating and financing activies

In October 2020, the subsidiary Padtec S.A obtained a financing line with FINEP, for technological investments: R$ 6,364 indexed to a rate of TR + 2.8% per year. Interest will be paid in 242 monthly and consecutive installments, with a 3-year grace period for the payment of principal.

Additionally, in 2020, the subsidiary Padtec S.A. also raised funds to strengthen its working capital as follows:

Banco do Brasil

In June 2020, it raised R$ 5,000 indexed to CDI + 4.8% per year. The principal will be paid in 2 installments, the first on December 2020, and the second on June 2021, with monthly interest payments.

In October, its raised R$5,000 indexed to CDI + 4.5% per year. The principal will be paid in 2 installments (April and November 2021), with monthly interest payment.

All three of these operations with Bank of Brazil were settled with funds obtained in the issuance of the Debentures (see Explanatory Note No. 16)

Banco Daycoval

In June, it raised R$ 10,000 indexed at a rate of 10.08% per year. Interest will be paid in 24 consecutive monthly installments as of July 2020, and the principal in 18 consecutive monthly installments, also from the same date.

In October, it raised R$5,000 indexed at the CDI rate + 5.9% per year. The interest and principal will be paid in 48 monthly installments, with a six-month grace period in the payment of the principal.

Banco Safra

In September 2020, R$ 10,000 was raised, indexed to the CDI rate + 5.53% per year. Interest will be paid in 48 consecutive monthly installments as of October 2020 and the principal in 42 consecutive monthly installments as of April 2021.

Banco ABC Brasil

In November, it raised R$8,000 indexed at the CDI rate + 4.38% per year. Interest will be paid in 42 monthly installments, with a six-month grace period in the payment of the principal.

15.3. Reconciliation of liabilities resulting from operating and financing activities

	Consolidated
Balances on December 31, 2019	-
Incorporation Balance	60,367
Interest Expenses	3,080
Interest Payment	(3,052)
Loans taken	49,364
Amortization	(66,327)
Debentures Fundraising	40,000
Debentures Funding Expenses	(922)
Cash flow from operating and financing activities	82,510
Balances at December 31, 2020	82,510

16. Debentures

In December 2020, the subsidiary Padtec S.A. issued R$ 40,000 in simple debentures not convertible into shares, of the kind with real guarantee, in a single series, for public distribution placed with restricted efforts under The CVM 476 ("Debentures").

The movement of the issue of the Debentures is shown below:

Modality	Funding	Balance in 12/31/20
Measured at Cost - Post Fixed		
Post-Fixed		-
CDI	40,000	40,000
Total at cost	40,000	40,000
Funding expenses(*)	(922)	(922)
Total	39,078	39,078
Current Liabilities		7,765
Non-Current Liabilities		31,313
		39,078

Schedule by year of duo date:

	Consolidated				
	2021	2022	2023	2024	TOTAL
Debentures	8,000	10,666	10667	10,667	40,000

(*) According to CPC 48/IFRS 9, they refer to the borrowing costs directly attributable to the issuance of the respective debts, measured at cost.

The Debentures have a duo date of 4 (four) years, counting from the date of issue, maturing, therefore, on December 21, 2024. The net funds raised through this issue were destined for the re-profiling and lengthening of the Padtec Group's debts, including full payment of debts originally incurred with Banco do Brasil, as well as full payment of debts originally incurred with Banco Itaú.

Restrictive conditions

Debentures require compliance with certain restrictive clauses, in addition to additional obligations, which are determined annually. Regarding the financial restrictive clause, it is necessary to:

- Maintenance of the Net Financial Debt to EBITDA ratio at a rate of up to 2.5 (two integers and five tenths) until the full payment of the Guaranteed Obligations, to be determined on an annual basis, starting in the year 2020 (“Financial Covenant”), based on the annual statements of the issuer (Padtec SA) referring to the immediately previous year, audited by an Independent Auditor, which should mention the compliance or not with the Financial Covenant of the issue of the Debentures.

The Company monitors these indexes in a systematic and constant manner, in order to ensure that the conditions are met. In Management's understanding, all restrictive conditions and financial and non-financial clauses are adequately met as of December 31, 2020.

17. Financial Operations

The Company had recorded until December 31, 2020 financial operations of Vendor and FIDC in the amount of R$37,139 in current liabilities and R$11,460 in non-current liabilities. The entry for this entry is recorded in current and non-current assets. The operations are described as follows:

17.1. Vendor Operations

The Company executed vendor operations (factoring) contracts with Banco do Brasil, Banco SSafra, Banco Industrial, Banco Paulista, Banco Alfa and Banco Daycoval, which consist of sales financing operations based on the principle of credit assignment. Until the end of the 2020 fiscal year, these financial institutions granted credits to 19 clients of the Company, through the conclusion of Financing Promise Agreements, at an overall limit of R$ 118,523 maturing until December 2022. This amount is used for the acquisition of products and services for the Company's implementation. As of December 31, 2020 there was no default on the part of these customers. As of December 31, 2020, the amount recorded is R$32,387 in current liabilities and R$10,729 in non-current liabilities.

17.2. Credit rights investment fund operation (FIDC)

The Credit Rights Investment Fund was created in October 2019 by Padtec S.A together with other shareholders, whose funds will be used to purchase products and services for the implementation of the Company. Padtec S.A holds a 25% interest and the other shareholders hold a 75% interest. The FIDC is managed by the Sifra Group, with the objective of financing customers and anticipating resources (receivables). The credit limit will be R $ 20 million. The assignment fee for Padtec receivables is 1.50% per month, with a term limited to the investment amount described below. Padtec should invest R $ 5 million in senior shares of FIC FIDC OSHER, with remuneration of 125% of the CDI. This investment will be recorded with a chattel mortgage in favor of the Sifra Group, to exclusively guarantee Padtec operations as assignor.

Until December 31, 2020, funds were granted to 5 Group customers, in the total amount of R $ 7,970 million, with maturity up to November 2022. Until December 31, 2020 there was no default and the registered amount is R $ 4,752 in the short term and R$731 in the long term.

18. Suppliers

	Consolidated	
	12/31/2020	12/31/2019
Domestic suppliers	12,801	151
International suppliers	43,031	-
	55,832	151

19. Forfaiting

The Company has an agreement with a Banco do Brasil's financial institution to allow domestic suppliers to early collect their receivables. Under this operation, suppliers assign receivables from sales of goods to financial institutions. The balance as at December 31, 2020 is R$1,971, with a maximum term of 180 days.

20. Taxes and contributions payable

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
ICMS - Tax on Circulation of Goods and Services	-	-	3,320	-
Corporate Income Tax - IRPJ	-	-	558	548
Excise Tax - IPI	-	-	2,728	-
Social Contribution on Net Income - CSLL	-	-	203	196
Social Integration Program - PIS	-	-	314	-
Contribution to Social Security Financing - COFINS	4	-	1,341	2
Service tax - ISS	-	-	189	12
Others	-	12	551	11
Current liabilities	4	12	9,204	769

21. Taxes and contributions payable in installment

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
ICMS - Installment of Tax on Circulation of Goods and Services (a)	-	-	5,043	-
Special Tax Regularization Program - PERT (b)	-	240	-	9,539
Installment of Service tax - ISS (c)	-	-	3,257	3,316
Others	-	-	234	-
	-	240	8,534	12,855
Current liabilities	-	-	6,331	2,956
Current non-liabilities	-	240	2,203	9,899
	-	240	8,534	12,855

(a) Padtec S.A joined the tax refinancing program to pay its ICMS debts in installments, according to Joint Resolution SP/PGE 02/12 and SF 72/12, in the amount of R$15,717, the outstanding balance of which at December 31, 2020 is R$ 5,043 with final maturity until January 2023;

(b) The consolidated amount is mainly represented by the federal tax debts of the subsidiary Automatos Participações included in the Special Tax Regularization Program ("PERT"), established by the Federal Government through Law 13,496 of October 24, 2017. After the payment of the amounts corresponding to the entry of 5% of the consolidated debt for the participation of THE PERT, the Company and the subsidiary Automatos Participações completed the stages of consolidation of the installments;

(c) The consolidated value is represented by the municipal tax debts of the subsidiary Automatos Participações.

22. Provisions

22.1. Various provisions

	Consolidated				
	12/31/2019	12/31/2020			
	Initial Balance	Opening Balance by Consolidation	Addition to the provision	Reversals	Final balance
Provision for commission (a)	-	886	406	(568)	724
Repairs during warranty (b)	-	1,387	514	(9)	1,892
Others	188	-	4	(63)	129
Total	188	2,273	924	(640)	2,745

(a) Refers to the accual for commissions on sales made to customers at the percentage of 0.4% to 4% or fixed amounts of monthly salaries, pursuant to the clauses of the contract; And

(b) Constituted to cover expenses related to products, including guarantees and contractual obligations.

22.2. Provisions for labor, tax and civil risks

The Company and its subsidiaries are parties to lawsuits and administrative proceedings before various courts and government agencies, arising from the normal course of their operations, involving tax, civil, labor, and other matters. As a rule, provision is made for amounts classified as probable risk of loss

	Parent Company			
	12/31/18	12/31/19		
	Initial Balance	Addition to the provision	Reversals	Final balance
Labor (a)	21,141	914	(3,049)	19,006
Civil (b)	5,872	261	(2,359)	3,774
Total Provisions	27,013	1,175	(5,408)	22,780
Judicial Deposits (d)	(6,348)	(4,801)	50	(11,099)
Total	20,665	(3,626)	(5,358)	11,681

	Parent Company			
	12/31/19	12/31/20		
	Initial Balance	Addition to the provision	Reversals	Final balance
Labor (a)	19,006	2,226	(997)	20,235
Civil (b)	3,774	-	(899)	2,875
Total Provisions	22,780	2,226	(1,896)	23,110
Judicial Deposits (d)	(11,099)	(362)	10,274	(1,187)
Total	11,681	1,864	8,378	21,923

	Consolidated			
	12/31/18	12/31/19		
	Initial Balance	Addition to the provision	Reversals	Final balance
Labor (a)	19,382	3,724	(3,397)	19,709
Civil (b)	13,098	575	(2,434)	11,239
Tax (c)	2,530	-	(2,530)	-
Total Provisions	35,010	4,299	(8,361)	30,948
Judicial Deposits (d)	(11,349)	(4,811)	4,389	(11,771)
Total	23,661	(512)	(3,972)	19,177

	Consolidated				
	12/31/19	12/31/20			
	Initial Balance	Opening Balance by Consolidation	Addition to the provision	Reversals	Final balance
Labor (a)	19,709	2,856	2,450	(2,281)	22,734
Civil (b)	11,239	1,810	2,784	(9,896)	5,937
Tax (c)	-	6,131	1,716	(833)	7,014
Administrative	-	285	-	-	285
Total Provisions	30,948	11,082	6,950	(13,010)	35,970
Judicial Deposits (d)	(11,771)	(513)	(932)	10,852	(2,364)
Total	19,177	10,569	6,018	(2,158)	33,606

(a) Labor

Labor claims – Lawsuits started by ex-employees of subsidiaries and ex-subsidiaries (Officer, Pini, Softcorp/Latin eVentures e ETML - Empresa de Telefonia Multiusuário S.A) already divested, claiming labor rights. invested, pleading labor rights.

(b) Civil

Civil Actions Participations Sources and Administration Ltda .: Padtec Holding S.A. (formerly Ideiasnet S.A.) is a defendant in three civil lawsuits filed by the company Participations Sources and Administration Ltda. ("Sources"), which are: 0014757-87.2014.8.16.0001 (precautionary action); 0021446-50.2014.8.16.0001 (main proceedings); and 0009306-47.2015.8.16.0001 (accountability action). Such processes deal with the validity of the guarantees given by Sources (fiduciary alienation instruments of real estate) in favor of Padtec Holding SA (formerly Ideiasnet SA) in connection with the sale of the former investee Softcorp and the amounts owed to Padtec Holding SA (previously Ideiasnet SA) versus the amount executed by it through the guarantees. The lawsuits are proceeding together, apart from the main lawsuit, which is still in the knowledge phase, where we await the hearing of a last witness from the plaintiff expected for March 2021.

(c) Tax

The main processes are described as below:

IPI

Subsidiary Padtec S.A., assessed by the Federal Revenue of Brazil, for the sale sale of accessories for incentive products from IPI unaccompanied by final products, supposedly not complying with the requirement to enjoy the tax benefit provided for in the Information Law then in force. The subsidiary Padtec S.A. was assessed for the years 2011 and 2012, totaling a risk of R$ 2,316 and made a provision for the years 2015 to 2018 of R$ 1,605.

ISSQN

Notice of Infraction issued by the Municipality of Belo Horizonte, referring to the collection of ISSQN at the rate of 5% for alleged services rendered and a fine for issuing a document other than that established in the municipal tax legislation, by the company PSG - Padtec Serviços Globais de Telecomunicações Ltda (incorporated by the subsidiary Padtec S.A.), by its subsidiary established in the city of Belo Horizonte / MG, from April 2015 to July 2016; and the other referring to a fine for issuing a document other than that established in the municipal tax legislation in the same period, with a tax loss, totaling of R$2,310.

(d) Judicial Deposits

The amounts refer to judicial deposits held on behalf of the Parent Company and the invested Padtec S.A. and Automatos Participações Ltda., mainly in civil and labor proceedings.

In the consolidated there are other processes with total risk value of R$74,225, of which R$57,710 refers to tax risks, R$11,778 labor, R$4,600 civil and R$137 administrative assessed by legal advisors as being of possible risk of loss as of December 31, 2020 (R$14. 434 as of December 31, 2019), for which no provision was constituted, considering that the accounting practices adopted in Brazil do not require their accounting. Below is the breakdown of the main processes that fall under the above description:

- ICMS – The subsidiary Padtec S.A. has a tax enforcement process related to the ICMS tax, which is in appeal phase, in the amount of R$ 6,215. The judgment in the first instance was partially upheld to cancel the tax levied, while maintaining the requirement of fines;
- The subsidiary Padtec S.A. holds an infraction notice drawn up by the Brazilian Federal Revenue Department regarding differences in the collection of Import Tax (II), Industrialized Products Tax (IPI) and PIS and Cofins determined as a result of the divergence in the tax classification of imported products. The defense is in the administrative instance, in the amount of R$1,612. The object is only the regulatory fine of 1% on the customs value, which is why the party that was not the subject of the appeal was excluded from the contingency;
- The subsidiary Padtec S.A. has an infraction notice drawn up by the Brazilian Federal Revenue Secretariat regarding the collection of PIS and Cofins determined on non-cumulative regime, referring to the period from January 2009 to December 2010. The process is in the Tax Control and Monitoring Service of the Federal Revenue Police Station of Sorocaba/ SP and awaits trial of the challenge, in the amount of R $ 5,770;
- The subsidiary Padtec S.A. has infraction notices and challenge of fine due to alleged non-compliance with the Basic Productive Process (PPB), for marketing products with improper use of tax benefit of reduction of the Tax on Industrialized Products (IPI) in the period 2011 and 2012. According to the inspection, Padtec S.A. would have misused the reduction of the IPI considering the misuse of the tax benefit established by Law No. 8,248/1991, in the total amount of R$38,175. On 01/03/2018 Padtec S.A. received a summons from judgment 09-65.347 which rejected the challenge submitted and maintained the launch. Volunteer resources to Carf filed on 01/31/2018. On 09/26/2019, in judgment of the Voluntary Appeal, the process was converted into due diligence; and
- PerDComp Federal Taxes - These are Claims for Reimbursement linked to the Statements of Compensation of the subsidiary Padtec S.A., with credits arising from the higher payment of taxes (IPI, Cofins, Cide and others), not cumulative, referring to several periods fully rejected and not approved. The file is located in the National Process Management Center of the Federal Revenue Police Station in Ribeirão Preto/SP.

23. Social Contributions

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Salaries	44	-	2,542	-
Profit sharing and results	-	-	3,211	-
Social contributions	62	67	5,792	68
Accurual for vacation / 13th salary	80	59	6,499	59
Private pension	-	-	844	-
Others	-	-	88	-
	186	126	18,976	127

24. Private Pension Plan

The Padtec S.A sponsors 02 pension plan for employees, managed by Fundação Sistel de Seguridade Social. Pension plans are established as a defined contribution plan (“InovaPrev”) or defined benefit (“CPqDPrev”).

Under the defined benefit, the contribution and benefit amount is defined when the plan is contracted, and costing is determined by actuarial calculations, to ensure that the plan can be granted and maintained. Under the defined contribution plan, the benefit amount is consistently adjusted, according to the applicable account balance maintained on behalf of the participant, which, in turn, results from the contribution amounts, contribution time, income arising from investments made, among other variables.

Under the regulations of these plans, costing varies according to a contribution table based on salary ranges, from 1% to 8% of the participants’ compensation.

As of December 31, 2020, the Company has no actuarial liabilities arising from the pension plan, since the the plan has reported a financial balance.

The contributions made totaled R$1,244 as of December 31, 2020, which were recorded as an expense in the results of the period. The contributions made by the sponsor in the second quarter of 2020 were reduced from the surplus resources in the Risk Coverage Fund, according to the agreement between the parties. This Fund is intended to accumulate the resources provided by self-sponsored participants and sponsors through Risk Contributions.

25. Shareholder’s Equity

25.1. Capital

The merger of shares issued by Padtec S.A. by the Company, with the consequent conversion of Padtec into its wholly-owned subsidiary, under the terms of article 252 of Law 6,404 / 1976 (“Lei das S.A”), was approved at an extraordinary general meeting held on April 27, 2020. This transaction was also approved, on the same date, by the General Meeting of Padtec shareholders. Company shareholders who held their shares on an uninterrupted basis from March 27, 2020, to April 27, 2020, were entitled to exercise the right of withdrawal, according to article 252, paragraph 1 of the “Lei das S.A.”, and should manifest expressly intends to exercise such right within 30 (thirty) days, ending on May 29, 2020. However, none of the Company's shareholders exercised such withdrawal right.

Accordingly, on June 1, 2020, the Company concluded the merger of Padtec S.A. shares, when new common shares were issued and delivered to the then shareholders of that investee, who received 7.113682675 new shares issued by Padtec Holding S.A.to replace each share issued by Padtec S.A owned by it. The determination of such replacement ratio was agreed by the signatories of the Merger Agreement entered into as part of the transaction, including the management of the Company, and started from the net equity value of the shares issued by each Company at market prices on September 30, 2019 (“Base Date”). This transaction generated a capital increase of R$ 67,365, resulting from the merger of Padtec S.A.'s shares.

As of December 31, 2020, the company's subscribed and paid-up capital is R$199,211, divided into 78,450 book-entry common shares, with no pair value.

	12/31/20	
Shareholders	Number of shares	% of Participation
Fundação CPqD - Centro de Pesquisa e Desenvolvimento em Telecomunicaç	43,075,127	54.91%
BNDES Participações S.A. - BNDESPAR	18,084,240	23.05%
LMC Brazil, LLC	3,927,649	5.01%
Others	13,362,763	17.03%
	78,449,779	100.00%

	12/31/20	
Shareholders	Number of shares	% of Participation
LMC Brazil, LLC	3,927,649	24.03%
Total Return Investment LLC	2,407,579	14.73%
Itaú Unibanco S.A	1,943,360	11.89%
Truetech Participações Ltda.	1,069,238	6.54%
Others	6,995,740	42.81%
	16,343,566	100.00%

25.2. Capital reserve

Capital

Corresponding to gains or losses in the change of participation of subsidiaries without loss of control.

25.3. Currency translation adjustments

Corresponding to the difference between the acquisition value and the book value, in the change in the interest of subsidiaries without loss of control, resulting in the goodwill on the capital transaction.

25.4. Other comprehensive income

Equity valuation adjustment

Refers to the accumulated translation adjustments for all foreign currency differences resulting from the conversion of the financial statements of operations abroad.

25.5. Dividends

The Company's Bylaws define the allocation of 25%, adjusted in accordance with Article 202 of Law No. 6,404/76 is paid as mandatory minimum dividends, when profit for that year is recorded. There was no distribution of dividends for the year ended December 31,2020 due to the loss. As of December 31, 2019, dividends were also not distributed.

26. Earnings per share

The basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of common shares issued in the year.

The diluted earnings per share is calculated by adjusting the weighted average number of outstanding common shares to assume the conversion of all potential diluted common shares by the stock options, and number of shares that could have been bought is determined at fair value, based on the monetary value of all subscription rights linked to outstanding stock options.

The number of shares calculated , as described above, is compared with the number of shares issued, assuming the vesting period of the stock options. The following shows basic and diluted earnings per share as of December 31, 2020 and 2019:

	Parent Company and Consolidated	
	12/31/2020	12/31/2019
Basic numerator		
Profit in the period	17,211	5,439
Number of shares	78,450	16,344
Primary losses per share - in Brazilian reais	0.2194	0.3328

27. Net Operating Revenue

	Consolidated	
	12/31/2020	12/31/2019
Gross operating revenue	230,780	-
Product	187,722	-
Service	43,058	-
Taxes levied on sales	(53,519)	-
Returns and cancellations	(7,968)	-
Net operating revenue	169,293	-

28. Cost of sales and services

	Consolidated	
	12/31/2020	12/31/2019
Material	(66,359)	-
Labor	(20,718)	-
Overhead expenses	(20,537)	-
	(107,614)	-

29. Operating income (expenses)

29.1. Administrative, selling and research and development

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Personal expenses and payroll taxes	(1,882)	(2,783)	(30,775)	(3,146)
Outside services	(771)	(1,372)	(4,478)	(1,564)
Selling and marketing expenses	(185)	(121)	(345)	(123)
General and administrative expenses	(447)	(390)	(8,655)	(395)
Rental of real estate and equipment	(47)	(225)	(377)	(225)
Other	-	(45)	(2,904)	(105)
	(3,332)	(4,936)	(47,534)	(5,558)

Reported as follow:

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Administrative Expenses	(3,332)	(4,936)	(15,928)	(5,558)
Selling Expenses	-	-	(13,754)	-
Research and development Expenses	-	-	(17,852)	-
	(3,332)	(4,936)	(47,534)	(5,558)

29.2. Other operating income (expenses), net

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Discount PERT	-	-	-	339
Administrative indemnity	-	-	(119)	-
Civil indemnity	-	-	202	-
Labor indemnity	(110)	-	(781)	-
Asset loss / gain held for sale	(345)	(900)	(345)	(900)
Loss of amounts receivable from customers	-	-	(2,615)	-
Allowance for loan losses	3	-	7,906	-
Provision for labor contingencies	(1,092)	1,827	(442)	1,827
Provision for tax contingencies	-	-	(1,652)	-
Provision for civil contingencies	(4,083)	2,050	3,454	2,050
Provision for administrative contingencies	-	-	(1,112)	(139)
Other	(406)	20	(408)	51
	(6,033)	2,997	4,088	3,228

30. Financial income (costs)

30.1. Financial Income

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Financial investment income	1,026	16	1,967	165
Interest on financial transactions	-	-	894	-
Other revenues	(44)	16	4,296	46
	982	32	7,157	211

30.2. Financial costs

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Interest on loans and financial operations	(1)	-	(3.600)	-
Financial operations expenses	-	-	(85)	-
Other expenses	(55)	(3)	(3.828)	(1.282)
	(56)	(3)	(7.513)	(1.282)

31. Current income tax and social contribution

The reconciliation of the expenditure calculated by the application of the combined tax rates and the income tax and social contribution expense debited to the result is demonstrated as follows:

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Profit before Taxes	17,211	5,439	17,401	2,819
Equity income	(25,650)	(7,349)	476	(6,220)
11.196/05 Law	-	-	(5,484)	-
(+/-) other additions and exclusions	535	(3,875)	(14,385)	(2,691)
Provision / Reversal for obsolescence of inventory	-	-	230	-
Provision / Reversal of contingencies	476	(4,221)	1,618	(4,049)
Provision / Reversal revenue	-	-	(10,986)	-
Provision / Reversal of doubtful credit	(3)	-	(7,906)	-
Losses on amounts receivable	-	-	2,615	-
Provision / Reversal cut-off	(344)	344	3,049	344
Financial Credtis	-	-	(8,378)	-
Deferred Taxes PERT	-	-	-	4,492
Other additions and exclusions	406	2	5,373	(3,478)
Profit /fiscal loss (IR base)	(7,904)	(5,785)	(1,992)	(6,092)
Income Tax	-	-	(182)	1,926
Social contribution	-	-	(8)	694
Income tax and current CSLL	-	-	(190)	2,620

32. Insurance

The Company has insurance effective through n December 31, 2020, in amount deemed sufficient by Management to cover its operational risks. The risk assumptions adopted, given their nature, are not part of the scope of an audit of the individual and consolidated financial statements, consequently they were not examined by our independent auditors.

The insurance amounts by risk coverage as follow:

Insured risk	Current period From	To	Amount insured 12/31/2020
Basic coverage: fire, lightning and explosion Additional coverage: loss of profits, flooding, property, electrical damage, landslides, equipment, machinery breakdown, record restoration, RC Commercial and Industrial establishment, theft and windstorm	04/28/20	04/28/21	210.592
Death, accident, disability	07/01/20	06/30/22	932
Death, accident, disability	07/01/20	06/30/22	419
Death, accident, disability	07/01/20	06/30/22	32
Road risks	11/01/20	11/01/21	4.000
Directors	07/09/20	07/09/21	50.000
General RC, Operations, Products	07/13/20	07/13/21	15.000

33. Risk Management

The economic and financial risks reflect, mainly, the behavior of macroeconomic variables and the foreign exchange and interest rates, as well as the features of the financial instruments used by the Company and its subsidiaries. The Company and its subsidiaries have the policy of managing the existing risks conservatively; the main purposes of this policy are to preserve the value and liquidity of financial assets and ensure the inflow of funds for the good development of business.

Risk management and management of financial instruments are carried out through policies, strategy definitions and implementation of control systems, defined by the Board of Directors and approved by the Board of Directors. The classification of financial assets, according to IFRS 9, is generally based on the business model in which a financial asset is managed and its characteristics of contractual cash flows.

34. Financial Instruments

All transactions with financial instruments are recognized in the financial statements of the Company and its subsidiaries, as shown below:

	Just Value Hierarchy	Parent Company 12/31/2020	Parent Company 12/31/2019	Consolidated 12/31/2020	Consolidated 12/31/2019
Assets					
Fair value through profit					
Cash and Cash Equivalents	Level 2	64.680	3.328	64.680	3.328
Restricted financial investiments	Level 2	19.395	-	19.395	-
Total		84.075	3.328	84.075	3.328
Liabilities					
Liabilities at amortized cost					
Loans and financing (current)		(11.151)	-	(11.151)	-
Loans and financing (non-current)		(32.281)	-	(32.281)	-
Debentures (current)		(7.765)	-	(7.765)	-
Debentures (non-current)		(31.313)	-	(31.313)	-
				-	
Total		(82.510)	-	(82.510)	-

The classification of financial assets at amortized cost or at fair value against profit or loss is based on the business model and the cash flow characteristics expected by the Company and its subsidiaries for each instrument.

Fair value versus carrying amount

The fair values of financial assets and liabilities, with the book values presented in the balance sheet, are as follows:

- Cash and cash equivalents and restricted financial investments – The rates used to calculate yield on the Company’s cash and cash equivalents, ate the end of the year, approximate their fair value for transactions of similar nature, term and risk, so that the carrying amount of cash and cash equivalents approximate their fair values;
- Accounts receivable from customers – Trade are initially recognized at fair value and, subsequently, over time, adjusted by the effective interest rate, considering the effects and the recognition on the present value measurement;
- Loan, financing and Debentures – are contracted under market conditions and, therefore, the carrying amounts approximate their value for transactions of similar terms, source and risks;
- Commercial leasing operations – Operations are recognized at book value that reflects fair value;
- Suppliers – recognized for the book value that reflects fair value, since they refer to short-term balances; and
- Forfaiting - recognized at book value that reflects fair value.

Valuation of financial instruments

The fair value of a security corresponds to its maturity value (redemption value) brought to present value by the discount factor (referring to the security's maturity date) obtained from the market interest curve in Brazilian Reais.

CPC 40 (R1) and IFRS 7 require the classification based on a three-level hierarchy to measure the financial instruments at fair value, based on observable and unobservable information related to the financial instrument valuation on the measurement date. The CPC 40 (R1) and the IFRS 7 also define observable information as market data obtained from independent sources and non-observable information as information that reflects market assumptions.

The three levels of fair value hierarchy are:

- **Level 1:** Prices quoted in an active market for identical instruments.
- **Level 2:** Valuation techniques according to which all data with significant effects on the fair value are observable for assets or liabilities, directly (such as prices) or indirectly (price derivatives).
- **Level 3:** Valuatio techniques under which inputs to measure the fair value are not available.

34.1. Financial Risk Management

The economic and financial risks reflect, mainly, the behavior of macroeconomic variables and the foreign exchange and interest rates, as well as the features of the financial instruments by the Padtec Group. The Group's activities are exposed to various financial risks, capital risk, interest rate risk, exchange rate, credit and liquidity. Padtec's practice is to manage existing risks in a co-shaped manner. The main purposes of this policy are to preserve the value and liquidity of financial assets and ensure the inflow of funds for the good development of business.

Padtec's exposure to each of these risks, the objectives, practices and processes for risk measurement and management and capital management are described below:

34.1.1. Capital risk

The Company manages its capital to ensure the continuity of their normal activities while seeking to maximize the return on their operations for all stakeholders or involved in their operations, by optimizing the use of debt and equity.

The capital structure of the Company and its subsidiaries is formed by net indebtedness (loans, financing and debentures), deducted by cash and cash equivalents, linked cash and financial investments and by the Company's equity.

The Padtec Group have no financial debts and their net cash ratio is:

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Debt	-	-	82,510	-
Cash and cash equivalents, financial investments	1	1	84,075	3,328
Net debt (net cash)	(1)	(1)	(1,565)	(3,328)
Net equity	103,012	18,348	103,012	18,348
Net debt (cash) ratio	(0.0000)	(0.0001)	(0.0152)	(0.1814)

34.1.2. Credit risk

Credit risk is the risk of the Company incurring a financial loss if a customer or a counterparty to a financial instrument fails to discharge its contractual obligations. To mitigate this risk, the Company and its subsidiaries adopt the procedure of making a detailed analysis of their customers´ financial position and constantly monitoring their outstanding debt balances. The results due to reduction in recoverable value are shown in Note No. 5 (accounts receivable from customers), according to the recoverability assessment conducted by management.

For short-term investments, the Company and its subsidiaries only perform transactions with low credit risk and maximum limit of investment balances, as determined by the Company's Management. Management understands that there is no significant risk to which the Company and its subsidiaries are exposed, considering the concentration levels and materiality of the amounts in relation to revenue.

34.1.3. Liquidity risk

It is the risk of the Company and its subsidiaries having difficulties of discharging their obligations related to financial liabilities settled in cash.

The Management's approach to the liquidity risk is to ensure the payment of obligations, thus, the purpose of maintaining available cash to discharge short-term obligations, allowing for sufficient liquidity to comply falling due obligations, under normal and stress conditions, without generating unacceptable losses or the risk of jeopardizing the Company's and its subsidiaries' reputation.

The Company and its subsidiaries work to align fund availability and fund generation to discharge their obligations on the agreed deadline. Contractual maturity is based on the most recent date when the Company and its subsidiaries should settle the related obligations:

	Consolidated			
	Book Value	Up to 1 Year	1-2 Years	2-20 Years
Cash and cash equivalents	64.680	64.680	-	-
Financial investments in guarantee	19.395	19.395	-	-
Accounts receivable from customers	102.673	100.296	2.377	-
Leasing with related parties	(3.357)	(2.733)	(624)	-
Loans and financing	(43.432)	(11.151)	(11.380)	(20.901)
Debentures	(39.078)	(7.765)	(10.438)	(20.875)
Suppliers	(55.832)	(55.832)	-	-
Withdrawal risk	(1.971)	(1.971)	-	-
Total	43.078	104.919	(20.065)	(41.776)

34.1.4. Currency risk

Arises from possible fluctuations in the exchange rates of the foreign currencies used by the Company and its subsidiaries. Management analyzes and monitors its exposures for decision-making on contracting instruments to hedge the related exposures to foreign currency. Currently, the Company does not have any financial protection instrument.

The et exposure to foreign currency is shown in the table below:

		Consolidated		Consolidated	
		12/31/2020		12/31/2019	
		R$	US$	R$	US$
Assets					
	Accounts Receivable	18,232	3,508	-	-
Liabilities					
	Suppliers	(43,031)	(8,280)	-	-
Total		(24,799)	(4,772)	-	-

34.1.5. Interest rate risk

Padtec transactions are indexed to fixed rates whereas transactions at floating rates are subject to the Long-term Interest Rate (TJLP) and the CDI. Accordingly, Management understands que any fluctuations in interest rates would not have a significant impact on the results of the company and its subsidiaries.

The carrying amount of financial instruments that represent the maximum exposure to interest rate risk as of the date of the present interim financial information was:

		Parent Company		Consolidated	
		12/31/2020	12/31/2019	12/31/2020	12/31/2019
Assets					
	Cash and Cash Equivalents	1	1	64,680	3,328
Liabilities					
	Loans and financing	-	-	(43,432)	-
	Debentures	-	-	(39,078)	-
Net exposure		1	1	(17,830)	3,328

34.2. Sensitivity analysis

The Padtec Group condutec a sensitivity analysis of the main risks to which their financial instruments are exposed, basically represented by variation in exchange rates and interest rates.

When exposure to risk is considered to be active, the risk to be considered is a reduction in the indexes linked due to a consequent negative impact on the Company's results. In the same measure, when exposure to risk is considered passive, the risk is an increase in the indexes linked to it also having a negative impact on the result. In this way, the Company and its subsidiaries are qualifying the risks through the net exposure of the variables (Dollar, CDI, TJLP and Selic), as shown.

		Consolidated		
Exchange rate		Probable amount	Addition 25%	Addition 50%
	Accounts Receivable	18,232	4,558	9,116
	Suppliers	(43,031)	(10,758)	(21,516)
Impact on income			(6,200)	(12,400)

		Consolidated		
Interest rate		Probable amount	Addition 25%	Addition 50%
	Cash and Cash Equivalents	64,680	16,170	32,340
	Loans and financing	(43,432)	(10,858)	(21,716)
	Debentures	(39,078)	(9,770)	(19,539)
Impact on income			(4,458)	(8,915)

35. Cash flow Statement

Equity movements that do not affect the Company's cash flows are as follows:

	Parent Company and Consolidated
	12/31/20
Increase in investment with incorporation	(66,758)
Capital increase with equity interest	67,357
Goodwill on capital transaction	(599)
Acquisition of fixed assets in time	211

36. Information by segment

The Company and its subsidiaries have only one operating segment defined in the operational context. The Company and its subsidiaries are organized, and their performance is assessed, as a single business unit for operational, commercial, managerial, and administrative purposes.

37. Explanation added to the translation into English

The accompanying financial statements were translated into English from the original Portuguese version prepared for local purposes. Certain accounting practices applied by the Company that conform to those accounting practices adopted in Brazil may not conform to the generally accepted accounting principles in the countries where these financial statements may be used.

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