Individual and Consolidated Financial Statements

Eletromidia S.A.

December 31, 2020

Eletromidia S.A.

Individual and consolidated financial statements

At December 31, 2020 and 2019

Contents

Individual and consolidated financial statements

Eletromidia S.A.

Statements of financial position
December 31, 2020 and 2019
(In thousands of reais)

		Parent		Consolidated	
	Note	**2020**	**2019**	**2020**	**2019**
Assets					
Current assets					
Cash and cash equivalents	5	**37,860**	34,798	**86,135**	38,018
Trade receivables	6	**35,955**	45,064	**77,406**	53,184
Advances	7	**4,438**	1,245	**6,311**	1,823
Taxes recoverable	8	**8,262**	5,598	**12,056**	8,441
Prepaid expenses	9	**5,265**	4,500	**5,407**	4,663
Other receivables		**952**	3	**1,051**	3
		92,732	91,208	**188,366**	106,132
Noncurrent assets					
Restricted financial investments	10	**30,816**	-	**30,816**	-
Advances	7	**10,141**	12,000	**10,141**	12,000
Prepaid expenses	9	**-**	3,506	**-**	3,506
Judicial deposits	11	**2,173**	1,193	**2,779**	1,194
Deferred taxes	29	**13,597**	-	**24,958**	2,375
Receivables from related parties	24	**12,316**	3,417	**-**	-
Other receivables		**-**	88	**116**	102
Investments	12	**616,530**	95,189	**-**	-
Property and equipment	13	**51,890**	48,975	**128,421**	59,162
Right of use	15	**733**	4,845	**5,241**	4,888
Intangible assets	14	**128,632**	26,323	**624,632**	101,170
		866,828	195,536	**827,104**	184,397
Total assets		**959,560**	286,744	**1,015,470**	290,529

	Note	Parent		Consolidated	
		2020	2019	2020	2019
Liabilities and equity					
Current					
Trade payables		**68,007**	32,576	**102,599**	36,850
Lease liabilities	15	**481**	1,606	**2,046**	1,652
Debentures	16	**74,388**	16,683	**74,388**	16,683
Borrowings	17	**202**	-	**1,811**	-
Labor obligations	18	**7,427**	13,873	**11,616**	14,619
Taxes payable	19	**2,956**	2,605	**5,446**	6,409
Advances from customers	20	**8,168**	14,772	**8,168**	14,772
Deferred revenue	21	**31,590**	-	**43,727**	-
Payables for acquisition of investments	22	**11,910**	-	**11,910**	-
Other payables		**763**	7,100	**1,146**	7,100
		205,892	89,215	**262,857**	98,085
Non-current liabilities					
Lease liabilities	15	**339**	3,588	**3,699**	3,588
Debentures	16	**585,796**	93,500	**585,796**	93,500
Borrowings	17	**724**	-	**724**	-
Deferred taxes	29	**-**	20,073	**-**	20,844
Taxes payable	19	**3,324**	-	**9,019**	427
Payables for acquisition of investments	22	**40,771**	-	**40,771**	-
Provision for contingencies	23	**685**	-	**7,069**	-
Payables to related parties	24	**28,337**	12,456	**10,993**	-
Other payables		**1,775**	2,020	**2,625**	3,255
		661,751	131,637	**660,696**	121,614
		867,643	220,852	**923,553**	219,699
Equity	25				
Share capital		**161,470**	49,726	**161,470**	49,726
Capital reserve		**6,209**	4,863	**6,209**	4,863
Income reserve		**-**	64,644	**-**	64,644
Accumulated losses		**(75,762)**	(53,341)	**(75,762)**	(53,341)
Attributable to equity holders of the Parent		**91,917**	65,892	**91,917**	65,892
Attributable to non-controlling interests		**-**	-	**-**	4,938
		91,917	65,892	**91,917**	70,830
Total liabilities and equity		**959,560**	286,744	**1,015,470**	290,529

The accompanying notes are an integral part of the individual and consolidated financial statements.

Eletromidia S.A.

Statements of profit or loss
December 31, 2020 and 2019
(In thousands of reais)

		Parent		Consolidated	
	Note	2020	2019	2020	2019
Net revenue	26	**147,614**	227,159	**268,303**	296,264
Cost of services rendered	27	**(132,655)**	(125,479)	**(179,452)**	(164,792)
Gross profit		**14,959**	101,680	**88,851**	131,472
Operating income (expenses)		**(86,126)**	(65,589)	**(152,280)**	(87,280)
Selling expenses	27	**(11,533)**	(20,867)	**(15,557)**	(24,044)
General and administrative expenses	27	**(67,325)**	(49,764)	**(117,633)**	(61,139)
Other operating income (expenses)	27	**(14,314)**	1,235	**(19,090)**	(2,097)
Share of profit (loss) of investees	12	**7,046**	3,807	**-**	-
Operating profit (loss)		**(71,167)**	36,091	**(63,429)**	44,192
Finance income (costs)	28	**(28,465)**	(11,121)	**(30,127)**	(12,548)
Finance income	28	**4,421**	1,525	**6,280**	1,692
Finance costs	28	**(32,886)**	(12,646)	**(36,407)**	(14,240)
Profit (loss) before income tax and social contribution		**(99,632)**	24,970	**(93,556)**	31,644
Current income tax and social contribution	29	**(2,192)**	(2,017)	**(2,900)**	(5,767)
Deferred income tax and social contribution	29	**33,670**	(9,080)	**26,651**	(9,692)
Profit (loss) for the year		**(68,154)**	13,873	**(69,805)**	16,185
Attributable to equity holders of the Parent				**(68,154)**	13,873
Attributable to non-controlling interests				**(1,651)**	2,312
Earnings (loss) per share (in R$ per share)	25				
Basic		**(0.7275)**	0.1807	**(0.7275)**	0.1807
Diluted		**(0.7275)**	0.1763	**(0.7275)**	0.1763

The accompanying notes are an integral part of the individual and consolidated financial statements.

Eletromidia S.A.

Statements of comprehensive income
December 31, 2020 and 2019
(In thousands of reais)

	Parent		Consolidated	
	2020	**2019**	**2020**	**2019**
Profit (loss) for the year	**(68,154)**	13,873	**(69,805)**	16,185
Other comprehensive income	**-**	-	**-**	-
Total comprehensive income for the year	**(68,154)**	13,873	**(69,805)**	16,185

The accompanying notes are an integral part of the individual and consolidated financial statements.

Eletromidia S.A.

Statements of changes in equity
December 31, 2020 and 2019
(In thousands of reais)

	Attributable to equity holders of the Parent									
		Capital reserves		Income reserve						
	Share capital	**Special goodwill reserve**	**Grant of shares**	**Legal reserve**	**Unrealized income reserve**	**Total Income reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
At December 31, 2018	48,977	3,123	-	2,263	41,115	43,378	(38,868)	56,610	2,626	59,236
Capital increase (note 25)	749	-	-	-	-	-	-	749	-	749
Profit for the year	-	-	-	-	-	-	13,873	13,873	2,312	16,185
Allocations										
Legal reserve	-	-	-	1,417	-	1,417	(1,417)	-	-	-
Recognition of income reserve	-	-	-	-	20,197	20,197	(20,197)	-	-	-
Minimum mandatory dividends	-	-	-	-	-	-	(6,732)	(6,732)	-	(6,732)
Dividends distributed	-	-	-	-	(348)	(348)	-	(348)	-	(348)
Stock option plan (note 25)	-	-	1,740	-	-	-	-	1,740	-	1,740
Non-controlling interests	-	-	-	-	-	-	-	-	-	-
At December 31, 2019	49,726	3,123	1,740	3,680	60,964	64,644	(53,341)	65,892	4,938	70,830
Reversal of minimum mandatory dividends (note 25)	**-**	**-**	**-**	**-**	**6,732**	**6,732**	**-**	**6,732**	**-**	**6,732**
Distribution of dividends EGM 02/17/2020	**-**	**-**	**-**	**-**	**(1,653)**	**(1,653)**	**-**	**(1,653)**	**-**	**(1,653)**
Capital increase - EGM 02/18/2020 (Note 25)	**110,000**	**-**	**-**	**-**	**-**	**-**	**-**	**110,000**	**-**	**110,000**
Capital increase - merger of Cosme Velho (note 25)	**1,744**	**-**	**-**	**-**	**-**	**-**	**(1,583)**	**161**	**-**	**161**
Stock option plan (note 25)	**-**	**-**	**1,346**	**-**	**-**	**-**	**-**	**1,346**	**-**	**1,346**
Acquisition of interest Publibanca S.A. (note 4)	**-**	**-**	**-**	**-**	**-**	**-**	**(22,407)**	**(22,407)**	**(3,287)**	**(25,694)**
Allocations										
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(68,154)**	**(68,154)**	**(1,651)**	**(69,805)**
Absorption of losses with unrealized income reserve	**-**	**-**	**-**	**-**	**(66,043)**	**(66,043)**	**66,043**	**-**	**-**	**-**
Reversal of legal reserve to absorb losses	**-**	**-**	**-**	**(3,680)**	**-**	**(3,680)**	**3,680**	**-**	**-**	**-**
At December 31, 2020	**161,470**	**3,123**	**3,086**	**-**	**-**	**-**	**(75,762)**	**91,917**	**-**	**91,917**

The accompanying notes are an integral part of the individual and consolidated financial statements.

Eletromidia S.A.

Statements of cash flows
December 31, 2020 and 2019
(In thousands of reais)

		Parent		Consolidated	
	Note	2020	2019	2020	2019
Profit (loss) before taxes		**(99,632)**	24,970	**(93,556)**	31,644
Adjustments for:					
Interest on borrowings, debentures and accrued leases	15, 16 and 17	**27,327**	9,924	**27,939**	10,480
Provision for contingencies		**685**	(361)	**2,300**	(361)
Provision for expected credit losses	6	**(108)**	(1,258)	**(1,340)**	(1,667)
Depreciation and amortization	12, 13, 14 and 15	**42,968**	13,605	**65,302**	16,353
Share of profit (loss) of investees	12	**(7,046)**	(3,807)	**-**	-
Disposal of property and equipment and intangible assets		**30**	5,112	**381**	5,253
Write-off of finance leases		**(379)**	-	**(519)**	-
Reversal of provision		**-**	(7,000)	**-**	(7,000)
Stock option plan	25	**1,346**	1,741	**1,346**	1,741
Others		**(1)**	1,235	**(2,329)**	(640)
		(34,810)	44,161	**(476)**	55,803
Variations in assets and liabilities:			-		-
Trade receivables		**9,216**	(15,233)	**9,846**	(2,869)
Taxes recoverable		**(2,518)**	(966)	**(3,181)**	(212)
Advances to suppliers		**(1,331)**	(12,466)	**1,167**	(12,716)
Judicial deposits		**(980)**	(787)	**(1,585)**	(379)
Other receivables		**(7,016)**	3,182	**2,318**	5,847
Trade payables		**35,432**	10,351	**41,640**	(859)
Labor obligations		**(6,445)**	3,501	**(11,073)**	3,371
Taxes payable		**3,587**	(802)	**2,904**	2,672
Advances from customers		**(6,605)**	14,450	**(6,605)**	14,273
Deferred revenue		**31,590**	-	**37,343**	-
Other payables		**13,998**	(11,031)	**10,669**	(4,787)
Cash from operations		**34,118**	34,360	**82,967**	60,144
Income tax and social contribution paid		**(2,192)**	(1,518)	**(2,900)**	(3,548)
Interest paid		**(18,841)**	(2,192)	**(19,702)**	(2,920)
Net cash generated by operating activities after income tax, social contribution and interest paid		**13,085**	30,650	**60,365**	53,676
Cash flows from investing activities					
Payment for acquisition of investee		**(4,161)**	-	**(562)**	-
Acquisition of subsidiary	4	**(467,394)**	-	**(467,394)**	-
Restricted financial investments		**(30,816)**	-	**(30,816)**	-
Merged cash - Cosme Velho / DMS		**91**	357	**91**	-
Consolidated cash - Elemidia		**-**	-	**29,107**	-
Investment acquisition / capital contribution In subsidiaries	12	**(30,000)**	(10,294)	**-**	(9,290)
Purchases of property and equipment and intangible assets	13, 14 and 15	**(127,972)**	(34,161)	**(140,170)**	(40,442)
Net cash used in investing activities		**(660,252)**	(44,098)	**(609,744)**	(49,732)
Cash flows from financing activities					
Proceeds from borrowings and debentures	15, 16 and 17	**651,633**	110,000	**651,633**	110,000
Repayment of borrowings	16 and 17	**(110,084)**	(77,749)	**(161,731)**	(97,352)
Payment of lease liabilities	15	**(1,320)**	(1,116)	**(2,406)**	(1,631)
Capital Increase	25	**110,000**	749	**110,000**	749
Dividends		**-**	(348)	**-**	(348)
Net cash generated by financing activities		**650,229**	31,536	**597,496**	11,418
Increase In cash and cash equivalents		**3,062**	18,088	**48,117**	15,362
Cash at the beginning of the year		**34,798**	16,710	**38,018**	22,656
Cash at the end of the year		**37,860**	34,798	**86,135**	38,018

The accompanying notes are an integral part of the individual and consolidated financial statements.

Eletromidia S.A.

Statements of value added
December 31, 2020 and 2019
(In thousands of reais)

	Parent		Consolidated	
	2020	**2019**	**2020**	**2019**
Revenues				
Operating revenue	**170,936**	258,871	**310,337**	336,673
Provision for expected credit losses	**(1,061)**	(458)	**(1,501)**	(1,036)
	169,875	258,413	**308,836**	335,637
Inputs acquired from third parties				
Cost of services	**(136,987)**	(128,618)	**(184,868)**	(169,928)
Materials, electric power, outsourced services and other expenses	**(11,183)**	(21,370)	**(22,573)**	(27,600)
Gross value added generated by the Company	**21,705**	108,425	**101,395**	138,109
Retentions				
Depreciation and amortization	**(42,968)**	(13,605)	**(65,302)**	(16,353)
Net value added generated by the Company	**(21,263)**	94,820	**36,093**	121,756
Share of profit (loss) of investees	**7,046**	3,807	**-**	-
Finance income	**4,421**	1,525	**6,280**	1,692
Value added received through transfer	**11,467**	5,332	**6,280**	1,692
Value added to distribute	**(9,796)**	100,152	**42,373**	123,448
Distribution of value added	**(9,796)**	100,152	**42,373**	123,448
Employees	**36,215**	32,794	**58,357**	39,823
Salaries and payroll charges	**34,751**	23,281	**57,539**	29,839
Employee profit sharing	**118**	7,772	**(528)**	8,243
Stock option plan	**1,346**	1,741	**1,346**	1,741
Taxes	**(10,949)**	40,483	**15,205**	52,554
Deferred income tax and social contribution	**(33,670)**	9,080	**(26,651)**	9,692
Federal	**16,999**	24,040	**31,412**	33,192
State	**14**	44	**14**	44
Municipal	**5,708**	7,319	**10,430**	9,626
Financiers	**33,092**	13,003	**38,616**	14,887
Interest	**29,334**	10,078	**31,509**	11,256
Other finance costs	**3,552**	2,568	**4,897**	2,985
Rentals	**206**	357	**2,210**	646
Equity remuneration	**(68,154)**	13,872	**(69,805)**	16,184
Dividends and interest on capital	**-**	-	**-**	-
Profits reinvested/loss for the year	**(68,154)**	13,872	**(68,154)**	13,872
Non-controlling interests in retained earnings	**-**	-	**(1,651)**	2,312

The accompanying notes are an integral part of the individual and consolidated financial statements.

1. Information about the Company

Eletromidia S.A. (“Eletromidia” and/or “Company”) is a corporation headquartered in the city of São Paulo-SP at Avenida Brigadeiro Faria Lima, nº 4.300, 7º andar. The Company's controlling shareholder is Vesuvius LBO - Fundo de Investimento em Participações Multiestratégia Investimento no Exterior. On February 17, 2021, the Company carried out an Initial Public Offering and began to be traded on the stock exchange under the ticker “ELMD3”, see note 32.

The Company, together with its subsidiaries Elemidia Consultoria e Serviços de Marketing S.A., TV Minuto S.A. and Publibanca Brasil S.A., collectively referred to as the “Group”, is mainly engaged in the following activities:

- Lease of movable goods and spaces for placing electronic products, mainly electronic display panels for the computerized disclosing of advertising and data of public or private interest;
- Leasing airtime and advertise messages and data of public and private interest on electronic panels;
- Brand creation and registration for electronic products that are sold and distributed, including the license to use such brands to third parties;
- Provision of computerized message programming services;
- Preparation, implementation and development of projects for advertising in electronic panels, on a management, contracting or subcontracting basis;
- Import, export, sale and distribution of electronic display panels for computerized disclosing of advertising and data of public or private interest, computer equipment; parts, accessories and other products related to electronic media; as well as the repair, maintenance and installation of these goods and products;
- Activity related to the purchase of electronic equipment;
- Advisory services to third parties, individuals and legal entities, in activities related to business management;
- Investments in other companies as partner or shareholder; and
- Activity related to the purchase, sale, lease, import of light bulb and other electrical equipment.

The issuance of these individual and consolidated financial statements was authorized by Management on March 29, 2021.

2. Basis of preparation and presentation of financial statements

The individual and consolidated financial statements have been prepared and are presented in accordance with accounting practices adopted in Brazil, including the standards issued by the Securities and Exchange Commission of Brazil (CVM) and the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The individual and consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at their fair values.

The Company considered the guidelines contained in Technical Guidance OCPC 07, issued by CPC in November 2014, in the preparation of its financial statements. Accordingly, all relevant information specific to the financial statements is being disclosed and corresponds to the information used by Management.

Management assessed the Company’s ability to continue as a going concern and is convinced that they have the resources to allow the continuity of its business in the future. Additionally, Management is not aware of any material uncertainty that could cast significant doubts as to its ability to continue as a going concern. Accordingly, these financial statements have been prepared on the going concern assumption.

2.1. Basis of consolidation

The consolidated financial statements comprise the financial statements of Eletromidia and its subsidiaries. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Company controls an investee if, and only if, it has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

2. Basis of preparation and presentation of financial statements--Continued

2.1. Basis of consolidation--Continued

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the equity interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Company loses the control exercised over a subsidiary, the corresponding subsidiary's assets (including any goodwill) and liabilities are written off at their carrying amount on the date the control is lost and the write-off of the carrying amount of any non-controlling interests on the date when control is lost (including any components of other comprehensive income attributed to them). Any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value on the date when control is lost.

In the individual financial statements, investments in subsidiaries are accounted for using the equity method.

Basis of consolidation is as follows:

	Equity interest %	
	2020	**2019**
Elemidia Consultoria e Serviços de Marketing S.A.	**100%**	-
TV Minuto S.A.	**100%**	100%
Publibanca Brasil S.A.	**100%**	70%

2.2. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer shall measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

2. Basis of preparation and presentation of financial statements--Continued

2.2. Business combination and goodwill--Continued

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration classified as an asset or a liability shall be recognized in accordance with CPC 48 - Financial Instruments in the statement of profit or loss.

Goodwill is initially measured at cost as being the excess of the consideration transferred over the net assets acquired (net identifiable assets acquired and liabilities assumed). If the consideration is lower than the fair value of the net assets acquired, the excess shall be recognized as a gain in the statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.3. Segment information

Operating segments are defined as components of a business for which segmented financial information is available and are assessed by the chief operating decision maker in defining how to allocate resources to an individual segment and in evaluating the segment's performance.

2. Basis of preparation and presentation of financial statements--Continued

2.3. Segment information--Continued

Management's conclusion is that the Company and its subsidiaries operate in a single operating segment for the provision of advertising placement services, considering that:

(i) All decisions by Management and managers are made based on consolidated information;

(ii) The objective of the Company and its subsidiaries is to provide their customers with services for placement in advertising spaces; and

(iii) All strategic, financial, purchasing, investment and financial investments decisions are made on a consolidated basis.

2.4. Statement of value added

This statement is intended to show the wealth created by the Company and its distribution during a given period, and is presented as required by Brazilian corporate law as part of its financial statements. The statement of value added has been prepared based on information obtained from the accounting records used as a basis for the preparation of the financial statements and in conformity with the provisions of NBCTG 9 - Statement of Value Added.

2.5. COVID-19 impacts

At the beginning of 2020, the World Health Organization - WHO declared the coronavirus outbreak (COVID-19) a pandemic on a global basis. This pandemic has already had significant impacts, including the closing of commercial establishments, the creation of challenging working conditions and the disruption of the global supply chain, which may affect the availability of certain services sold by the Company. In addition, the significant increase in COVID-19 cases in Brazilian regions where the Company operates, together with the measures adopted to contain the outbreak and preserve the well-being and health of its employees, resulted in the temporary closing of its offices as from March 16, 2020.

2. Basis of preparation and presentation of financial statements--Continued

2.5. COVID-19 impacts--Continued

However, at this time, neither the Company nor its Management is able to accurately predict or estimate the impact on future results of operations, cash flows or future financial condition of the Company, since COVID-19 continues to impact the economic activity worldwide and represents the risk that the Company, employees, service providers, suppliers, customers and other business partners may be prevented from carrying out certain business activities for an indefinite period, including due to stoppages that may be requested by government authorities as a preventive measure.

The Company also implemented a series of actions for operational maintenance and cash management. Among the actions taken, the main ones are:

- Review of contracts related to concessions and bidding processes, generating savings (lower expense) of R$ 48,247;
- Review of lease agreements and contracts with service providers;
- Adoption of the Provisional Measure (MP) No. 936/2020 converted into Law 14,020/2020 (Emergency program for maintaining employment and income);
- Renegotiation of payment terms with suppliers;
- Renegotiation of receipt terms with annual customers; and
- Review of the investment plan.

The Company has constantly reviewed contracts with service providers and related to inputs, in order to maintain its operational efficiency and keep costs and expenses in line with the business volume and budget forecasts.

The Company has been permanently monitoring the current scenario and has a dynamic adjustment plan, adaptable as required considering the development of the economic scenario.

Advertising sales depend on the number of people impacted and the willingness of advertisers to invest. Therefore, it is directly related to the number of people passing by public environments and the sales environment. Based on information on the number of people passing by in the cities, we identify a gradual and proportional return on sales. However, a likely return to a social distancing situation or an extension longer than expected to return to the normal sanitary situation may have an impact on sales projections.

2. Basis of preparation and presentation of financial statements--Continued

2.5. COVID-19 impacts--Continued

In such a scenario, actions similar to those carried out in 2020 will be taken, including reviews, renegotiations and suspensions of contracts, in addition to the review of the Company's basis of expenses to support this new sales scenario, and also the renegotiation of terms with suppliers and customers.

Additionally, in order to preserve the Company's employees, Management has prepared and is implementing the following actions:

- Prioritizing remote work (employees working from home);
- Suspension of international and national trips by employees;
- Replacement of face-to-face meetings with video conferences, audio conferences or telephone calls;
- 14-day leave for employees who have symptoms and who had contact with confirmed or suspected cases (social distancing);
- 7-day leave for employees from any country as from the date of departure from the other country (social distancing);
- 14-day isolation in cases of international trips; and
- Periodic guidance to employees on ways to prevent the disease.

2.6. Current versus noncurrent classification

The Company classifies assets and liabilities in the statement of financial position into current and noncurrent. An asset is classified as current when:

It is expected to be realized, or intended to be sold or used in the Company’s normal operating cycle.

- It is held primarily for the purpose of trading.
- It is expected to be realized up to 12 months after the reporting period.

2. Basis of preparation and presentation of financial statements--Continued

2.6. Current versus noncurrent classification--Continued

- It is cash or cash equivalent (as defined in Technical Pronouncement CPC 03 (R2) - Statement of Cash Flows), unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when it is:

- It is expected to be settled in the entity's normal operating cycle.
- It is held primarily for the purpose of trading.
- It must be settled within 12 months after the reporting period.
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

2.7. Measurement of fair values

The Company measures financial instruments and non-financial assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible.

2. Basis of preparation and presentation of financial statements--Continued

2.7. Measurement of fair values--Continued

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company determines policies and procedures for measuring fair value, for example, of unquoted financial assets, and for non-recurring measurement. The Company is responsible for the risk assessment department, the financial officers and the managers of each property.

External appraisers are involved in the valuation of significant assets, such as unquoted financial assets, and significant liabilities, such as contingent consideration.

2. Basis of preparation and presentation of financial statements--Continued

2.7. Measurement of fair values--Continued

The involvement of external appraisers is decided annually by the Company, after discussion with the Company and the related approval received. The selection criteria include knowledge of the market, reputation, independence and checking if professional standards are met.

The Company, after discussion with the external appraisers, determines which valuation techniques and information are to be used in each case. For the purposes of this analysis, Management confirms the main information used in the last valuation, comparing the information in the valuation calculation with the contracts and other relevant documents.

Management, together with the Company's external appraisals, also compares each change in the fair value of each asset and liability with the related external sources in order to determine whether the change is acceptable.

2.8. Revenue recognition

Revenue from contracts with customers - advertising placement

Revenue from contracts with customers is recognized when there is the actual transfer of control of the service provided, that is, when the advertising service placement is transferred to the customers at an amount that reflects the consideration to which the Company and its subsidiaries expects to be entitled in exchange for those goods or services. The Company and its subsidiaries generally conclude that they are the principal in their revenue contracts.

The disclosures of significant accounting judgments, estimates and assumptions related to Revenue from Contracts with Customers are presented in note 3 - Significant accounting judgments, estimates and assumptions.

Revenue is presented net of taxes, returns, rebates and discounts.

Revenue from the lease of space in its equipment for the placement of messages and data of public and private interest in its electronic panels is recognized based on the placement period of the message, supported by a document signed between the parties, when applicable.

2. Basis of preparation and presentation of financial statements--Continued

2.8. Revenue recognition--Continued

Finance income

Finance income is recognized according to the period elapsed using the effective interest rate method.

2.9. Taxes

Current income tax and social contribution

Current tax assets and liabilities referring to current and prior years are measured at the expected amount to be recovered or paid to tax authorities, using the tax rates that are enacted at the end of the year.

Current income tax and social contribution related to items recognized directly in equity are recognized in equity, when applicable. Management periodically evaluates tax positions in situations in which tax regulation is subject to interpretation, and records provisions where appropriate.

Deferred taxes

Deferred tax arises from temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction other than a business combination, and at the transaction date, it does not affect the accounting profit or tax profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Basis of preparation and presentation of financial statements--Continued

2.9. Taxes--Continued

Deferred taxes--Continued

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When deferred tax asset related to the deductible temporary difference is generated from the initial recognition of asset or liability in a transaction other than a business combination, and at the transaction date, it does not affect the accounting profit or tax profit or loss; and
- With respect to deductible temporary differences associated to investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the near future and that taxable profits will be available against which temporary deductible differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and written off to the extent that it is no longer probable that taxable profit will be available to allow all or part of the deferred tax asset to be used. Derecognized deferred tax assets are reviewed at the end of each reporting period and recognized to the extent that it is probable that future taxable profits will be available to allow the recovery of deferred tax assets.

Deferred tax assets and liabilities are measured using the tax rate applicable for the year in which the asset is expected to be realized or the liability is expected to be settled, based on the tax rates (and tax law) prevailing at the end of the reporting period.

A deferred tax related to items recognized directly in equity is also recognized in equity and not in the statement of profit or loss, when applicable. Deferred tax items are recognized in accordance with the transaction that gave rise to the deferred tax, in other comprehensive income or directly in equity.

The Company recognizes deferred liabilities on the benefit of the goodwill tax amortization considering that in the event of write-off of goodwill due to impairment, there is a provision associated with the non-deductible expense of this impairment for the reconciliation of the effective income tax and social contribution rate.

2. Basis of preparation and presentation of financial statements--Continued

2.9. Taxes--Continued

<u>Taxes on sales</u>

Expenses and assets are recognized net of taxes on sales, except:

- When taxes on sales incurred on purchase of goods or services are not recoverable from tax authorities, in which case taxes on sales are recognized as part of the acquisition cost of the asset or expense item, as appropriate;
- When the amounts receivable and payable are presented with the amount of taxes on sales; and
- When the net amount of taxes on sales, recoverable or payable, is included as a component of the amounts receivable or payable in the statement of financial position.

Service revenues are subject to the taxes described below, and are presented net of sales revenue in the statement of profit or loss.

According to tax legislation, the rates of taxes on sales are:

- Tax on revenue (COFINS) – 7.60%;
- Tax on revenue (PIS) – 1.65%;
- Tax on services (ISS) – 2% to 5%;

These charges are presented as sales deductions. The credits arising from non-cumulative PIS/COFINS are presented as a deduction of cost of services rendered in the statement of profit or loss.

2. Basis of preparation and presentation of financial statements--Continued

2.10. Profit and dividend distribution

The Company recognizes a liability for the payment of dividends when this distribution is authorized and is no longer an option of the Company or even when provided for by law. As per the current corporate law, a distribution is authorized when it is approved by the shareholders and a corresponding amount is recognized directly in equity. The commercial law also establishes the requirement to pay a minimum mandatory dividend, after making adjustments to the profit earned in the year and allocation of the reserves also provided for in article 202 of the Brazilian Corporate Law.

The distribution of dividends to the Company’s shareholders is recognized as a liability in the Company’s financial statements at year-end, based on the Company's bylaws. Any amount that exceeds the minimum mandatory dividend is only provided on the date it is approved by the shareholders.

2.11. Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Group of property and equipment	% p.a.
Facilities	10
Machinery and equipment	10
Furniture and fixtures	10
Outdoors	10
IT equipment	5
Vehicles	5
Leasehold improvements	5

2. Basis of preparation and presentation of financial statements--Continued

2.11. Property and equipment--Continued

An item of property and equipment is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized. The residual values, useful lives and methods of depreciation of property and equipment are reviewed at the end of each reporting period and adjusted prospectively, if appropriate.

2.12. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the Cash-Generating Unit (CGU) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

2. Basis of preparation and presentation of financial statements--Continued

2.12. Intangible assets--Continued

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

2.13. Financial Instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus transaction costs, in the case of a financial asset not at fair value through profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in Note 2.8 - Revenue from Contracts with Customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2. Basis of preparation and presentation of financial statements--Continued

2.13. Financial instruments - Initial recognition and subsequent measurement--Continued

i) Financial assets--Continued

Initial recognition and measurement--Continued

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

2. Basis of preparation and presentation of financial statements--Continued

2.13. Financial instruments - Initial recognition and subsequent measurement--Continued

i) Financial assets--Continued

Subsequent measurement--Continued

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include trade receivables.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

Financial assets at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under CPC 39 - Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

2. Basis of preparation and presentation of financial statements--Continued

2.13. Financial instruments - Initial recognition and subsequent measurement--Continued

i) Financial assets--Continued

Subsequent measurement--Continued

Financial assets at fair value through OCI (equity instruments)--Continued

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recognized in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are presented in the statement of financial position at fair value, with the related gains or loss recognized in the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset expire; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. Basis of preparation and presentation of financial statements--Continued

2.13. Financial instruments - Initial recognition and subsequent measurement--Continued

i) Financial assets--Continued

Derecognition--Continued

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of: (i) the original carrying amount of the asset; and (ii) the maximum amount of consideration that the Company could be required to repay (guarantee amount).

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to collect, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of guarantees held or other credit improvements that are part of the contractual terms.

2. Basis of preparation and presentation of financial statements--Continued

2.13. Financial instruments - Initial recognition and subsequent measurement--Continued

i) Financial assets--Continued

Impairment of financial assets--Continued

Expected credit losses (ECLs) are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. Basis of preparation and presentation of financial statements--Continued

2.13. Financial instruments - Initial recognition and subsequent measurement--Continued

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financial liabilities at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are initially measured at their fair value, plus or less, in the case of financial liability that is not measured at fair value through profit or loss, the transaction costs are directly attributable the issuance of the financial liability.

The Group's financial liabilities include trade and other payables, borrowings and debentures.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities at amortized cost.

The measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

2. Basis of preparation and presentation of financial statements--Continued

2.13. Financial instruments - Initial recognition and subsequent measurement--Continued

ii) Financial liabilities--Continued

Subsequent measurement--Continued

Financial liabilities at fair value through profit or loss--Continued

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by CPC 48. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses in liabilities for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in CPC 48 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost (borrowings and debentures)

This is the category most relevant to the Group. After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest rate (“EIR”) method. Gains and losses are recognized in profit or loss when the liabilities are written off, as well as through the effective interest rate amortization process.

Amortized cost is calculated taking into account any negative goodwill or goodwill on the acquisition and fees or costs that are an integral part of the effective interest rate method. The amortization under the effective interest rate method is recognized as finance costs in the statement of profit or loss.

2. Basis of preparation and presentation of financial statements--Continued

2.13. Financial instruments - Initial recognition and subsequent measurement--Continued

ii) Financial liabilities--Continued

Subsequent measurement--Continued

Financial liabilities at amortized cost (borrowings and debentures)--Continued

This category generally applies to interest-bearing borrowings and debentures. For more information, refer to Notes 16 and 17.

Derecognition

A financial liability is derecognized when the obligation related to the liability is extinguished, that is, when the obligation specified in the contract is eliminated, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2.14. Impairment of non-financial assets

Management reviews annually the recoverable amount of assets to assess events or changes in economic, operating or technological circumstances that might indicate an impairment of these assets. When an evidence of impairment is identified and the carrying amount exceeds the recoverable amount, an allowance for impairment is recognized to adjust the carrying amount to the recoverable amount. The recoverable amount of an asset or a certain cash-generating unit (“CGU”) is defined as the higher of an asset's fair value less costs to sell and its value in use.

2. Basis of preparation and presentation of financial statements--Continued

2.14. Impairment of non-financial assets--Continued

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the weighted average cost of capital for the industry in which the CGU operates. The net fair value of selling expenses is determined based on recent market transactions between knowledgeable and interested parties with similar assets (arm's length transactions). If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to future cash flows after the fifth year.

Impairment losses are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset is not one that would have been determined (net of depreciation, amortization or depletion) if no impairment loss had been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying amount may be impaired.

2. Basis of preparation and presentation of financial statements--Continued

2.14. Impairment of non-financial assets--Continued

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized in the following order: (a) reducing the carrying amount of goodwill allocated to the CGU; and (b) then, to the other assets of the unit in proportion to the carrying amount of each asset.

Intangible assets with indefinite useful life are tested for impairment annually at December 31, individually or at the level of the cash-generating unit, as appropriate or whenever circumstances indicate that the asset may be impaired.

2.15. Cash and cash equivalents

Cash and cash equivalents include balances in bank current accounts and short-term investments with high liquidity, maturing in three months or less, counting from the contracting date and subject to an insignificant risk of change in value. These balances are held to meet short-term cash commitments and not for investment or any other purposes.

2.16. Trade payables

Trade payables are obligations to pay for goods or services acquired in the normal course of business and are classified as current liabilities if the payment is due within one year. Otherwise, trade payables are recorded as non-current liabilities.

These trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

To calculate the present value of trade payables, the Company used the risk-free rates provided by official sources as a reference.

2. Basis of preparation and presentation of financial statements--Continued

2.17. Provisions

General

Provisions are recognized when the Company and its subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company and its subsidiaries expect that the amount of a provision will be reimbursed, whether fully or partially (e.g. by virtue of an insurance agreement), the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense related to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, the provisions are discounted using a current rate before taxes that reflects, when appropriate, the risks specific to the liability. When a discount is adopted, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Onerous contracts

If the Company and its subsidiaries have a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. However, before a separate provision for an onerous contract is established, the Company recognizes any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of (a) the cost of fulfilling it; and (b) any compensation or penalties arising from failure to fulfill it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

2. Basis of preparation and presentation of financial statements--Continued

2.17. Provisions--Continued

Provision for lawsuits

The Company and its subsidiaries are parties to several legal and administrative proceedings related to tax, civil and labor risks. Provisions are recognized for all contingencies related to lawsuits for which it is probable that an outflow of resources will be made to settle the contingency/obligation and a reasonable estimate can be made. The assessment of the likelihood of loss includes the assessment of available evidence, hierarchy of laws, available case laws, recent court decisions and their relevance in the legal system, as well as the assessment made by the outside legal counsel. Provisions are reviewed and adjusted so as to consider changes in circumstances, such as applicable statute of limitations, the completion of tax audits or additional exposures identified based on new matters or court rulings.

Contingent liabilities recognized in a business combination

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions above (CPC 25) or the amount initially recognized less (when appropriate) cumulative amortization recognized in accordance with the requirements for revenue recognition.

2.18. Share-based payments

Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

2. Basis of preparation and presentation of financial statements--Continued

2.18. Share-based payments--Continued

That cost is recognized in employee benefit expenses, together with a corresponding increase in equity (in other reserves), over the period in which the service is rendered and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

2. Basis of preparation and presentation of financial statements--Continued

2.19. Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Brazilian reais (R$), which is the Company's functional currency.

b) Transactions and balances

Foreign currency-denominated transactions are translated into the functional currency using the exchange rates prevailing on the transaction or valuation dates, when items are remeasured.

Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in the statement of profit or loss in the finance income (costs) line item.

2.20. Adjustment to present value of assets and liabilities

Long-term monetary assets and liabilities are monetarily adjusted and, therefore, they are adjusted to present value. The adjustment to present value of short-term monetary assets and liabilities is calculated, and only recorded, if considered relevant in relation to the financial statements taken as whole. For the purposes of recording and determining relevance, the adjustment to present value is calculated taking into consideration the contractual cash flows and the explicit, and in certain cases implicit, interest rate of the related assets and liabilities. Based on the analyses performed and management's best estimates, the Company concluded that the adjustment to present value of short-term monetary assets and liabilities is immaterial in relation to the financial statements taken as a whole and, accordingly, did not record any adjustment, except for the adjustment to present value of finance leases.

2.21. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2. Basis of preparation and presentation of financial statements--Continued

2.21. Leases--Continued

<u>Group as lessee</u>

The Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The Group recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

2. Basis of preparation and presentation of financial statements--Continued

2.21. Leases--Continued

Group as lessee--Continued

Lease liabilities--Continued

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

When calculating the present value of lease payments, the Group uses its incremental borrowing rate at the commencement date because the interest rate implicit in the lease is not easily determinable. After the commencement date, the amount of the lease liability is increased to reflect the increase in interest and reduced for lease payments made. Furthermore, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

2.22. Share capital

Common shares are classified in equity.

2. Basis of preparation and presentation of financial statements--Continued

2.23. New and revised standards applied for the first time in 2020

Amendments to CPC 15 (R1): Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3, these amendments are reflected in revision 14 of the CPC, amending CPC 15 (R1) to help entities determine whether an acquired set of activities and assets consists or not in a business. They clarify the minimum requirements for a company, eliminate the assessment of whether market participants are able to replace any missing elements, include guidelines to help entities assess whether a acquired process is substantive, better define business and product definitions and introduce an optional fair value concentration test. New illustrative cases were provided with the amendments.

As the amendments apply prospectively to transactions or other events that occur on the date or after the first application, the Company will not be affected by these amendments on the transition date.

Amendments to CPC 38, CPC 40 (R1) and CPC 48: Interest Rate Benchmark Reform

The amendments to Pronouncements CPC 38 and CPC 48 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the individual and consolidated financial statements as the Company and its subsidiaries do not have any interest rate hedge relationships.

Amendments to CPC 26 (R1) and CPC 23: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, these amendments are reflected in CPC revision 14, amending CPC 26 (R1) and CPC 23 to align the definition of “material omission” or “materially distorted disclosure” in all standards and to clarify certain aspects of the definition. The new definition states that: “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

2. Basis of preparation and presentation of financial statements--Continued

2.23. New and revised standards applied for the first time in 2020--Continued

Amendments to CPC 26 (R1) and CPC 23: Definition of Material--Continued

These amendments are not expected to have a significant impact on the Company's individual and consolidated financial statements.

Revision of CPC 00 (R2): Conceptual Framework for Financial Reporting

The revised pronouncement includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the individual and consolidated financial statements of the Company and its subsidiaries.

Amendments to CPC 06 (R2): Covid-19 Related Rent Concessions

The amendments provide relief to lessees from applying CPC 06 (R2) guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under CPC 06 (R2), if the change were not a lease modification.

This amendment had no impact on the individual and consolidated financial statements.

2.24. Standards issued but not yet effective

The new and amended standards and interpretations issued but not yet effective up to the date of issue of the Group’s financial statements are described below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

2. Basis of preparation and presentation of financial statements--Continued

2.24. Standards issued but not yet effective--Continued

CPC 11 – Insurance Contracts

In May 2017, the IASB issued IFRS 17 - Insurance Contracts (a standard not yet issued by CPC in Brazil, but which will be codified as CPC 50 - Insurance Contracts and will replace CPC 11 - Insurance Contracts), a new comprehensive accounting standard for insurance contracts that includes recognition and measurement, presentation and disclosure.

IFRS 17 will be effective for periods beginning on or after January 1, 2023, requiring the presentation of comparative figures. Early adoption is permitted if the entity also adopts IFRS 9 and IFRS 15 on the same date or before the initial adoption of IFRS 17. This standard does not apply to the Company.

Amendments to IAS 1: Classification of liabilities as current or non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification;

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and shall be applied retrospectively. The Group currently assesses the impact that the amendments will have on the current practice and whether existing borrowings may require renegotiation.

3. Significant accounting judgments, estimates and assumptions

Estimates and assumptions

The individual and consolidated financial statements have been prepared based on several valuation techniques used in the accounting estimates. The accounting estimates involved in the preparation of the financial statements considered objective and subjective factors, based on Management's judgment to determine the appropriate amount to be recognized in the financial statements.

The settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to uncertainties inherent in the process of their determination. The Group reviews its estimates at least annually.

The main assumptions related to sources of uncertainty in future estimates and other important sources of estimate uncertainty at the reporting date, involving a significant risk of causing a significant adjustment to the carrying amount of assets and liabilities within the next financial year are presented below:

i) *Impairment testing*

In order to determine the recoverable amounts of non-current assets assessed in the impairment tests, it is necessary to estimate the fair replacement values, net of costs of sale, or of the values in use. In order to assess the recoverable value in use, it is necessary to adopt assumptions related to operating cash flows and other macroeconomic assumptions such as discount rates, inflation, exchange rates and others. During the year, Management concluded that there were no indications of impairment. The main assumptions are described in Note 12.

ii) *Property and equipment and intangible assets*

Management reviews the estimated useful lives of property and equipment annually at the end of each reporting period. During the year, Management concluded that the useful lives of property and equipment and intangible assets were appropriate, with no adjustments required;

3. Significant accounting judgments, estimates and assumptions--Continued

Estimates and assumptions--Continued

iii) *Provision for lawsuits*

The Company recognizes a provision for tax, civil and labor claims. The assessment of the likelihood of loss includes the assessment of available evidence, hierarchy of laws, available case laws, recent court decisions and their relevance in the legal system, as well as the assessment made by outside legal counselors. Provisions are reviewed and adjusted so as to consider changes in circumstances, such as applicable statute of limitations, the completion of tax audits or additional exposures identified based on new matters or court rulings.

iv) *Provision for expected credit losses*

It is recognized in an amount considered sufficient by Management to cover possible losses on the realization of its trade receivables, taking into account historical loss statistics, and when necessary, an individual assessment of the main trade receivables in default with imminent risks of realization;

The Company and its subsidiaries use a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings by category of private and governments that have similar loss patterns.

The provision matrix is initially based on the Company and its subsidiaries' historical observed default rates, they calibrate the matrix to adjust the historical credit loss experience with forward-looking information, the historical default rates are annually adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

v) *Income tax and social contribution (current and deferred)*

Current and deferred income tax and social contribution are calculated in accordance with interpretations of the legislation in force and CPC 32 / IAS 12. This process typically involves complex estimates to determine taxable profit and temporary differences. In particular, the deferred tax credit on tax losses and temporary differences is recognized in proportion to the probability that the future taxable profit is available and can be used. The measurement of the recoverability of deferred income tax and social contribution on tax losses and temporary differences takes into account the history of taxable profit, as well as the estimate of future taxable profit (Note 29).

3. Significant accounting judgments, estimates and assumptions--Continued

Estimates and assumptions--Continued

vi) *Leases - Estimating the incremental borrowing rate*

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company and its subsidiaries would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. Management estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain company's specific estimates.

vii) Revenue from contracts with customers - advertising placement

Revenue from contracts with customers is recognized when there is the actual transfer of control of the service provided, that is, when the advertising service placement is transferred to the customers at an amount that reflects the consideration to which the Company and its subsidiaries expect to be entitled in exchange for those goods or services. The Company and its subsidiaries generally conclude that they are the principal in their revenue contracts.

The complexity involved in estimating the stage of completion of the services, which is made individually by requisition and insertion order and which are formalized in the contract,

4. Corporate restructuring and business combinations

Corporate restructuring in 2020

a) *Merger of Cosme Velho Participação S.A.*

On December 1, 2020, the Company merged its shareholder Cosme Velho Participação S.A. (“Cosme Velho”). The merger was carried out in order to simplify the Company's shareholding structure and optimize costs in its management.

The net assets of Cosme Velho were appraised by experts who issued an appraisal report as of the base date September 30, 2020. Due to the merger, the Company’s share capital was increased by R$ 1,744, from R$ 159,726 to R$ 161,470, without the issue of shares. The totality of the Company’s shares that were held by Cosme Velho are now held by Vesuvius LBO - Fundo de Investimento em Participações Multiestratégia Investimento no Exterior.

The net assets were merged on November 30, 2020 and the equity movement that occurred from the appraisal report date to this date were recorded in the Company’s accumulated losses line item, as follows:

(In thousands of reais, unless otherwise stated)

4. Corporate restructuring and business combinations--Continued

Corporate restructuring in 2020--Continued

a) *Merger of Cosme Velho Participação S.A.*--Continued

	Nov/2020
Assets	
Current assets	
Cash and cash equivalents	91
Advances	3
Taxes recoverable	155
	249
Total assets	**249**
Liabilities	
Current liabilities	
Taxes payable	88
	88
Equity movement	**161**
Cosme Velho equity value at 09/30/2020	124,204
Value of Cosme Velho's investment in Eletromidia as of the base date 09/30/2020	122,460
Capital contribution	1,744
Variation in profit or loss from 10/01/2020 to 11/30/2020	(1,583)

b) *Acquisition of the total equity interest of Publibanca Brasil S.A.*

On December 2, 2020, the Company acquired 30% of the common shares of Publibanca Brasil S.A., increasing its equity interest to 100%. The consideration of R$ 26,006 will be paid to non-controlling interests, R$ 4,161 in cash paid on December 2, 2020 and the amount of R$ 21,845 in 36 months.

Consideration due to non-controlling interests	26,006
Carrying amount of additional interest acquired on 11/30/2020	(3,599)
Difference recognized in accumulated losses	22,407

4. Corporate restructuring and business combinations--Continued

Corporate restructuring in 2020--Continued

c) *Acquisition of Elemidia Consultoria e Serviços de Marketing S.A. ("Elemidia")*

On January 31, 2020, the Company acquired for the amount of R$ 498,230 all the equity interest of Elemidia Consultoria e Serviços de Marketing S.A. (Elemidia), which generated surplus price paid in the amount of R$ 429,304, of which the amount of R$ 4,052 as adjustment to fair value of assets and R$ 66,962 was duly allocated and the residual value remains as goodwill.

Of the acquisition amount, R$ 459,091 was settled in cash and the difference of R$ 39,139 will be settled in annual installments in up to five years. The updated balance at December 31, 2020 of this installment payable is R$ 30,835.

Elemidia Consultoria e Serviços de Marketing S.A. operates as a communication vehicle in the digital media segment "out of home" (OOH) with a 100% digital structure and expertise in the distribution of segmented content. Established in 2003, it is present in 60 cities, mostly in Brazil. It has media display points in elevators of commercial buildings, residential buildings, shopping malls, supermarkets, gyms, hotels, universities and hospitals, among others.

The transaction comprised several factors, including the complementarity of the companies, which through the acquisition put into practice the business combination strategy, thus creating an OOH Company with a complete portfolio and a significant presence in the market in which it operates.

According to a report prepared by an independent company, the fair value of Elemidia's identifiable assets and liabilities at the acquisition date is shown below:

(In thousands of reais, unless otherwise stated)

4. Corporate restructuring and business combinations--Continued

Corporate restructuring in 2020--Continued

c) Acquisition of Elemidia Consultoria e Serviços de Marketing S.A. *("Elemidia")*--Continued

	Total
Current assets	66,419
Non-current assets	105,511
Liabilities	
Current liabilities	49,182
Noncurrent liabilities	53,822
Total identifiable net assets at carrying amount	**68,926**
Total consideration	**498,230**
Surplus price paid (A)	**429,304**
Fair value adjustments of assets and liabilities (B)	**4,052**
Contingencies	4,437
Appreciation of assets	(5,534)
Derecognition of intangible assets	5,149
Purchase price allocation (C)	66,962
Non-compete agreement	(5,813)
Internally developed software	(58,987)
Franchisees	(2,162)
Goodwill on acquisition of Elemidia (A) + (B) - (C)	**366,394**

The fair value adjustments of assets and liabilities is as follows:

(In thousands of reais, unless otherwise stated)

4. Corporate restructuring and business combinations--Continued

Corporate restructuring in 2020--Continued

c) Acquisition of Elemidia Consultoria e Serviços de Marketing S.A. *("Elemidia")*--Continued

	Jan-2020 (Carrying amount)	PPA adjustments	Fair value
Assets			
Cash and cash equivalents	29,860	-	29,860
Trade receivables	31,976	-	31,976
Advances	3,793	-	3,793
Taxes recoverable	168	-	168
Taxes recoverable	121	-	121
Prepaid expenses	501	-	501
Total current assets	**66,419**	**-**	**66,419**
Judicial deposits	117	-	117
Deferred taxes	17,733	-	17,733
Property and equipment, net	71,708	5,534	77,242
Right-of-use assets	5,596	-	5,596
(-) Intangible assets (fair value)	**10,357**	**61,814**	**72,171**
Non-compete agreement	-	5,813	5,813
Internally developed technology (software)	-	58,987	58,987
Franchisees	-	2,162	2,162
Key money	5,209	-	5,209
Software - Other acquisition	1,790	(1,790)	-
Goodwill acquisition - Aki Mídia	3,358	(3,358)	-
Total noncurrent assets	**105,511**	**67,348**	**172,859**
Unallocated portion	**-**	**366,393**	**366,393**
Total assets	**171,930**	**433,741**	**605,671**

	Jan-2020 (Carrying amount)	PPA adjustments	Fair value
Liabilities			
Trade payables	24,111	-	24,111
Labor obligations	6,535	-	6,535
Taxes payable	4,414	-	4,414
Advance from customers	6,384	-	6,384
Borrowings	1,776	-	1,776
Lease liabilities	5,962	-	5,962
Total current liabilities	**49,182**	**-**	**49,182**
Taxes payable	1,758	-	1,758
Borrowings	51,732	-	51,732
Provision for contingencies	332	-	332
Possible contingencies	-	4,437	4,437
Total noncurrent liabilities	**53,822**	**4,437**	**58,259**
Equity	**68,926**	**429,304**	**498,230**
Total liabilities and equity	**171,930**	**433,741**	**605,671**

The identified intangible assets were appraised with a finite useful life:

Identified intangible assets	Useful life (years)
Non-compete agreement	5.0
Internally developed software	3.9
Franchisees	3.0

(In thousands of reais, unless otherwise stated)

4. Corporate restructuring and business combinations--Continued

Corporate restructuring in 2020--Continued

c) Acquisition of Elemidia Consultoria e Serviços de Marketing S.A. *("Elemidia")*--Continued

The calculation of the surplus value of assets was prepared by an independent company and consisted of the analysis of a fair value estimate of the fixed assets as of the base date January 31, 2020.

There was no assessment of allocation for the "Elemidia" brand, although this brand has been developed for many years. The Company defined the permanence of the "Eletromidia" brand as a presentation of the Group to the market.

The goodwill paid of R$ 366,394 comprises the value of future economic benefits arising from synergies resulting from the acquisition that could not be recognized separately.

Corporate restructuring in 2019

a) *Merger of DMS Publicidade Mídia Interativa S.A. (DMS)*

On May 31, 2019, the Company merged its subsidiary DMS in order to simplify the corporate structure and obtain synergy in processes and businesses.

The table below shows the carrying amount at 06/01/2019 with the net assets merged:

	05/31/2019		05/31/2019
Assets		Liabilities	
Current assets		Current liabilities	
Cash and cash equivalents	357	Trade payables	14,233
Trade receivables	12,923	Labor obligations	398
Taxes recoverable	1,648	Taxes payable	549
Other receivables	220	Other payables	8,544
Total current assets	15,148	Total current liabilities	23,724
Noncurrent assets		Noncurrent liabilities	
Property and equipment	12,058	Taxes payable	115
Intangible assets	24,161	Payables for acquisition of investments	6,373
Other receivables	483	Payables to related parties	18,629
Total noncurrent assets	36,702	Total noncurrent liabilities	25,117
		Total liabilities	48,841
		Equity	
		Share capital	4,399
		Retained earnings (accumulated losses)	(1,390)
		Total equity	3,009
Total assets	51,850	Total liabilities and equity	51,850

4. Corporate restructuring and business combinations--Continued

Corporate restructuring in 2019--Continued

a) Merger of DMS Publicidade Mídia Interativa S.A. *(DMS)*--Continued

The net assets of DMS were appraised by experts who issued an appraisal report on the company’s equity as of April 30, 2019. The merger of DMS did not result in a capital increase or changes in the Company's equity interests.

b) Merger of Publibanca Publicidade Ltda. *(PBLT) and Multiplique Publicidade e Promoção Ltda. (MULTI)*

Publibanca Brasil S.A. (PBSA) is a Company’s subsidiary. PBSA was the parent of Publibanca Publicidade Ltda. (PBLT) and Multiplique Publicidade e Promoção Ltda. (MULTI).

On November 30, 2019, PBSA merged its subsidiaries PBLT and MULTI in order to simplify the corporate structure and obtain synergy in processes and businesses.

The table below shows the carrying amount at December 1, 2019 with the net assets merged by PBSA:

(In thousands of reais, unless otherwise stated)

4. Corporate restructuring and business combinations--Continued

Corporate restructuring in 2019--Continued

b) Merger of Publibanca Publicidade Ltda. *(PBLT) and Multiplique Publicidade e Promoção Ltda. (MULTI)*--Continued

	PBLT	MULTI	Total		PBLT	MULTI	Total
Assets				**Liabilities**			
Current assets				**Current liabilities**			
Cash and cash equivalents	104	51	155	Trade payables	1,868	185	2,053
Trade receivables	4,747	204	4,951	Borrowings	195	23	218
Advances	18	-	18	Taxes payable	626	36	662
Taxes recoverable	99	22	121	Payables to related parties	2,279	267	2,546
Prepaid expenses	2	4	6		**4,968**	**511**	**5,479**
	4,970	**281**	**5,251**	**Noncurrent assets**			
				Borrowings	419	2	421
Noncurrent liabilities				Taxes payable	-	29	29
Receivables from related parties	4,714	277	4,991	Payables to related parties	1,940	82	2,022
Judicial deposits	1	-	1		**2,359**	**113**	**2,472**
Property and equipment	4,066	79	4,145				
Intangible assets	909	24	933	**Equity**			
	9,690	**380**	**10,070**	Share capital	1,600	142	1,742
				Capital reserve	1,204	-	1,204
				Income reserve	4,529	-	4,529
				Accumulated losses	-	(105)	(105)
					7,333	**37**	**7,370**
Total assets	**14,660**	**661**	**15,321**	**Total liabilities and equity**	**14,660**	**661**	**15,321**

The net assets of PBLT and MULTI were appraised by experts who issued an appraisal report on the company's equity as of October 31, 2019. The mergers of PBLT and MULTI did not result in a capital increase for PBSA.

(In thousands of reais, unless otherwise stated)

5. Cash and cash equivalents

	Parent		Consolidated	
	2020	**2019**	**2020**	**2019**
Cash and banks	**2,336**	11,722	**6,136**	13,098
Financial investments	**35,524**	23,076	**79,999**	24,920
	37,860	34,798	**86,135**	38,018

Short-term investments comprise mainly Bank Deposit Certificates (CDBs) and Repurchase Agreements held with top-tier financial institutions, based on the Interbank Deposit Certificates (CDI) variation, with immediate liquidity, original maturities of up to three months, and with an insignificant risk of change in value.

6. Trade receivables

	Parent		Consolidated	
	2020	**2019**	**2020**	**2019**
Trade receivables	**22,854**	26,440	**61,014**	31,551
Trade receivables - unbilled	**13,200**	18,831	**16,622**	21,881
Provision for expected credit losses	**(99)**	(207)	**(230)**	(248)
	35,955	45,064	**77,406**	53,184

Aging list:

	Parent		Consolidated	
	2020	**2019**	**2020**	**2019**
Current (not past due)	**27,312**	37,676	**57,683**	41,129
Past due from 1 to 30 days	**5,982**	4,199	**10,113**	7,143
Past due from 31 to 60 days	**1,142**	146	**1,861**	160
Past due from 61 to 90 days	**-**	198	**314**	217
Past due from 91 to 120 days	**11**	572	**1,159**	633
Past due from 121 to 180 days	**303**	309	**1,006**	1,752
Past due from 181 to 360 days	**1,011**	1,406	**3,351**	1,459
Over 361 days overdue	**194**	558	**1,919**	691
	35,955	45,064	**77,406**	53,184

Management believes that the amount past due for over 180 days is recoverable, as the default is low when analyzing the total trade receivables and historically there are no cases of non-payment by its customers.

(In thousands of reais, unless otherwise stated)

6. **Trade receivables**--Continued

The movement in the expected credit losses is as follows:

	Parent	Consolidated
Balance at December 31, 2018	(1,465)	(1,915)
Reversal of provision	1,258	1,667
Balance at December 31, 2019	**(207)**	**(248)**
Reversal of provision	108	1,340
Business combination	-	(1,322)
Balance at December 31, 2020	**(99)**	**(230)**

According to the internal policy of recognizing expected losses based on historical losses and the actual write-off of operations past due for more than 12 months for private customers and 24 months for government customers, the Company recorded R$ 1,167 and R$ 2,840 in 2020, parent and consolidated respectively, as actual write-offs in the Provision for expected credit losses and actual losses in profit or loss.

7. **Advances**

	Parent		Consolidated	
	2020	**2019**	**2020**	**2019**
Advances to employees	**-**	-	**133**	-
Advances to suppliers (a)	**14,576**	13,245	**16,250**	13,823
Other advances	**3**	-	**69**	-
Total	**14,579**	13,245	**16,452**	13,823
Current	**4,438**	1,245	**6,311**	1,823
Noncurrent	**10,141**	12,000	**10,141**	12,000

(a) Refers basically to advance payment to a partner for the development of an “out-of-home” media project in Rio de Janeiro and Recife.

(In thousands of reais, unless otherwise stated)

8. Taxes recoverable

	Parent		Consolidated	
	2020	**2019**	**2020**	**2019**
Income tax	**1,489**	3,763	**4,056**	3,950
Social contribution	**577**	860	**1,328**	3,397
COFINS	**5,066**	546	**5,425**	633
PIS	**1,106**	155	**1,145**	174
Other taxes	**24**	274	**102**	287
	8,262	5,598	**12,056**	8,441

9. Prepaid expenses

	Parent		Consolidated	
	2020	**2019**	**2020**	**2019**
Insurance premiums	**1,118**	882	**1,260**	945
Share issue costs	**1,930**	-	**1,930**	-
Other prepaid expenses (a)	**2,217**	7,124	**2,217**	7,224
Total	**5,265**	8,006	**5,407**	8,169
Current	**5,265**	4,500	**5,407**	4,663
Noncurrent	**-**	3,506	**-**	3,506

(a) Amount related to expenses paid in advance in order to meet the bidding requirements of the contract with Concessionária VLT Carioca S.A..

(In thousands of reais, unless otherwise stated)

10. Restricted financial investments

In 2020, in accordance with the purchase and sale agreement of Elemidia, the Company allocated amounts of retained financial investments ("escrow") that are linked to the contingent consideration recorded in the line item Payables for acquisition of investments (note 22). According to the contract, the Company cannot discount, offset or retain the amounts of this account. This amount was considered as consideration paid according to note 4.c). The balance at December 31, 2020 is R$ 30,816.

11. Judicial deposits

	Parent		Consolidated	
	2020	**2019**	**2020**	**2019**
Labor	**318**	254	**318**	255
Civil	**1,434**	616	**2,040**	616
Tax	**421**	323	**421**	323
	2,173	1,193	**2,779**	1,194

12. Investments

	Equity interest		Investment	
	2020	**2019**	**2020**	**2019**
Elemidia Consultoria e Serviços de Marketing S.A.	**100%**	0%	**112,957**	-
Publibanca Brasil S.A.	**100%**	70%	**13,400**	11,521
TV Minuto S.A.	**100%**	100%	**7,734**	11,438
Goodwill and surplus value (a)			**482,439**	72,230
			616,530	95,189

(a) Movement presented in note 14 - Intangible assets.

Impairment testing of non-financial assets

For the Company's impairment tests, the recoverable amount of each cash-generating unit ("CGU") was assessed using the Value in Use model, using discounted cash flow techniques, being classified at "level 3" in the fair value measurement hierarchy.

12. Investments--Continued

Impairment testing of non-financial assets--Continued

The CGUs defined by Management for the purpose of calculating impairment were the companies included in the consolidation process of the economic Group, since it is Management's lower view in terms of cash generation per business unit. The CGUs are described below:

- Eletromidia S.A. composed of the goodwill arising on the merger of Naparama Locação de Equipamentos Eletroeletrônicos Ltda. and DMS Publicidade Mídia Interativa S.A.; (assessed together);
- Elemidia Consultoria e Serviços de Marketing S.A.
- TV Minuto S.A.;
- Publibanca S.A..

The cash flows were discounted using an after-tax discount rate, which represents an estimate of the rate that a market participant would apply taking into account the time value of money and the specific risks of the asset. The Company used its WACC as a starting point to determine the discount rates.

The estimates used in the calculation can be summarized as follows:

- WACC: 10.4%
- Growth rate: 4%

In view of the analyses carried out by Management, it was not necessary to recognize an impairment for its non-financial assets for December 31, 2020 and 2019.

(In thousands of reais, unless otherwise stated)

12. **Investments**--Continued

Information on investees:

	2020		
	Elemidia Consultoria e Serviços de Marketing S.A.	**TV Minuto S.A.**	**Publibanca Brasil S.A. Consolidated**
Statement of financial position			
Current assets	**77,672**	**6,570**	**9,597**
Noncurrent assets	**87,945**	**15,023**	**18,028**
Total assets	**165,617**	**21,593**	**27,625**
Current liabilities	**43,087**	**8,193**	**5,295**
Noncurrent liabilities	**9,572**	**5,666**	**8,931**
Equity	**112,957**	**7,734**	**13,400**
Total liabilities and equity	**165,616**	**21,593**	**27,626**
Statement of profit or loss			
Net operating revenue	**94,275**	**9,213**	**17,201**
Operating costs and expenses	**(70,573)**	**(14,624)**	**(20,693)**
Finance income (costs)	**(1,229)**	**(265)**	**(188)**
Income tax and social contribution	**(8,441)**	**1,141**	**(421)**
Profit (loss) for the year	**14,032**	**(4,535)**	**(4,101)**

	2019		
	DMS Publicidade Mídia Interativa S.A.	**TV Minuto S.A.**	**Publibanca Brasil S.A. Consolidated**
Statement of financial position			
Current assets	-	10,430	12,531
Noncurrent assets	-	7,530	13,126
Total assets	-	17,960	25,657
Current liabilities	-	4,750	5,374
Noncurrent liabilities	-	1,772	3,824
Equity	-	11,438	16,459
Total liabilities and equity	-	17,960	25,657
Statement of profit or loss			
Net operating revenue	25,296	18,228	25,580
Operating costs and expenses	(25,988)	(16,366)	(14,843)
Finance income (costs)	(978)	(422)	(26)
Income tax and social contribution	(231)	(1,125)	(3,006)
Profit (loss) for the year	(1,901)	315	7,705

(In thousands of reais, unless otherwise stated)

12. **Investments**--Continued

Impairment testing of non-financial assets--Continued

The movement in investments is shown below:

Parent	**Elemidia Consultoria e Serviços de Marketing S.A.**	**DMS Publicidade Mídia Interativa S.A.**	**TV Minuto S.A.**	**Publibanca Brasil S.A.**	**Goodwill and surplus value**	**Total**
At December 31, 2018	-	3,091	11,040	6,128	63,257	83,516
Additions	-	-	-	-	2,070	2,070
Merger	-	-	-	-	8,140	8,140
Disposals	-	(1,190)	-	-	-	(1,190)
Share of profit (loss) of investees	-	(1,901)	315	5,393	-	3,807
Amortization	-	-	-	-	(1,237)	(1,237)
Other movements	-	-	83	-	-	83
At December 31, 2019	-	-	11,438	11,521	72,230	95,189
Additions	**68,926**	**-**	**-**	**3,599**	**429,304**	**501,829**
Capital contribution	**30,000**	**-**	**-**	**-**	**-**	**30,000**
Share of profit (loss) of investees	**14,031**	**-**	**(3,704)**	**(3,281)**	**-**	**7,046**
Amortization	**-**	**-**	**-**	**-**	**(19,095)**	**(19,095)**
Other movements (*)	**-**	**-**	**-**	**1,561**	**-**	**1,561**
At December 31, 2020	**112,957**	**-**	**7,734**	**13,400**	**482,439**	**616,530**

(*) Refers to the effects of the change in equity interest with the acquisition of 30% of Publibanca Brasil S.A.

(In thousands of reais, unless otherwise stated)

13. Property and equipment

Parent	Facilities	Machinery and equipment	Furniture and fixtures	Outdoors	IT equipment	Vehicles	Leasehold improvements	Imports in transit	Others	Total
Cost										
At December 31, 2018	2,964	13,626	838	7,741	1,858	-	11,615	-	-	38,642
Additions	11,154	120	224	13,416	2,322	1	1,235	-	291	28,763
Disposals	-	-	-	(4,923)	(189)	-	-	-	-	(5,112)
Transfers	69	(2)	14	106	15	(1)	(148)	-	(53)	-
Merger of DMS	5,384	7,293	111	1,866	290	90	3,681	-	5	18,720
At December 31, 2019	19,571	21,037	1,187	18,206	4,296	90	16,383	-	243	81,013
Additions	**184**	**273**	**21**	**3,144**	**2,996**	**-**	**63**	**2,604**	**1,140**	**10,425**
Disposals	**(118)**	**(91)**	**(141)**	**(83)**	**(64)**	**-**	**(196)**	**-**	**-**	**(693)**
Transfers	**(299)**	**(450)**	**(278)**	**4,103**	**(2,372)**	**-**	**(752)**	**-**	**48**	**-**
At December 31, 2020	**19,338**	**20,769**	**789**	**25,370**	**4,856**	**90**	**15,498**	**2,604**	**1,431**	**90,745**
Accumulated depreciation										
At December 31, 2018	(173)	(8,201)	(252)	(1,109)	(1,399)	-	(7,210)	-	-	(18,344)
Additions	(1,255)	(1,401)	(101)	(1,268)	(351)	-	(2,599)	-	(5)	(6,980)
Merger of DMS	(1,494)	(4,138)	(44)	(30)	(72)	(90)	(846)	-	-	(6,714)
At December 31, 2019	(2,922)	(13,740)	(397)	(2,407)	(1,822)	(90)	(10,655)	-	(5)	(32,038)
Additions	**(1,758)**	**(1,160)**	**(89)**	**(1,786)**	**(654)**	**-**	**(2,024)**	**-**	**(34)**	**(7,505)**
Disposals	**113**	**91**	**141**	**83**	**64**	**-**	**196**	**-**	**-**	**688**
At December 31, 2019	**(4,567)**	**(14,809)**	**(345)**	**(4,110)**	**(2,412)**	**(90)**	**(12,483)**	**-**	**(39)**	**(38,855)**
Property and equipment, net										
At December 31, 2020	**14,771**	**5,960**	**444**	**21,260**	**2,444**	**-**	**3,015**	**2,604**	**1,392**	**51,890**
At December 31, 2019	16,649	7,297	790	15,799	2,474	-	5,728	-	238	48,975

(In thousands of reais, unless otherwise stated)

13. Property and equipment--Continued

Consolidated	Facilities	Machinery and equipment	Furniture and fixtures	Outdoors	IT equipment	Vehicles	Leasehold improvements	Imports in transit	Others	Total
Cost										
At December 31, 2018	9,585	21,912	1,245	8,055	11,137	90	18,537	-	146	70,707
Additions	13,792	139	225	18,767	2,664	1	1,394	-	402	37,384
Disposals	-	-	-	(4,923)	-	-	-	-	(141)	(5,064)
Transfers	69	(2)	14	106	15	(1)	(148)	-	(53)	-
At December 31, 2019	23,446	22,049	1,484	22,005	13,816	90	19,783	-	354	103,027
Additions	**8,446**	**277**	**42**	**6,536**	**3,075**	**-**	**83**	**2,604**	**1,441**	**22,504**
Disposals	**(710)**	**(91)**	**(141)**	**(173)**	**(449)**	**-**	**(204)**	**-**	**(7)**	**(1,775)**
Transfers	**108**	**(449)**	**(278)**	**4,091**	**(2,362)**	**-**	**1,230**	**-**	**(358)**	**1,982**
Business combinations	**97,645**	**541**	**130**	**-**	**4,517**	**-**	**1,586**	**-**	**3,981**	**108,400**
At December 31, 2020	**128,935**	**22,327**	**1,237**	**32,459**	**18,597**	**90**	**22,478**	**2,604**	**5,411**	**234,138**
Accumulated depreciation										
At December 31, 2018	(2,556)	(12,131)	(322)	(1,111)	(10,460)	(90)	(8,246)	-	(1)	(34,917)
Additions	(1,786)	(1,852)	(145)	(1,460)	(545)	-	(3,155)	-	(5)	(8,948)
At December 31, 2019	(4,342)	(13,983)	(467)	(2,571)	(11,005)	(90)	(11,401)	-	(6)	(43,865)
Additions	**(16,742)**	**(1,394)**	**(125)**	**(2,445)**	**(995)**	**-**	**(2,783)**	**-**	**(107)**	**(24,591)**
Disposals	**434**	**81**	**141**	**102**	**449**	**-**	**207**	**-**	**-**	**1,414**
Transfers	**-**	**99**	**17**	**-**	**(7)**	**-**	**(2,091)**	**-**	**-**	**(1,982)**
Business combinations	**(31,836)**	**(437)**	**(19)**	**-**	**(4,240)**	**-**	**(144)**	**-**	**(17)**	**(36,693)**
At December 31, 2020	**(52,486)**	**(15,634)**	**(453)**	**(4,914)**	**(15,798)**	**(90)**	**(16,212)**	**-**	**(130)**	**(105,717)**
Property and equipment, net										
At December 31, 2020	**76,449**	**6,693**	**784**	**27,545**	**2,799**	**-**	**6,266**	**2,604**	**5,281**	**128,421**
At December 31, 2019	19,104	8,066	1,017	19,434	2,811	-	8,382	-	348	59,162

(In thousands of reais, unless otherwise stated)

14. Intangible assets

Parent	Software and licenses	Right of use	Contracts Metro	Trademarks and patents	Grants (a)	Total
Cost						
At December 31, 2018	523	273	14,380	-	-	15,176
Additions	624	2,674	-	-	2,100	5,398
Merger of DMS	174	387	22,239	13	-	22,813
At December 31, 2019	1,321	3,334	36,619	13	2,100	43,387
Additions	**102**	**155**	**-**	**-**	**117,289**	**117,546**
Disposals	**(12)**	**-**	**-**	**(13)**	**-**	**(25)**
Transfers	**-**	**-**	**(4,115)**	**-**	**4,115**	**-**
At December 31, 2020	**1,411**	**3,489**	**32,504**	**-**	**123,504**	**160,908**
Accumulated amortization						
At December 31, 2018	(207)	(61)	(6,080)	-	-	(6,348)
Additions	(168)	201	(3,813)	-	(144)	(3,924)
Merger of DMS	(88)	(328)	(6,376)	-	-	(6,792)
At December 31, 2019	(463)	(188)	(16,269)	-	(144)	(17,064)
Additions	**(226)**	**(452)**	**(3,870)**	**-**	**(10,664)**	**(15,212)**
At December 31, 2020	**(689)**	**(640)**	**(20,139)**	**-**	**(10,808)**	**(32,276)**
Intangible assets, net						
At December 31, 2020	**722**	**2,849**	**12,365**	**-**	**112,696**	**128,632**
At December 31, 2019	858	3,146	20,350	13	1,956	26,323

(a) In 2020, the Company made payment of grants to its partners for disclosing of advertising, of which we highlight CPTM (R$ 109,500), Linha 4 (R$ 1,274) and Galeão (R$ 10,480). Amortizations follow the contract term.

(In thousands of reais, unless otherwise stated)

14. Intangible assets--Continued

Consolidated	Software and licenses	Right of use	Contracts Metro	Trademarks and patents	Grants	Goodwill (a)	PPAs (b)	Total
Cost								
At December 31, 2018	673	8,664	36,619	13	-	64,039	8,772	118,780
Additions	785	2,674	-	-	2,100	2,070	-	7,629
At December 31, 2019	1,458	11,338	36,619	13	2,100	66,109	8,772	126,409
Additions	**224**	**155**	**-**	**-**	**117,289**	**366,394**	**62,910**	**546,972**
Disposals	**(8)**	**-**	**-**	**(13)**	**-**	**-**	**-**	**(21)**
Transfers	**-**	**-**	**(4,115)**	**-**	**4,115**	**-**	**-**	**-**
Business combinations	**3,664**	**5,399**	**-**	**-**	**-**	**3,359**	**-**	**12,422**
Adjustment of Elemidia PPA - contingencies (c)	**-**	**-**	**-**	**-**	**-**	**-**	**4,437**	**4,437**
Others (d)	**(1,790)**	**-**	**-**	**-**	**-**	**(3,359)**	**5,149**	**-**
At December 31, 2020	**3,548**	**16,892**	**32,504**	**-**	**123,504**	**432,503**	**81,268**	**690,219**
Accumulated amortization								
At December 31, 2018	(293)	(5,450)	(11,517)	-	-	-	(1,415)	(18,675)
Additions	(196)	(235)	(4,752)	-	(144)	-	(1,237)	(6,564)
At December 31, 2019	(489)	(5,685)	(16,269)	-	(144)	-	(2,652)	(25,239)
Additions	**(280)**	**(3,533)**	**(3,870)**	**-**	**(10,664)**	**-**	**(19,937)**	**(38,284)**
Business combinations	**(1,874)**	**(190)**	**-**	**-**	**-**	**-**	**-**	**(2,064)**
Others	**842**	**-**	**-**	**-**	**-**	**-**	**(842)**	**-**
At December 31, 2020	**(1,801)**	**(9,408)**	**(20,139)**	**-**	**(10,808)**	**-**	**(23,431)**	**(65,587)**
Intangible assets, net								
At December 31, 2020	**1,747**	**7,484**	**12,365**	**-**	**112,696**	**432,503**	**57,837**	**624,632**
At December 31, 2019	969	5,653	20,350	13	1,956	66,109	6,120	101,170

(a) In 2020, as mentioned in note 4.c), the Company acquired all the equity interest of Elemidia. This transaction generated goodwill of R$ 366; R$394 referring to the unallocated portion of the price (PPA - *Purchase Price Allocation*)

(b) Refer to the PPA allocation for the acquisition of TVM, PBSA and Elemidia, the latter occurred in 2020, generating an allocation of R$ 62,910.

(c) Refer to adjustments from Elemidia PPA, the final effect of intangible assets was the allocation of possible contingencies of R$ 4,437 presented in note 23.

(d) Refers to the adjustment from Elemidia PPA resulting from the write-off of intangible assets, see note 4.c).

(In thousands of reais, unless otherwise stated)

15. Right-of-use assets and lease liabilities

Parent	Properties	Equipment	Vehicles	Total
Cost:				
At January 1, 2019 - adoption date	4,057	93	28	4,178
Additions	2,132	-	-	2,132
At December 31, 2019	6,189	93	28	6,310
Write-off	**(4,716)**	**-**	**(28)**	**(4,744)**
At December 31, 2020	**1,473**	**93**	**-**	**1,566**
Amortization:				
At January 1, 2019	-	-	-	-
Additions	(1,421)	(27)	(17)	(1,465)
At December 31, 2019	(1,421)	(27)	(17)	(1,465)
Additions	**(1,118)**	**(27)**	**(11)**	**(1,156)**
Write-off	**1,760**	**-**	**28**	**1,788**
At December 31, 2020	**(779)**	**(54)**	**-**	**(833)**
Net residual value at December 31, 2020	**694**	**39**	**-**	**733**
Net residual value at December 31, 2019	4,768	66	11	4,845

Consolidated	Properties	Equipment	Vehicles	Total
Cost:				
At January 1, 2019 - adoption date	4,144	93	28	4,265
Additions	2,133	-	-	2,133
At December 31, 2019	6,277	93	28	6,398
Business combinations	**7,674**	**-**	**-**	**7,674**
Write-off	**(5,709)**	**-**	**(28)**	**(5,737)**
At December 31, 2020	**8,242**	**93**	**-**	**8,335**
Amortization:				
At January 1, 2019	-	-	-	-
Additions	(1,467)	(27)	(16)	(1,510)
At December 31, 2019	(1,467)	(27)	(16)	(1,510)
Additions	**(2,388)**	**(27)**	**(12)**	**(2,427)**
Business combinations	**(2,078)**	**-**	**-**	**(2,078)**
Write-off	**2,893**	**-**	**28**	**2,921**
At December 31, 2020	**(3,040)**	**(54)**	**-**	**(3,094)**
Net residual value at December 31, 2020	**5,202**	**39**	**-**	**5,241**
Net residual value at December 31, 2019	4,810	66	12	4,888

(In thousands of reais, unless otherwise stated)

15. Right-of-use assets and lease liabilities--Continued

Lease liabilities

		Parent		Consolidated	
	Incremental rate	**2020**	**2019**	**2020**	**2019**
Lease liabilities	CDI + 2.70% p.a.	**820**	5,194	**5,745**	5,240
		820	5,194	**5,745**	5,240
Current		**481**	1,606	**2,046**	1,652
Noncurrent		**339**	3,588	**3,699**	3,588
Repayment schedule					
Maturity 2020		**-**	1,606	**-**	1,652
Maturity 2021		**481**	1,379	**2,046**	1,379
Maturity 2022		**319**	1,159	**2,006**	1,159
Maturity 2023		**7**	1,040	**1,680**	1,040
Maturity 2024		**7**	6	**7**	6
Maturity 2025		**6**	4	**6**	4
		820	5,194	**5,745**	5,240

Movement in lease liabilities

	Parent	**Consolidated**
At December 31, 2018	-	-
Initial adoption	4,178	4,265
(+) Borrowings	2,132	2,132
(-) Adjustment to present value	468	474
(-) Payment of installments	(1,584)	(1,631)
At December 31, 2019	5,194	5,240
(-) Adjustment to present value	**281**	**284**
(-) Payment of installments	**(1,320)**	**(2,406)**
(-) Write-off of leases	**(3,335)**	**(3,335)**
(+) Business combinations	**-**	**5,962**
At December 31, 2020	**820**	**5,745**

(In thousands of reais, unless otherwise stated)

15. Right-of-use assets and lease liabilities--Continued

Movement in Lease liabilities--Continued

On the adoption of CPC 06 (R2) / IFRS 16, the Company recognized lease liabilities for the agreements in effect which were previously classified as operating leases in accordance with CPC 06 (R1) / IAS 17 - Leases, except for agreements included in the practical expedient permitted by the standard and adopted by the Company.

The lease liabilities recognized at the date of adoption of the new accounting standard, January 1, 2019, correspond to the remaining balances payable of the lease agreements, measured at present value based on the discount rates at the date of adoption.

	Parent	Consolidated
Nominal amount payable	4,935	5,030
Unrealized finance cost	(757)	(765)
Present value payable	**4,178**	**4,265**
Current	1,067	1,112
Noncurrent	3,111	3,153
Effects of initial adoption		
Intangible assets	4,178	4,265
Lease liabilities	4,178	4,265

16. Debentures

Parent and Consolidated

Financial institution	Maturity	Annual interest rate	2020	2019
Banco Bradesco, Banco do Brasil and Santander	03/20/2026	CDI + 2.70%	**660,184**	-
Banco do Brasil, Santander and ABC	03/20/2025	CDI + 2.70%	**-**	110,183
Total			**660,184**	110,183
Current			**74,388**	16,683
Noncurrent			**585,796**	93,500
Repayment schedule				
Maturity 2020			**-**	16,683
Maturity 2021			**72,825**	16,500
Maturity 2022			**130,437**	22,000
Maturity 2023			**130,437**	22,000
Maturity 2024			**130,437**	22,000
Maturity 2025			**130,437**	11,000
Maturity 2026			**65,611**	-
Total			**660,184**	110,183

(In thousands of reais, unless otherwise stated)

16. Debentures--Continued

Parent and Consolidated--Continued

The transaction costs associated with the 3rd issue, in the amount of R$ 8,204 at December 31, 2020, were recorded in a liability reduction account as costs to be incurred and are recognized in finance costs, according to the contractual terms of this issue.

Movement in debentures is as follows:

Debentures	Parent	Consolidated
Balance at December 31, 2018	40,094	40,094
(+) Funding	110,000	110,000
(+) Accrued interest	9,702	9,702
(-) Amortization of principal and interest	(49,613)	(49,613)
Balance at December 31, 2019	110,183	110,183
(+) Borrowings	**650,624**	**650,624**
(+) Accrued interest	**27,022**	**27,524**
(-) Amortization of principal and interest	**(128,817)**	**(179,549)**
(+) Borrowing costs	**1,172**	**1,172**
(+) Business combinations	**-**	**50,230**
Balance at December 31, 2020	**660,184**	**660,184**

1st Issue of Debentures - Banco Itaú

On April 27, 2017, the Company carried out the 1st issue of 1,000 (one thousand) simple debentures not convertible into shares, which are remunerated at 100% of the CDI plus a spread of 3.75% p.a..

The debentures are nominative and book-entry and are backed by security interest.

These debentures were fully settled during 2019 through the issuance of a new series of debentures as described below.

16. **Debentures**--Continued

Parent and Consolidated--Continued

2nd Issue of Debentures - Banco do Brasil, Santander and Banco ABC

On March 20, 2019, the Company carried out the 2nd issue of 11,000 (eleven thousand) simple debentures, not convertible into shares, backed by security interest and personal guarantees, in a single series, remunerated at 100% of the CDI plus a spread of 2.7% p.a., maturing in six years from the date of issue, that is, on March 20, 2025. The unit value of the debentures is R$ 10,000.00 (ten thousand reais) on the date of issue.

Funds from the issue of the debentures in question were raised by Management with the aim of prepaying debts related to borrowings and debentures that were outstanding at December 31, 2018.

3rd Issue of debentures not convertible into shares of the Issuer

On March 20, 2020, the Company carried out the 3rd issue of 660,000 (six thousand and sixty hundred) simple debentures not convertible into shares, remunerated at 100% of the CDI plus a spread of 2.70% p.a. maturing in six years from the date of issue, on March 20, 2026. The unit value of the debentures is R$ 1,000.00 (one thousand reais) on the date of issue.

Debentures Elemidia

On September 25, 2019, Elemidia raised R$ 50,000 (fifty thousand reais) through the issue of 5,000 debentures, with a term of 60 months. The issue had a grace period of twelve months and will not be monetarily adjusted. The monthly interest paid was subject to CDI plus a spread of 1.8% p.a.. The issue was carried out following the requirements of CVM Instruction 476, which provides for public offering of securities distributed with restricted efforts and the trading of such securities in regulated markets. On January 31, 2020, in view of the acquisition of Elemidia, the Company started consolidating the balances as from February 2020, Elemidia business combination balance was R$ 50,230. These debentures were settled in advance as a result of the business combination in April 2020 with funds of R$ 30,000 from the Company's capital contribution on April 23, 2020.

16. **Debentures**--Continued

Parent and Consolidated--Continued

Restrictive covenants - Financial and non-financial covenants

The debentures have specific covenants related to penalties to be imposed in case of non-compliance with them. Failure to comply with the covenants provided for in the agreements entered into with the institutions described above is characterized by non-compliance with covenants or non-compliance with a contract provision, resulting in the early settlement of the contract. The measurement period for compliance with these covenants occurs at the time of the annual financial statements, without interim periods.

For the 1st issue of debentures, according to the contractual terms, the events that may give rise to an acceleration in the maturity of the debentures are: cross default, cross-acceleration, filing for a court-supervised reorganization or bankruptcy, corporate reorganizations, change in the corporate purpose or controlling interest of the Company, entering into intercompany loan arrangements and distribute dividends that do not comply with the limits established in the deed of issue of debentures, contract a new date and make investments at amounts above those permitted in the deed of issued of debentures and make new acquisitions without prior authorization from debenture holders.

For the 2nd issue of debentures, according to the contractual terms, the events that may give rise to an acceleration in the maturity of the debentures are: a court decision declaring that the deed of issue of debentures is unenforceable, the guarantee or the agreement for fiduciary assignment, default by the Company of any pecuniary obligation related to the debentures provided for in the deed of issue of debentures, transformation of the Company's corporate type whereby it is no longer a corporation, cross default, cross-acceleration at terms and limits above those established in the deed of issue of debentures, investment of the proceeds from the debentures that is not in accordance with the provisions of the deed of issue of debentures, filing for a court-supervised reorganization or bankruptcy, corporate reorganizations, change in the corporate purpose or controlling interest of the Company.

For the 3rd issue of debentures, according to the contractual terms, the events that may give rise to an acceleration in the maturity of the debentures are: a court decision declaring that the deed of issue of debentures is unenforceable, the guarantee or the agreement for fiduciary assignment, default by the Company of any pecuniary obligation related to the debentures provided for in the deed of issue of debentures, transformation of the Company's corporate type whereby it is no longer a corporation, cross default, cross-acceleration at term and limits above those established in the deed of issue of debentures, application of proceeds from debentures different from those provided for in the deed of issue of debentures, filing for a court-supervised reorganization or bankruptcy, corporate reorganizations, change in the corporate purpose or controlling interest of the Company

16. Debentures--Continued

Parent and Consolidated--Continued

Restrictive covenants - Financial and non-financial covenants

The method for calculating the covenants for the 3rd Issue of debentures is detailed below:

The Company must maintain a Net Debt / EBITDA financial ratio less than or equal to 3.5x for the year ended December 31, 2020 and less than or equal to 3x for the years ending as from December 31, 2021 based on pro forma indicators, with the definition of EBITDA as the operating profit before finance income and costs, excluding non-recurring income and expenses, non-operating income, non-controlling interests, taxes, amortization and depreciation over the last 12 months. In the case of new contracts acquired over the last 12 months that are not fully consolidated in the annual financial statements, the calculation will be pro forma considering 12 full months of operation of such acquisition or contract. Failure to comply with the indicator may cause non-automatic early maturity, making it possible to obtain the waiver exempting from non-compliance via Debenture Holders General Meeting.

On December 17, 2020, the Company obtained the waiver, which approved the change in the calculation date of the Net Debt / EBITDA financial ratio less than or equal to 3.0x for the year ending December 31, 2021 (inclusive).

At December 31, 2020 and 2019, all the economic and financial ratios established in the agreements in force were met.

Guarantees

No guarantees were given for the issue of the debentures previously mentioned at December 31, 2020 and 2019.

For the statement of cash flows, interest paid is being allocated to the “Operating activities” group.

(In thousands of reais, unless otherwise stated)

17. Borrowings

Financial institution	Line	Maturity	Annual interest rate	Parent 2020	Parent 2019	Consolidated 2020	Consolidated 2019
Banco de Lage Landen Brasil S.A.	Direct Consumer Lending (CDC)	07/01/2025	0.86% p.m.	**926**	-	**926**	-
Banco Bradesco	Working capital	11/04/2021	CDI + 2.70% p.a.	**-**	-	**1,609**	-
Total				**926**	-	**2,535**	-
Current				**202**	-	**1,811**	-
Noncurrent				**724**	-	**724**	-
Repayment schedule				**-**	-	**-**	-
Maturity 2021				**202**	-	**1,811**	-
Maturity 2022				**202**	-	**202**	-
Maturity 2023				**202**	-	**202**	-
Maturity 2024				**202**	-	**202**	-
Maturity 2025				**118**	-	**118**	-
Total				**926**	-	**2,535**	-

The movement in borrowings is as follows:

	Parent	Consolidated
Balance at December 31, 2018	30,106	50,882
(+) Accrued interest	740	1,478
(-) Amortization of principal and interest (*)	(30,846)	(52,360)
Balance at December 31, 2019	-	-
(+) Borrowings	**1,010**	**1,010**
(+) Accrued interest	**24**	**131**
(-) Amortization of principal and interest	**(108)**	**(1,884)**
(+) Business combination	**-**	**3,278**
Balance at December 31, 2020	**926**	**2,535**

On March 20, 2019, the Company issued debentures in order to settle in advance debts raised with third parties (see note 16 - Debentures).

For the statement of cash flows, interest paid is being allocated to the “Operating activities” group.

(In thousands of reais, unless otherwise stated)

17. Borrowings--Continued

Restrictive covenants - Financial and non-financial covenants

The borrowings have specific clauses related to penalties to be imposed in case of non-compliance with them. Failure to comply with the covenants provided for in the agreements entered into with the institutions described above is characterized by non-compliance with covenants or non-compliance with a contract provision, resulting in the early settlement of the contract. The measurement period for compliance with these covenants occurs at the time of the annual financial statements, without interim periods.

18. Labor obligations

	Parent		Consolidated	
	2020	**2019**	**2020**	**2019**
Payroll payable	**1,271**	1,381	**1,359**	1,561
Payroll charges	**1,100**	670	**1,508**	761
Accrued vacation pay	**2,115**	2,139	**3,836**	2,341
Vacation pay charges	**719**	727	**1,319**	798
Profit sharing	**1,662**	8,090	**2,246**	8,212
Withholding Income Tax (IRRF) - employees	**558**	860	**608**	941
Others	**2**	6	**740**	5
	7,427	13,873	**11,616**	14,619

19. Taxes payable

	Parent		Consolidated	
	2020	**2019**	**2020**	**2019**
ISS (service tax)	**447**	271	**915**	326
PIS (tax on revenue)	**261**	-	**334**	11
COFINS (tax on revenue)	**1,240**	-	**1,579**	53
Installment payment - PERT	**4,215**	193	**11,164**	2,589
Income tax	**-**	1,466	**182**	2,683
Social contribution	**-**	552	**83**	1,013
Others	**117**	123	**208**	161
Total	**6,280**	2,605	**14,465**	6,836
Current	**2,956**	2,605	**5,446**	6,409
Noncurrent	**3,324**	-	**9,019**	427

(In thousands of reais, unless otherwise stated)

19. Taxes payable—Continued

We present below the taxes included in installment payment plans:

Nature	Installments		Parent		Consolidated	
	Total	Payable	2020	2019	2020	2019
Municipal	60	57	**1,503**	-	**2,953**	-
Federal - PERT (*)	150	109	**-**	193	**2,243**	2,589
Federal - Social security contribution	60	59	**900**	-	**986**	-
Federal - Other than social security contribution	60	58	**1,812**	-	**4,982**	-
			4,215	193	**11,164**	2,589
Current			**891**	193	**2,145**	2,162
Noncurrent			**3,324**	-	**9,019**	427

(*) Special Tax Regularization Program

As a result of the COVID period, the Company and its subsidiaries adhered to the installment payment plan for their taxes in order to preserve cash. The installment payment plans were for municipal taxes - ISS, social security contribution - social security contribution (INSS) and withholding income tax (IRRF) on salaries, and other than social security contribution - IRPJ, CSLL, PIS and COFINS. The Company and its subsidiaries are paying these installments on their maturities.

20. Advances from customers

	Parent		Consolidated	
	2020	2019	2020	2019
Advances from customers	**8,168**	14,772	**8,168**	14,772
	8,168	14,772	**8,168**	14,772

The Company has contracts signed with customers for disclosing of advertising, for which it received part of the contracted amounts in advance. These amounts were recognized as advances from customers and are written off as the service is provided based on the contract term.

(In thousands of reais, unless otherwise stated)

21. Deferred revenue

The Company sold packages billed in advance to customers in order to advance cash, and the balance at December 31, 2020 is R$ 31,590 and R$ 43,727 in the consolidated. The related revenue is recognized when advertising is carried. These sales of packages have a period of less than twelve months to carry the advertising. During 2020, the Company negotiated advances with certain customers which decided to postpone advertising campaigns due to the events related to COVID-19.

22. Payables for acquisition of investments

	Parent		Consolidated	
	2020	2019	2020	2019
Amounts due - Elemidia acquisition	**30,835**	-	**30,835**	-
Amounts due - acquisition of 30% of Publibanca	**21,846**	-	**21,846**	-
	52,681	-	**52,681**	-
Current	**11,910**	-	**11,910**	-
Noncurrent	**40,771**	-	**40,771**	-

23. Provision for contingencies

23.1. Provision for probable losses

	Parent		Consolidated	
	2020	2019	2020	2019
Labor	**81**	-	**113**	-
Civil	**432**	-	**432**	-
Tax	**172**	-	**2,088**	-
Civil PPA Elemidia (*)	**-**	-	**3,972**	-
Labor PPA Elemidia (*)	**-**	-	**464**	-
	685	-	**7,069**	-

(*) Refers to PPA adjustment, as described in note 4, the effects of adjustments to intangible assets for consolidation purposes are shown in note 14.

(In thousands of reais, unless otherwise stated)

23. Provision for contingencies--Continued

23.1. Lawsuits classified as probable likelihood of loss--Continued

Parent	Labor	Civil	Tax	Total
At December 31, 2018	-	361	-	361
Write-off with judicial deposit	-	(361)	-	(361)
Payments	-	-	-	-
At December 31, 2019	-	-	-	-
Additions	**81**	**432**	**172**	**685**
At December 31, 2020	**81**	**432**	**172**	**685**

Consolidated	Labor	Civil	Tax	Total
At December 31, 2018	-	361	-	361
Write-off with judicial deposit	-	(361)	-	(361)
At December 31, 2019	-	-	-	-
Additions	**113**	**432**	**1,755**	**2,300**
Business combination	**-**	**-**	**332**	**332**
Allocation PPA Elemidia	**464**	**3,973**	**-**	**4,437**
At December 31, 2020	**577**	**4,405**	**2,087**	**7,069**

23.2. Lawsuits classified as possible likelihood of loss

The amounts of the lawsuits classified as possible likelihood of loss by the Company's legal counsel, by nature, are as follows:

	Parent		Consolidated	
	2020	**2019**	**2020**	**2019**
Labor	**1,758**	25	**2,731**	1,282
Civil	**1,607**	441	**13,084**	441
Tax	**110**	20	**48,431**	26
	3,475	486	**64,246**	1,749

The main possible contingencies are described below:

23. Provision for contingencies--Continued

23.2. Lawsuits classified as possible likelihood of loss--Continued

Civil contingencies

- This is an enforcement action filed by CCarvalho Assessoria against DMS Publicidade Mídia Interativa S.A. (merged into Eletromidia S.A.), whereby the plaintiff seeks indemnification for prior notice, penal clause, payment of alleged differences and reimbursements due to the termination of the existing contractual relationship between the parties. The Company was successful in a lower court decision, and the judge upheld the request for extinction of the executive lawsuit. The plaintiff filed an appeal, against which the parties are awaiting judgment, which is monitored by the Company's legal counsel. The amount of the lawsuit is R$ 1,607.

- This is a collection lawsuit through which Blue HIPTV intends to charge a historical amount of R$ 5,708 (whose updated amount is R$ 8,568) due to Elemidia's alleged non-performance of the obligations assumed in the Units of Interest Purchase and Sale Agreement and in the Partnership Agreement entered into between Elemidia and the partners of Blue HIPTV. Blue HIPTV alleges that Elemidia would have undertaken to provide and pay for infrastructure to regulate the exercise of the activities of Blue HIPTV in return for the acquisition of 10% of its units of interest. The lawsuit was dismissed for Blue HIPTV at the lower court and is currently at the higher court for analysis. The subsidiary Elemidia filed an enforcement action for non-payment under the service agreement with Blue Hiptv Programação Ltda. in the amount of R$ 8,650.

Tax contingencies

- The Municipality of São Paulo issued tax assessment notices against Elemidia Consultoria e Serviços de Marketing S.A. for ISS allegedly not paid, nor declared, on franchise and advertising services, and imposition of a regulatory fine, for the period from 2012 to 2014. Elemidia filed objections, which are currently awaiting judgment at the first administrative level. A large part of the tax assessment notices refer to the activity of assigning space for advertising, which, at the time, was not foreseen as a triggering event, and an understanding was established in the Municipality of São Paulo that, at the time, the activity of advertising placement was not subject to ISS, in the amount of R$ 35,021.

(In thousands of reais, unless otherwise stated)

24. Related parties

24.1. Balances and transactions

	12/31/2020					
Parent	Assets		Liabilities		Profit or loss	
	Current	Noncurrent	Current	Noncurrent	Other operating income	Other operating expenses
PBSA	-	7,003	-	6,918	5,733	(1,097)
TVM	-	4,882	-	10,417	3,432	(4,469)
Elemidia	-	431	-	9	-	-
H.I.G. Capital Brasil	-	-	-	10,993	-	(10,993)
Total	-	12,316	-	28,337	9,165	(16,559)

	12/31/2019					
Parent	Assets		Liabilities		Profit or loss	
	Current	Noncurrent	Current	Noncurrent	Other operating income	Other operating expenses
DMS RJ	-	-	-	-	3,106	-
MULTI	-	-	-	-	133	-
PBLT	-	-	-	-	1,738	-
PBSA	-	3,101	-	7,955	2,430	-
TVM	-	316	-	4,499	3,555	(8,039)
H.I.G. Capital Brasil	-	-	-	-	1,209	-
Total	-	3,417	-	12,454	12,171	(8,039)

In Other operating income, refer to the Expense Sharing Agreement entered into with the purpose of sharing the expenses incurred by the companies in the performance of their activities, by means of the companies' reimbursement to the Company of part of the amounts incurred by the Company to maintain the necessary structure for companies to develop their activities. At the end of each month, the Company will calculate the amount of consideration due by each of the companies, based on: (i) the apportionment of the Company's expenses, namely: personnel (payroll and fixed compensation plus sales commissions), selling, general and administrative expenses; (ii) the percentage share of revenues of each of the companies on their total sum; and (iii) the immediately prior month, both for revenues and expenses.

24. Related parties-–Continued

24.1. Balances and transactions--Continued

In Other operating expenses, refer to the billing of the subsidiaries with the Company, referring to advertising campaigns initially billed and received by the Company that must be passed on to the subsidiaries PBSA and TVM, and expenses with consulting and investment monitoring fees with HIG.

Related-party transactions:

The transactions with related parties have no maturity and are not subject to financial charges. The operations carried out with related parties refer mainly to services involving the administration and organizational management of the Company and its investees.

24.2. Compensation of key management personnel

At December 31, 2020, statutory officers were considered as key management personnel. The compensation paid was R$ 7,477 (R$ 15,275 at December 31, 2019). Short-term benefits include salaries, vacations, bonuses, payroll charges and fringe benefits that include pension plan, healthcare plan, life insurance, among others.

25. Equity

a) Share capital

At December 31, 2020 the Company's subscribed and paid-up capital is R$ 161,470 (R$ 49,726 at December 31, 2019) represented by 96,226,570 (77,252,230 at December 31, 2019) registered common shares with no par value. The shares are indivisible before the Company and correspond to one vote in the resolutions of the General Meetings.

The Company is authorized to increase its share capital, by resolution of the Board of Directors, regardless of amendments to bylaws, up to the limit of 250,000,000 common shares, through the issue of new registered common shares with no par value.

25. Equity--Continued

a) Share capital--Continued

The Company approved at the Extraordinary General Meeting on December 3, 2020, a share split proposal, in the proportion of 110 book-entry common shares for each 1 registered common share without any change in the Company's share capital. Thus, the number of shares went from 874,787 to 96,226,570, all common, registered, book-entry and with no par value.

On December 1, 2020, the Company merged its shareholder Cosme Velho Participação S.A. (“Cosme Velho”), as described in Note 4. Due to the merger, the Company’s share capital was increased by R$ 1,744, from R$ 159,726 to R$ 161,470, without the issue of shares.

On November 21, 2019, through an Extraordinary General Meeting, the Company’s Management approved a capital increase through the issue of 2,676 new registered common shares, with no par value, with characteristics identical to the common shares currently issued by the Company at the issue price of R$ 194.88 for a total amount of R$ 522.

On November 6, 2019, through an Extraordinary General Meeting, the Company's Management approved a capital increase through the issue of 1,844 new registered common shares, with no par value, with characteristics identical to the common shares currently issued by the Company at the issue price of R$ 123.22 for a total amount of R$ 227.

b) Legal reserve

Recognized at a percentage of 5% of the Company's profit, in accordance with the Brazilian corporate law. As a result of the loss for the year, the Company reversed the legal reserve of R$ 3,680 in order to absorb the loss for 2020. At December 31, 2019, the recorded balance was R$ 2,263.

25. **Equity**--Continued

c) Profit retention reserve

Established by article 196 of the Brazilian Corporate Law, the general meeting may, at the proposal of the management bodies, decide to retain a portion of the profit for the year provided for in the capital budget previously approved by it. At December 31, 2019, the profit retention reserve amounted to R$ 64,644. In view of the accumulated loss for the year, the Company transferred the income reserve to the accumulated losses line item, in the amount of R$ 66,043 in 2020, in order to absorb such loss.

d) Dividends

According to statutory provision corporate law, shareholders are guaranteed dividends and / or interest on capital, which together correspond to at least 25% of the Company's profit for the year, adjusted under the terms of the Brazilian Corporate Law.

The shareholders decided at the meeting for the non-distribution of dividends due to the need to maintain the subsidiary's cash to fulfill obligations with banks.

The balance of minimum mandatory dividends recorded at December 31, 2019 was reversed to income reserve as a result of non-approval of this distribution of R$ 6,732 by the shareholders.

On February 17, 2020, the Extraordinary General Meeting approved the distribution of interim dividends from the income reserve in the amount of R$ 1,653.

e) Basic and diluted earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the year, excluding treasury shares.

25. Equity--Continued

e) Basic and diluted earnings per share--Continued

Basic earnings per share--Continued

Basic earnings per share	Common shares 2020	2019 (*)
Profit (loss) attributable to equity holders of the Parent	**(68,154)**	13,873
Weighted average number of common shares (thousands)	**93,686**	76,786
Basic earnings per share – in Reais	**(0.7275)**	0.1807

(*) Already considers the share split approved by the Company

Diluted earnings per share

The number of shares calculated as described above is compared with the number of shares issued, assuming exercise of the stock options.

Diluted earnings per share	Common shares 2020	2019 (*)
Profit (loss) attributable to equity holders of the Parent	**(68,154)**	13,873
Weighted average number of common shares (thousands)	**93,686**	76,786
Adjustments for stock options (in thousands)(**)		1,886
Weighted average number of common shares for diluted earnings per share	**93,686**	78,672
Diluted earnings per share	**(0.7275)**	0.1763

(*) Already considers the share split approved by the Company

(**) As a result of the loss for the year, not considered in 2020 for dilution purposes

(In thousands of reais, unless otherwise stated)

25. Equity--Continued

f) Stock option plan and incentives linked to shares

The management plan grants stock options to Management and employees who hold strategic positions. The options will be exercisable according to the vesting period of each instrument, from the grant date and if the executive is still employed on that date. The fair value of the stock options is estimated at the grant date, based on the Black-Scholes pricing model, taking into account the terms and conditions on which the stock options were granted. The stock options can be exercised up to 10 years after the vesting period. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these stock options.

The table below shows the total shares of the current programs of the Plan:

Program of the plan	Beneficiaries	Date of grant	Total shares under stock option contracts	Total expenses
1st Program (*)	Executives and employees selected by the Executive Board	11/20/2016	932,800	676
1st Program (*)	Executives and employees selected by the Executive Board	11/05/2015	822,250	413
1st Program (*)	Executives and employees selected by the Executive Board	11/05/2015	230,340	116
1st Program (*)	Executives and employees selected by the Executive Board	11/20/2019	336,600	1,514
1st Program (*)	Executives and employees selected by the Executive Board	11/20/2019	101,200	455
1st Program (*)	Executives and employees selected by the Executive Board	11/20/2019	101,200	455
Own Shares	Executives and employees selected by the Executive Board	12/29/2020	973,659	589
Stock options	Executives and employees selected by the Executive Board	12/29/2020	3,894,636	3,056
			7,392,685	7,274

(*) Already considers the share split approved by the Company

The exercise price of each option individually will correspond to the price per share paid by the grantee upon the acquisition of own shares, monetarily adjusted according to the variation of the IGP-M, from the grant date to the exercise date of the option.

The exercise price will be paid by those receiving the grant in the forms and terms determined by the Board of Directors when the liquidity event occurs.

The effect on profit or loss for the year ended December 31, 2020 was R$ 1,346 (R$ 1,740 at December 31, 2019).

(In thousands of reais, unless otherwise stated)

25. Equity--Continued

Stock option plan and incentives linked to shares--Continued

The number and the weighted average exercise price of stock options for each of the following group of options are as follows:

2019 Programs	Plan I	Plan II	Plan III	Plan IV	Plan V	Plan VI
Exercise term	11/20/2029	11/05/2029	11/05/2029	11/20/2029	11/20/2029	11/20/2029
Number of shares under the program (*)	932,800	822,250	230,340	336,600	101,200	101,200
Exercise price in R$	1.77	1.12	1.12	1.77	1.77	1.77
Market price on the grant date in R$	1.77	1.12	1.12	5.95	5.95	5.95
Fair value of the options in R$	676	413	116	1,514	455	455
Volatility of the share price - %	21.71	22.9	22.9	20.33	20.33	20.33
Risk-free rate of return - %	6.02	7.09	7.09	2.75	2.75	2.75
Market value	676	413	116	1,514	455	455

(*) Already considers the share split approved by the Company

2020 Programs	Own Shares	Stock options
Exercise term	01/31/2024	02/01/2026
Number of shares under the program (*)	973,659	3,894,636
Exercise price in R$	5.92	5.92
Market price on the grant date in R$	5.79	5.79
Fair value of the options in R$	589	3,056
Volatility of the share price - %	21.21	21.21
Market value	589	3,056

	Number	
Group of options	2020	2019
Outstanding at the beginning of the year	**2,524,390**	-
Granted during the year	**4,868,295**	2,524,390
Outstanding at the end of the year	**7,392,685**	2,524,390
Exercisable at the end of the year	**2,375,482**	1,866,150

(In thousands of reais, unless otherwise stated)

26. Net revenue

	Parent		Consolidated	
	2020	2019	2020	2019
Gross revenue from services	**170,936**	258,871	**310,337**	336,673
(-) Taxes on revenue	**(19,593)**	(28,574)	**(37,448)**	(35,940)
(-) Cancellations	**(3,729)**	(3,138)	**(4,586)**	(4,469)
Net operating revenue	**147,614**	227,159	**268,303**	296,264

27. Costs and expenses by nature

	Parent		Consolidated	
	2020	2019	2020	2019
Lease	**(638)**	(10,613)	**(2,839)**	(17,021)
Transfers	**(104,029)**	(102,533)	**(134,976)**	(131,128)
Third party services	**(27,071)**	(11,506)	**(33,102)**	(13,531)
Commissions	**(11,166)**	(32,154)	**(21,249)**	(38,599)
Provision for expected credit losses and actual losses	**(1,061)**	(458)	**(1,501)**	(1,036)
Personnel expenses	**(34,871)**	(31,052)	**(57,010)**	(38,082)
Depreciation and amortization	**(42,968)**	(13,605)	**(65,302)**	(16,353)
Gain (loss) on sale of property and equipment	**(30)**	(352)	**-**	(493)
Cost sharing	**9,165**	10,962	**-**	-
Expenses with transfers	**(4,159)**	(8,039)	**-**	-
Other income (expenses)	**(9,030)**	4,475	**(15,753)**	4,171
Total costs and expenses	**(225,827)**	(194,875)	**(331,732)**	(252,072)
Cost of services rendered	**(132,655)**	(125,479)	**(179,452)**	(164,792)
Selling expenses	**(11,533)**	(20,867)	**(15,557)**	(24,044)
General and administrative expenses	**(67,325)**	(49,764)	**(117,633)**	(61,139)
Other operating income (expenses), net	**(14,314)**	1,235	**(19,090)**	(2,097)
	(225,827)	(194,875)	**(331,732)**	(252,072)

(In thousands of reais, unless otherwise stated)

28. Finance income (costs)

	Parent		Consolidated	
	2020	**2019**	**2020**	**2019**
Finance income	**4,421**	1,525	**6,280**	1,692
Income from financial investments	**2,247**	914	**2,997**	954
Interest income	**1,411**	31	**1,441**	122
Other finance income	**763**	580	**1,842**	616
Finance costs	**(32,886)**	(12,646)	**(36,407)**	(14,240)
Interest payable	**(28,259)**	(9,601)	**(28,639)**	(10,408)
Charges on borrowings	**(1,172)**	-	**(1,701)**	-
Monetary adjustment loss	**(372)**	-	**(372)**	-
Tax fines	**(936)**	(23)	**(1,767)**	(92)
Discounts granted	**(735)**	(116)	**(1,131)**	(120)
Other finance costs (*)	**(1,412)**	(2,906)	**(2,797)**	(3,620)
Finance income (costs)	**(28,465)**	(11,121)	**(30,127)**	(12,548)

(*) Includes debentures' bank fees.

29. Income tax and social contribution

a) Reconciliation of income (expense)

	Parent		Consolidated	
	2020	**2019**	**2020**	**2019**
Profit (loss) before income tax and social contribution	**(99,632)**	24,970	**(93,556)**	31,644
Income tax and social contribution credit (expense) (34%)	**33,875**	(8,490)	**31,809**	(10,759)
Permanent differences				
Share of profit (loss) of investees	**2,396**	1,295	**-**	-
Other permanent differences	**(4,793)**	(3,511)	**(8,058)**	(4,309)
Net temporary effects - merger of DMS	**-**	(391)	**-**	(391)
Total income tax and social contribution	**31,478**	(11,097)	**23,751**	(15,459)
Income tax and social contribution in profit or loss				
Current	**(2,192)**	(2,017)	**(2,900)**	(5,767)
Deferred	**33,670**	(9,080)	**26,651**	(9,692)
Total	**31,478**	(11,097)	**23,751**	(15,459)
Effective rate	**31.6%**	44.4%	**25.4%**	48.9%

The combined statutory income tax rate in Brazil is 34%, comprising 25% of income tax (IRPJ) and 9% of social contribution (CSLL).

(In thousands of reais, unless otherwise stated)

29. Income tax and social contribution--Continued

b) Deferred income tax and social contribution

	Parent					
Deferred assets and (liabilities)	Balances at 12/31/2018	Profit or loss	Others (*)	Balances at 12/31/2019	Profit or loss	Balances at 12/31/2020
Income taxes on tax losses	2,705	(929)	-	1,776	**11,083**	**12,859**
Deferred income tax and social contribution on goodwill tax amortization	(17,559)	(453)	(1,891)	(19,903)	**(683)**	**(20,586)**
Temporary differences	5,752	(7,698)	-	(1,946)	**23,270**	**21,324**
Provision for expected credit losses	498	(428)	-	70	**(36)**	**34**
Accrued costs and expenses	2,992	3,622	-	6,614	**12,023**	**18,637**
Provision for contingencies	-	-	-	-	**233**	**233**
Profit sharing	2,204	(2,204)	-	-	**-**	**-**
Provision for revenues	(1,797)	(3,618)		(5,415)	**356**	**(5,059)**
IFRS16	-	119	-	119	**(222)**	**(103)**
Deferred receipt from government bodies	(2,071)	(436)	-	(2,507)	**2,507**	**-**
Tax depreciation	-	(2,760)	-	(2,760)	**2,760**	**-**
Amortization of intangible asset allocations	]481	421	-	902	**5,631**	**6,533**
Grant of shares	-	592	-	592	**457**	**1,049**
Other differences	3,445	(3,006)		439	**(439)**	**-**
Total	(9,102)	(9,080)	(1,891)	(20,073)	**33,670**	**13,597**
Tax assets	8,457			(170)		**34,183**
Tax liabilities (**)	(17,559)			(19,903)		**(20,586)**
Net tax liabilities	(9,102)			(20,073)		**13,597**
Disclosed in the statement of financial position						
Deferred income tax and social contribution assets	-			-		**13,597**
Deferred income tax and social contribution liabilities	(9,102)			(20,073)		**-**

(*) Refers to the merger of deferred liabilities of DMS arising from the goodwill tax amortization.

(**) The Company records deferred income and social contribution liabilities on goodwill tax amortizations. This liability is recognized to offset the effects of the reduction of taxable profit arising from this tax amortization and will be realized from the moment of the realization of goodwill, or by impairment test of such goodwill.

(In thousands of reais, unless otherwise stated)

29. Income tax and social contribution--Continued

b) Deferred income tax and social contribution--Continued

	Consolidated						
Deferred assets and (liabilities)	At December 31, 2018	Profit or loss	Others	At December 31, 2019	Profit or loss	Business combination (*)	At December 31, 2020
Income taxes on tax losses	2,705	(929)	-	1,776	**5,802**	**8,505**	**16,083**
Deferred income tax and social contribution on goodwill tax amortization	(19,220)	(683)	-	(19,903)	**(683)**	**-**	**(20,586)**
Temporary differences	8,494	(8,080)	(756)	(342)	**21,532**	**8,271**	**29,461**
Provision for expected credit losses	693	(617)	-	76	**(354)**	**357**	**79**
Accrued costs and expenses	3,575	3,532	-	7,107	**13,452**	**5,297**	**25,856**
Provision for contingencies	-	-	-	-	**782**	**113**	**895**
Profit sharing	2,204	(2,204)	-	-	**-**	**-**	**-**
Provision for revenues	(2,400)	(2,769)	-	(5,169)	**(1,203)**	**-**	**(6,372)**
IFRS16	-	119	-	119	**(265)**	**44**	**(102)**
Deferred receipt from government bodies	(2,321)	(1,128)	-	(3,449)	**1,802**	**-**	**(1,647)**
Tax depreciation	-	(2,760)	-	(2,760)	**3,265**	**2,508**	**3,013**
Amortization of intangible asset allocations	481	421	-	902	**5,631**	**-**	**6,533**
Grant of shares	-	592	-	592	**457**	**-**	**1,049**
Other differences	6,262	(3,266)	(756)	2,240	**(2,035)**	**(48)**	**157**
Total	(8,021)	(9,692)	(756)	(18,469)	**26,651**	**16,776**	**24,958**
Tax assets	11,199			1,434			**45,544**
Tax liabilities (**)	(19,220)			(19,903)			**(20,586)**
Net tax liabilities	(8,021)			(18,469)			**24,958**
Presented in the statement of financial position							
Deferred income tax and social contribution assets	2,051			2,375			**24,958**
Deferred income tax and social contribution liabilities	(10,072)			(20,844)			**-**

(*) Refers to the effects of Elemídia consolidation of deferred taxes that did not pass through the consolidated profit or loss as of the base date January 31, 2020.

(**) The Company records deferred income and social contribution liabilities on goodwill tax amortizations. This liability is recognized to offset the effects of the reduction of taxable profit arising from this tax amortization and will be realized from the moment of the realization of goodwill, or by impairment test of such goodwill.

(In thousands of reais, unless otherwise stated)

29. Income tax and social contribution--Continued

b) Deferred income tax and social contribution--Continued

Management believes that this estimate is consistent with its business plan, so that no loss is expected on the realization of these credits. Below we present the expected realization of deferred taxes at December 31, 2020:

Year	Parent	Consolidated
2021	15,372	26,733
2022	2,642	2,642
2023	13,957	13,957
2024	2,212	2,212
Total	34,183	45,544

30. Insurance

The Company seeks to establish coverage compatible with its size and operations. Insurance coverage at December 31, 2020 was contracted in the following amounts, according to the insurance policies:

	Insured amounts	
Line	Parent	Consolidated
Business risk	-	1,596
Financial risks	133,452	133,718
Civil liability	18,700	22,450

The assumptions adopted for assessing the insured amount and related risks, in view of their nature, are not part of the scope of the audit of the financial statements and, therefore, were not audited by our independent auditors.

31. Financial risk management

The Company may be exposed to the following risks according to its activity:

31. Financial risk management--Continued

- Credit risk;
- Liquidity risk;
- Market risk;
- Capital management.

This Note presents information on the Company's exposure to the above-mentioned risks, the Company's goals, risk management policies, and the Company's capital management.

i) Credit risk

The Company's credit risk is characterized by the non-performance by a customer or counterparty in a financial instrument of their contractual obligations. The Company's operations are related to the lease of movable goods and spaces for placing electronic products, especially electronic display panels for the computerized disclosing of advertising and data of public or private interest, and the customer portfolio, in addition to being diversified, is constantly monitored in order to reduce default losses. The Company adopts specific procedures for the selection and analysis of the customer portfolio in order to prevent default losses.

The Company establishes a provision for impairment that represents its expected credit losses in relation to trade and other receivables. Credit limits are set for all customers based on internal rating criteria and the carrying amounts represent the maximum credit risk exposure. The Company monitors its receivables portfolio periodically and the financial operations and legal departments are active in negotiations with debtors. In addition, the Company has an obligation to assess the counterparties' risks and seeks to diversify the exposure periodically.

Management considers that the maximum exposure to credit risk of its financial assets is represented by the trade receivables recorded in the Company's statement of financial position.

(In thousands of reais, unless otherwise stated)

31. Financial risk management--Continued

ii) Liquidity risk

Investment decisions are made in light of their impact on the long-term cash flow (60/120 months). The Company's guideline is to work with assumptions of minimum cash balances, which vary according to the schedule of investments and of financial coverage of obligations, where the projected cash generation has to surpass the contracted obligations (financing, additions to property and equipment, acquisitions), thus mitigating the liquidity risk. To finance the expansion of its operations, the Company seeks to structure long-term operations in the financial market, to align them with expected cash generation.

Presented below are the contractual maturities of financial assets and liabilities, including the estimated interest payment and excluding, if any, the impact of the negotiation of currencies by net position.

	Parent						
12/31/2020	**Carrying amount**	**Contractual cash flow**	**6 months or less**	**06-12 months**	**01-02 years**	**02-05 years**	**Over 5 years**
Trade payables	**68,007**	**68,007**	**2,514**	**61,279**	**4,214**	**-**	**-**
Borrowings	**926**	**926**	**101**	**101**	**202**	**522**	**-**
Debentures	**660,184**	**660,184**	**7,608**	**65,220**	**130,440**	**391,320**	**65,596**
Lease liabilities	**820**	**820**	**228**	**224**	**348**	**20**	**-**
	729,937	**729,937**	**10,451**	**126,824**	**135,204**	**391,862**	**65,596**

	Parent						
12/31/2019	**Carrying amount**	**Contractual cash flow**	**6 months or less**	**06-12 months**	**01-02 years**	**02-05 years**	**Over 5 years**
Trade payables	32,576	32,576	26,061	6,515	-	-	-
Debentures	110,183	141,446	2,020	4,584	80,513	54,329	-
Lease liabilities	5,194	5,194	803	803	1,196	2,392	-
	147,953	179,216	28,884	11,902	81,709	56,721	-

(In thousands of reais, unless otherwise stated)

31. Financial risk management--Continued

ii) Liquidity risk--Continued

	Consolidated						
December 31, 2020	**Carrying amount**	**Contractual cash flow**	**6 months or less**	**06-12 months**	**01-02 years**	**02-05 years**	**Over 5 years**
Trade payables	**102,599**	**102,599**	**10,998**	**84,499**	**7,102**	**-**	**-**
Borrowings	**2,535**	**2,535**	**981**	**830**	**202**	**522**	**-**
Debentures	**660,184**	**660,184**	**7,608**	**65,220**	**130,440**	**391,320**	**65,596**
Lease liabilities	**5,745**	**5,745**	**1,011**	**1,007**	**2,034**	**1,693**	**-**
	771,063	**771,063**	**20,598**	**151,556**	**139,778**	**393,535**	**65,596**

	Consolidated						
12/31/2019	**Carrying amount**	**Contractual cash flow**	**6 months or less**	**06-12 months**	**01-02 years**	**02-05 years**	**Over 5 years**
Trade payables	36,850	36,850	29,480	7,370	-	-	-
Debentures	110,183	141,446	2,020	4,584	80,513	54,329	-
Lease liabilities	5,240	5,240	849	803	1,196	2,392	-
	152,273	183,536	32,349	12,757	81,709	56,721	-

iii) Market risk

The Company has an investment policy aimed at establishing guidelines for cash management and minimizing risks. In accordance with this policy, the Company makes conservative investments, being allowed to invest in CDBs and repurchase agreements. The Company's cash management is aimed at ensuring compliance with the risks described below:

- The investments are allocated to financial institutions with a recognized domestic rating determined by the main risk rating agencies.
- The Company must maintain 100% of its total cash in investments that guarantee short-term liquidity (up to 30 days), in order to guarantee satisfactory fulfillment of its obligations in current and stress situations.

(In thousands of reais, unless otherwise stated)

31. Financial risk management--Continued

iii) Market risk--Continued

The market risk is divided into foreign exchange, interest rate and fair value risks.

a) *Foreign exchange risk*

All transactions of receipts and payments are carried out in domestic currency, therefore, they are not directly exposed to this risk. Furthermore, the Company does not have assets and liabilities subject to foreign exchange differences.

b) *Interest rate risk*

	Carrying amount			
	Parent		Consolidated	
	2020	**2019**	**2020**	**2019**
Financial instruments of interest rates				
Financial assets	**66,340**	23,076	**110,815**	24,920
Financial liabilities	**(661,110)**	(110,183)	**(662,719)**	(110,183)
	(594,770)	(87,107)	**(551,904)**	(85,263)

Sensitivity analysis of interest rates

CPC 40 addresses Financial Instruments: Recognition, Measurement and Disclosure, setting forth that companies shall disclose a sensitivity analysis table for any market risks deemed as significant by management, arising from financial instruments, to which the Company is exposed at the end of each year, including all the transactions with derivative financial instruments.

Financial assets

The financial assets are concentrated in variable-rate investments subject to the variation of the CDI.

(In thousands of reais, unless otherwise stated)

31. Financial risk management--Continued

iii) Market risk--Continued

b) *Interest rate risk*--Continued

Financial liabilities (exposure by type of risk)

To calculate the sensitivity analysis, the annual forecast of risk variables was based on market rate projections made available by the Central Bank of Brazil. The probable scenario is that scenario worked by Management and can be understood as the estimated balance of the borrowings and debentures at the end of the current year. An adverse change of 25% and 50% in the respective risk variables were considered in Scenarios II and III.

The tables below show the sensitivity analysis of the Company's Management and the cash effect of transactions outstanding at December 31, 2020, as well as the amounts of indexes used in the forecasts.

			Parent		
Operation	**Risk variable**	**Carrying amount**	**Scenario I (probable)**	**Scenario II (+25%)**	**Scenario III (+50%)**
Financial liabilities	CDI increase	661,110	673,671	676,811	679,952
Impact on profit or loss before taxes			(12,561)	(15,701)	(18,842)

			Consolidated		
Operation	**Risk variable**	**Carrying amount**	**Scenario I (probable)**	**Scenario II (+25%)**	**Scenario III (+50%)**
Financial liabilities	CDI increase	662,719	675,311	678,459	681,606
Impact on equity and in profit or loss			(12,592)	(15,740)	(18,887)

	2020		
Index	**Scenario I Probable**	**Scenario II (+25%)**	**Scenario III (+50%)**
CDI	**1.90%**	**2.38%**	**2.85%**

(In thousands of reais, unless otherwise stated)

31. Financial risk management--Continued

iii) Market risk--Continued

b) *Interest rate risk*--Continued

Financial liabilities (exposure by type of risk)--Continued

For each scenario, a gross finance cost was calculated, not taking into account the levy of taxes and the maturity flow of each agreement scheduled for 2021. The base date used was December 31, 2020, projecting the indices until December 31, 2021 and verifying their sensitivity in each scenario in the current year.

c) *Fair value measurement*

Management considers that financial assets and liabilities not presented in this note are stated at carrying amount close to fair value.

The fair values of the financial assets and liabilities, together with the carrying amounts in the statement of financial position, are as follows:

	2020		2019	
Instruments	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial investments	**35,524**	**35,524**	11,722	11,722
Restricted financial investments	**30,816**	**30,816**	-	-
Borrowings	**(926)**	**(926)**	-	-
Debentures	**(660,184)**	**(660,184)**	(110,183)	(110,183)

	Consolidated			
	2020		2019	
Instruments	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial investments	**79,999**	**79,999**	24,920	24,920
Restricted financial investments	**30,816**	**30,816**	-	-
Borrowings	**(2,535)**	**(2,535)**	-	-
Debentures	**(660,184)**	**(660,184)**	(110,183)	(110,183)

Fair value hierarchy

The table below classifies financial instruments carried at fair value, by a valuation method.

(In thousands of reais, unless otherwise stated)

31. Financial risk management--Continued

iii) Market risk--Continued

c) *Fair value measurement*--Continued

Fair value hierarchy--Continuing

The different levels have been defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The specific valuation techniques used to assess financial instruments classified as Level 2 include:

The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves, when applicable.

Parent	Level 1	Level 2	Level 3	Total
December 31, 2020				
Financial assets at fair value through profit or loss	**-**	**66,340**	**-**	**66,340**
Financial liabilities at fair value through profit or loss	**-**	**(661,110)**	**-**	**(661,110)**
	-	**(594,770)**	**-**	**(594,770)**
12/31/2019				
Financial assets at fair value through profit or loss	-	23,076	-	23,076
Financial liabilities at fair value through profit or loss	-	(110,183)	-	(110,183)
	-	(87,107)	-	(87,107)

(In thousands of reais, unless otherwise stated)

31. Financial risk management--Continued

iii) Market risk--Continued

c) *Fair value measurement*--Continued

Fair value hierarchy--Continuing

Consolidated	Level 1	Level 2	Level 3	Total
December 31, 2020				
Financial assets at fair value through profit or loss	-	110,815	-	110,815
Financial liabilities at fair value through profit or loss	-	(662,719)	-	(662,719)
	-	(551,904)	-	(551,904)
12/31/2019				
Financial assets at fair value through profit or loss	-	24,920	-	24,920
Financial liabilities at fair value through profit or loss	-	(110,183)	-	(110,183)
	-	(85,263)	-	(85,263)

There was no transfer among Levels 1, 2 and 3 during the year ended December 31, 2020.

At December 31, 2020 and 2019, the Company did not have Level 3 financial instruments.

Criteria, assumptions and limitations used in the calculation of fair value

The estimated fair values of the financial instruments assets and liabilities of the Company and its subsidiaries were calculated as described below. The Company and its subsidiaries do not operate in the derivatives market and there are no other derivative financial instruments recorded at December 31, 2020.

Cash and cash equivalents and financial investments

Bank accounts have their fair values identical to the carrying amounts.

31. Financial risk management--Continued

iii) Market risk--Continued

c) *Fair value measurement*--Continued

Cash and cash equivalents and financial investments--Continued

Bank Certificates of Deposit (CDB), debentures and repurchase agreements - stated at fair value based on the probable realizable value.

For other financial investments, the fair value was calculated based on the market quotations of these securities; when there were no quotations, they were based on the future cash flows discounted at the average interest rates available.

Trade receivables and borrowings

Borrowings and trade receivables have fair values similar to the carrying amounts.

iv) Capital management

As the Company's revenues are directly related to the capacity to lease advertising space, Management periodically monitors its operating conditions in order to anticipate possible impacts. For this purpose, the Company invests in innovation and generation of dynamic and relevant content in order to maintain the attractiveness of its business with its customers vis-à-vis the traditional advertising and publicity platforms. Nevertheless, the sales of these advertising spaces is carried out by a Company team in order to ensure negotiations with its customers that are aligned with the marketing strategy as well as the association with brands and customers that generate value for the Company.

Risks are reviewed monthly by the Operations and Financial Management areas that generate monitoring reports. If situations of deviation are identified, reviews of the Company's strategies are submitted for approval by the Executive Board for deployment.

The Officers keep track of the performance of their business based on a budget approved annually. This system allows the monitoring and previous validation of outlays in relation to the budget as well as the financial and operating performance of investments, and a close monitoring of the Company’s liquidity with a focus on the short and long terms.

(In thousands of reais, unless otherwise stated)

31. Financial risk management--Continued

iv) Capital management--Continued

Capital management

The main objective of the Company's capital management is to ensure that it maintains a strong credit rating and a well-established capital ratio in order to support business and maximize shareholder value. The Company manages the capital structure and adjusts it considering the changes in economic conditions.

There has been no change in the Company's capital management policy in relation to previous years and the Company and its subsidiaries are not subject to external capital requirements imposed.

The net debt and equity ratio is as follows:

	Consolidated	
	2020	**2019**
Borrowings	**2,535**	-
Debentures	**660,184**	110,183
Total	**662,719**	110,183
(-) Cash and cash equivalents	**6,136**	13,098
(-) Short-term investments	**79,999**	24,920
Net debt (A)	**576,584**	72,165
Total equity (B)	**91,917**	70,830
Net debt and equity ratio (A/B)	**627%**	102%

32. Events after the reporting period

Capital increase

At a meeting of the Board of Directors on March 20, 2021, a capital increase was approved to meet the exercise of stock options granted under the Company's Stock Option Plan approved by the Company's Extraordinary General Meeting held on November 27, 2017 ("1st SOP"). The capital increase was R$ 4,179, arising from the issue of 2,149,400 common, registered, book-entry shares with no par value, as follows:

(In thousands of reais, unless otherwise stated)

32. Events after the reporting period--Continued

Capital increase--Continued

Number	Price per share R$	Capital increase R$
1,135,200	2.35	2,668
1,014,200	1.49	1,511
2,149,400		4,179

The share capital increased from R$ 200,774, according to the Initial Public Offering, to R$ 204,953.

Advance payment for the acquisition of the interest of Publibanca Brasil S.A.

As mentioned in notes 4.b) and 22, the Company had amounts payable of R$21,845 at December 31, 2020. According to the Share Purchase and Sale Agreement and Other Covenants, in the case of a liquidity event, the Company would have to make an early settlement. The liquidity event described in the agreement refers to the "settlement of an initial public offering of shares issued by the Buyer, its direct Parent Company or the Company". Therefore, on March 11, 2021, the Company made an advance payment of R$ 16,391 with the remaining balance to be paid according to the initial flow of the agreement, if there is no liquidity event arising from the actual conclusion of the direct or indirect sale of the Company's control or Control of the Company to a Third Party that is not a Related Party of the direct and indirect Parent Companies of the Company.

Initial public offering

On February 17, 2021, the Company carried out a public offering of primary and secondary distribution of 42,557,232 registered book-entry common shares with no par value, all free and clear of any liens or encumbrances ("Shares"), being:

- 39,303,762 shares issued by the Company ("Primary Offering");
- 3,253,470 shares issued by the Company and owned by the Selling Shareholders; considering the placement of additional shares and the full placement of Supplementary Shares ("Secondary Offering" and, in conjunction with the Primary Offering, "Offering")

32. Events after the reporting period--Continued

Initial Public Offering--Continued

The share price was R$ 17.81 per share ("Price per Share"), resulting in total proceeds for the Company of R$ 700,000.

With this offering, the Company's shares totaled 135,530,332 common shares with a capital increase of R$ 39,304, with the recognition of a goodwill reserve of R$ 660,696. The share capital at the end of the offering totaled R$ 200,774.

Until December 31, 2020, the Company incurred R$ 1,930 in expenses with the Offering as described in note 9. Until the end of these financial statements, the expenses related to the offering totaled R$ 34,678.

The expenses with the additional shares placed by the selling shareholders arising from the secondary offering were assumed by them, generating no expense recorded in the Company's books.

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