

Individual and Consolidated Interim Financial Information

Livotech da Bahia Indústria e Comércio S.A.

September 30, 2021

**with Individual and Consolidated Interim Financial Information Review
Report**

Livetech da Bahia Indústria e Comércio S.A.

Individual and Consolidated Interim Financial Information

September 30, 2021

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Individual and Consolidated Interim financial information Review Report

**To the
Shareholders, Directors and Officers of
Livetech da Bahia Indústria e Comércio S.A.
São Paulo - SP**

Introduction

We reviewed the interim financial information, individual and consolidated, of Livetech da Bahia Indústria e Comércio S.A. ("Company") contained in the Quarterly information Form (ITR) for the quarter ended September 30, 2021, which included the balance sheet on September 30, 2021 and the respective statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended, including explanatory notes.

Management is responsible for the preparation of the interim financial information, individual and consolidated, in accordance with NBC TG 21 - Interim Statement and the international standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of this information in conformity with the standards issued by the Brazilian Securities Commission, applicable to the preparation of the Quarterly information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The scope of a review is significantly smaller than that of an audit performed in accordance to the audit standards and, consequently, it did not allow us to be sure that we have taken knowledge of all the significant matters that would be identified in an audit. Therefore, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the individual and consolidated interim financial information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with NBC TG 21 and IAS 34 applicable to the preparation of the Quarterly Information - ITR, and presented in accordance with the standards issued by the Brazilian Securities Commission.

Emphasis – Restatement of the corresponding amounts

As mentioned in note 2.2, as result of changes in accounting policies or correction of errors identified by the Company, the corresponding amounts related to the prior period, presented for purposes of comparison, have been adjusted and are being restated as provided for in NBC TG 23 – Accounting Policies, Change of Estimate and Rectification of Error). Our opinion does not contain changes related to this subject.

Other matters

Statements of value added

The aforementioned quarterly information includes statements of value added (DVA), individual and consolidated, for the three-month period ended September 30, 2021, prepared under the responsibility of the Company's management and presented as supplementary information for purposes of IAS 34. These statements have been submitted to review procedures performed in conjunction with the review of the quarterly information, in order to conclude if they are reconciled with the interim financial information and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in NBC TG 09 Statement of Value Added. Based on our review, we are not aware of any fact that could make us believe that these statements of value added have not been prepared, in all material respects, in accordance with the criteria defined in that Standard and on consistent basis with the individual and consolidated Interim financial information taken as a whole.

São Paulo, November 16, 2021.

ERNST & YOUNG
Auditores Independentes S.S.
CRC 2SP034519/O-6

Bruno Mattar Galvão
Accountant CRC-1SP267770/O-6-T-CE

Livotech da Bahia Indústria e Comércio S.A.

Balance sheets

September 30, 2021 and December 31, 2020

In thousands of Reais

	Note	Individual		Consolidated	
		09/30/2021	12/31/2020	09/30/2021	12/31/2020
Assets					
Current Assets					
Cash and cash equivalent	4	167,862	33,219	174,452	37,785
Short-term investments	4.2	262,416	52,046	262,416	52,046
Accounts receivable, net	5	185,539	161,578	187,426	162,581
Recoverable taxes	6.1	57,329	20,885	57,840	22,762
Derivative financial instruments	27	7,252	8,088	7,252	8,088
Inventories	7	192,104	134,180	201,459	138,780
Advances to suppliers	11	55,609	33,753	60,784	34,927
Related parties	22	7,027	3,991	-	-
Prepaid expenses		1,530	182	1,530	183
Total current assets		936,668	447,922	953,159	457,152
Non-current					
Accounts receivable, net					
Judicial deposits	5	83,213	43,590	83,213	43,590
Derivative financial instruments		109	-	109	-
Deferred taxes	27	9,101	6,122	9,101	6,122
Right-of-use assets	6.2	15,809	15,231	15,809	15,231
Investments	17	3,240	5,313	3,240	5,313
Property, plant and equipment, net	8	4,650	2,509	-	-
Intangible Assets, net	9	413,536	345,787	413,675	345,930
Total non-current assets	10	54,672	37,969	54,675	37,972
Assets		584,330	456,521	579,822	454,158
Total Assets		1,520,998	904,443	1,532,981	911,310

		Individual		Consolidated	
	Note	09/30/2021	12/31/2020	09/30/2021	12/31/2020
Liabilities					
Current liabilities					
Suppliers	12	149,957	144,369	161,497	149,074
Personnel, social charges and benefits	13	10,814	24,198	10,898	24,269
Taxes payable	14	16,679	7,096	17,172	8,907
Loans, financing and debentures	16	318,017	195,861	318,017	195,861
Dividends payable	21	-	15,006	-	15,006
Derivative financial instruments	27	7,013	-	7,013	-
Lease liabilities	17	2,083	2,650	2,083	2,650
Related parties	22	302	309	302	309
Other obligations	18	44,841	44,945	44,707	45,225
Deferred revenue	15	1,442	7,545	1,442	7,545
		<u>551,148</u>	<u>441,979</u>	<u>563,131</u>	<u>448,846</u>
Non-current liabilities					
Loans, financing and debentures	16	350,468	328,808	350,468	328,808
Derivative financial instruments	27	1,498	-	1,498	-
Provisions for contingencies	19	479	479	479	479
Deferred revenue	15	-	437	-	437
Lease liabilities	17	1,245	2,781	1,245	2,781
		<u>353,690</u>	<u>332,505</u>	<u>353,690</u>	<u>332,505</u>
Equity					
Capital stock	20	298,030	86,666	298,030	86,666
Capital reserves	20	236,632	10,000	236,632	10,000
Income reserves	20	33,225	33,225	33,225	33,225
Accumulated profits	20	48,274	-	48,274	-
Other comprehensive income	20	(1)	68	(1)	68
		<u>616,160</u>	<u>129,959</u>	<u>616,160</u>	<u>129,959</u>
Total liabilities and equity					
		<u>1,520,998</u>	<u>904,443</u>	<u>1,532,981</u>	<u>911,310</u>

The explanatory notes form an integral part of the Individual and Consolidated Interim Financial Information.

Livotech da Bahia Indústria e Comércio S.A.

Income Statements

Nine months periods ended September 30, 2021 and 2020

(In thousands of reais, except profit per share)

	Note	Individual				Consolidated			
		07/01/2021 a	01/01/2021 a	07/01/2020 a	01/01/2020 a	07/01/2021 a	01/01/2021 a	07/01/2020 a	01/01/2020 a
		09/30/2021	09/30/2021	09/30/2020	09/30/2020	09/30/2021	09/30/2021	09/30/2020	09/30/2020
					(restated)				(restated)
Net revenue	23	282,826	773,325	194,483	500,794	288,186	790,454	198,064	506,469
Cost of goods and services rendered	24	(204,963)	(559,389)	(131,899)	(337,701)	(208,713)	(571,710)	(134,412)	(341,029)
Gross profit		77,863	213,936	62,584	163,093	79,473	218,744	63,652	165,440
Operating income (expenses)									
Personnel expenses									
Selling expenses	25	(18,587)	(45,588)	(13,413)	(39,632)	(18,927)	(46,266)	(13,480)	(39,794)
General and administrative expenses	25	(18,811)	(54,576)	(13,030)	(28,681)	(18,960)	(55,063)	(13,163)	(29,010)
Other operating income and expenses, net	25	(5,089)	(21,098)	(4,819)	(10,919)	(5,241)	(21,516)	(4,949)	(11,537)
Consumption expenses	25	(2,110)	2,323	(989)	(3,989)	(2,360)	1,493	(1,179)	(4,516)
Equity pickup	25	715	2,137	555	730	-	-	-	-
		(43,882)	(116,802)	(31,696)	(82,491)	(45,488)	(121,352)	(32,771)	(84,857)
Income before finance income (expenses), income and social contributions taxes		33,981	97,134	30,888	80,602	33,985	97,392	30,881	80,583
Finance revenue		19,005	68,098	16,989	45,326	19,013	68,129	17,015	45,377
Finance expenses		(32,787)	(96,403)	(17,345)	(73,188)	(32,799)	(96,692)	(17,365)	(73,219)
Finance income	26	(13,782)	(28,305)	(356)	(27,862)	(13,786)	(28,563)	(349)	(27,842)
Income before income and social contribution taxes		20,199	68,829	30,532	52,740	20,199	68,829	30,532	52,740
Current income and social contribution taxes	21	(3,934)	(21,133)	(7,671)	(13,736)	(3,934)	(21,133)	(7,671)	(13,736)
Deferred income and social contribution taxes	21	(4,166)	578	984	3,408	(4,166)	578	984	3,408
Net income for the period		12,099	48,274	23,845	42,412	12,099	48,274	23,845	42,412
Attributable to:									
Equity holders of the parent									
Profit per share attributable to equity holders of the parent (Expressed in R\$ per share)									
Basic and diluted earning per share	20						0.9696		0.9469

The explanatory notes form an integral part of the Individual and Consolidated Interim Financial Information.

Livotech da Bahia Indústria e Comércio S.A.

Comprehensive Income Statements

Nine months periods ended September 30, 2021 and 2020

In thousands of Reais

	Individual				Consolidated			
	07/01/2021 a 09/30/2021	01/01/2021 a 09/30/2021	07/01/2020 a 09/30/2020	01/01/2020 a 09/30/2020 (restated)	07/01/2021 a 09/30/2021	01/01/2021 a 09/30/2021	07/01/2020 a 09/30/2020	01/01/2020 a 09/30/2020 (restated)
Net income for the period	12,099	48,274	23,845	42,412	12,099	48,274	23,845	42,412
Other net comprehensive income that may be reclassified to profit or loss for the period								
Currency translation adjustment	(158)	(69)	60	75	(158)	(69)	60	75
Comprehensive income for the period	11,941	48,205	23,905	42,487	11,941	48,205	23,905	42,487
Attributable to:								
Equity holders of the parent	11,941	48,205	23,905	42,487	11,941	48,205	23,905	42,487

The explanatory notes form an integral part of the Individual and Consolidated Interim Financial Information.

Livetech da Bahia Indústria e Comércio S.A.

Statements of changes in equity

Nine months periods ended September 30, 2021 and 2020

In thousands of Reais

	Capital stock		Capital reserve	Legal reserve	Income reserve		Other comprehensive income	Retained earnings	Total equity
	Capital stock	Share issuance expenses	Share premium		Investments grant	Retained profit reserve			
Balances as of 31 December 2019	86,666	-	10,000	2,834	4,526	-	1	(29,816)	74,211
Net income for the period	-	-	-	-	-	-	-	42,412	42,412
Currency translation adjustment	-	-	-	-	-	-	75	-	75
Balances as of September 30, 2020 (restated)	86,666	-	10,000	2,834	4,526	-	76	12,596	116,698
Balances as of 31 December 2020	86,666	-	10,000	6,363	11,961	14,901	68	-	129,959
Capital stock increase	226,632	-	-	-	-	-	-	-	226,632
Share issuance expenses	-	(15,268)	-	-	-	-	-	-	(15,268)
Goodwill on share subscription	-	-	226,632	-	-	-	-	-	226,632
Net income for the period	-	-	-	-	-	-	-	48,274	48,274
Currency translation adjustment	-	-	-	-	-	-	(69)	-	(69)
Balance as of September 30, 2021	313,298	(15,268)	236,632	6,363	11,961	14,901	(1)	48,274	616,160

The explanatory notes form an integral part of the Individual and Consolidated Interim Financial Information.

Livotech da Bahia Indústria e Comércio S.A.

Statements of cash flows

Nine months periods ended September 30, 2021 and 2020

In thousands of Reais

	Individual		Consolidated	
	09/30/2021	09/30/2020 (restated)	09/30/2021	09/30/2020 (restated)
Cash flow from operating activities				
Net income for the period	48,274	42,412	48,274	42,412
Adjustment to reconcile net income for the period to cash from operating activities	189,354	127,339	191,474	128,990
Depreciation and amortization	99,562	69,151	99,584	69,129
Allowance for expected credit losses	20,723	9,657	20,723	9,657
Provision for obsolescence	117	3,379	117	3,379
Provision for contingencies and others, net	-	(77)	-	(77)
Derivatives mark-to-market	(4,664)	(22,159)	(4,664)	(22,159)
Equity pickup	(2,137)	(730)	-	-
Short-term financial investments	(2,578)	(95)	(2,578)	(95)
Interest expenses and foreign exchange variation	46,344	47,617	46,305	48,561
Present value adjustment	4,497	276	4,497	276
Write-off of property, plant and equipment and intangible assets	260	484	260	484
Share-based payment expenses	7,253	9,279	7,253	9,279
Provision for income and social contribution taxes	20,555	13,376	20,555	13,376
Deferred income and social contribution taxes	(578)	(2,819)	(578)	(2,820)
Decrease (increase) of assets:	(199,512)	(68,665)	(207,785)	(63,636)
Accounts receivable	(88,866)	(73,853)	(89,750)	(80,174)
Recoverable taxes	(36,444)	(13,407)	(35,078)	(13,904)
Inventories	(57,077)	26,527	(61,832)	38,969
Advances to suppliers and judicial deposits	(20,579)	(7,656)	(24,580)	(8,250)
Prepaid expenses	(1,348)	(276)	(1,347)	(276)
Settlement of derivative financial instruments.	4,802	-	4,802	-
Increase (decrease) in liabilities	(73,709)	(7,089)	(68,610)	(8,479)
Suppliers	8,939	47,256	15,757	39,222
Taxes payable	(5,260)	(9,150)	(6,578)	(8,667)
Personnel, social charges and benefits	(20,637)	2,542	(20,624)	2,565
Deferred revenue	(6,540)	(13,897)	(6,540)	(13,897)
Related parties	(7)	267	(7)	267
Other obligations	(60)	(2,092)	(474)	4,046
Payment of interest	(52,273)	(36,514)	(52,273)	(36,514)
Payment of income and social contribution taxes	2,129	4,499	2,129	4,499
Payment of lawsuits and other				
Net cash used in operating activities:	(35,593)	93,997	(36,647)	99,287

Livotech da Bahia Indústria e Comércio S.A.

Statements of cash flows--Continued
Nine months periods ended September 30, 2021 and 2020
In thousands of Reais

	Individual		Consolidated	
	09/30/2021	09/30/2020	09/30/2021	09/30/2020
		(restated)		(restated)
Investments activities				
Loan to related parties	(3,115)	(2,752)	-	-
Acquisition of assets property, plant and equipment and intangible assets	(182,122)	(167,416)	(182,140)	(167,416)
Acquisition of net subsidiary from acquired cash	(50)	(493)	-	-
Capital increase in investee	(260,500)	(7,938)	(260,500)	(7,938)
Cash acquired from subsidiaries' merger	52,708	4,200	52,708	4,201
Acquisition of short-term investments	(393,079)	(174,399)	(389,932)	(171,153)
Redemption of short-term investments				
Net cash provided by (used in) investing activities	275,461	218,997	275,461	218,998
Financing activities	(124,928)	(82,862)	(124,928)	(82,862)
Payment of leasing obligations	(2,367)	(2,346)	(2,367)	(4,553)
Dividends and Interest on Own Capital	(15,006)	(4,796)	(15,006)	(4,796)
Capital increase and reserves - initial public offering of shares, net of issuance expenses	430,155	-	430,155	-
Net Cash used in financing activities	563,315	128,993	563,315	126,787
	134,643	48,591	136,736	54,921
Currency translation adjustment on cash and cash equivalents	-	-	(69)	74
Change in Company's net cash	134,643	48,591	136,667	54,995
Cash and cash equivalent at the beginning of the period	33,219	27,222	37,785	28,228
Cash and cash equivalents at the end of the period	167,862	75,813	174,452	83,223

The explanatory notes form an integral part of the Individual and Consolidated Interim Financial Information.

Livotech da Bahia Indústria e Comércio S.A.

Statements of value added
Nine months periods ended September 30, 2021 and 2020
In thousands of Reais

	Individual		Consolidated	
	09/30/2021	09/30/2020 (restated)	09/30/2021	09/30/2020 (restated)
Revenues.				
Sale of goods, products and services	901,804	594,696	920,417	617,141
Other revenues	8,790	585	8,790	66
provision (reversal) of allowance for expected credit losses	(20,722)	(9,657)	(20,722)	(9,657)
Inputs acquired from third-parties	889,872	585,624	908,485	607,550
Cost of products, goods and services sold	(442,595)	(261,765)	(456,633)	(282,189)
Materials, energy, third party service, others	(62,428)	(30,596)	(63,463)	(31,218)
Loss and recovery of assets	(117)	(3,377)	(117)	(3,377)
Other	(1,842)	(586)	(1,909)	(586)
	(506,982)	(296,324)	(522,122)	(317,370)
Gross value added	382,890	289,300	386,363	290,180
Retention				
Depreciation and amortization	(99,562)	(69,112)	(99,584)	(69,122)
Net value added generated	283,328	220,188	286,779	221,058
Value added received in transfer				
Equity pickup	2,137	730	-	-
Finance income	42,492	19,422	42,492	19,422
Other	28,037	25,904	28,037	25,904
Value added to be distributed	355,994	266,244	357,308	266,384
Distribution of Value Added				
Personnel				
Direct compensation	31,635	28,804	32,217	28,967
Employees' profit sharing	4,025	3,611	4,025	3,611
Benefits	4,446	3,916	4,480	3,916
FGTS	1,584	1,253	1,584	1,253
Other	530	78	593	78
	42,220	37,662	42,899	37,825
Taxes, charges and contributions				
Federal	136,850	94,142	136,987	94,142
State	15,740	15,929	15,740	15,929
Local	19,671	6,383	19,671	6,383
	172,261	116,454	172,398	116,454
Debt remuneration				
Interest	93,099	69,567	93,099	69,544
Rent	140	149	638	149
Other	-	-	-	-
	93,239	69,716	93,737	69,693
Equity remuneration				
Dividends and interest on own capital	-	-	-	-
Retained profit in the period	48,274	42,412	48,274	42,412
Total value added to be distributed	355,994	266,244	357,308	266,384

The explanatory notes form an integral part of the Individual and Consolidated Interim Financial Information.

Explanatory notes to the individual and consolidated interim financial information

September 30, 2021

(In thousands of reais unless otherwise indicated)

1. OPERATIONS

Livetech da Bahia Indústria e Comércio S.A. (“Company” or “WDC” or “WDC Networks”), headquartered at Rodovia BA 262 Rodovia Ilhéus x Uruçuca Km 2,8, Ilhéus/BA, is a technology company, which manufactures and distributes information technology, telecommunications and electronic security products with 100% national capital and operates in Brazil since 2004.

The Company is engaged in the distribution of products of market niches with high growth rates, such as broad band internet, electronic security, data and telephony connectivity, professional audio and video, datacenter infrastructure and Iota (internet of things) in the B2B segment.

2. Basis of preparation and presentation of interim financial information

The issuance of the interim financial information, individual and consolidated, was authorized by Management on November 16, 2021.

The interim financial information of the Company, for the period ended September 30, 2021 includes the interim financial information, individual and consolidated, prepared in accordance with NBC TG 21 - Interim Statement approved by the Federal Accounting Council and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standard Board (IASB) and presented in conformity with the standards issued by the Brazilian Securities Commission, applicable to the preparation of the Quarterly information (ITR).

Management assessed the ability of the Company and of its subsidiaries to continue as a going concern and believes that it and its subsidiaries have resources to continue their operations in the future.

The Company’s Management states that all relevant information specific to the interim financial information, and only they, is being evidenced, and that it corresponds to that used by it in its management.

The interim financial information is presented in thousands reais (unless otherwise indicated), functional and presentation currency, and has been prepared assuming the Company’s going concern and financial support.

Explanatory notes to the individual and consolidated interim financial information

September 30, 2021

(In thousands of reais unless otherwise indicated)

2. Basis of preparation and presentation of interim financial information - Continued

The Interim financial information, individual and consolidated, was prepared based on the historical cost and adjusted to reflect (i) the fair value of financial instruments measured at fair value through the result; and (ii) fair value of assets acquired and liabilities assumed in a business combination.

The preparation of the interim financial information requires the Company's Management to make judgments, estimates and use assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may diverge from those estimates.

This interim financial information was prepared following the base of preparation and accounting policies consistent with those adopted in the preparation of the financial statements on December 31, 2020, and should be read in conjunction with these statements. The information of explanatory notes that was not subject to material changes or that did not present relevant disclosures compared to December 31, 2020, was not fully repeated in this quarterly information. However, selected information was included to explain the principal events and transactions occurred to allow the understanding of the changes in the financial position and performance of operations of the Company since the publishing of the financial statements on December 31, 2020, issued on February 16, 2021 and was applied on consist basis in the comparative period presented.

Subsequent events were assessed until November 16, 2021, when the interim financial information, individual and consolidated, was approved by the Board of Directors. The IFRS do not require the presentation of the Statement of Value Added (DVA), which is considered as supplementary information, without prejudice to the set of Interim financial information.

2.1 Basis of consolidation

Subsidiaries are all entities in which the Company has the power to regulate the financial and operating policies that usually follow an interest corresponding to more than half of the voting rights. The existence and the effect of possible voting rights currently exercisable or convertible are considered when it is assessed if the Company controls another entity. The subsidiaries are fully consolidated as of the date in which the control is transferred to the Company. They cease to be consolidated as of the date in which the control ends.

Explanatory notes to the individual and consolidated interim financial information

September 30, 2021

(In thousands of reais unless otherwise indicated)

2. Basis of preparation and presentation of interim financial Information - Continued

2.1 Basis of Consolidation--Continued

The individual and consolidated interim financial information includes the financial information of the Company and its subsidiaries on September 30, 2021. In the individual interim financial information of the parent company the financial information of the subsidiaries is recognized under the equity accounting method.

The fiscal year of the subsidiaries coincides with the fiscal year of the Parent Company and the accounting practices have been applied on consistent basis throughout the consolidated entities.

The consolidated interim financial information includes the operations of the Company and its subsidiaries, as follows:

Subsidiaries	Percentage of interest	
	09/30/2021	12/31/2020
Livetech Colômbia, S.A.S ("WDC Colômbia")	100%	100%
Wdcnet Usa, Corp ("WDC US")	100%	100%
Livetech Panamá, S.A ("WDC Panamá")	100%	100%
Livetech Franchising Administração Ltda ("Livetech Franchising")	100%	100%

The main consolidation procedures are:

Elimination of the balances of consolidated intercompany assets and liabilities accounts;

Elimination of interest in capital, reserves and accumulated profits of the consolidated companies; and

Elimination of the balances of revenues and expenses, as well as unrealized profits, derived from intercompany transactions.

2.2. Restatement of interim financial information

During the preparation of the interim financial information for the period ended September 30, 2020, Management identified adjustments (as result of changes in accounting policies and errors).

Explanatory notes to the individual and consolidated interim financial information

September 30, 2021

(In thousands of reais unless otherwise indicated)

2. Basis of preparation and presentation of interim financial Information - Continued
2.2. Restatement of interim financial information--Continued
Statements of profit or loss - nine-month period ended September 30, 2020

	Reference	Individual			Consolidated		
		Originally Presented	Adjustments	Restated Values	Originally Presented	Adjustments	Restated Values
Net revenues	D.	500,794	-	500,794	506,469	-	506,469
Cost of sales	D.	(337,701)	-	(337,701)	(341,029)	-	(341,029)
Gross profit		163,093	-	163,093	165,440	-	165,440
Operating income (expenses)							
Personnel expenses	A	(35,926)	(3,706)	(39,632)	(36,088)	(3,706)	(39,794)
Selling expenses	D.	(28,681)	-	(28,681)	(29,010)	-	(29,010)
Administrative expenses	D	(10,919)	-	(10,919)	(11,537)	-	(11,537)
Other operating expenses, net	D	(3,989)	-	(3,989)	(4,517)	-	(4,517)
Equity pickup		730	-	730	-	-	-
		(78,785)	(3,706)	(82,491)	(81,152)	(3,706)	(84,858)
Income before finance income		84,308	(3,706)	80,602	84,288	(3,706)	80,582
Finance income (expenses), net			-	(27,862)	(27,842)	-	(27,842)
Income before income and social contribution taxes		56,446	(3,706)	52,740	56,446	(3,706)	52,740
Current income and social contribution taxes	B	(14,762)	1,026	(13,736)	(14,762)	1,026	(13,736)
Deferred income and social contribution taxes	B	3,570	(162)	3,408	3,570	(162)	3,408
Net income for the period		45,254	(2,842)	42,412	45,254	(2,842)	42,412
Attributable to: Equity holders of the parent		45,254	2,842	42,412	45,254	2,842	42,412

Explanatory notes to the individual and consolidated interim financial information

September 30, 2021

(In thousands of reais unless otherwise indicated)

2. Basis of preparation and presentation of interim financial Information – Continued
2.2. Restatement of interim financial information--Continued
Statements of Comprehensive Income on September 30, 2020

	Reference	Individual			Consolidated		
		Originally Presented	Adjustments	Restated Values	Originally Presented	Adjustments	Restated Values
Net income for the period	A/B	45,254	(2,842)	42,412	45,254	(2,842)	42,412
Other net comprehensive income that may be reclassified to profit and loss for the period		75	-	75	75	-	75
Currency translation adjustment		-	-	-	-	-	-
Comprehensive income for the period		45,329	(2,842)	42,487	45,329	(2,842)	42,487
Attributable to:							
Equity holders of the parent		45,329	(2,842)	42,487	45,329	(2,842)	42,487

Statements of cash flows on September 30, 2020

	Reference	Individual			Consolidated		
		Originally Presented	Adjustments	Restated Values	Originally Presented	Adjustments	Restated Values
Net income for the period	A/B	45,254	2,842	42,412	45,254	2,842	42,412
Adjustments to reconcile the net income of the year to the cash from operating activities	A/B	109,579	(17,968)	127,547	110,270	(17,009)	127,279
(Reduction) Increase of assets		(167,657)	(343,875)	176,218	(162,090)	(343,337)	181,247
(Reduction) Increase of liabilities	A/B	107,418	353,625	(246,207)	103,763	352,155	(248,392)
Net cash from operating activities		94,594	(5,376)	99,970	97,197	(5,349)	102,546
Net cash used in investments activities		(174,996)	(598)	(174,398)	(175,067)	(3,885)	(171,182)
Net cash used in financing activities		128,993	1,142	127,851	128,993	1,066	127,927
Variation in the Company's net cash		48,591	(4,832)	53,423	51,123	(8,168)	59,291
Cash and cash equivalent at the beginning of the period		27,222	4,832	22,390	28,228	4,295	23,933
Cash and cash equivalents at the end of the period		75,813	-	75,813	79,351	(3,873)	83,224
Net increase in cash and cash equivalents		-	-	-	-	-	-

Explanatory notes to the individual and consolidated interim financial information

September 30, 2021

(In thousands of reais unless otherwise indicated)

2. Basis of preparation and presentation of interim financial information

2.2. Restatement of interim financial information--Continued

Statements of value added on September 30, 2020

	Reference	Individual			Consolidated		
		Originally Presented	Adjustments	Restated Values	Originally Presented	Adjustments	Restated Values
Total value added to be distributed	E/C	152,814	113,431	266,245	153,686	112,699	266,385
Distribution of Value Added							
Personnel	A	28,254	9,330	37,584	28,415	9,332	37,747
Other	A	5,702	(5,624)	78	5,702	(5,624)	78
		33,956	3,706	37,662	34,117	3,708	37,825
Taxes, charges and contributions							
Federal	C	9,572	84,571	94,143	9,572	84,571	94,143
State	C	5,189	10,740	15,929	5,189	10,740	15,929
Local		726	5,657	6,383	726	5,657	6,383
Debt remuneration	B/E	15,487	100,968	116,455	15,487	100,968	116,455
Equity remuneration	B/E	58,117	11,599	69,716	58,098	11,595	69,693
Earned Income for the period	F	45,254	(2,842)	42,412	45,984	(3,572)	42,412
Total value added distributed		152,814	113,431	266,245	153,686	112,699	266,385

ADJUSTMENTS

The balances for the periods of September 2020 are being restated due to changes in the accounting policy adopted by the Company and correction of errors as shown below:

- Adjustment related to appropriation of expenses of share-based compensation plan during the vesting period and reclassification between lines of the statements of cash flows related to the same issue.
- Adjustment derived from the effect of deferred income tax and social contribution on expenses of share-based compensation plan.
- Adjustments related to presentation of PIS and COFINS on sales and rates reallocated to the respective lines of federal taxes, rates and contributions.
- Other dispersed adjustments and rounding adjustments for better presentation of the interim financial information.
- Redistribution of wealth and value added.
- Consolidated adjustment referring to the elimination of the results of subsidiaries.

Explanatory notes to the individual and consolidated interim financial information

September 30, 2021

(In thousands of reais unless otherwise indicated)

2. Basis of preparation and presentation of interim financial Information - Continued

2.2. Restatement of interim financial information--Continued

Adjustments--Continued

The aforementioned adjustments do not affect the balance sheet for the year December 31, 2020, presented for purposes of comparison with the interim financial information.

In addition, the information in the following explanatory notes for the periods ended September 30, 2020, are being restated due to the correction of errors in the number of current shares and profit per share identified after the underwriting of the interim financial information, as follows:

	Individual Originally stated 09/30/2020	Individual Restated 09/30/2020
Net income for the period	45,254	42,412
Weighted average of shares for the period	89,584	44,792
Gross receipt per share - (in Reais)	0.505	0.9469

2.3. New standards and interpretations and amendments to standards

New standards, changes and interpretations to standards in force.

Since January 1st, 2021, the changes in the following pronouncements are in effect, without material impacts on the interim financial information of the Company:

- CPC 50 /IFRS 17 Insurance Agreement;
- Additionally, in the period ended September 30, 2021 no standards or pronouncements issued in prior periods came into effect, with impact on the interim financial information of the Company.

Explanatory notes to the individual and consolidated interim financial information

September 30, 2021

(In thousands of reais unless otherwise indicated)

3. Special events that occurred during the period

3.1. Effect of New Coronavirus on the Individual and consolidated Interim financial information

The Company continues to monitor and actively work on prevention measures to help control the spread of Coronavirus (COVID-19).

The main measures adopted by the Company are:

- **Creation of a prevention committee to continuously assess the progression of COVID-19, its possible impacts and necessary measures;**
- **New protection procedures for employees and third parties who work in our facilities, following determinations of distancing, hygiene and cleanliness from WHO and other reliable sources;**
- **Gradual return of employees working from home, using the hybrid system, with a return protocol and guarantee of distance and hygiene for all;**
- **Approval by the committee for national and international business events and trips;**

The Company did not adopt in the period measures of reduction of salary and working hours of its employees, neither did it reduce teams out of the ordinary course of business.

Operational features

The business of WDC Networks is resilient due to certain characteristics:

- **Approximately 40% of its revenues are recurring, and with long-term agreements;**
- **Low concentration of revenue: the major customer represents 6% of the Company's revenue;**
- **The Company has high level of corporate governance, and cash generation;**
- **Most sales were already made remotely.**

Potential impacts on our operation

Since the beginning of the pandemic, the Company was not subject to any material negative impact on its results derived from the new economic scenario caused by the Coronavirus, accordingly, its operations were not interrupted, not even temporarily or partially, on remote basis and continues to operate normally.

Explanatory notes to the individual and consolidated interim financial information

September 30, 2021

(In thousands of reais unless otherwise indicated)

3. Special events that occurred during the period - Continued

3.1. Effect of New Coronavirus on the Individual and Consolidated Interim Financial Information - Continued

Potential impacts on our operation - Continued

Although there has been no impact, the following issues should be pointed out:

- In the period there was higher demand for connectivity, and on-line services increased volumes of products in the Telecom segment, due to the greater essentiality of this type of service;
- Large projects continued to produce new demands, due to the long-term scope of these customers;
- Default has affected a small number of customers, therefore, we do not presently have elements or visibility to recognize additional provisions for expected loss.

The Company understands that is taking the proper and necessary measures to prevent the dissemination of COVID-19, and ensure business continuity over the period of pandemic. Although the Company's operations or financial position have not been materially affected until now, Management cannot estimate or predict the occurrence of future events related to the pandemic, being certain that it continues to constantly monitor the impacts on its operations, and is committed to inform possible new scenarios and measures necessary to be adopted.

The Company continues to operate and reaffirm the commitment with the security of the employees and with customer service. In view of the limited impact on the Company's operations and financial results, there is no need to recognize losses or additional provisions until now.

Explanatory notes to the individual and consolidated interim financial information

September 30, 2021

(In thousands of reais unless otherwise indicated)

4. Cash and cash equivalents and short-term investments

4.1. Cash and Cash Equivalents

Cash equivalents are held in order to meet short-term cash commitments and not for investment or other purposes, and the Company considers as cash equivalents the amounts that are immediately realizable and convertible into cash.

	Individual		Consolidated	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
Cash and Cash Equivalent	14,943	32,412	21,533	36,978
Financial investments (a)	152,919	807	152,919	807
Total	167,862	33,219	174,452	37,785

(a) On September 30, 2021, the financial investments in Bank Deposit Certificate (CDB) were remunerated at an average rate of 105% of the CDI (105% of the CDI as of December 31, 2020) with daily liquidity redeemable from the issuer itself, without significant loss of value.

4.2. Short-term investments

	Individual		Consolidated	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
Bank Deposit Certificate (b)	262,416	52,046	262,416	52,046
Total	262,416	52,046	262,416	52,046

(b) On September 30, 2021, the financial investments in Bank Deposit Certificate (CDB) were remunerated at an average rate of 105% of the CDI (100% of the CDI as of December 31, 2020) which has a pre-agreed redemption term of 120 days.

Explanatory notes to the individual and consolidated interim financial information

September 30, 2021

(In thousands of reais unless otherwise indicated)

5. Trade accounts receivable

	Individual		Consolidated	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
Accounts receivable - goods sold	244,518	187,800	246,405	188,803
Accounts receivable - lease	71,515	43,926	71,515	43,926
Accounts receivable gross	316,033	231,726	317,920	232,729
Allowance for expected credit losses	(47,281)	(26,558)	(47,281)	(26,558)
	268,752	205,168	270,639	206,171
Total				
Current	185,539	161,578	187,426	162,581
Non-current	83,213	43,590	83,213	43,590

	Individual and Consolidated
Movement of proceeds for expected credit losses:	
On December 31, 2019	(13,833)
Additions	(11,998)
On September 30, 2020	(25,831)
On December 31, 2020	(26,558)
Additions	(20,723)
On September 30, 2021	(47,281)

	Individual		Consolidated	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
Failing due	239,503	162,498	241,390	163,504
Overdue securities from - 0 to 30 days	10,099	16,741	10,099	16,741
Overdue securities from - 31 to 90 days	9,414	15,513	9,414	15,513
Overdue securities from - 91 to 180 days	12,862	7,124	12,862	7,124
Overdue securities from - 181 to 270 days	8,233	6,440	8,233	6,437
Overdue securities from - 271 to 365 days	6,788	13,283	6,788	13,283
Securities overdue form more than 365 days	29,134	10,127	29,134	10,127
Total	316,033	231,726	317,920	232,729

Explanatory notes to the individual and consolidated interim financial information

September 30, 2021

(In thousands of reais unless otherwise indicated)

5. Trade accounts receivable - Continued

5.1. Accounts receivable of lease and future minimum rents

The Company has as business line the lease of equipment. These leases have average term of 60 months and the minimum rents are fixed and subject to annual adjustment according to inflation rate.

The future minimum receipts of such leases are as follows:

Individual and Consolidated			
Minimum lease receipts		09/30/2021	12/31/2020
2021		66,924	211,516
2022		204,917	101,532
2023		133,534	47,482
2024		86,604	27,699
2025		60,099	11,053
2026		12,016	-
Total		<u>564,094</u>	<u>399,282</u>

These lease agreements generated revenues in the period ended September 30, 2021 in the amount of R\$215,994 (R\$186,809 on September 30, 2020), and are disclosed in Note 23.

The revenue to be recognized in future periods related to these lease agreements is as follows:

Recognition period	09/30/2021	12/31/2020
2021	67,929	207,699
2022	205,354	107,001
2023	133,534	51,267
2024	86,604	28,253
2025	60,099	13,044
2026	12,016	-
Total	<u>565,536</u>	<u>407,264</u>

For agreements in which the term of receipt is shorter than the lease period, the Company recognizes deferred revenue corresponding to the amounts received in advance.

Explanatory notes to the individual and consolidated interim financial information

September 30, 2021

(In thousands of reais unless otherwise indicated)

6. Recoverable and deferred taxes

6.1. Recoverable taxes

	Individual		Consolidated	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
IRRF to be recovered	592	439	592	439
IRPJ and CSLL to be offset	22,197	3,378	22,197	3,378
PIS and COFINS to be recovered (a)	10,493	1,991	10,493	1,991
ICMS to be offset	23,166	13,141	23,166	13,141
IPI to be offset	697	1,324	697	1,324
Deferred PIS and COFINS	163	601	163	601
Other	21	11	532	1,888
Total	57,329	20,885	57,840	22,762

(a) On May 17, 2021, the Brazilian Federal Supreme Court ("STF") ruled on the General Repercussion of RE 574,706 (Topic 69) which excluded ICMS from the calculation basis of PIS and COFINS as of 03/15/2017. The Company, based on the opinion of its legal advisors, calculated the amount of ICMS based on PIS and COFINS for the period from April 2017 to May 2021, totaling R\$8,595. This amount was recognized in the period ended June 30, 2021 under other operating income. As of the STF decision, the Company began excluding ICMS from the PIS and COFINS basis.

6.2. Deferred income tax and social contribution

	Individual and Consolidated	
	09/30/2021	12/31/2020
Deferred income and social contribution taxes related to:		
Taxes assets:		
Allowance for doubtful accounts	9,086	4,981
Provision for loss due to inventory devaluation	3,735	3,695
Provision for share-based compensation	-	5,006
Adjustment to actual value business combination	39	60
Adjustment to actual value accounts receivable	2,093	543
Provision for tax contingencies	163	163
Provision deferred revenue (MAXBR)	492	1,742
Taxes liabilities:		
Derivatives - Swap	588	(688)
Tax amortization of goodwill generated on the acquisition of Munddo	(387)	(271)
Net deferred tax assets, net	15,809	15,231

6.2.1. Estimate of credit recovery

Deferred income and social contribution taxes	
2021	8,299
2022	5,104
2023	2,406
Total	15,809

Explanatory notes to the individual and consolidated interim financial information

September 30, 2021

(In thousands of reais unless otherwise indicated)

7. Inventories

	Individual		Consolidated	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
Raw material	6,189	8,882	6,189	8,882
Goods	105,144	75,812	110,311	80,412
Inventory in transit	60,237	31,693	64,425	31,693
Finished products	25,098	27,500	25,098	27,500
Software for resale	8,716	3,455	8,716	3,456
Estimated impairment losses (a)	(13,280)	(13,162)	(13,280)	(13,163)
Total	192,104	134,180	201,459	138,780

	Provision for obsolescence	Individual and Consolidated
On December 31, 2019		(9,069)
Additions		(3,379)
Reversals		-
On September 30, 2020		(12,448)
On December 31, 2020		(13,163)
Additions		(6,628)
Reversals		6,511
On September 30, 2021		(13,280)

(a) Refers to estimated loss values for reduction to realizable value and obsolescence of inventories. Additions and reversals amounts are included in the cost of goods sold (DRE).

8. Investment

	Individual	
	09/30/2021	12/31/2020
Wdc Us	1,659	1,414
Wdc Colômbia	2,779	598
Livotech Panamá	163	497
Livotech Franchising	49	-
	4,650	2,509

09/30/2021				
Subsidiaries	Percentage of interest	Equity	Net revenue	Net Profit (Loss) for the Period
Direct				
Wdc Us	100%	1,659	3,332	180
Wdc Colômbia	100%	2,779	13,481	2,315
Wdc Panamá	100%	163	1,684	(357)
Franchising	100%	49	-	(1)
Total		4,650	18,497	2,137

Explanatory notes to the individual and consolidated interim financial information

September 30, 2021

(In thousands of reais unless otherwise indicated)

8. Investment--Continued

Subsidiaries	12/31/2020			
	Percentage of interest	Equity	Net revenue	Net Profit (Loss) for the Period
Direct				
Wdc Us	100%	1,414	5,259	503
Wdc Colômbia	100%	598	7,921	448
Wdc Panamá	100%	497	16,771	(26)
Total		2,509	29,951	925

Changes in investments	Wdc Usa	Wdc Colômbia	Wdc Panamá	Wdc Franchising	Total
Balances as of 31 December 2020	1,414	598	497		2,509
Capital increase	-	-	-	50	50
Profit or loss of period	180	2,315	(357)	(1)	2,137
Currency translation adjustment (a)	41	(108)	(2)	-	(69)
Other changes	24	(26)	25	-	23
Balance as of September 30, 2021	1,659	2,779	163	49	4,650

(a) In the nine-month period ended September 30, 2021, an amount of R\$69 was generated relating to the effects of exchange rate fluctuation arising from the conversion to reais of the interim financial information of subsidiaries headquartered abroad, originally prepared in US dollars (USD), Colombian pesos (COP). These effects are entered as "Other comprehensive income" in Equity.

Explanatory notes to the individual and consolidated interim financial information

September 30, 2021

(In thousands of reais unless otherwise indicated)

9. Property, plant and equipment

	Individual							
	Furniture and wares	Computer equipment	Vehicles	Rental products	Machines and equipment	Buildings	Others	Total
Annual depreciation rate (%)	10%	20%	20%	20%	10%	4%	10%	
On December 31, 2019	712	909	553	235,666	279	-	1,055	239,174
Additions	89	161	198	145,035	2	563	428	146,476
Write-offs	-	(4)	(65)	(416)	-	-	1	(484)
Depreciation	(85)	(206)	(142)	(60,373)	(29)	-	(26)	(60,861)
September 30, 2020	716	860	544	319,912	252	563	1,458	324,305
Additions	8	39	-	46,260	5	-	-	46,312
Write-offs	-	-	(106)	(307)	-	(1)	-	(414)
Depreciation	(30)	(70)	(43)	(24,256)	(10)	-	(7)	(24,416)
On December 31, 2020	694	829	395	341,609	247	562	1,451	345,787
Additions	59	474	-	153,596	109	-	79	154,317
Write-offs	-	-	(139)	(121)	-	-	-	(260)
Depreciation	(88)	(259)	(82)	(85,658)	(31)	(169)	(21)	(86,308)
On September 30, 2021	665	1,044	174	409,426	325	393	1,509	413,536
On December 31, 2019								
Cost	1,282	1,819	1,142	379,930	413	-	1,207	385,793
Accumulated depreciation	(571)	(911)	(589)	(144,263)	(135)	-	(150)	(146,619)
Net residual amount	711	908	553	235,667	278	-	1,057	239,174
On September 30, 2020								
Cost	1,372	1,950	1,194	507,252	415	563	1,624	514,370
Accumulated depreciation	(656)	(1,090)	(650)	(187,340)	(163)	-	(166)	(190,065)
Net residual amount	716	860	544	319,912	252	563	1,458	324,305
On December 31, 2020								
Cost	1,381	1,989	943	542,915	420	562	1,624	549,834
Accumulated depreciation	(687)	(1,160)	(548)	(201,306)	(173)	-	(173)	(204,047)
Net residual amount	694	829	395	341,609	247	562	1,451	345,787
On September 30, 2021								
Cost	1,440	2,463	483	670,136	529	561	1,703	677,315
Accumulated depreciation	(775)	(1,419)	(309)	(260,710)	(204)	(168)	(194)	(263,779)
Net residual amount	665	1,044	174	409,426	325	393	1,509	413,536

Explanatory notes to the individual and consolidated interim financial information

September 30, 2021

(In thousands of reais unless otherwise indicated)

9. Property, plant and equipment--Continued

	Consolidated						
	Furniture and wares	Computer equipment	Vehicles	Rental products	Machines and equipment	Buildings	Others
Annual depreciation rate (%)	10%	20%	20%	20%	10%	4%	10%
On December 31, 2019	726	974	553	235,666	279	-	1,055
Additions	92	187	198	145,035	2	563	428
Write-offs	-	(4)	(65)	(416)	-	-	1
Depreciation	(85)	(214)	(142)	(60,373)	(29)	-	(26)
September 30, 2020	733	943	544	319,912	252	563	1,458
Additions	18	78	-	46,260	5	-	-
Write-offs	-	-	(106)	(307)	-	(1)	-
Depreciation	(30)	(76)	(43)	(24,256)	(10)	-	(7)
On December 31, 2020	721	945	395	341,609	247	562	1,451
Additions	61	487	-	153,596	109	-	79
Write-offs	-	-	(139)	(121)	-	-	-
Depreciation	(90)	(276)	(82)	(85,658)	(31)	(169)	(21)
On September 30, 2021	692	1,156	174	409,426	325	393	1,509
On December 31, 2019	1,298	1,886	1,142	379,929	414	-	1,205
Cost	1,298	1,886	1,142	379,929	414	-	1,205
Accumulated depreciation	(572)	(912)	(589)	(144,263)	(135)	-	(150)
Net residual amount	726	974	553	235,666	279	-	1,055
On September 30, 2020	1,389	2,041	1,194	507,252	415	563	1,624
Cost	1,389	2,041	1,194	507,252	415	563	1,624
Accumulated depreciation	(656)	(1,098)	(650)	(187,340)	(163)	-	(166)
Net residual amount	733	943	544	319,912	252	563	1,458
On December 31, 2020	-	-	-	-	-	-	-
Cost	1,409	2,121	943	542,915	420	562	1,624
Accumulated depreciation	(688)	(1,176)	(548)	(201,306)	(173)	-	(173)
Net residual amount	721	945	395	341,609	247	562	1,451
On September 30, 2021	1,471	2,608	483	670,136	529	561	1,703
Cost	1,471	2,608	483	670,136	529	561	1,703
Accumulated depreciation	(779)	(1,452)	(309)	(260,710)	(204)	(168)	(194)
Net residual amount	692	1,156	174	409,426	325	393	1,509

Explanatory notes to the individual and consolidated interim financial information

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10. Intangible assets

Individual	Software Licenses	Lease Software	Customers' Portfolio	Goodwill Incorporation (a)	Trademarks and Patents	Total
Annual amortization rate (%)	20%	20%	27%	Undefined	20%	
On December 31, 2019	2,645	-	11,441	2,275	2	16,363
Additions	157	20,772	-	-	10	20,939
Amortization	(947)	(1,672)	(2,986)	-	-	(5,605)
On September 31, 2020 (restated)	1,855	19,100	8,455	2,275	12	31,697
Additions	247	8,679	-	-	3	8,929
Amortization	(325)	(1,197)	(1,135)	-	-	(2,657)
On December 31, 2020	1,777	26,582	7,320	2,275	15	37,969
Additions	959	26,843	-	-	3	27,805
Amortization	(1,209)	(6,389)	(3,504)	-	-	(11,102)
On September 30, 2021	1,527	47,036	3,816	2,275	18	54,672

Consolidated	Software Licenses	Lease Software	Customers' Portfolio	Goodwill Incorporation (a)	Trademarks and Patents	Total
Annual amortization rate (%)	20%	20%	27%	Undefined	20%	
On December 31, 2019	2,647	-	11,441	2,275	2	16,365
Additions	157	20,772	-	-	10	20,939
Amortization	(947)	(1,672)	(2,986)	-	-	(5,605)
On September 31, 2020 (restated)	1,857	19,100	8,455	2,275	12	31,699
Additions	248	8,679	-	-	3	8,930
Amortization	(325)	(1,197)	(1,135)	-	-	(2,657)
On December 31, 2020	1,780	26,582	7,320	2,275	15	37,972
Additions	959	26,843	-	-	3	27,805
Amortization	(1,209)	(6,389)	(3,504)	-	-	(11,102)
On September 30, 2021	1,530	47,036	3,816	2,275	18	54,675

(a) Goodwill resulting from the expectation of future profitability (Munddo Acquisition).

11. Advance to Suppliers

	Individual		Consolidated	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
Advances to local suppliers	9,841	7,894	15,016	9,068
Advances to international suppliers	45,768	25,859	45,768	25,859
Total	55,609	33,753	60,784	34,927

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12. Suppliers

	Individual		Consolidated	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
Local suppliers	50,659	61,500	61,404	66,205
International suppliers	99,298	82,869	100,093	82,869
Total	149,957	144,369	161,497	149,074

13. Personnel, social charges and benefits

	Individual		Consolidated	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
Profit sharing and bonus	4,068	5,738	4,068	5,738
Vacation pay and 13th Salary	5,165	2,153	5,165	2,153
Social security contribution tax (INSS) payable	730	711	730	711
Unemployment Compensation Fund (FGTS) payable	158	238	158	238
IRRF	389	612	389	612
Share-based payments	-	14,723	-	14,723
Other	304	23	388	94
Total	10,814	24,198	10,898	24,269

14. Taxes payable

	Individual		Consolidated	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
IRPJ and CSLL payable	13,108	5,428	13,108	6,964
Federal value-added tax (IPI) payable	2,570	55	2,570	55
State value-added tax (ICMS) payable	27	676	27	676
IRRF	24	34	24	34
Federal taxes (installment payment plan)	303	467	303	467
Other	647	436	1,140	711
Total	16,679	7,096	17,172	8,907

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15. Deferred revenues

	Individual		Consolidated	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
Deferred revenue lease agreement (a)	1,442	7,982	1,442	7,982
Total	1,442	7,982	1,442	7,982
Current	1,442	7,545	1,442	7,545
Non-Current	0	437	0	437

(a) Income from commercial operating lease, resulting from asset lease agreements, acknowledged in the income during the lease term.

16. Loans, financing and debentures

The loans, financing and debentures contracted by the Company and in effect on the date of this interim financial information are as follows:

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16. Loans, financing and debentures - Continued
The loans and financing contracted by the Company are as follows:
a) Loans in national currency

Financial Institution	Annual Charges	Maturity	Modality	Index	Guarantee	Covenants	Individual and Consolidated			
							09/30/2021		12/31/2020	
							Current	Non-Current	Current	Non-Current
Banco ABC Brasil		Sep-22	Working capital	CDI + 3.20%	Surety + Trade Bills		5,160	-	-	-
Banco Banco do Brasil	9.24% to 9.84%	Oct-24	Working capital	CDI + 2.98% to 3.59%	Accommodation + Trade Bills	17.3	20,619	19,474	26,190	33,011
Banco BBM Bocom		Mar-24	Working capital	CDI + 3.90% to 4.50%	Surety + Trade Bills		9,000	12,224	-	-
Banco BNDES	17.96%	Dec-23	Working capital	IPCA + 7.71%	Surety + Trade Bills		13,333	16,892	13,333	26,972
Banco BTG	8.70% to 9.42%	Dec-23	Working capital	CDI + 2.45% to 2.85%	Trade Bills	17.3 (a)	95,139	64,523	13,333	66,698
Banco CCB	8.75% and 10.55%	Apr-24	Working capital	CDI + 2.05% to 4.30%	Trade Bills		10,567	15,975	6,667	11,677
Banco CEF S.A	8.43% and 8.68%	Jun/24	Working capital	CDI + 2.18% to 2.43%	Surety + Trade Bills		16,291	20,652	9,091	10,613
Banco Citi		Feb-25	Working capital	CDI + 3.00% to 3.50%	Surety + Trade Bills		12,525	28,859	-	-
Banco Daycoval	14.57%	Jul-21	Working capital	14.57%	Surety + Trade Bills		-	-	1,094	164
Banco Santander	8.95% to 10.56%	Mar-23	Working capital	CDI + 2.50% and 10.56%	Surety + Trade Bills		13,914	4,957	27,250	14,380
Banco Votorantim	8.95% to 11.85%	Mar-24	Working capital	CDI + 2.70% to 5.60%	Trade Bills		15,553	15,577	16,144	26,670
							212,101	199,133	113,102	190,185

Explanatory notes to the individual and consolidated interim financial information

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16. Loans, financing and debentures - Continued

b) Loans in foreign currency

Financial Institution	Annual Charges	Maturity	Modality	Currency	Index	Guarantee	Covenants:	Individual and Consolidated			
								09/30/2021		12/31/2020	
								Current	Non-Current	Current	Non-Current
Banco ABC Brasil	9.25% to 9.90%	Jul-24	Finimp Working capital	Euro	3.00% to 3.65%	Trade Bills.		23,997	25,716	24,011	12,609
Banco BBM Bocom	9,23%	Nov 24	Working capital	US Dollar	LIBOR + 2.98%	Trade Bills.		5,035	8,637	14,449	11,962
Banco Bradesco S.A.	9,75%	May-24	Working capital	US Dollar	3,50%	Trade Bills.		14,139	27,287	-	-
Banco Citi	6,25%	Oct-22	Working capital	US Dollar	LIBOR	Trade Bills.	17.3(b).	10,894	5,538	23,812	27,569
Banco Votorantim	9,90 and 10,07	Jul-25	Working capital	US Dollar	3.65% to 3.82%	Trade Bills.		14,423	30,793	-	-
								68,488	97,971	62,271	52,141

As detailed in note 27 b), for all foreign currency loans the Company has contracted derivative instruments for exchange hedge (exchange swap).

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16. Loans, financing and debentures - Continued

c) Debentures

Financial Institution	Annual Charges	Maturity	Modality	Index	Guarantee	Covenants	Individual and Consolidated			
							09/30/2021		12/31/2020	
							Current	Non-Current	Current	Non-Current
Banco Itaú	7,75%	Nov-22	Debentures	CDI + 1.50%	Surety + Trade Bills	17.3 (c)	18,393	2,208	18,543	18,359
Banco Itaú Asset	9,25%	Nov-24	Debentures	CDI + 3.00%	Surety + Trade Bills	17.3 (c)	11,111	28,998	1,111	38,927
Banco Bradesco S.A.	9,25%	Nov-24	Debentures	CDI + 3.00%	Surety + Trade Bills	17.3 (c)	7,924	22,158	833	29,195
							37,428	53,364	20,488	86,482
Current							318,017	-	195,861	-
Non-Current							-	350,468	-	328,808

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16. Loans, financings and debentures

The changes in loans, financing and debentures are shown below:

	Individual and Consolidated
Balances as of 31 December 2019	<u>357,687</u>
New loans and debentures acquired	219,000
Financial charges	44,600
Payment of interest	(36,514)
Payment of principal	(82,862)
Balance as of September 30, 2020	<u>501,911</u>
Balances as of 31 December 2020	<u>524,669</u>
New loans and debentures acquired	275,461
Financial charges	45,556
Payment of interest	(52,273)
Payment of principal	(124,928)
Balance as of September 30, 2021	<u><u>668,485</u></u>

Restrictive covenants (covenants)

The Company is subject to restrictive covenants in loans, financing and debentures that restrict certain decision-making processes, and may require the early maturity or refinancing of debts if the Company fails to comply with these restrictive covenants.

The indexes and the minimum and maximum amounts required by these restrictive covenants have annual periodicity, that is, should be measured and presented at the closing of the fiscal years.

On December 31, 2020 all financial indexes have been met.

- (a) Regarding Banco BTG Pactual S.A., which required the submission of such annual and semi-annual information, debts were renegotiated excluding this clause from the agreements.**

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17. Lease liabilities

	Individual and Consolidated	
	09/30/2021	12/31/2020
Asset		
Right to use the asset	3,240	5,313
Total	3,240	5,313
Liability		
Lease of real estate	3,328	5,431
Total	3,328	5,431
Current liability	2,083	2,650
Non-current liability	1,245	2,781

The transactions in the right to use the assets leased in the period are as follows:

	Individual and Consolidated
Balances as of 31 December 2019	4,452
Ingress	3,023
Depreciation	(2,147)
Balance as of September 30, 2020	5,328
Balances as of 31 December 2020	5,313
Ingress	1,294
Write-offs	(1,233)
Depreciation	(2,134)
Balance as of September 30, 2021	3,240

The transactions in the right to use the liabilities leased in the period are as follows:

	Individual and Consolidated
Balances as of 31 December 2019	4,509
Payments.	(2,348)
Ingress	3,023
Charges	248
Balance as of September 30, 2020	5,432
Balances as of 31 December 2020	5,431
Payments.	(2,367)
Write-offs	(1,233)
Ingress	1,294
Charges	203
Balance as of September 30, 2021	3,328

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September 30, 2021

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17. Lease liabilities - Continued

The future maturities of the lease liability are as follows:

Aging Fulfillment	
2021	617
2022	1,867
2023	556
2024	288
	<u>3,328</u>

Upon initial recognition, to determine the fair value of the lease, the nominal discount rate was applied to minimum payments, considering the validity term of the lease agreement. On September 30, 2021 the average term of the leases was 25 months.

18. Other Obligations

	Individual		Consolidated	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
Agreements with third parties				
(a)	2,697	6,774	2,697	6,774
Advance from customer	14,157	27,319	14,157	27,319
Sale for future delivery (b)	16,017	9,980	16,017	9,980
Obligations with third parties (c)	11,970	872	11,836	1,152
Total	<u>44,841</u>	<u>44,945</u>	<u>44,707</u>	<u>45,225</u>
Current	44,841	44,945	44,707	45,225
Non-Current	-	-	-	-

- (a) Refers to the purchase of assets from Axyon Distribuidora Ltda. with the sole purpose of acquiring the exclusive right of 100% of the current and future customer agreements, and the exclusive right of acquisition of information technology and telecommunications products of certain suppliers.
- (b) The balance of this account is fully composed of simple billing notes, which are awaiting the customer's definition about the destination of goods (solar energy products). When destined, the future sale note is generated and the revenue is recognized.
- (c) Balance refers to obligations with third parties existing on the base date in which the nationalization of software/customs proceedings are in progress.

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19. Provision for contingences

Contingencies classified as probable losses

	Labor	Taxes	Individual and Consolidated	
			Civil	Total
On December 31, 2019	-	556	-	556
Ingress	-	365	-	365
Write-offs	-	(441)	-	(441)
Monetary restatement	-	-	-	-
On September 30, 2020	-	479	-	479
On December 31, 2020	-	479	-	479
Ingress	-	-	-	-
Write-offs	-	-	-	-
Monetary restatement	-	-	-	-
On September 30, 2021	-	479	-	479

The Company is party to lawsuits arising from the ordinary course of business, including tax and civil proceedings.

The Company classifies the risks of loss on the lawsuits as “probable”, “possible” or “remote”. The provision recorded in relation to these lawsuits is determined by the Company’s Management, based on the analysis of its legal advisors, and reasonably reflects the estimated probable losses.

The Company’s Management believes that the provision for labor, tax and civil risks, recognized in accordance with CPC 25 - Provisions, Contingent Liabilities and Contingent Assets is sufficient to cover losses on administrative and judicial proceedings, as set forth below:

Taxes

The Company is involved in judicial discussions with Anatel related to possible products that are noncompliant with the requirements determined by the regulatory agency. The balance recorded on September 30, 2021 related to these discussions amounts to R\$479 (R\$479 on December 31, 2020).

Explanatory notes to the individual and consolidated interim financial information

September 30, 2021

(In thousands of reais unless otherwise indicated)

19. Provision for contingences - Continued

Contingencies classified as possible losses

	Labor	Taxes	Individual and Consolidated Civil	Total
On December 31, 2019	-	1,400	149	1,549
Ingress	-	-	67	67
Write-offs	-	(109)	-	(109)
Monetary restatement	-	8	-	8
On September 30, 2020	-	1,299	216	1,515
On December 31, 2020	51	1,409	216	1,676
Ingress	-	3,631	-	3,631
Write-offs	-	(3,967)	(106)	(4,073)
Monetary restatement	-	-	-	-
On September 30, 2021	51	1,073	110	1,234

On September 30, 2021, the amounts of lawsuits classified as possible loss totaled R\$1,234 (R\$1,676 on December 31, 2020).

20. Equity

20.1. Capital stock

The capital stock on September 30, 2021 is R\$298,030 (86,666 on December 31, 2020), fully subscribed and paid up represented by shares without par value. The capital stock is composed of the contributions actually made, totaling R\$ 313,298, and deducting the Share underwritten expenses of R\$ 15,268.

On February 15, 2021, an Extraordinary General Meeting (AGE) was held, which resolved to reverse the totality of the 89,583,722 (eighty-nine million, five hundred and eighty-three thousand, seven hundred and twenty-two) common shares of the Company in the proportion of 2 (two) shares to form 1 (one) share, resulting in a new quantity of 44,791,861 (forty-four million, seven hundred and ninety-one thousand, eight hundred and sixty-one) common shares.

On July 22, 2021, a Board of Directors Meeting (RCA) was held authorizing the increase in the Company's capital stock by underwriting 19,400,000 (nineteen million, four hundred thousand) shares under the initial public offer (IPO).

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September 30, 2021

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20. Equity - Continued

20.1 Capital Stock - Continued

On August 24, 2021, a Board of Directors Meeting (RCA) was held authorizing the increase in the Company's stock capital by underwriting 137,200 (one hundred and thirty-seven thousand, two hundred) shares referring to the over-allotment under the public offer initial (IPO).

The shareholding structure on September 30, 2021 and December 31, 2020 is as follows:

Shareholder	09/30/2021		12/31/2020	
	Common shares		Common shares (a)	
	Quantity In thousands of Reais	%	Quantity In thousands of Reais	%
Vanderlei Rigatieri Junior	22,908	35.61%	45,815	51.14%
2B Capital - Brasil Capital de Crescimento	19,339	30.06%	38,678	43.18%
Francisco Sérgio Day de Toledo	2,545	3.96%	5,091	5.68%
2B Capital - FIP Multiestratégia				
Multisetorial Plus IE - Free Float	6,465	10.05%	-	0.00%
Outros - Free Float	13,072	20.32%	-	0.00%
Total shares	64,329	100.00%	89,584	100.00%

(a) Not including the effects of the reverse split of shares, as approved at the Extraordinary General Meeting held on August 24, 2021.

20.2 Legal Reserve

It is recognized through the appropriation of 5% of net profit for the year, in conformity with article 193 of Law No. 6,404/76, up to the limit of 20% of capital. On September 30, 2021 the reserve was not recognized.

20.3 Dividends.

The Company's bylaws establish a mandatory minimum dividend of 25%, calculated on annual net profit adjusted according to article 202 of Law No. 6,404/1976. We set forth below the calculation of dividends released for the year 2020:

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September 30, 2021

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20. Equity--Continued

20.3. Dividends--Continued

	12/31/2020
Net income for the year	70,587
Grant reserve	(7,435)
Appropriation of the Legal Reserve	(3,529)
Total	<u>59,623</u>
Adjusted net profit	59,623
Distribution	
Minimum mandatory dividends (25%)	(14,906)
Additional dividends	-
Retained profit reserve	(14,901)
Absorption of accumulated losses	29,816

20.4. Reserve for investment subsidy

On December 31, 2020, the Company has a balance in the amount of R\$ 11,961 related to tax incentive for reduction of 75% of income tax until the calendar year 2024 order of the Federal Revenue Service No. 129/2015, calculated based on the operating profit, in connection with the Manufacturing and Assembly of Communication and Security Equipment. The result obtained with this tax benefit is recognized as revenue or reduction of expenses in the result for the period and transferred to account of subsidy reserve in the shareholders' equity. In the period ended September 30, 2021 there was no allocation to this reserve.

20.5. Reserve of goodwill on share subscription

On April 17, 2017 it was approved the capital increase in the amount of R\$30,000, with issuance of 28,036,726 common shares, fully subscribed by 2B Capital, under the terms of the subscription form at the price of R\$40,000. Of the total price of issuance of shares, R\$30,000 are destined to the composition of capital stock, and the balance, in the amount of R\$10,000, is allocated to the capital reserve as goodwill on the subscription of shares.

On July 22, 2021, the initial public offer of 19,400,000 (nineteen million, four hundred thousand) new underwritten shares of the Company ("Initial Public Offer"), of common, nominative, book-entry shares with no par value, all free and unencumbered of any liens or encumbrances ("Shares"), at the price of R\$23.20 per Share ("Price per Share"), totaling R\$450,080. The amount of R\$225,040 will be allocated as an increase in the Company's capital stock account, and the amount of R\$225,040 will be allocated to the formation of reserve capital, in a goodwill on share subscription account.

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20. Equity--Continued

20.5. Reserve of goodwill on share subscription

On August 24, 2021, the common shares' underwritten price was fixed at R\$23.20 (twenty-three reais and twenty cents): (a) the amount of R\$11.60 (eleven reais and sixty cents) being destined to the Company's stock capital account, totaling the amount of R\$1,591 in stock capital increase; and (b) the remaining amount allocated to the formation of reserve capital, in a goodwill on share subscription account, totaling R\$1,591;

20.6 Profit retention reserve

The Company recognized Special Reserve on non-distributed profits under the terms of paragraph 4 (article 202 of Law No. 6,404), and, if not absorbed by losses in subsequent years, they should be paid as dividend as soon as the Company's financial position so permits. The unpaid profits under articles 193 to 197 should be distributed as dividends.

20.7. Profit per share

Basic profit per share is calculated by dividing the profit attributable to the Company's shareholders by the weighted average of the common current shares during the period, as shown below:

	Individual		Consolidated	
	09/30/2021	09/30/2020 (restated)	09/30/2021	09/30/2020 (restated)
Net income for the period	48,274	42,412	48,274	42,412
Weighted average of shares for the period (a)	49,785	44,792	49,785	44,792
Gross receipt per share - (in Reais)	0.9696	0.9469	0.9696	0.9469

(a) In connection with the Extraordinary General Meeting held on August 24, 2021, the reverse split of shares was approved, as disclosed in Note 20.1. Thus, the weighted average of the current shares was adjusted and is reflecting the effects of the grouping of shares for all periods presented.

The Company has no instrument with diluting effect. Accordingly, the diluted profit per share is equivalent to the basic profit per share.

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21. Income tax and social contribution

	Individual		Consolidated	
	09/30/2021	09/30/2020 (restated)	09/30/2021	09/30/2020 (restated)
Profit before taxes	68,829	52,740	68,829	52,740
Rate of (34%)	34%	34%	34%	34%
Expense referring to IRPJ and CSLL on profit	23,402	17,932	23,402	17,932
Additions / (Exclusions) on Permanent Differences:				
Non-deductible Expenses	1,767	508	1,767	508
Appropriation of deferred revenues (MAXBr)	(825)	(2,802)	(825)	(2,802)
Other (AVP, equity pickup and others)	(721)	(18)	(721)	(18)
Tax Benefícios (SUDENE/PAT)	(3,068)	(5,292)	(3,068)	(5,292)
Deferred income tax and social contribution	(21,133)	(13,736)	(21,133)	(13,736)
Income tax and deferred social contribution	578	3,408	578	3,408
Effective IR / CS Charge	29.86%	19.58%	29.86%	19.58%

22. Transactions and balances with related parties

Compensation of the Managers and related parties

The compensation paid by the Company to its Directors and Statutory Officers was recorded under the captions Administrative and General Expenses.

	Individual and Consolidated	
	09/30/2021	09/30/2020 (restated)
Compensation of the executive board (fixed)	2,712	2,243
Performance bonus (variable)	1,616	1,308
Share-based payment	7,253	9,279
Total	11,581	12,830

For the periods ended September 30, 2021 and 2020, our Directors and Officers did not receive any pension, retirement or similar benefits.

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22. Transactions and balances with related parties - Continued

Commitments with related parties

The principal balances with related parties derive from transactions with related companies, which were carried out at prices and conditions agreed between the parties, as follows:

	Individual	
	09/30/2021	12/31/2020
Asset		
Loan related parties - Colombia (a)	6,483	3,991
Aporte Panamá (AFAC)	544	-
Total	7,027	3,991
	Individual and Consolidated	
	09/30/2021	12/31/2020
Liability		
Guarantors Compensation (b)	302	309
Total	302	309
	09/30/2021	09/30/2020
Result		
Guarantors Compensation (b)	3,211	3,128
Total	3,211	3,128

(a) Loan agreement with related parties set up in the subsidiary in Colombia.

(b) Agreement of the officers Vanderlei Rigatieri and Francisco Sergio Day Toledo, as warrantors/guarantors for obligations assumed by the Company, at applicable rates that are better than those practiced in the market.

In addition to the transactions listed above, the Company has a lease agreement with related parties with PDV Industrialização de Equipamentos Eletrônicos Ltda, a company owned by partners Vanderlei Rigatieri and Sergio Toledo. The information regarding the lease agreement is shown below:

Modality	09/30/2021			09/30/2020	
	Asset	Liability	Result	Liability	Result
Real Estate Lease	240	240	360	-	360
Forklift Lease	254	254	160	-	87
	494	494	520	-	447

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22. Transactions and balances with related parties - Continued

Commitments with related parties - Continued

The leases have no contractual provision for application of interest, and are adjusted only upon renewals or amendments. The transactions are carried out under conditions agreed between the parties. The agreements are covered by IFRS 16, and therefore, the amounts are presented under the captions Lease liabilities and Right of use (note 19). PDV is not consolidated in the Company.

The leases have no contractual provision for application of interest, and are adjusted only upon renewals or amendments. The transactions are carried out under conditions agreed between the parties, respecting the market conditions.

23. Revenue of agreement with customer

	Individual		Consolidated	
	09/30/2021	09/30/2020	09/30/2021	09/30/2020
Gross Revenue from Sales	706,488	417,616	723,712	423,312
Lease gross Revenue	215,994	186,809	215,994	186,809
Gross revenue	922,482	604,425	939,706	610,121
Income taxes	(131,508)	(96,067)	(131,603)	(96,067)
(-) Returns	(17,649)	(7,564)	(17,649)	(7,585)
Net revenue	773,325	500,794	790,454	506,469

24. Costs of services provided and goods sold

	Individual		Consolidated	
	09/30/2021	09/30/2020	09/30/2021	09/30/2020
Cost of goods sold	(442,595)	(261,765)	(454,915)	(265,090)
Depreciation costs	(92,537)	(60,807)	(92,537)	(60,807)
Import and Freight Costs	(18,572)	(8,035)	(18,572)	(8,035)
Personnel Costs	(2,426)	(2,534)	(2,426)	(2,534)
Inventory Obsolescence Provision	(117)	(3,379)	(117)	(3,379)
Legal Entities Services Provided	(1,301)	(634)	(1,301)	(634)
Other costs	(1,841)	(547)	(1,842)	(550)
Total Costs	(559,389)	(337,701)	(571,710)	(341,029)

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(In thousands of reais unless otherwise indicated)

25. Expenses by nature

	Individual		Consolidated	
	09/30/2021	09/30/2020 (restated)	09/30/2021	09/30/2020 (restated)
Personnel	(45,588)	(39,632)	(46,266)	(39,794)
Freight and Storage	(17,726)	(13,449)	(18,074)	(13,777)
Allowance for expected credit losses	(20,723)	(9,657)	(20,723)	(9,657)
Marketing and Advertising	(1,113)	(661)	(1,113)	(661)
Sales representation	(14,585)	(4,308)	(14,724)	(4,309)
Travel and Accommodation	(429)	(606)	(429)	(606)
Tax expenses	1,714	1,239	1,714	1,239
Legal Entities Services Provided	(15,787)	(3,814)	(16,183)	(4,422)
Depreciation and amortization	(7,025)	(8,344)	(7,047)	(8,354)
Maintenance and Repair	(1,592)	(934)	(1,592)	(934)
Consumption expenses	(2,252)	(1,404)	(3,082)	(1,931)
Credit of PIS and COFINS	8,547	-	8,547	-
Other operating revenues/expenses	(2,380)	(1,651)	(2,380)	(1,651)
Equity pickup	2,137	730	-	-
	(116,802)	(82,491)	(121,352)	(84,857)
Personnel expenses	(45,588)	(39,632)	(46,266)	(39,794)
Selling expenses	(54,576)	(28,681)	(55,063)	(29,010)
Administrative expenses	(21,098)	(10,919)	(21,516)	(11,537)
Other Operating Expenses, net	4,460	(3,259)	1,493	(4,516)

26. Financial results

	Individual		Consolidated	
	09/30/2021	09/30/2020 (restated)	09/30/2021	09/30/2020 (restated)
Finance income	68,098	45,326	68,129	45,377
Currency translation adjustment	27,682	14,986	27,702	15,037
Fair value adjustment of derivative instruments	28,037	25,904	28,037	25,904
Interest income	7,970	4,150	7,981	4,150
Short-term investment income	4,219	102	4,219	102
Other finance income	190	184	190	184
Finance expenses	(96,403)	(73,188)	(96,692)	(73,219)
Currency translation adjustment	(23,628)	(17,754)	(23,631)	(17,754)
Fair value adjustment of derivative instruments	(23,373)	-	(23,373)	-
Interest on loans, financing and debentures	(36,189)	(46,413)	(36,189)	(46,413)
Guarantors Compensation	(3,211)	(3,128)	(3,211)	(3,128)
Discounts granted	(350)	(771)	(350)	(771)
IOF and IR on loans	(1,862)	(3,147)	(1,861)	(3,147)
Bank expenses	(1,229)	(910)	(1,504)	(941)
Other financial expenses	(6,561)	(1,065)	(6,573)	(1,065)
Financial result	(28,305)	(27,862)	(28,563)	(27,842)

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27. Risk management and valuation of financial instruments

a) Risk considerations

Credit risk

Credit risk is the risk of a business counterparty failing to comply with an obligation contained in a financial instrument or customer agreement, which would cause a financial loss. The Company is exposed to the credit risk in its operating (mainly in relation to accounts receivable and credit notes) and financing activities, including deposits in banks and financial institutions.

Liquidity risk

The risk management policy aims at maintaining safe cash available and access to immediate funds level. The Company's objective is to maintain the balance between continuity of resources and flexibility in checking accounts available for immediate use through overdraft accounts, derivative bank loans and loans with related parties.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of certain financial instrument may fluctuate due to the variations in market interest rates. The Company exposure to the risk of changes in market interest rates refers mainly to long-term obligations subject to variable interest rates. The Company has loans and financing with the main financial institutions to cover cash needs for investments and growth. As result of these transactions, the Company is exposed to the risk of debts linked to the CDI.

Foreign exchange risk

The foreign exchange risk is the risk that the fair value of a financial instrument's future cash flows may fluctuate in view of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates refers mainly to the operating activities of the Company (when revenues or expenses are denominated in a currency different from the functional currency of the Company). The Company manages its foreign exchange risk through transactions of purchases of goods from foreign suppliers, which are expected to occur within the 12-month period from the purchase until the settlement of the supplier's invoice.

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(In thousands of reais unless otherwise indicated)

27. Risk management and valuation of financial instruments - Continued

b) Fair value measurements:

Fair Value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an ordinary transaction between market players on the date of measurement.

The measurement of fair value assumes that the transaction to sell the asset or transfer the liability will occur:

- **In the principal market for the asset or liability.**
- **If there is no principal market, in the market that is most advantageous for the asset or liability. The main or the most advantageous market must be accessible to the Company.**

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 best economic interest. The measurement of the fair value of a non-financial asset considers the ability of the market player to generate economic benefits using the asset in its best possible use or selling it to another market player that would use the asset in its best use.

The Company uses appraisal techniques that are appropriate in the circumstances and for which there is sufficient data available to measure the fair value, maximizing the use of relevant observable data and minimizing the use of non-observable data. All assets and liabilities for which the fair value is measured or disclosed in the interim financial information are categorized according to the fair value hierarchy described below, based on the lower level information that is significant to the measurement of fair value as a whole:

- **Level 1 - Prices quoted (not adjusted) in active markets for assets or liabilities identical to the one that the entity may have access on the measurement date.**
- **Level 2 - Appraisal techniques for which the lower level information that is significant to the measurement of fair value is directly or indirectly observable.**
- **Level 3 - Appraisal techniques for which the lower level information that is significant to the measurement of fair value is not available.**

For assets and liabilities recognized in the interim financial information on recurring basis, the Company determines if there have been transfers between levels of hierarchy, reassessing the categorization (based on the lower level information that is significant to the measurement of fair value as a whole) at the end of each reporting period. When applicable, the external appraisers will be involved in the appraisal of material assets and liabilities.

Explanatory notes to the individual and consolidated interim financial information

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(In thousands of reais unless otherwise indicated)

27. Risk management and valuation of financial instruments - Continued
b) Fair value measurements - Continued

The involvement of external appraisers is decided annually by management, after discussion with management and their respective approval. The selection criteria include market knowledge, reputation, independence and verification if the professional standards are met. Usually, the appraisers are replaced every three years. Management decides, after discussion with the external appraisers of the Company, which appraisal techniques and information are used in each case.

On each reporting date, management analyzes the transactions in the amounts of assets and liabilities that should be measured or reassessed in accordance with the accounting policies of the Company. For purposes of this analysis, management confirms the principal information used in the last appraisal, comparing the information contained in the appraisal calculation with the agreements and other relevant documents.

Management, in conjunction with the external appraisers of the Company also compare each transaction at the fair value of each asset and liability with the respective external sources in order to determine if the transaction is acceptable.

For purposes of disclosure of fair value, the Company established classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the hierarchy level of the fair value, as explained above. The corresponding disclosures at the fair value of financial instruments and non-financial assets measured at fair value or upon disclosure of fair values are summarized in the respective notes.

The principal asset and liability financial instruments on September 30, 2021, as well as their respective market values are set forth below:

	Fair Value Hierarchy	Classification	Book value		Fair value	
			09/30/2021	12/31/2020	09/30/2021	12/31/2020
Asset (Current and non-current)						
Cash and cash equivalents	Level 1	Amortized cost	174,452	37,785	174,452	37,785
Short-term investments	Level 1	Amortized cost	262,416	52,046	262,416	52,046
Accounts Receivable, net.	Level 2	Amortized cost	270,639	206,171	270,639	206,171
		Fair value through the result				
Derivative financial instrument	Level 2		16,353	14,210	16,353	14,210
Total			723,860	310,212	723,860	310,212
Liability (Current and non-current)						
Suppliers	Level 2	Amortized cost	161,497	149,074	161,497	149,074
Loans and financing	Level 2	Amortized cost	668,485	524,669	668,485	524,669
		Fair value through the result				
Derivative financial instrument	Level 2		8,511	-	8,511	-
Leases	Level 2	Amortized cost	3,328	5,431	3,328	5,431
Related parties	Level 2	Amortized cost	302	309	302	309
Other obligations	Level 2	Amortized cost	44,707	45,225	44,707	45,225

Livotech da Bahia Indústria e Comércio S.A.

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(In thousands of reais unless otherwise indicated)

Total

886,830	724,708	886,830	724,708
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September 30, 2021

(In thousands of reais unless otherwise indicated)

27. Risk management and valuation of financial instruments - Continued

b) Fair value measurements - Continued

The purposes of the Company and its subsidiary when managing its capital are to ensure the continuity of their operations, in order to offer return to their shareholders and guarantee to the other stakeholders, as well as keep a proper capital structure.

There has been no change in the purposes, policies or processes during the period ended September 30, 2021.

b.1) Exposure to the risk of foreign currency

In order to reduce the volatility of cash flow, swap operations have been carried out to translate into US\$ the cash flow of certain debts in R\$ related to loan and financing agreements, at rates indexed mainly to the CDI. In these swap operations, the Company pays fixed rates in US\$ and receives compensation in R\$ linked to the interest rates of the covered debts. The average exchange rate of R\$ 5.4428 considered for the U.S. dollar on the base date September 30, 2021 was obtained from Bloomberg.

Agreements	Reference value	09/30/2021		
		Fair value		
		Adjustment receivable	Adjustment payable	Net position
SWAP	184,130	164,442	(172,284)	(7,842)
		Asset		16,353
		Liability		(8,511)
Agreements	Reference value	12/31/2020		
		Fair value		
		Adjustment receivable	Adjustment payable	Net position
SWAP	65,035	58,925	(44,715)	14,210
		Asset		14,210
		Liability		-

Explanatory notes to the individual and consolidated interim financial information

September 30, 2021

(In thousands of reais unless otherwise indicated)

27. Risk management and valuation of financial instruments - Continued
c) Changes in liabilities from financing activities

	Consolidated						
	On December 31, 2019	Payment of principal	Payment of interest	Merger	Currency translation adjustment or interest liabilities	New agreement s	On September 30, 2020
Loans and financing	357,687	(119,377)	44,599	-	-	219,000	501,909
Dividends payable	4,896	(4,796)	-	-	-	-	100
Discounted Trade Bills	-	-	-	-	-	-	-
Capital stock	86,666	-	-	-	-	-	86,666
	Consolidated						
	On December 31, 2020	Payment of principal	Payment of interest	Merger	Currency translation adjustment or interest liabilities	New debt agreement s	On September 30, 2021
Loans and financing	524,669	(177,201)	35,987	-	-	285,030	668,485
Dividends payable	15,006	(15,006)	-	-	-	-	-
Capital stock	86,666	-	-	-	-	-	298,030

a) Sensitivity analysis

In order to verify the sensitivity of the indexing unit in the checking accounts in foreign currency, cash equivalents and loans and financing as well as operations posing interest rate risk classified in cash equivalents, debentures and loans, to which the Company was exposed on the base date September 30, 2021, three different scenarios had been defined.

Explanatory notes to the individual and consolidated interim financial information

September 30, 2021

(In thousands of reais unless otherwise indicated)

27. Risk management and valuation of financial instruments - Continued**a) Sensitivity analysis - Continued**

Based on projections disclosed by financial institutions (Central Bank of Brazil), it was obtained the projection of the foreign currency, CDI and Libor for each of the transactions analyzed, which is defined as probable scenario (scenario 1); based on this, it was calculated changes of 25% (scenario 2) and 50% (scenario 3). For each scenario it was presented the new accounting balance considering the stress rate:

Consolidated (Amounts in R\$/thousand)		Financial Revenues Projection					
Financial investments – Consolidated	Interest rate	09/30/2021	Scenario I	Scenario II	Probable Scenario	Scenario III	Scenario IV
			-50%	-25%	2.75%	25%	50%
Cash and cash equivalents and short-term investments;	CDI	436,867	6,007	9,010	12,014	15,017	18,021
Loans, financing and debentures:							
Banco do Brasil	CDI	(40,093)	(1,399)	(2,098)	(2,798)	(3,497)	(4,197)
Banco BNDES	IPCA	(30,226)	(2,207)	(3,310)	(4,413)	(5,517)	(6,620)
Banco BTG	CDI	(159,662)	(2,339)	(3,508)	(4,678)	(5,847)	(7,016)
Banco CCB	CDI	(26,541)	(574)	(862)	(1,149)	(1,436)	(1,723)
Banco CEF S.A	CDI	(36,943)	(555)	(832)	(1,110)	(1,387)	(1,665)
Banco Itaú Unibanco	CDI	(20,600)	(541)	(812)	(1,083)	(1,353)	(1,624)
Banco Itaú Asset	CDI	(40,109)	(934)	(1,402)	(1,869)	(2,336)	(2,803)
Banco Bradesco	CDI	(30,082)	(171)	(256)	(342)	(427)	(512)
Banco Bradesco	CDI	(41,426)	(236)	(354)	(472)	(590)	(709)
Banco Santander	CDI	(18,871)	(1,393)	(2,089)	(2,786)	(3,482)	(4,179)
Banco Votorantim	CDI	(76,346)	(1,436)	(2,153)	(2,871)	(3,589)	(4,307)
Banco ABC Brasil	CDI	(54,873)	(1,389)	(2,084)	(2,779)	(3,473)	(4,168)
Banco BBM Bocom	CDI	(34,897)	(855)	(1,283)	(1,711)	(2,138)	(2,566)
Banco Citi	CDI	(57,815)	(1,555)	(2,333)	(3,111)	(3,888)	(4,666)
SWAP - Banco ABC	Euro / CDI	4,103	2,108	3,162	4,216	5,270	6,324
SWAP - Citibank	Libor / US Dollar / CDI	3,653	1,877	2,815	3,753	4,692	5,630
SWAP - Bocom	US Dollar / CDI	6	3	5	7	8	10
SWAP - Votorantim	US Dollar / CDI	(721)	(370)	(556)	(741)	(926)	(1,111)
SWAP - Bradesco	US Dollar / CDI	800	411	617	822	1,028	1,234
Subtotal		(660,643)	(11,555)	(17,333)	(23,115)	(28,888)	(34,668)
Scenarios for Index Changes:							
(i) US Dollar		5.44	2.79	4.19	5.59	6.99	8.38
(i) Euro		6.30	3.24	4.85	6.47	8.09	9.71
(ii) CDI		0.03	0.02	0.02	0.03	0.04	0.05
(iii) LIBOR		0.00	0.00	0.00	0.00	0.00	0.00
(iv) IPCA		0.10	0.06	0.08	0.11	0.14	0.17

(*) Loan operations in foreign currency have protection (hedging) contracted with the same banks through exchange swap.

Sources:

(i) US Dollar/Euro - PTAX Central Bank of Brazil; (ii) CDI - Central Bank of Brazil; (iii) Libor - Global Rates; (iv) IPCA - Brazilian Institute of Geography and Statistics.

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28. Segment Information

Management defined the strategic business model, and the Company's decisions are based on the segments: Telecom and Corporate. The segments have different dynamics of service, types of products and business models. The Telecom segment encompasses the market of fixed broad band internet, including optical fiber products and FTTH (fiber to the home), data networks, wi-fi, among other. The Corporate segment encompasses the B2B consumption market (companies), including electronic security, cyber security, infrastructure of data centers, building and residential automation, professional audio and video, LED panels, photovoltaic power generators, among other.

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28. Segment information - Continued
The information on the Company's segments (captions of the Consolidated) is included in the following tables:

	Telecom				Corporate				Total			
	07/01/2021 to 09/30/2021	01/01/2021 to 09/30/2021	07/01/2020 to 09/30/2020	01/01/2020 to 30/06/2020	07/01/2021 to 09/30/2021	01/01/2021 to 09/30/2021	07/01/2020 to 09/30/2020	01/01/2020 to 30/06/2020	07/01/2021 to 09/30/2021	01/01/2021 to 09/30/2021	07/01/2020 to 09/30/2020	01/01/2020 to 30/06/2020
Gross sales and services revenue	96,538	295,452	99,082	230,024	170,314	428,260	72,680	193,287	266,852	723,712	171,762	423,311
Gross lease revenue	60,643	181,588	56,628	160,942	12,172	34,406	9,701	25,867	72,815	215,994	66,329	186,809
Gross revenue, with deferral	157,181	477,040	155,710	390,966	182,486	462,666	82,381	219,154	339,667	939,706	238,091	610,120
(-) Taxes on Billing	(23,805)	(72,097)	(24,257)	(60,100)	(23,086)	(59,506)	(12,962)	(35,967)	(46,891)	(131,603)	(37,219)	(96,067)
(-) Returns	(757)	(8,418)	(1,328)	(3,772)	(3,833)	(9,231)	(1,480)	(3,813)	(4,590)	(17,649)	(2,808)	(7,585)
Net revenue	132,619	396,525	130,125	327,094	155,567	393,929	67,939	179,374	288,186	790,454	198,064	506,469
Sale cost	(87,589)	(255,707)	(80,723)	(202,744)	(121,124)	(316,003)	(53,689)	(138,285)	(208,713)	(571,710)	(134,412)	(341,029)
Gross profit	45,030	140,818	49,402	124,350	34,443	77,926	14,250	41,089	79,473	218,744	63,652	165,440
Operating Expenses	(17,836)	(50,935)	(16,995)	(44,703)	(27,652)	(70,417)	(15,776)	(40,154)	(45,488)	(121,352)	(32,771)	(84,857)
Finance income (expenses)	(12,666)	(23,555)	964	(22,229)	(1,120)	(5,008)	(1,313)	(5,613)	(13,786)	(28,563)	(349)	(27,842)
Net income before taxes	14,528	66,328	33,371	57,418	5,671	2,501	(2,839)	(4,678)	20,199	68,829	30,532	52,741
Income and social contribution taxes	(7,887)	(19,368)	(6,115)	(9,445)	(213)	(1,187)	(572)	(883)	(8,100)	(20,555)	(6,687)	(10,328)
Net income for the year	6,641	46,960	27,256	47,973	5,458	1,314	-3,411	-5,561	12,099	48,274	23,845	42,412
% on Net revenue	4.32%	11.6%	20.95%	14.7%	3.41%	0.3%	-5.02%	-3.1%	3.83%	6.0%	12.04%	8.4%

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28. Segment information - Continued

Equity accounts by segment

	Telecom		Corporate		Total	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020	09/30/2021	12/31/2020
Accounts Receivable; net.	181,488	152,875	89,151	53,296	270,639	206,171
Inventories	83,195	52,116	118,264	86,664	201,459	138,780
Property, plant and equipment	323,714	263,944	89,961	81,986	413,675	345,930
Other assets	363,218	118,115	283,990	102,314	647,208	220,429
Total Assets	951,615	587,050	581,366	324,260	1,532,981	911,310
Suppliers	96,293	79,815	65,204	69,259	161,497	149,074
Loans and financing	523,110	392,890	145,375	131,779	668,485	524,669
Deferred revenue	1,442	7,982	0	0	1,442	7,982
Other liabilities and equity	378,574	148,265	322,983	81,320	701,557	229,585
Total liability + PL	999,419	628,952	533,562	282,358	1,532,981	911,310

a) Information of customers concentration

In the period ended September 30, 2021, the Company has no customer that represents individually 10% or more of the consolidated sales of the Company. Analyzing the segments individually, we have: (i) in the Telecom segment, one customer corresponded to 7.7% of the segment's total sales (or 4.3% of the total consolidated sales); and (ii) in the Corporate segment, one customer corresponded to 4.2% of the segment's total sales (or 1.9% of the total consolidated sales)

b) Geographic information

	Subsidiaries in Brazil		Subsidiaries abroad	
	09/30/2021	09/30/2020	09/30/2021	09/30/2020
Net revenue	773,325	500,794	18,497	5,675
Non-current asset	584,330	576,977	142	103

Explanatory notes to the individual and consolidated interim financial information

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29. Insurance cover

The Company has insurance coverage in amounts considered by Management sufficient to cover the risks on its assets and/or liabilities. The insurance coverage encompasses the Factory located in the Industrial Park of Ilhéus, the office located in São Paulo, commercial branches located in São Paulo and the industrial branch located in Extrema, Minas Gerais.

	Individual and Consolidated	
	09/30/2021	12/31/2020
Property damage	116,895	119,948
Civil liability	25,290	12,841
Other	360	729