



**1Q21 Results
Conference Call Transcript
Oi (OIBR3 and OIBR4 BZ)
May 13, 2021**

Operator:

Good morning, ladies and gentlemen. Thank you for standing by. Welcome to Oi S.A.'s conference call to discuss the 1Q21 results.

This event is also being broadcast simultaneously on the Internet by webcast, which can be accessed on the Company's IR website, www.oi.com.br/ri, together with the respective presentation.

We would like to inform that, during the Company's presentation, all participants will be on listen-only mode. We will then begin the Q&A session when further instructions will be given. In case you need any assistance during the conference, please request the operator's help by pressing *0.

We would also like to inform that the conference call will be conducted in English by the management of the Company, and the conference call in Portuguese will be conducted by simultaneous translation.

This conference call may contain some forward-looking statements that are subject to known and unknown risks and uncertainties that could cause such expectations to not materialize or differ materially from those in the forward-looking statements. Such statements speak only as of the date they are made, and the Company is under no obligation to update them in light of new information or future developments.

We will now turn the conference over to Mr. Rodrigo Abreu, CEO. Please, Mr. Rodrigo, you may proceed.

Rodrigo Abreu:

Good morning, everybody. Welcome to our 1Q21 call. And due to all the intense activity we have been having, the call is just a short while after our last 2 calls, the first on 4Q last year, and the second on the details of the InfraCo transaction we announced just recently.

Our 1Q was, as everybody knows, again, impacted by the second wave of the COVID pandemic. And in this topic, our thoughts go to those who have been personally impacted by that.

And obviously, the Company continues to be very diligent with the protection of our entire team of professionals and their families. And we hope to continue contributing to providing resources and all of the means possible for all of us to face the impacts of it. On the business front, we continue to focus relentlessly on the Company transformation above everything else.

And we believe we move forward on pretty much on all of the initiatives, which will contribute to making it happen. On the results, we did feel some of the impacts of the



**1Q21 Results
Conference Call Transcript
Oi (OIBR3 and OIBR4 BZ)
May 13, 2021**

pandemic on the business in the 1Q, especially in comparison with the 1Q20 when this impact was just starting.

But we were able to maintain all of our key operating metrics on track, even if impacted on some revenue components, in particular, mobile and on some higher costs during the quarter.

But all in all, we feel we continue to move forward as planned. So let's take a look at the results, moving on to Page 3. On Page 3 as a summary and key notes, we can point to the excellent results on fiber again, while delivering pretty much on all of the key components of the transformation. On the fiber, the massive expansion continues to happen even with all of the economic challenges, and we have been accelerating both on HCs and HPs, and we got to new record highs on both.

We also entered the São Paulo market, which was the last large capital in the country, which did not have the presence of Oi fiber. And now we have officially started operations there in April with commercial sales.

And all of that led to a great recovery on the residential revenue trends, as we will see in detail. But this is obviously one of the most important, if not the most important revenue components for us in the future. So the trends here are very important to signal what will happen with the new Oi in the years to come.

On Oi Solutions, we launched several new products and continue to shift revenues. And we did have a quarter, which is preparing for, again, a year where we are doing a great transition of our revenues and launched several different new areas, including one, which was a rebranding of our own operation Tahto which was the former BTCC call center to include offering this to our own corporate clients.

On wholesale, we are moving forward towards becoming a true neutral network, and we have already started closing contracts, both with ISPs and with large telcos and delivering infrastructure to connect more than 5.2 million households with fiber, in what marks the true beginning of what will be the new InfraCo for Oi. On the execution of our plan and our judicial recovery, we move forward with several actions on the UPI sales, and pretty much all of the M&A processes have advanced as expected and are on track for us to get to where we need to be to completely transform the Company and to start a new structure next year.

And finally, on the funding front, we are close to fulfilling our 2021 needs. And those are necessary before we complete all of the transactions and the move to a new structure that will be in place by next year. And we finally recently obtained the consent from the 2025 bondholders to implement what will be the most important funding alternatives to us, in particular, the drawing of the hybrid contract that had been signed back in February and now will be disbursed. And the preparation to get to a bridge to UPI Mobile, which will bring an additional R\$2 billion to R\$2.5 billion to the Company and is currently under negotiation.



**1Q21 Results
Conference Call Transcript
Oi (OIBR3 and OIBR4 BZ)
May 13, 2021**

So pretty much, we have executed on all fronts. So next, let's look at details of the performance on all of those. So moving on to Page 4, starting with fiber. Our fiber performance remains unabated. And we had new record highs, both on HPs built and on the takeout of the homes connected.

And as we have been highlighting, service quality, speeds and our capacity for rapid deployment have continued to be key pillars of our strategy. On the homes passed front, we got to a new record high. We had an average of close to 500,000 new homes passed built per month in the 1Q, and this is almost 30% more than what we did on the 2020 average. And we reached here 142 cities. So we are already getting very close to where we need to be when we look at the end of the year, and we expect to close this year with close to 15 million homes passed, which coming from where we were last year is a significant improvement and on track to our long-term plan as well.

On the front of the homes connected, we have kept up the numbers, and they keep coming, in particular, in terms of the homes connected per month with a pace of 122,000 net homes connected per month. And this is higher than pretty much all of the other players, even with the entire growth of the market and the ISPs. And we expect to be on track here to our numbers for the end of the year to get between 3.5 million and 4 million homes connected. As we speak, obviously, we have already advanced, and we are close to 3 million homes connected as we continue to operate in a very fast pace of sales.

And in terms of the homes connected, I believe it's very interesting to highlight one aspect of the story, which actually confirms everything we have been telling about our long-term plans, which is the take-ups.

We can now, with a little bit more time of history, analyze of all of the recent cohorts of fiber deployment that we have been implementing, we can see, as this middle picture here shows, that we have been able to very successfully advance the take-up percentage on our cohorts. And if we look at the cohorts that were started in March 2019, we have been already getting to 34%, 35% take-ups, which is way above what we said in our plan that we would be able to achieve and stability to actually make the numbers for the whole fiber print of 25%.

And it's interesting to see that if we look at the cohorts of March 2020, which is just slightly over a year ago, we have already gone above the 25% take-up with 26%. So all of the take-ups have been extremely positive, and they give us the confidence that we will continue moving forward pretty firmly on our fiber strategy.

All of that happens with ARPU moving up, yet another bit from the 1Q last year to the 1Q this year, even considering all of the implementation of new homes. And we are now at the R\$87 per month ARPU, which is a 2.4% increase compared to last year.



**1Q21 Results
Conference Call Transcript
Oi (OIBR3 and OIBR4 BZ)
May 13, 2021**

This has translated to yet a new sequential revenue growth of multiple times of almost 3x, and we have gotten in the 1Q 2021 to R\$592 million of revenue, which is more than R\$2 billion on an annualized basis and on track again to starting next year with a number, which will be more than enough to compensate what's going on, on copper as we will see in a second.

Obviously, all of that has been happening with yet other positive indicators, in particular, that of quality. Oi has been consistently ranked first on the Netflix ISP Speed Index since August 2020, and our NPS is 25% higher than the world telecom benchmark on this front. So the quality here is a central pillar and will continue to be a central pillar for our expansion.

And we have turned the page on the quality issues with copper in the past, and now Oi fiber is without a question, pretty much a poster child of Oi fiber in the future. And in the 1Q 2021, just on track with what we have mentioned about the ARPU moving up and the quality and the speed being central pillars, we already had 14% of our net additions coming in now to Oi fiber with speeds over 400 megabits per second.

And if you recall, 9% of the fiber customer base has speeds over 400 megabits per second in the 1Q, but 14% of the net additions are already above that. So it's a great track. It means that our ARPU will continue moving up. It means that the quality is paying off.

And all of this led us to accelerate our national expansion, as can be seen on slide 5. And with that, we are using our expertise of implementing fiber to enter finally São Paulo. And with this, we have expanded our presence to all state capitals. And we aim at nothing less than national leadership in first in fiber and then in ultra-broadband. We know it's a very competitive market, but we know we have the network, we have the presence, and we have the performance to actually take us there. If we look at the fiber market share, the market share in the areas where we are present is significantly up.

And if we look at all of the capitals and all of the municipalities where we are present, in 14 state capitals, we are already market leaders, even if we have started operations with fiber just recently. And we can point to areas, such as in the north and the northeast, where the market share numbers are extremely high for us with fiber.

But we can also point to cities, very important cities such as Rio, Salvador, Belo Horizonte, where we do have significant market shares even in face of a very, very fierce competition. And all in all, in the municipalities with Oi fiber, which in the 1Q, were close to 130, in 1 year, Oi decreased the business to the leader from 11 percentage points to 6 percentage points here. So we look at the broadband market share.

We are already with close to a 27% market share in those markets and fastly approaching the #1 position here. As for São Paulo, we have commercially launched São Paulo late last month, actually on the 27th of April. And our current coverage of



**1Q21 Results
Conference Call Transcript
Oi (OIBR3 and OIBR4 BZ)
May 13, 2021**

Oi's fiber exceeds the limit of the São Paulo capital. We are looking at the São Paulo state. And we have a plan of getting to 400,000 homes passed covered in 2021 with a potential to get to 2 million for 2022.

And obviously, São Paulo is the most competitive state and the most competitive city in the country, but we believe our good performance will allow us to have a good presence there, starting afresh and starting with a very focused strategy, which will use all of our learnings in the rest of the country.

So this good performance comes with a renewed focus, not only on the fiber connectivity but on digital services as well as we can see in slide 6. We have mentioned to everybody that the Oi transformation starts with the focus on fiber and fiber is at the core of our transformation and will be, obviously, our core product and assets going forward. But we are adding to connectivity also what we call our digital positioning, and we will move beyond connectivity to digital experiences. And here, we can see an example of the moves that we have been doing, starting with Oi Play, which is a content hub for on-demand and live channels through several different content partnerships.

Oi Play will be a very interesting aggregator. It has been growing up pretty nicely, and we expect it will eventually be a mainstay of content for pretty much any consumer on core fiber connectivity. We have also launched Oi Place, and Oi Place, which is a marketplace covering very, very carefully curated content for electronics and for communications continues to grow, and we have expanded services and solutions not only to B2C but then starting with small enterprises and eventually B2B.

We have launched Oi Conta Zap. Oi Conta Zap is a free digital wallet focused on B2C, and it's a digital wallet, which uses WhatsApp transactions. So it does not depend on Oi's mobile base. But obviously, we are accelerating our presence based on our existing customer base. But the good thing is that it does not depend on us continuing on mobile to move forward and to remain as one of the financial alternatives and financial services that we offer to our entire base.

On the Oi Soluções front, which, by the way, was the first to initiate this journey of digital positioning and transition to IT, our portfolio continues to grow. We have cloud, security and managed services as the 3 main areas, and we are securing everyday new revenue streams in particular, within all of the multi-cloud managed services and security environments.

Interesting to point out that we have Serede, which is our field services operation company, and we are now starting to use Serede as well as the logistics capabilities for pretty much any business demand all over the country, both on B2B as well as on B2C.

And one example of that is the Oi Expert service we have launched, which is a service platform for B2C needs of installation, technical support and repair assistance. And obviously, we rely on the national presence of our field technicians based on Serede.



**1Q21 Results
Conference Call Transcript
Oi (OIBR3 and OIBR4 BZ)
May 13, 2021**

So all in all, we are moving towards becoming a digital player to complement all of our core fiber connectivity services. And we believe this is the way to go.

Obviously, there's still a long journey here, but the good news is that the possibilities are virtually limitless. And we are looking at many different segments in terms of developing partnerships, in terms of covering both B2C and B2B solutions, and they will complement nicely the transition to the new way. So next, let's look at how the fiber performance is then impacting our revenue scenario in all segments.

And on slide 7, we can see that this quarter, in preparation for what we are calling our new strategic and operational model, we will start presenting our revenues in separate views, both continued and discontinued operations, and the discontinued operations, in this case, are the UPIs, which are part of our M&A transactions, and also separated between core and legacy.

And if we look at what remains of Oi, we are calling the new Oi, the consolidated revenues sequentially have become largely stable, a slight drop from what we had last year. But the key thing to observe here on the new Oi revenues is the sheer importance of fiber and how it has become not only the core component for the future but also a core components today as well with 31% of our revenues already coming from fiber.

Obviously, still some revenue depending on legacy, in particular, on the B2B front, but this revenue is also moving towards new components. If we look at fiber, fiber has gotten to a year-over-year growth of almost 120%, while legacy revenues declined 26%.

And in reality, this is what we expect will continue to happen, but eventually stabilizing revenues as we have shown. On the residential front, fiber became the most important component of our revenue for us.

Legacy continues to decline. But the good news is that with all of that, we have been able to stabilize the residential revenue, both sequentially as well as on a year-over-year basis. On B2B, we can see here that corporate has stabilized sequentially. We have stabilized SMEs as well and pretty much stabilized compared to last year. So now there's a big opportunity for growth.

And on the legacy wholesale, which are the wholesale components that are not based on fiber and stay at Oi in the future, obviously, we did have a continued drop both from the 1Q last year as well as sequentially. And if we look at discontinued operations, which are ultimately the operations that will leave the Company with the M&As, we did have a small drop. But again, we have been looking here at pretty much all of the revenue that will not stay with us.



**1Q21 Results
Conference Call Transcript
Oi (OIBR3 and OIBR4 BZ)
May 13, 2021**

And next, I believe it's worth to look in more details at our residential revenues, which are the core revenues for us for the new Oi in addition to everything that we will do in the future.

So on slide 8, we can look at the residential revenues with the new Oi. And here, fiber proves it is at the core of the strategy with the impact both on the customer base as well as on the revenues.

And for the first time, we can see that our broadband customer base is now primarily made of fiber users, and the fiber users have surpassed the copper users for the first time in our history, with 2.3 million fiber users compared to 1.9 copper users, and obviously, copper continues to decline, but this is a very important milestone for us.

And with all of that, we can see that the residential revenue evolution, as we have mentioned, after a very long period of successive declines, we have reached breakeven and are poised to start growing residential revenues again.

If we look at the fiber revenues, it was another impressive growth, both year-over-year and sequentially. And obviously, we expect this performance to continue, while legacy will keep dropping as expected. It's just a structural phenomenon, it's not the Oi performance, but that was expected.

So next, let's look at what's happening in B2B and on the slide 9. And on B2B, we know that our corporate revenues were impacted by the pandemic, especially with the governments and new contracts.

But the SMEs present a revenue stabilization with now the expansion of fiber on the tail of what has been happening on B2C. And our wholesale core revenues are now at InfraCo, so we can look at the legacy wholesale revenues coming down based on copper. On corporate, we had some large seasonal projects that impacted the comparison with the 1Q 2020, but the strategy moving forward continue to be on product launches.

And overall, the segment has been stable sequentially and is poised to deliver the plan for this year, obviously, preparing the growth both based on IT and on the substitution of legacy revenues based on legacy products, 2 more fiber products as we move forward. Same thing is happening on the SMEs.

We have a great improvement sequentially as fiber expands. And the strategy is now to go beyond fiber, preparing for a dedicated SME portfolio. This SME portfolio will follow on the same lines of everything we have been doing on digitizing the offers for B2B and B2C, and we expect a significant opportunity for us in the SME space, which has traditionally been a space with not a lot of dedicated focus from any of the operators. And on the legacy wholesale revenues, that remain in Oi, they are mostly regulated revenues. We know we should experience declines in line with copper, and this is what



**1Q21 Results
Conference Call Transcript
Oi (OIBR3 and OIBR4 BZ)
May 13, 2021**

has been happening, in particular, on the year-over-year comparison with the 36% drop.

Those are lines mainly linked to what we call the EILD service, which are low-speed network capacity at regulated prices. And ultimately, we are going to move away from that. So next, let's look at mobile, even knowing that mobile is part of what we call the UPI or discontinued revenues as mobile continues to be important for 2021.

On mobile, the second wave of COVID did significantly impact prepaid, even though postpaid revenues were stable and with positive trends on acquisition, as we can see on the 3 charts. First, on overall mobile revenues, it was a slight drop, but in particular, due to prepaid, not only because of the pandemic and the delay in government aid, and obviously, this has impacted the whole prepaid segment.

And in particular, in our case, we did feel the heat compared to last year and even sequentially. But we should have some signs of recovery with the comeback of some of the government aid because of the pandemic. On postpaid, though, we did have a great comeback, in particular, in net additions. And in the 1Q, the Company pretty much tied up the lead on postpaid share of net adds with 35%, taking advantage of our robust backhaul to offer innovative unlimited plans. And our performance in the share of net adds for postpaid continues very well.

And obviously, this is important for us during 2021 while we prepare for a transition next year, but remembering that all the results of mobile during 2021 still remain with the Company. So with all of those revenue components analyzed, now let's move to Page 11 and look at what happened with OPEX and EBITDA.

In summary here, we did have the pandemic impacts on revenues, and we did have some increments on our routine OPEX. I will just talk in detail about it in a second. But in particular, with the acceleration of sales and marketing for fiber and postpaid and some seasonal inflationary FX pressures, which impacted ultimately EBITDA in the quarter.

On the OPEX, we had a reduction in virtually all of the controlled components, but increases in 3 areas. In particular, those related to sales and marketing because we have been ramping up our fiber presence. We have been ramping up as well our postpaid mobile performance, and this had an impact on our marketing components. We did have some seasonal costs due to IGPM and inflationary adjustments on some important components for us, in particular, poles and some of the components of the infrastructure.

And we did have, in particular, a large impact on one component, which tends to be seasonal and tends to have recoveries, which are scattered around the whole year, so are not entirely linear, which we are calling taxes and others here, in particular, some increases due to Fistel and the good performance of net adds.



**1Q21 Results
Conference Call Transcript
Oi (OIBR3 and OIBR4 BZ)
May 13, 2021**

So we did have some more Fistel to pay this quarter. But also in terms of some tax recoveries and contingencies that we still believe are poised to have a good year. But due to seasonality and due to the scattered performance across the year, we did have an impact close to R\$130 million up here, which led, all in all, to the OPEX for 1Q to be up 1% compared to the OPEX of 1Q20.

But on the other hand, if we look at the key components, which are third-party costs, bad debt, even network maintenance with all of the network growth of fiber and personnel, we did not have, in all of those lines, significant declines as well, which actually shows that we have been continuing to put a lot of emphasis on controlling costs.

And this, in reality, is what we know we need to do, and we will continue doing. So I'd like to point out to the cost opportunities. We are launching what we are calling our Drastic Cost Out 2.0 initiative in this quarter to achieve an additional R\$1 billion of annualized savings through the end of 2021 and in preparation for 2022. And this will now be a structured project on top of the other initiatives we have been having in the past. But now a very structured project focused on getting those R\$1 billion of costs out for 2022 and focusing pretty much on all the components of digital sales and acceleration, automation, optimization.

We will continue to have the good results on our holistic procurement program, energy efficiency. We will also obviously focus on the optimization and decommissioning of our legacy networks, which still remain a very important cost component for us, and readjusting CAPEX and OPEX as a consequence of the reduction of the legacy sales efforts.

We have to remember that for next year we expect to have a significant change in our cost components with the exit of our UPI operations, in particular, the exit of both InfraCo and mobile co. And obviously, this will present a very different cost profile for next year. So with that let's look on Page 12 at what was the impact of the revenues, operations, costs, EBITDA on cash.

And here, we can see that even though we did have several very important payments in the quarter, in particular, the traditional credit repayments in 1Q, we continue to be able to fund all of our activities of investment through some of the asset sales and a very tight cash control. The Company continues to manage cash very, very carefully, and this has allowed us to keep our expansion plan and our plan on deploying fiber untouched.

And if we look at the CAPEX comparisons, we bumped up the fiber CAPEX as a percentage of total to 71% during the 1Q this year compared to 60% last year. We had yet another reduction of the CAPEX associated to legacy revenues in copper to 9%. And obviously, we expect this to continue to happen in the future.



**1Q21 Results
Conference Call Transcript
Oi (OIBR3 and OIBR4 BZ)
May 13, 2021**

But the fiber investments are very large, and they will continue to be so because this is what we need to do not only to prepare for the successful transition to InfraCo but also to prepare and continue allowing the great expansion of fiber revenues and fiber customers that we have been shown, and that will remain unabated as expected.

On the cash flow, in addition to all of the payments, we just had all of the other regular operations during the quarter, and those were compensated, but some of the noncore asset sales, which allowed us to get to the end of March with a cash position of close to R\$3 billion.

And there was an impact on the gross and net debt, in particular, due to FX. On the funding front, we managed to have some cash inflows, in particular, to those UPIs that we expected to close in the 1Q, and they actually did close and had proceeds coming to the Company in the 1Q with data centers and towers, which are brought to the Company close to R\$1.3 billion.

And not only that but we continue to be on track to the mobile and InfraCo processes, which obviously will just produce cash results towards the end of this year, beginning of next year. But as they are extremely complex and very large, it was important to have both on track, and we believe we do have both on track as we will see in the timeline that we will show in a moment.

And with all of that, we are also finalizing the financing operations for 2021, as I mentioned in the opening slide. We are on the verge of receiving the R\$2.5 billion of convertible debentures at InfraCo that have been signed at the beginning of the year.

And now with the consents that we were able to get from the bondholder group for the New York indenture, it is in a position to be disbursed. And this will obviously provide a very important inflow of cash for the Company to continue its funding activities and its investment activities, as was already planned since we announced our plan at the amendment and the GCM last year.

In addition to that, we are also working on a UPI Mobile bridge, which will be able to bring us another R\$2.5 billion to fund the operations until we have access to the inflows of both the mobile sale and the InfraCo sale. And with all of that, we still retain some flexibility with additional financing lines, if for any reason they become necessary at the end of the year or the beginning of next year.

So with all of that, we believe we are on track to deliver what the plan needs to succeed until the year-end, beginning of next year. And obviously, we will continue to focus relentlessly on managing cash and managing costs and managing the investments extremely, extremely closely in order to be able to deliver what we have committed to, and we believe we are on track to doing that.

On Page 13, I believe it's important as well in addition to mentioning everything, we have been mentioning about the operation and the operational metrics and the financial



**1Q21 Results
Conference Call Transcript
Oi (OIBR3 and OIBR4 BZ)
May 13, 2021**

metrics, that Oi keeps progressing on all ESG pillars with new structuring actions. Last quarter, we started emphasizing ESG, and we know ESG is extremely critical, but we will continue to do so because this is, in fact, a less seen facet of what we do on a daily basis. The Company has always been very responsible socially and environmentally.

And in addition to those 2 components, we have been making very, very intense moves on perfecting our governance since the RJ, and we can firmly say that we now have a much improved governance to go with both the E and the S components. On the E component, the key focus has been on energy and the impact.

We announced that we had 4 new solar energy plants generating 2,400 megawatts and providing energy to 5,000 Oi towers. We migrated in 1Q another 34 units to the free market. And by the end of 2022, we have completed an entire transformation of our energy matrix.

And this will go to the publication of our sustainability report at the end of May with the new materiality research. So we do have a very keen focus on becoming an environmentally sustainable company here. On the social, Oi Futuro has always been a stable for the Company, but we continue to move not only with that but with other actions that we will continue promoting social responsibility. And on the governance, we have a finalized restructuring of what we call the Governance, Risks and Compliance Executive Board. And this is another important step with the beginning of an ESG Commission.

And obviously, we will focus on governance as one of the 3 key important pillars here for ESG. So what do we expect now? And we can look at slide 14. We have always been providing an update of where we are on the transformation timeline, and this quarter is no different, except that we can start looking back with a lot of positive checkmarks here on pretty much everything we needed to do. And in the 1Q, it was no different. We had the cash-in of the UPI data centers on March 15.

We had the cash-in of the UPI towers on March 30. We signed the UPI Mobile asset agreements. We signed the agreement with BTG for the InfraCo binding offer. And we are now working to submit the documents for conducting the judicial process of the UPI competitive process at the beginning of the third quarter. And in addition to all of that, we have been doing a number of InfraCo preparation activities.

And as we have mentioned a few times already, we are now in all practicality, already operating the InfraCo as a separate operation inside the Company in preparation for everything that's going to happen in the second half of the year. For the 1Q 2021 and the 1Q '22, we do expect the closing of the UPI InfraCo and the closing of the UPI Mobile assets. Both will depend on the regulatory timeline approvals.

And we expect the first to actually even occur prior to the second, given that the CADE approvals for mobile, we are in the middle of the formal process of approval. So we would expect the closing of the UPI Mobile assets towards the 1Q of '22, obviously,



**1Q21 Results
Conference Call Transcript
Oi (OIBR3 and OIBR4 BZ)
May 13, 2021**

depending on all of the progress on the regulatory approvals, which we believe is following what is a timeline that should get us there.

And with all of that, we continue to expect at the end of the judicial reorganization process after all of the disposals and all of the UPI closings for either the very end of the 1Q or the very beginning of the 2Q of 2022, as has been the case in terms of the original petition in the GCM last year, in which we said that we would get to the end of the RJ by May 2022.

And with all of that, we expect that 2022 to be a year where both UPI InfraCo and mobile assets will have been closed and will be in a full transition process in terms of securing that the operation is a transition seamlessly to the new owners. And we will start operating the new Oi model implementation, operating already under structural separation model that we have been trying to implement since we announced our plan last year.

So in summary, on the next slide, on Slide 15. To build a new Oi, we know that the Company has many different challenges and types of execution challenges, but we believe we are on track with a successful transformation in pretty much all of them. Starting with the challenge of the judicial recovery itself where we needed to fulfill a number of conditions to creditors, to the RJ formalities, and we approved pretty much all of the changes that provided for the asset sales, the funding alternatives and the discounts on the debt, going through the funding challenge, and the Company has successfully obtained the consent to implement all the funding alternatives for this year that were provided under the amendments to the JR plan. And now we are in the execution process of the different funding transactions.

Then towards the M&A challenges where the Company has already concluded the towers and data centers and is now in the process of getting the 2 big transactions of M&A across the line, both on mobile and on the InfraCo.

And finally, to the operational challenges, where we have, again, successfully accelerated our fiber deployment. So we have been having very good fiber results where B2B and all of the other components continue to be on track to the plan of transformation.

And so we believe with all of that, with the addition of the drastic cost-cutting program that we just announced that by the end of this journey, at the end of this year, beginning of next year, we remain solidly committed and confident that the Company will be able to turn a significant page in its history to become a sustainable company.

And those are the key remarks that we had for the quarter. And as usual, now we will open up for the Q&A session. Thank you, everybody.

Victor Gomes, UBS:



**1Q21 Results
Conference Call Transcript
Oi (OIBR3 and OIBR4 BZ)
May 13, 2021**

Good morning, everyone. Thank you for taking my question. The consent provided to the new debenture, how much more costly will it be? What is the cash impact of the higher rates? Thank you.

Camille Faria:

Just to make sure I understood the question, you asked why the cost was increased. Is that the question?

Victor Gomes:

Yes. And how would the higher rate impact the cash?

Camille Faria:

I am having a hard time understanding. Rodrigo, did you get the question?

Rodrigo Abreu:

Me too, Victor. Are you talking about the FX impact? I could not hear the question.

Victor Gomes:

The consent provided to the new debenture, how much more cost will it be?

Rodrigo Abreu:

The consent cost? Okay. Camille, please.

Camille Faria:

Actually, just to separate the 2 topics, the consent solicitation that we carried out and was concluded 2 weeks ago, it was a broader consent. It was not only for the debenture. So what we achieved with that consent was basically to reflect in the indenture of our 2025 bonds, and all of the other changes necessary to reflecting the changes of the amendments to the RJ plan. That, of course, included the possibility of using that debenture in InfraCo and raising the mobile bridge, among other changes.

So it was a broader consent, not only for the debenture. I think on one hand, as you saw, we had to increase the initial consent fee from 0.5% to 1.25% to achieve the consent after long discussions with the bondholders.

But I would not attribute that cost to the debenture itself. As I said, it was a much broader process that now allows the Company to do multiple things that were inserted



**1Q21 Results
Conference Call Transcript
Oi (OIBR3 and OIBR4 BZ)
May 13, 2021**

in the amendment of the RJ plan, mobile bridge, other financings and other things. So it was not only linked to the debenture itself.

Victor Gomes:

Thank you, Camille.

Craig Carlozzi, Longfellow:

Thank for the time. I have a few. I am really just trying to step back and understand all the moving pieces. So hopefully, you are comfortable commenting. I guess, first, given the dramatic decline in the discontinued operations revenues, down 12% quarter-over-quarter, do you expect any negative impact to your valuations or sale proceeds? That would be first.

And then second, thinking about, again, all the moving pieces, your fiber CAPEX, proceeds of sale, what minimum level of liquidity are you comfortable with and do you expect?

And I guess third, more holistically, when do you view the business organically generating free cash flow? Simply EBITDA minus the CAPEX, whatever its growth or maintenance, but pro forma all the asset sales. Just trying to understand your thoughts on the overall business. Thank you.

Rodrigo Abreu:

Thank you, Craig. On discontinued operations, we have a mix of areas there, as we know. And obviously, we do follow very closely on all of the M&A operations, the impact on covenants and on what we expect to deliver by the end of the year. And up to this point, we do not see any reasons to be concerned. They do not impact what we expect at all in terms of valuation of our sales.

And in addition to that, we have to understand that there are miscellaneous components there that in reality should be accounted for when we look at the decline in sales, not necessarily just areas attributed to the 2 big operations.

But we do not see any impact, Craig, at all. It's just a business as usual here and some of the key metrics for the operation come with revenues, but we are on track to those and come on physical deliveries as well in terms of number of users, in terms of number of kilometers of fiber, in terms of numbers of HCs and HPs. So there's no issues there in terms of the valuation. In addition, there is some level of investments that we have been having that in reality are what matter for the future in terms of all of those operations.

So we do not see any negative impacts there so far. On the second one, which is the fiber CAPEX and the minimum levels of liquidity, we obviously always mention



**1Q21 Results
Conference Call Transcript
Oi (OIBR3 and OIBR4 BZ)
May 13, 2021**

something around R\$2 billion. But in reality, we already expected for this year, and this was part of the plan.

We are executing the plan that we announced we would execute during our GCM last year, that we knew that this year would still be a year of cash consumption because we continue to invest very heavily on the construction of homes passed and homes connected, while we turned the business around with the sale of InfraCo and the sale of mobile and the reduction of the legacy revenues and conversely the reduction of legacy OPEX in the time to come.

But obviously, it's not immediate. You first have a reduction in revenues and then you have a reduction in OPEX. But the liquidity levels we have we believe are adequate to how we are operating the Company. And to sustain that liquidity level, so what we have been doing is actually to focus on the funding alternatives.

Part of the funding alternatives come from the asset sales that we just mentioned, and part comes from the financing operations, the structured financing operations that we said we would do last year. And when we look at that, we are on track to maintaining the liquidity levels that we are comfortable at operating with.

They are part of our plan since the very beginning. So it's nothing out of the ordinary to have those funding financing operations. And we will continue operating at the minimum of the R\$2 billion, give or take.

And finally, in terms of your question about the organic EBITDA minus CAPEX, positive results. We are expecting to get there after the conclusion of all of the asset sales, after the conclusion of all of the transitions from mobile and from the infrastructure company structural separation.

And in reality, 2022 will be a year of transition, and then we expect to get to this level in 2023. So this year is a year of preparation, next year is going to be the full transition year for the model, and then 2023, we expect to enter into what we would be seeing as the positive operating cash flow generation.

And from then on, the trend would be even more positive because most of the CAPEX investments starting already next year. But then in 2023, it will be already in run rate mode, will be done outside the Company, which is the CAPEX, the infrastructure CAPEX that will be done at InfraCo.

And so we would expect, starting with the stability, starting 2023, to seek for a level of EBITDA generation above 20% and then a CAPEX investment, which is below the 10%, so generating positive EBITDA minus CAPEX here.

Operator:

I would like to turn the floor over to the Company for the final remarks.



**1Q21 Results
Conference Call Transcript
Oi (OIBR3 and OIBR4 BZ)
May 13, 2021**

Rodrigo Abreu:

Thank you, everybody, again, for being with us for the 1Q call. And we will commit to, again, just keeping our focus on execution, keeping our focus on delivering the plan, keeping our focus on continuing to bring the very good operational performance the Company has been having. And as such, we believe we continue to be on track to delivering what we have committed to.

So thank you for being with us, and I will talk to you again in our next quarter's call.

Operator:

This concludes Oi S.A.'s conference call. We would like to thank you all for your participation, and have a good day.

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