



**2019**

SUSTAINABILITY  
REPORT

**SUSTAINABLE GROWTH:  
CONNECTING PEOPLE,  
CULTURE AND BUSINESS**



**Algar**   
Telecom

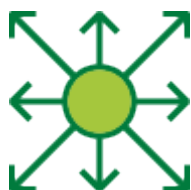


## Main Indicators for 2019

GRI 102-7



Algar Telecom's arrival in 23 new locations in the South and Southeast



Operations expanded in the country's Northeast, with commercial operations in all capitals of the region



Smart Telecomunicações acquired, with 5,500 km of network in and around Recife



Algar Telecom's operations in the B2B market, in 354 cities in 16 states and the Federal District



Algar Telecom Franquias program expanded, totaling 65 cities with operating franchises



Number of B2B customers grew by 22.4%



Number of fiber broadband customers reached 57.7% of the total



In December 2019, the Telecom and Tech – BPO/IT Management business divisions were split up



Algar Telecom entered into a partnership with Sky Serviços de Banda Larga Ltda. and will start offering the partner's TV services



Algar Telecom was recognized, through awards, highlighting: Valor Inovação Award – Brazil's most innovative Telecom; Most sustainable company in Telecommunications according to the Exame's Sustainability Guide (7th consecutive year); ABRASCA Award for Best Annual Report (publicly held company with net revenue below R\$3 billion)

| B2B operating data (units)            | 2015           | 2016           | 2017                | 2018           | 2019           | Δ 2018/2019  |
|---------------------------------------|----------------|----------------|---------------------|----------------|----------------|--------------|
| <b>Number of customers</b>            | <b>100,015</b> | <b>108,686</b> | <b>95,377</b>       | <b>104,791</b> | <b>128,294</b> | <b>22.4%</b> |
| Corporate <sup>1</sup>                | 7,884          | 10,000         | 10,919              | 13,550         | 15,664         | 15.6%        |
| Small and micro company segment (MPE) | 92,131         | 98,686         | 844,58 <sup>2</sup> | 91,241         | 112,630        | 23.4%        |

Note: 1. The numbers of customers in 2019 have changed from those already presented due to the methodology refinement between head offices and branches.

2. The fall in the number of MPE customers between 2016 and 2017 was due to the reclassification of 23,724 customers in January 2017, which were transferred to B2C. The aim of this change was to provide a customer service channel more in line with the needs of these customers.

| B2C* operating data ('000 units) | 2015  | 2016  | 2017  | 2018  | 2019  | Δ 2018/2019 |
|----------------------------------|-------|-------|-------|-------|-------|-------------|
| Data                             | 435   | 475   | 515   | 543   | 569   | 4.6%        |
| Landlines                        | 722   | 733   | 756   | 723   | 708   | (2.1%)      |
| Mobile                           | 1,298 | 1,342 | 1,313 | 1,259 | 1,278 | 1.5%        |
| Paid TV                          | 76    | 97    | 98    | 84    | 68    | (18.9%)     |

\*Data published by Anatel regarding the concession area.

| <b>Consolidated financial indicators (R\$ million)*</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>Δ 2018/2019</b> |
|---|-------------|-------------|-------------|-------------|-------------|--------------------|
| Gross revenues  | 2,191       | 2,406       | 2,611       | 2,703       | 2,81        | 3.9%               |
| Net revenue   | 1,609       | 1,744       | 1,885       | 2,013       | 2,127       | 5.7%               |
| EBITDA  | 535         | 640         | 717         | 845         | 886         | 4.9%               |
| EBITDA margin   | 33%         | 37%         | 38%         | 42%         | 42%         | -                  |
| Net profit  | 116         | 174         | 227         | 266         | 303         | 13.8%              |
| Net margin  | 7%          | 10%         | 12%         | 13%         | 14%         | 1 p.p.             |
| Investments   | 471         | 459         | 503         | 678         | 755         | 11.3%              |
| Net debt**  | 1,036       | 1,09        | 1,232       | 1,515       | 1,851       | 22.5%              |
| Net debt/EBITDA (times)                                 | 1.9         | 1.7         | 1.7         | 1.8         | 1.7         | -                  |

Note: \*Due to the spin-off of Algar Tech on December 2, 2019, the 2019 financial figures are pro-forma. The data present the history to provide a basis for comparison only for the Telecom business.

\*\*Net debt is calculated on the basis of the following balances: R\$7.1 million in 2015, R\$7.6 million in 2016, R\$5.9 million in 2017 and R\$4.7 in 2018, for the purchase of Optitel (registered in the accounts “Notes payable – current liabilities” and “Other obligations – non-current liabilities”) and, in 2017, the balance of R\$41.6 million and, in 2018, R\$25.6 on the account “Liability for purchase of a corporate interest”.

| <b>Corporate indicators</b>                   | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>Δ 2018/2019</b> |
|---|-------------|-------------|-------------|-------------|-------------|--------------------|
| Employees (staff)                             | 3,482       | 3,739       | 3,934       | 4,544       | 4,416       | (3%)               |
| Men   | 2,480       | 2,590       | 2,745       | 3,259       | 3,157       | (3%)               |
| Women   | 1,002       | 1,149       | 1,189       | 1,285       | 1,259       | (2%)               |
| <b>Hours of training ('000)</b>               | <b>117</b>  | <b>44</b>   | <b>32</b>   | <b>189</b>  | <b>168</b>  | <b>(11%)</b>       |
| <b>Average hours of training per employee</b> | <b>63</b>   | <b>25</b>   | <b>18</b>   | <b>42</b>   | <b>38</b>   | <b>(9%)</b>        |

| <b>Environmental indicators</b>              | <b>2015</b>  | <b>2016</b>  | <b>2017</b>  | <b>2018</b>  | <b>2019</b>  | <b>Δ 2019/2018</b> |
|--|--------------|--------------|--------------|--------------|--------------|--------------------|
| Direct greenhouse gas emissions - scope 1    | 706          | 1,145        | 1,693        | 870          | 1,042        | 20%                |
| Indirect greenhouse gas emissions - scope 2* | 6,646        | 4,488        | 4,909        | 4,138        | 4,302        | 4%                 |
| Indirect greenhouse gas emissions - scope 3  | 1,551        | 1,575        | 1,280        | 1,537        | 1,298        | (16%)              |
| <b>Total emissions</b>                       | <b>8,903</b> | <b>7,208</b> | <b>7,882</b> | <b>6,545</b> | <b>6,642</b> | <b>1,5%</b>        |

\*Refers to the following greenhouse gases (GHGs) regulated under the Kyoto Protocol: CO<sub>2</sub>, CH<sub>4</sub>, e N<sub>2</sub>O and the family of hydro fluorocarbons (HFCs).