Individual and Consolidated Financial Statements

Livetech da Bahia Indústria e Comércio S.A.

December 31, 2020
with Independent Auditor's Report

Livetech da Bahia Indústria e Comércio S.A.

Individual and consolidated financial statements

December 31, 2020

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A free translation from Portuguese into English of Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board – IASB

Livetech da Bahia Indústria e Comércio S.A.

Statements of financial position
At December 31, 2020, 2019 and 2018
(In thousands of reais)

		Individual			Consolidated		
	Note	**2020**	**2019 (restated)**	**2018 (restated)**	**2020**	**2019 (restated)**	**2018 (restated)**
Assets							
Current assets							
Cash and cash equivalents	6	**33.219**	27.222	4.419	**37.785**	28.228	4.419
Short-term investments	6	**52.046**	4.130	-	**52.046**	4.130	-
Accounts receivable, net	7	**161.578**	111.209	78.448	**162.581**	111.374	78.448
Recoverable taxes	8.1	**20.885**	11.003	5.838	**22.762**	11.338	5.838
Derivative financial instruments	30	**8.088**	366	-	**8.088**	366	-
Inventories	9	**134.180**	152.515	165.618	**138.780**	167.805	165.618
Advances to suppliers	13	**33.753**	10.941	3.965	**34.927**	11.014	3.965
Related parties	25	**3.991**	537	-	**-**	-	-
Prepaid expenses		**182**	-	1.885	**183**	-	1.885
Total current assets		**447.922**	317.923	260.173	**457.152**	334.255	260.173
Noncurrent assets							
Accounts receivable, net	7	**43.590**	11.820	45.466	**43.590**	11.820	45.466
Derivative financial instruments	30	**6.122**	-	-	**6.122**	-	-
Deferred taxes	8.2	**15.231**	9.610	8.223	**15.231**	9.610	8.223
Right-of-use assets	19	**5.313**	4.452	-	**5.313**	4.452	-
Investments	10	**2.509**	782	-	**-**	-	-
Property, plant and equipment, net	11	**345.787**	239.174	145.753	**345.930**	239.253	145.753
Intangible assets, net	12	**37.969**	16.363	18.069	**37.972**	16.365	18.069
Total noncurrent assets		**456.521**	282.201	217.511	**454.158**	281.500	217.511
Total assets		**904.443**	600.124	477.684	**911.310**	615.755	477.684

See accompanying notes.

Livetech da Bahia Indústria e Comércio S.A.

Statements of financial position
At December 31, 2020, 2019 and 2018
(In thousands of reais)

		Individual			Consolidated		
	Note	**2020**	**2019 (restated)**	**2018 (restated)**	**2020**	**2019 (restated)**	**2018 (restated)**
Liabilities and equity							
Current liabilities							
Trade accounts payable	14	**144.369**	89.633	155.768	**149.074**	104.973	155.768
Personnel, social charges and benefits	15	**24.198**	11.133	6.182	**24.269**	11.173	6.182
Taxes payable	16	**7.096**	4.834	4.981	**8.907**	5.046	4.981
Loans, financing and debentures	18	**195.861**	117.718	44.379	**195.861**	117.718	44.379
Discounted trade bills		**-**	-	25.527	**-**	-	25.527
Dividend payable	23	**15.006**	4.896	6.575	**15.006**	4.896	6.575
Derivative financial instruments	30	**-**	2.731	2.986	**-**	2.731	2.986
Lease liabilities	19	**2.650**	1.885	-	**2.650**	1.885	-
Related parties	25	**309**	-	4.701	**309**	-	4.701
Other obligations	20	**44.945**	22.055	11.830	**45.225**	22.094	11.830
Deferred revenue	17	**7.545**	15.066	22.398	**7.545**	15.066	22.398
		441.979	269.951	285.327	**448.846**	285.582	285.327
Noncurrent liabilities							
Loans, financing and debentures	18	**328.808**	239.969	51.689	**328.808**	239.969	51.689
Provision for contingencies	21	**479**	556	364	**479**	556	364
Deferred revenue	17	**437**	7.982	70.952	**437**	7.982	70.952
Lease liabilities	19	**2.781**	2.624	-	**2.781**	2.624	-
Other obligations	20	**-**	4.831	10.321	**-**	4.831	10.321
		332.505	255.962	133.326	**332.505**	255.962	133.326
Equity							
Capital stock	23	**86.666**	86.666	86.666	**86.666**	86.666	86.666
Capital reserves	23	**10.000**	10.000	10.000	**10.000**	10.000	10.000
Income reserves	23	**33.225**	7.360	5.424	**33.225**	7.360	5.424
Accumulated losses		**-**	(29.816)	(43.059)	**-**	(29.816)	(43.059)
Other comprehensive income	23	**68**	1	-	**68**	1	-
		129.959	74.211	59.031	**129.959**	74.211	59.031
Total liabilities and equity		**904.443**	600.124	477.684	**911.310**	615.755	477.684

See accompanying notes.

Livetech da Bahia Indústria e Comércio S.A.

Statements of profit or loss
Years ended December 31, 2020, 2019 and 2018
(In thousands of reais)

		Individual			Consolidated		
	Note	**2020**	**2019 (restated)**	**2018 (restated)**	**2020**	**2019 (restated)**	**2018 (restated)**
Net revenue	26	**704.865**	503.562	371.536	**718.045**	506.575	371.536
Cost of goods sold and services rendered	27	**(469.355)**	(370.581)	(265.505)	**(479.047)**	(372.927)	(265.505)
Gross profit		**235.510**	132.981	106.031	**238.998**	133.648	106.031
Operating income (expenses)							
Personnel expenses	28	**(52.696)**	(34.978)	(22.164)	**(53.023)**	(35.052)	(22.164)
Selling expenses	28	**(40.951)**	(27.079)	(15.558)	**(41.415)**	(27.091)	(15.558)
General and administrative expenses	28	**(15.154)**	(13.070)	(9.759)	**(15.567)**	(13.271)	(9.759)
Other operating income (expenses), net	28	**(4.441)**	(4.795)	(5.112)	**(5.698)**	(5.238)	(5.112)
Equity pickup	10	**925**	(64)	-	**-**	-	-
		(112.317)	(79.986)	(52.593)	**(115.703)**	(80.652)	(52.593)
Income before finance income (expenses) and income and social contribution taxes		**123.193**	52.995	53.438	**123.295**	52.996	53.438
Finance income		**51.020**	15.226	11.712	**51.301**	15.326	11.712
Finance expenses		**(83.265)**	(47.864)	(30.294)	**(83.316)**	(47.875)	(30.294)
Finance income (expenses), net	29	**(32.245)**	(32.638)	(18.582)	**(32.015)**	(32.549)	(18.582)
Income before income and social contribution taxes		**90.948**	20.357	34.856	**91.280**	20.447	34.856
Current income and social contribution taxes	24	**(25.982)**	(1.767)	(5.018)	**(26.314)**	(1.857)	(5.018)
Deferred income and social contribution taxes	24	**5.621**	1.387	(1.781)	**5.621**	1.387	(1.781)
Net income for the year		**70.587**	19.977	28.057	**70.587**	19.977	28.057
Attributable to:							
Equity holders of the parent					**70.587**	19.977	28.057
Earnings per share attributable Equity holders of the parent (R$ per share)							
Basic and diluted earnings per share	23.7				**1,5758**	0,4460	0,6264

See accompanying notes.

Livetech da Bahia Indústria e Comércio S.A.

Statements of comprehensive income
Years ended December 31, 2020, 2019 and 2018
(In thousands of reais)

	Individual			Consolidated		
	2020	**2019 (restated)**	**2018 (restated)**	**2020**	**2019 (restated)**	**2018 (restated)**
Net income for the year	**70.587**	19.977	28.057	**70.587**	19.977	28.057
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):						
Currency translation adjustment	**67**	1	-	**67**	1	-
Comprehensive income for the year	**70.654**	19.978	28.057	**70.654**	19.978	28.057
Attributable to:						
Equity holders of the parent	**70.654**	19.978	28.057	**70.654**	19.978	28.057

See accompanying notes.

Livetech da Bahia Indústria e Comércio S.A.

Statements of changes in equity
Years ended December 31, 2020, 2019 and 2018
(In thousands of reais)

			Capital reserve		Income reserve					
	Note	Capital stock	Share premium	Equity adjustment	Legal reserve	Investment grant	Retained profits reserve	Other comprehensive income	Retained earnings	Total equity
Balance at December 31, 2017 (originally stated)		86.666	10.000	(70.745)	375	2.445	8.808	-	-	37.549
Reclassifications				70.745			(8.808)		(61.937)	-
Balance at December 31, 2017 (restated)		86.666	10.000	-	375	2.445	-	-	(61.937)	37.549
Additional dividend proposed for 2017	23.3	-	-	-	-	-	-	-	(212)	(212)
Net income for the year		-	-	-	-	-	-	-	28.057	28.057
Allocation of income								-		-
Legal reserve	23.2	-	-	-	1.403	-	-	-	(1.403)	-
Investment grants	23.5	-	-	-	-	1.201	-	-	(1.201)	-
Mandatory minimum dividend	23.3	-	-	-	-	-	-	-	(6.363)	(6.363)
Balance at December 31, 2018 (restated)		86.666	10.000	-	1.778	3.646	-	-	(43.059)	59.031
Net income for the year		-	-	-	-	-	-	-	19.977	19.977
Allocation of income										
Legal reserve	23.2	-	-	-	1.056	-	-	-	(1.056)	-
Investment grants	23.5	-	-	-	-	880	-	-	(880)	-
Mandatory minimum dividend	23.3	-	-	-	-	-	-	-	(4.798)	(4.798)
Currency translation adjustment	10	-	-	-	-	-	-	1	-	1
Balance at December 31, 2019 (restated)		86.666	10.000	-	2.834	4.526	-	1	(29.816)	74.211
Net income for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**70.587**	**70.587**
Allocation of income										
Legal reserve	23.2	**-**	**-**	**-**	**3.529**	**-**	**-**	**-**	**(3.529)**	**-**
Investment grants	23.5	**-**	**-**	**-**	**-**	**7.435**	**-**	**-**	**(7.435)**	**-**
Mandatory minimum dividend	23.3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(14.906)**	**(14.906)**
Allocation to retained profit reserve	23.6	**-**	**-**	**-**	**-**	**-**	**14.901**	**-**	**(14.901)**	**-**
Currency translation adjustment	10	**-**	**-**	**-**	**-**	**-**	**-**	**67**	**-**	**67**
Balance at December 31, 2020		**86.666**	**10.000**	**-**	**6.363**	**11.961**	**14.901**	**68**	**-**	**129.959**

See accompanying notes.

Livetech da Bahia Indústria e Comércio S.A.

Statements of cash flows
Years ended December 31, 2020, 2019 and 2018
(In thousands of reais)

	Individual			Consolidated		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
		(restated)	**(restated)**		**(restated)**	**(restated)**
Cash flow from operating activities						
Net income for the year	**70.587**	19.977	28.057	**70.587**	19.977	28.057
Adjustments to reconcile net income for the year to cash from operating activities						
Depreciation and amortization	**96.400**	65.287	37.491	**96.417**	65.287	37.491
Allowance for expected credit losses	**14.675**	5.613	3.091	**14.675**	5.968	3.091
Provision for obsolescence	**4.093**	6.775	1.066	**4.093**	6.775	1.066
Provision for contingencies and other. net	**(77)**	412	(418)	**(77)**	412	(418)
Fair value adjustment of derivative financial instruments	**(16.575)**	(621)	2.986	**(16.575)**	(621)	2.986
Equity pickup	**(925)**	64	-	**-**	-	-
Short-term investment income	**(265)**	(130)	-	**(265)**	(130)	-
Interest expenses and foreign exchange difference	**50.604**	24.277	4.651	**50.671**	24.109	4.651
Present value adjustment	**423**	-	-	**423**	-	-
Write-off of property, plant and equipment and intangible assets	**898**	5	439	**898**	8	439
Share-based payment expenses	**11.424**	2.588	711	**11.424**	2.588	711
Provision for income and social contribution taxes	**25.982**	1.767	5.018	**26.314**	1.857	5.018
Deferred income and social contribution taxes	**(5.621)**	(1.387)	1.781	**(5.621)**	(799)	1.781
Decrease (increase) in assets:						
Trade accounts receivable	**(97.237)**	(3.930)	(44.219)	**(98.075)**	(4.095)	(44.219)
Recoverable taxes	**(9.882)**	(4.603)	3.324	**(11.424)**	(4.939)	3.324
Inventories	**14.242**	7.640	(71.618)	**24.932**	(7.756)	(71.618)
Advances to suppliers	**(22.812)**	(7.513)	(3.119)	**(23.913)**	(7.585)	(3.119)
Prepaid expenses	**(182)**	1.885	(1.061)	**(183)**	1.885	(1.061)
Other receivables	**-**	-	-	**-**	39	-
Increase (decrease) in liabilities:						
Trade accounts payable	**54.736**	(66.660)	79.853	**44.101**	(50.994)	79.853
Taxes payable	**(2.390)**	(771)	811	**(1.123)**	(605)	811
Personnel, social charges and benefits	**1.641**	2.362	2.611	**1.672**	1.754	2.611
Deferred revenue	**(15.066)**	(70.807)	(32.536)	**(15.066)**	(70.848)	(32.536)
Related parties	**309**	(4.701)	4.603	**309**	(4.701)	4.603
Other obligations	**18.059**	4.380	2.686	**18.300**	5.287	2.686
Payment of interest	**(47.051)**	(22.628)	(2.081)	**(47.051)**	(22.628)	(2.081)
Payment of income and social contribution taxes	**(21.330)**	(1.809)	(3.859)	**(21.330)**	(1.899)	(3.859)
Payment of legal proceedings and other	**-**	(220)	-	**-**	(220)	-
Net cash from (used in) operating activities	**124.660**	(42.748)	20.268	**124.113**	(41.874)	20.268

Livetech da Bahia Indústria e Comércio S.A.

Cash flow statements (Continued)
Years ended December 31, 2020, 2019 and 2018
(In thousands of reais)

	Individual			Consolidated		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
		(restated)	**(restated)**		**(restated)**	**(restated)**
Investing activities:						
Loans to related parties	**(3.454)**	-		**-**	-	-
Acquisition of Axyon assets	**-**	-	(1.000)	**-**	-	(1.000)
Acquisition of property, plant and equipment, and intangible assets	**(222.658)**	(153.017)	(89.477)	**(222.740)**	(153.099)	(89.477)
Acquisition of subsidiary, net of cash acquired	**-**	(3.556)	-	**-**	(3.556)	-
Capital increase in investee	**(735)**	(783)	-	**-**	-	-
Cash acquired in merger of subsidiary	**-**	569	-	**-**	-	-
Short-term investment additions	**(136.193)**	(4.000)	-	**(136.193)**	(4.000)	-
Short-term investment redemptions	**88.555**	-	-	**88.555**	-	-
Net cash used in investing activities:	**(274.485)**	(160.787)	(90.477)	**(270.378)**	(160.655)	(90.477)
Financing activities:						
New loans and debentures acquired	**280.989**	325.446	81.170	**280.989**	325.446	81.170
Repayment of loans and financing (principal)	**(117.244)**	(65.305)	(32.609)	**(117.244)**	(65.305)	(32.609)
Payment of lease liabilities	**(3.127)**	(1.800)		**(3.127)**	(1.800)	-
Discounted trade bills	**-**	(25.527)	19.120	**-**	(25.527)	19.120
Dividends and interest on equity paid	**(4.796)**	(6.476)	(1.783)	**(4.796)**	(6.476)	(1.783)
Net cash from financing activities	**155.822**	226.338	65.898	**155.822**	226.338	65.898
Net increase (decrease) in cash and cash equivalents	**5.997**	22.803	(4.311)	**9.557**	23.809	(4.311)
				-		
Cash and cash equivalents at beginning of year	**27.222**	4.419	8.730	**28.228**	4.419	8.730
Cash and cash equivalents at end of year	**33.219**	27.222	4.419	**37.785**	28.228	4.419

See accompanying notes.

Livetech da Bahia Indústria e Comércio S.A.

Statements of value added
Years ended December 31, 2020, 2019 and 2018
(In thousands of reais)

	Individual			Consolidated		
	2020	**2019 (restated)**	**2018 (restated)**	**2020**	**2019 (restated)**	**2018 (restated)**
Revenues						
Sales of goods, products and services	**838.568**	611.406	433.884	**851.839**	614.421	433.884
Other revenues	**2.161**	227	805	**1.811**	215	805
(Reversal of) allowance for expected credit losses	**(14.675)**	(5.613)	(3.091)	**(14.675)**	(5.968)	(3.091)
	826.054	606.020	431.598	**838.975**	608.668	431.598
Bought-in inputs						
Cost of products, goods and services sold	**(361.993)**	(285.082)	(214.726)	**(371.681)**	(287.383)	(214.726)
Materials, energy, third-party services and others	**(50.197)**	(46.322)	(33.252)	**(52.315)**	(46.977)	(33.252)
Loss and recovery of assets	**(4.093)**	(5.547)	(2.294)	**(4.093)**	(5.547)	(2.294)
Other	**(1.331)**	(1.565)	(883)	**(1.334)**	(1.611)	(883)
	(417.614)	(338.516)	(251.155)	**(429.423)**	(341.518)	(251.155)
Gross value added	**408.440**	267.504	180.443	**409.552**	267.150	180.443
Retentions						
Depreciation and amortization	**(96.400)**	(65.287)	(37.491)	**(96.417)**	(65.287)	(37.491)
Net value added generated	**312.040**	202.217	142.952	**313.135**	201.863	142.952
Value added received in transfer						
Equity pickup	**925**	(64)	-	**-**	-	-
Finance income	**51.020**	15.226	11.712	**51.301**	15.326	11.712
Other	**395**	6	(1.719)	**413**	283	(1.719)
Total value added to be distributed	**364.380**	217.385	152.945	**364.849**	217.472	152.945
Payment of value added						
Personnel						
Direct compensation	**27.858**	18.570	11.747	**28.219**	18.569	11.747
Employees' profit sharing	**-**	3.919	1.435	**-**	3.919	1.435
Benefits	**14.451**	13.920	9.887	**14.473**	13.925	9.887
Unemployment Compensation Fund (FGTS)	**1.952**	1.550	899	**1.952**	1.550	899
Other	**11.806**	3.129	2.393	**11.750**	3.199	2.393
	56.067	41.088	26.361	**56.394**	41.162	26.361
Taxes, charges and contributions						
Federal	**140.857**	99.932	73.492	**140.948**	99.934	73.492
State	**15.981**	13.910	(4.344)	**15.981**	13.910	(4.344)
Local	**1.661**	-	-	**1.661**	-	-
	158.499	113.842	69.148	**158.590**	113.844	69.148
Debt remuneration						
Interest	**71.957**	40.420	23.968	**71.957**	40.427	23.968
Rent	**397**	232	1.313	**397**	232	1.313
Other	**6.873**	1.826	4.098	**6.924**	1.830	4.098
	79.227	42.478	29.379	**79.278**	42.489	29.379
Equity remuneration						
Dividends	**14.906**	4.798	6.363	**14.906**	4.798	6.363
Retained profit	**55.681**	15.179	21.694	**55.681**	15.179	21.694
	70.587	19.977	28.057	**70.587**	19.977	28.057
Total value added distributed	**364.380**	217.385	152.945	**364.849**	217.472	152.945

See accompanying notes.

1. Operations

Livetech da Bahia Indústria e Comércio S.A. (“Company”), or WDC Networks, headquartered at Rua Gomes de Carvalho, 1609, 9th floor, city and state of São Paulo, is a technology company that manufactures and distributes information technology, telecommunications and electronic security products with 100% national capital, and has been operating in Brazil since 2004.

The Company operates in the distribution of high-growth-rate market niche products, such as broadband internet, electronic security, data and telephony connectivity, professional audio and video, data center infrastructure and IoT in the B2B segment.

2. Basis of preparation and presentation of financial statements

These individual and consolidated financial statements were prepared and are presented in accordance with accounting practices adopted in Brazil, which comprise accounting pronouncements, guidance and interpretations issued by the Brazilian Financial Accounting Standards Board (CPC), approved by Brazil’s National Association of State Boards of Accountancy (CFC) and the Brazilian Securities and Exchange Commission (CVM), and are in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The Company considered the guidance contained in Technical Guidance OCPC 07 in the preparation of its financial statements. Accordingly, significant information relevant to the financial statements has been disclosed in the notes, and corresponds to the information used by Company management.

The financial statements are presented in thousands of reais (unless otherwise stated), functional and presentation currency, and have been prepared assuming the Company’s ability to continue as a going concern and financial support.

The financial statements were prepared using the historical cost basis of accounting (unless different criteria is required), and adjusted to reflect measurement of assets and liabilities at fair value.

2. Basis of preparation and presentation of financial statements (Continued)

The Company's financial statements were prepared considering different measurement bases used to prepare accounting estimates. The accounting estimates involved in the preparation of the financial statements are based on objective and subjective factors, considering management's judgment to establish the proper amount to be recorded in the financial statements.

Management evaluated the ability of the Company and its subsidiaries to continue as a going concern, and concluded that they are able to continue as a going concern in the future. Furthermore, management is not aware of any material uncertainty that may cast significant doubt upon its ability to continue as a going concern. Therefore, these individual and consolidated financial statements were prepared assuming the Company's ability to continue as a going concern.

Presentation of the individual and consolidated Statements of Value Added (SVA) is required by the Brazilian Corporation Law and by accounting practices adopted in Brazil. Such statement is not required for IFRS purposes. As a result, this statement is presented as supplementary information under the IFRS.

Company management authorized the issue of these individual and consolidated financial statements on February 16, 2021.

Accounting policies were applied uniformly in the current year, are consistent with prior years presented, and are common to the Company and its subsidiaries. Whenever necessary, the financial statements of the subsidiaries are adjusted to meet this criterion.

2.1. Basis of consolidation

Subsidiaries are those entities over which the Company has the power to direct financial and operating policies, and usually holds more than fifty percent of the voting rights. The existence and effect of possible voting rights currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated as from the date their control is transferred to the Company. The consolidation is suspended as from the date such control ceases to exist.

(In thousands of reais)

2. Basis of preparation and presentation of financial statements (Continued)

2.1. Basis of consolidation (Continued)

The individual and consolidated financial statements comprise the financial information of the Company and its subsidiaries at December 31, 2020. In the Company's individual financial statements, subsidiaries' financial information is recognized under the equity method. The Company had no subsidiaries at December 31, 2018.

The subsidiaries' financial year coincides with the Company's, and accounting policies were uniformly applied by all consolidated entities.

The consolidated financial statements include the operations of the Company and its subsidiaries, which are presented in the table below:

	Percentage of interest (%)		
Subsidiaries	**2020**	**2019**	**2018**
Livetech Colombia, S.A.S ("WDC Colombia") (a)	**100**	100	-
Wdcnet Usa, Corp ("WDC US") (a)	**100**	100	-
Livetech Panama, S.A ("WDC Panama") (a)	**100**	100	-
Livetech Franchising Administração Ltda ("Livetech Franchising") (a/b)	**100**	100	-

(a) Companies incorporated by WDC during the year ended December 31, 2019

(b) Livetech Franchising is not operational.

The main consolidation procedures are:

- Elimination of assets and liabilities balances among consolidated companies;
- Elimination of interest in capital, reserves and retained earnings of consolidated companies, and
- Elimination of revenues, expenses and unearned income from intercompany transactions.

2. Basis of preparation and presentation of financial statements (Continued)

2.2. Restatement of financial statements

The financial statements have been restated, in connection with the legal provisions applied by the Brazilian Securities and Exchange Commission (CVM) to publicly-held companies. In order to comply with these standards, information was included in the notes to financial statements regarding the statement of added value, earnings per share, segment information, and the sensitivity analysis of financial assets and liabilities, the latter included in the Note on financial instruments and market risks.

In addition, whilst preparing the financial statements for the year ended December 31, 2020, management detected adjustments (due to changes in accounting policies and errors) and reclassifications that affect the statements of financial position at December 31, 2019 and 2018.

The adjustment presented in the Statements of changes in equity in 2017 relates to topic A only.

(In thousands of reais)

2. Basis of preparation and presentation of financial statements (Continued)

2.2. Restatement of financial statements (Continued)

Statements of financial position at December 31, 2018

		Individual			Consolidated		
	Reference	Originally stated	Adjustments	Restated amounts	Originally stated	Adjustments	Restated amounts
Assets							
Current assets							
Cash and cash equivalents		4.419	-	4.419	4.419	-	4.419
Accounts receivable. net	D	158.253	(79.805)	78.448	158.253	(79.805)	78.448
Recoverable taxes		5.838	-	5.838	5.838	-	5.838
Inventories		165.618	-	165.618	165.618	-	165.618
Advances to suppliers		3.965	-	3.965	3.965	-	3.965
Prepaid expenses		1.885	-	1.885	1.885	-	1.885
Total current assets		339.978	(79.805)	260.173	339.978	(79.805)	260.173
Accounts receivable. net	D	47.119	(1.653)	45.466	47.119	(1.653)	45.466
Deferred taxes		8.223	-	8.223	8.223	-	8.223
Property. plant and equipment. net		145.753	-	145.753	145.753	-	145.753
Intangible assets. net		18.069	-	18.069	18.069	-	18.069
Investment		-	-	-	-	-	-
Total noncurrent assets		219.164	(1.653)	217.511	219.164	(1.653)	217.511
Total assets		559.142	(81.458)	477.684	559.142	(81.458)	477.684

(In thousands of reais)

2. Basis of preparation and presentation of financial statements (Continued)

2.2. Restatement of financial statements (Continued)

Statements of financial position at December 31, 2018 (Continued)

		Individual			Consolidated		
	Reference	Originally stated	Adjustments	Restated amounts	Originally stated	Adjustments	Restated amounts
Liabilities and equity							
Current liabilities							
Trade accounts payable		155.768	-	155.768	155.768	-	155.768
Personnel. social charges and benefits		6.182	-	6.182	6.182	-	6.182
Taxes payable		4.981	-	4.981	4.981	-	4.981
Loans and financing		44.379	-	44.379	44.379	-	44.379
Discounted trade bills		25.527	-	25.527	25.527	-	25.527
Dividend payable		6.575	-	6.575	6.575	-	6.575
Derivative financial instruments		2.986	-	2.986	2.986	-	2.986
Related parties		4.701	-	4.701	4.701	-	4.701
Other obligations		11.830	-	11.830	11.830	-	11.830
Deferred revenue	D	102.203	(79.805)	22.398	102.203	(79.805)	22.398
Total current liabilities		365.132	(79.805)	285.327	365.132	(79.805)	285.327
Loans and financing		51.689	-	51.689	51.689	-	51.689
Provisions for contingencies		364	-	364	364	-	364
Deferred revenue	D	72.605	(1.653)	70.952	72.605	(1.653)	70.952
Other obligations		10.321	-	10.321	10.321	-	10.321
Total noncurrent liabilities		134.979	(1.653)	133.326	134.979	(1.653)	133.326
Capital		86.666	-	86.666	86.666	-	86.666
Capital reserve	A	(60.745)	70.745	10.000	(60.745)	70.745	10.000
Income reserve	A	33.110	(27.686)	5.424	33.110	(27.686)	5.424
Accumulated losses	A	-	(43.059)	(43.059)	-	(43.059)	(43.059)
		59.031	-	59.031	59.031	-	59.031
Total liabilities and equity		559.142	(81.458)	477.684	559.142	(81.458)	477.684

(In thousands of reais)

2. Basis of preparation and presentation of financial statements (Continued)

2.2. Restatement of financial statements (Continued)

Statements of cash flows at December 31, 2018

		Individual			Consolidated		
	Reference	**Originally stated**	**Adjustments**	**Restated amounts**	**Originally stated**	**Adjustments**	**Restated amounts**
Net income for the year		28.057	-	28.057	28.057		28.057
Adjustments to reconcile net income for the year to cash from operating activities	B	56.105	711	56.816	56.105	711	56.816
(Decrease) Increase in assets	D	(198.151)	81.458	(116.693)	(198.151)	81.458	(116.693)
(Decrease) increase in liabilities	D/B	134.257	(82.169)	52.088	134.257	(82.169)	52.088
Net cash from operating activities		20.268	-	20.268	20.268	-	20.268
Net cash used in investing activities		(90.477)	-	(90.477)	(90.477)	-	(90.477)
Net cash used in financing activities		65.898	-	65.898	65.898	-	65.898
Net decrease in cash and cash equivalents		(24.579)	-	(24.579)	(24.579)	-	(24.579)

Livetech da Bahia Industria e Comércio S.A.

Notes to individual and consolidated financial statements (Continued)
December 31, 2020, 2019 and 2018
(In thousands of reais)

2. Basis of preparation and presentation of financial statements (Continued)

2.2. Restatement of financial statements (Continued)

Statements of financial position at December 31, 2019

		Individual			Consolidated		
Asset	Reference	Originally stated	Adjustments	Restated amounts	Originally stated	Adjustments	Restated amounts
Current assets							
Cash and cash equivalents		27.222	-	27.222	28.228	-	28.228
Short-term investments		4.130	-	4.130	4.130	-	4.130
Accounts receivable. net	D	260.302	(149.093)	111.209	260.467	(149.093)	111.374
Recoverable taxes		11.003	-	11.003	11.339	-	11.339
Derivative financial instrument		366	-	366	366	-	366
Inventories		152.515	-	152.515	167.805	-	167.805
Advances to suppliers	E	11.478	(537)	10.941	11.550	(537)	11.013
Related parties	E	-	537	537	-	-	-
Total current assets		467.016	(149.093)	317.923	483.885	(149.630)	334.255
Accounts receivable. net	D	107.021	(95.202)	11.819	107.021	(95.202)	11.819
Deferred taxes	C	9.022	589	9.611	9.022	589	9.611
Right-of-use assets		4.452	-	4.452	4.452	-	4.452
Investment		782	-	782	-	-	-
Property. plant and equipment. net		239.174	-	239.174	239.253	-	239.253
Intangible assets. net		16.363	-	16.363	16.365	-	16.365
Total noncurrent assets		376.814	(94.613)	282.201	376.113	(94.613)	281.500
Total assets		843.830	(243.706)	600.124	859.998	(244.243)	615.755

(In thousands of reais)

2. Basis of preparation and presentation of financial statements (Continued)

2.2. Restatement of financial statements (Continued)

Statements of financial position at December 31, 2019

		Individual			Consolidated		
	Reference	Originally stated	Adjustments	Restated amounts	Originally stated	Adjustments	Restated amounts
Liabilities and equity							
Current liabilities							
Trade accounts payable		89.633	-	89.633	104.973	-	104.973
Personnel. social charges and benefits	B	9.403	1.730	11.133	9.443	1.730	11.173
Taxes payable		4.834	-	4.834	5.046	-	5.046
Loans and financing		117.718	-	117.718	117.718	-	117.718
Dividend payable		4.896	-	4.896	4.896	-	4.896
Derivative financial instruments		2.731	-	2.731	2.731	-	2.731
Leases		1.885	-	1.885	1.885	-	1.885
				0			
Other obligations	E	22.055	-	22.055	22.631	(537)	22.094
Deferred revenue	D	164.159	(149.093)	15.066	164.159	(149.093)	15.066
Total current liabilities		417.314	(147.363)	269.951	433.482	(147.900)	285.582
Loans and financing		239.969	-	239.969	239.969	-	239.969
Provisions for contingencies		556	-	556	556	-	556
Deferred revenue	D	103.183	(95.202)	7.981	103.183	(95.202)	7.982
Leases		2.624	-	2.624	2.624	-	2.624
Other obligations		4.831	-	4.831	4.831	-	4.831
Total noncurrent liabilities		351.163	(95.202)	255.962	351.163	(95.202)	255.962
Capital		86.666	-	86.666	86.666	-	86.666
Capital reserve	A	(60.745)	70.745	10.000	(60.745)	70.745	10.000
Income reserve	A	49.431	(13.300)	36.131	49.431	(13.300)	36.130
Accumulated losses	A/B/C	-	(58.586)	(58.586)	-	(58.586)	(58.586)
Other comprehensive income		1	-	1	1	-	1
		75.353	(1.141)	74.211	75.353	(1.141)	74.211
Total liabilities and equity		843.830	243.706	600.124	859.998	(244.243)	615.755

(In thousands of reais)

2. Basis of preparation and presentation of financial statements (Continued)

2.2. Restatement of financial statements (Continued)

Statements of profit or loss ad December 31, 2019

		Individual			Consolidated		
	Reference	Originally stated	Adjustments	Restated amounts	Originally stated	Adjustments	Restated amounts
Net revenue		503.562	-	503.562	506.575	-	506.575
Cost of goods sold and services rendered		(370.581)	-	(370.581)	(372.927)	-	(372.927)
Gross profit		132.981	-	132.981	133.648	-	133.648
Operating income (expenses)							
Personnel expenses	B	(33.248)	(1.730)	(34.978)	(33.322)	(1.730)	(35.052)
Selling expenses		(27.079)	-	(27.079)	(27.090)	-	(27.090)
General and Administrative expenses		(13.070)	-	(13.070)	(13.272)	-	(13.272)
Other operating income (expenses). Net		(4.585)	-	(4.585)	(5.029)	-	(5.029)
Equity pickup		(64)	-	(64)	-	-	-
		(78.047)	(1.730)	(79.776)	(78.713)	(1.730)	(80.443)
Income before finance income (expenses)		54.935	(1.730)	53.205	54.935	(1.730)	53.205
Finance income (expenses), net		(32.849)	-	(32.849)	(32.759)	-	(32.759)
Income before income and social contribution taxes		22.086	(1.730)	20.356	22.176	(1.730)	20.446
Current income and social contribution taxes		(1.767)		(1.767)	(1.857)		(1.857)
Deferred income and social contribution taxes	C	799	589	1.388	799	589	1.388
Net income for the year		21.118	(1.141)	19.977	21.118	(1.141)	19.977
Attributable to:							
Equity holders of the parent		21.118		19.977	21.118		19.977

(In thousands of reais)

2. Basis of preparation and presentation of financial statements (Continued)

2.2. Restatement of financial statements (Continued)

Statements of cash flows for the year ended December 31, 2019

		Individual			Consolidated		
	Reference	**Originally stated**	**Adjustments**	**Restated amounts**	**Originally stated**	**Adjustments**	**Restated amounts**
Net income for the year	A/B/C	21.118	(1.141)	19.977	21.118	(1.141)	19.977
Adjustments to reconcile net income for the year to cash from operating activities	B/C/F	99.664	4.986	104.650	103.037	2.417	105.454
(Decrease) Increase in assets	D	(171.014)	164.493	(6.521)	(186.801)	164.350	(22.451)
(Decrease) increase in liabilities	B/D	4.498	(165.352)	(160.854)	20.773	(165.627)	(144.854)
Net cash from operating activities		(45.734)	2.986	(42.748)	(41.873)	(1)	(41.873)
Net cash used in investing activities		(160.787)	-	(160.787)	(160.655)	-	(160.655)
Net cash used in financing activities	F	229.324	(2.986)	226.338	226.337	1	226.337
Net increase in cash and cash equivalents		22.803	-	22.803	23.809	-	23.809

2. Basis of preparation and presentation of financial statements (Continued)

2.2. Restatement of financial statements (Continued)

Adjustments:
Balances for the years ended December 31, 2019 and 2018 have been restated due to the change in accounting policy adopted by the Company and correction of errors as follows:

(A) The adjustments refer to the reclassification to accumulated losses from adjustments to the merged net assets related to accumulated losses arising from the merger of MAXBR Serviços, Comércio e Indústria Ltda. (“Maxbr”), initially carried in the “Capital reserves” group.

(B) Adjustment related to the allocation of share-based payment plan expenses during the vesting period and reclassification between lines of the statement of cash flows related to this same subject.

(C) Adjustment arising from the effect of deferred income and social contribution taxes on share-based payment plan expenses.

(D) The adjustments refer to the net presentation of Accounts Receivable and Deferred Revenue amounts related to lease agreements.

(E) Adjustment arising from the reclassification of Advances to suppliers to Related Parties, and the elimination of balances in the consolidated financial statements.

(F) Refers to interest adjustment and monetary variation misclassified in financing activities of the statement of cash flows.

3. Summary of significant accounting policies

3.1. Segment information

Business segments are defined as business activities from which revenue can be earned and expenses can be incurred, and whose operating income/expenses are regularly reviewed by the Company’s key operation management member, so that decisions can be taken on fund allocation to the segment, and performance can be assessed and for which individual financial information is available.

3. Summary of significant accounting policies (Continued)

3.1. Segment information (Continued)

Management defined its strategic business model, basing the Company's decisions between the Telecom and Enterprise segments. The information by operating segments is presented in a manner consistent with the internal report provided to the main operating decision makers.

3.2. Financial instruments

Financial assets - initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss. Financial assets previously classified as "loans and receivables" were classified as "amortized cost". All financial assets are initially recognized at fair value plus, as far as financial assets not measured at fair value through profit or loss are concerned, transaction costs directly attributable to their acquisition. The Company's financial assets comprise cash and cash equivalents, trade accounts receivable and other accounts receivable.

For a financial asset to be classified as and measured at amortized cost or at fair value through other comprehensive income, it needs to generate cash flows that are "solely payments of principal and interest" (also referred to as the "SPPI" test) on the principal amount outstanding. This is assessed at the instrument level. Financial assets with cash flows that are not solely payments of principal and interest are classified as and measured at fair value through profit or loss, regardless of the business model adopted.

The Company's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from the collection of contractual cash flows, the sale of financial assets or both.

Purchases and sales of financial assets which require delivery within the time frame established by regulation or market convention are recognized on the trade date, i.e., the date when Company commits to purchase or sell the asset.

3. Summary of significant accounting policies (Continued)

3,2. Financial instruments (Continued)

Financial assets - initial recognition and measurement (Continued)

Subsequent measurement

For subsequent measurement purposes, financial assets can be classified as:

- Financial assets at amortized cost (debt instruments).
- Financial assets at fair value through other comprehensive income with reclassification of accumulated gains and losses (debt instruments).
- Financial assets designated at fair value through other comprehensive income without reclassification of accumulated gains and losses on derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost

The Company carries most of its financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Company's financial assets at amortized cost include trade accounts receivable and cash and cash equivalents (see Note 30).

3. Summary of significant accounting policies (Continued)

3.2. Financial instruments (Continued)

Financial assets - initial recognition and measurement (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through other comprehensive income (debt instruments)

The Company measures debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.

The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through other comprehensive income, interest income, foreign exchange difference valuation, and impairment losses or reversals are recognized in the statement of profit or loss and calculated in the same way as for financial assets measured amortized cost. Remaining changes in fair value are recognized in other comprehensive income.

On derecognition, the accumulated change in fair value recognized in other comprehensive income is reclassified to profit or loss. The Company does not have debt instruments at fair value through other comprehensive income at December 31, 2020, 2019 and 2018.

Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Company may choose, on an irrevocable basis, to classify its equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under the terms of CPC 39 - Financial Instruments: Presentation, and are not held for trading. The classification is determined by considering each instrument, specifically.

3. Summary of significant accounting policies (Continued)

3.2. Financial instruments (Continued)

Financial assets - initial recognition and measurement (Continued)

Subsequent measurement (Continued)

Financial assets designated at fair value through other comprehensive income (equity instruments) (Continued)

Gains and losses on these financial assets are never reclassified to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right to payment is determined, except when the Company benefits from these earnings as a recovery of part of the cost of the financial asset, in which case these gains are recorded in other comprehensive income. Equity instruments designated at fair value through other comprehensive income are not subject to impairment testing.

The Company has no equity investments at December 31, 2020, 2019 and 2018.

Financial assets at fair value through profit or loss comprise financial assets held for trading, financial assets designated at initial recognition at fair value through profit or loss or financial assets to be mandatorily measured at fair value (derivatives, for example). Financial assets are classified as held for trading if acquired to be sold or for repurchase in the short term.

Derivatives, including separated embedded derivatives, are classified as held for trading, unless they are classified as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified as and measured at fair value through profit or loss, regardless of the business model. Notwithstanding the criteria for debt instruments to be classified as at amortized cost or at fair value through other comprehensive income, as described above, debt instruments can be designated at fair value through profit or loss at initial recognition if this eliminates, or significantly reduces an accounting mismatch.

3. Summary of significant accounting policies (Continued)

3.2. Financial instruments (Continued)

Financial assets - initial recognition and measurement (Continued)

Subsequent measurement (Continued)

Financial assets at fair value

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

This category includes derivative instruments and listed equity investments, which the Company has not irrevocably classified as at fair value through other comprehensive income. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right to payment has been determined.

An derivative embedded in a hybrid contract with a financial liability is separated from the liability and accounted for as a separate derivative if: a) the economic characteristics and risks are not strictly related to the economic characteristics and risks of the main contract; b) the separate instrument, with the same terms of the embedded derivative, meets the definition of a derivative; and c) the hybrid contract is not measured at fair value, with changes recognized in profit or loss. Embedded derivatives are measured at fair value, with changes in fair value recognized in profit or loss. A revaluation only occurs if there is a change in contract terms that significantly modifies the cash flows that would otherwise be required, or if a financial asset is reclassified to a category other than fair value through profit or loss.

Derecognition

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

- The rights to receive cash flows from the asset expire;

The Company has transferred its rights to receive cash flows of the asset or has assumed an obligation to fully pay the cash flows received, without significant delay to a third party under a ‘pass-through’ arrangement, and (a) the Company transferred substantially all risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all risks and rewards related to the asset, but has transferred control over the asset.

3. Summary of significant accounting policies (Continued)

3.2. Financial instruments (Continued)

Financial assets - initial recognition and measurement (Continued)

Derecognition (Continued)

When the Company transfers its rights to receive cash flows from an asset or enters into a pass-through arrangement, it assesses whether, and to what extent, it has retained the risks and rewards of ownership. When it has not transferred or retained substantially all the risks and rewards of the asset, nor has it transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In this case, the Company also recognizes an associated liability. The transferred asset and associated liability are measured to reflect the rights and obligations retained by Company.

Continuing involvement in the form of a guarantee on the transferred asset is measured at the lower of: (i) the asset value, and (ii) the maximum amount of the consideration received that the entity may be required to repay (value of the guarantee).

Impairment of financial assets

Additional disclosures regarding impairment of financial assets are also provided in the following notes:

- Trade accounts receivable, including contract assets – Note 3.2.
- Disclosure of significant assumptions – Note 3.4.

The Company recognizes an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due under the contract and all the cash flows that the Company expects to receive, discounted at an effective interest rate that approximates the original transaction rate. The expected cash flows will include cash flows from the sale of guarantees held or other credit improvements that are part of the contractual terms.

Expected credit losses are recognized in two stages. For credit exposures for which there has been no significant increase in credit risk since initial recognition, an allowance for expected credit losses is set up for credit losses resulting from possible default events within the following 12 months (12-month expected credit losses).

3. Summary of significant accounting policies (Continued)

3.2. Financial instruments (Continued)

Financial assets - initial recognition and measurement (Continued)

Derecognition (Continued)

Impairment of financial assets (Continued)

For credit exposures for which there has been a significant increase in credit risk since initial recognition, an allowance is required for expected credit losses during the remaining life of the exposure, regardless of the time of default (a lifetime expected credit loss).

For trade accounts receivable and contract assets, the Company applies a simplified approach in calculating expected credit losses. Therefore, the Company does not monitor changes in credit risk, but recognizes an allowance for losses based on lifetime expected credit losses at the reporting date.

The Company has established an allowance matrix based on its historical experience of credit losses, adjusted for prospective factors for debtors and for the economic environment.

Subsequent measurement

For debt instruments at fair value through other comprehensive income, the Company applies the simplification of the low credit risk allowed. At each reporting date, the Company assesses whether the debt instrument is considered to be of low credit risk using all reasonable and supportable information that is available. In making this assessment, the Company reassesses the internal credit risk classification of the debt instrument. In addition, the Company considers that there was a significant increase in credit risk when the contractual payments are overdue for more than 30 days.

The Company considers a financial asset in a situation of default when the contractual payments have been overdue for 180 days.

However, in certain cases, the Company may also consider that a financial asset is in default when internal or external information indicates that it is unlikely that the Company will fully receive the contractual amounts outstanding before taking into account any credit improvements maintained by the Company. A financial asset is derecognized when there is no reasonable expectation of recovering contractual cash flows.

3. Summary of significant accounting policies (Continued)

3.2. Financial instruments (Continued)

Financial liabilities – recognition and measurement

Financial liabilities are initially classified as financial liabilities at fair value through profit or loss, financial liabilities at amortized cost, or as derivatives designated as hedging instruments in and effective hedge, as applicable.

All financial liabilities are initially measured at fair value, plus or less, in the case of a financial liability classified in a category other than at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability. The financial liabilities of the Company include loans and financing, trade accounts payable, and other accounts payable.

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

Financial liabilities at amortized cost

This is the most significant category for the Company. After their initial recognition, interest-bearing loans and financing raised and granted are subsequently measured at amortized cost, using the effective interest method. Gains and losses are recognized in profit or loss when liabilities are derecognized, and under the effective interest rate amortization method.

The amortized cost is calculated taking into account any goodwill or negative goodwill on the acquisition and fees or costs that are an integral part of the effective interest rate method. Amortization using the effective interest rate method is included as a finance cost in the statement of profit or loss.

This category applies to trade accounts payable, loans and financing granted and raised, discounted trade bills and installment-payment plans of taxes, all subject to interest. For more information, see Note 30.

3. Summary of significant accounting policies (Continued)

3.2. Financial instruments (Continued)

Financial liabilities - recognition and measurement (Continued)

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if incurred for repurchase in the short term. This category also includes derivative financial instruments taken out by the Company that are not designated as hedging instruments in the hedge relationships defined by CPC 48/IFRS 9.

Separate embedded derivatives are also classified as held for trading, unless they are classified as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities designated at initial recognition at fair value through profit or loss are designated at the initial recognition date, and only if the criteria of CPC 48 are met.

The Company designated no financial liabilities at fair value through profit or loss.

Financial liabilities at amortized cost

Derecognition

A financial liability is derecognized when the obligation under the liability is extinguished, i.e., when the obligation specified in the contract is settled, canceled or expires. When an existing financial liability is replaced with another one from the same lender, under substantially different terms, or the terms of an existing financial liability are substantially modified, such replacement or modification is addressed as a derecognition of the original liability and recognition of a new liability. The difference between both carrying amounts is recognized in the statement of profit or loss.

3. Summary of significant accounting policies (Continued)

3.2. Financial instruments (Continued)

Financial liabilities - recognition and measurement (Continued)

Derecognition (Continued)

Financial assets and liabilities are adjusted to present value, where applicable, when their effect is considered material in relation to the overall financial statements. Interest is subsequently reallocated to finance income and costs, in profit or loss, using of the effective interest method.

Financial assets and liabilities are only stated at net values if the Company has the unconditional right to offset such amounts or settle them simultaneously, and has the intention to do so.

The Company uses derivative financial instruments, such as forward exchange contracts and interest rate swaps to hedge against currency risk and interest rate variation risk, respectively. These derivative financial instruments are initially recognized at fair value on the date that a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are recorded as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

3.3. Cash and cash equivalents

Cash equivalents are held to meet short-term cash commitments rather than for investment or other purposes. The Company considers as cash equivalents investments immediately redeemable at a known cash amount and that are exposed to an insignificant risk of change in value. Accordingly, an investment normally qualifies as cash equivalent when it is redeemable in the short term, e.g. three months or less from the investment date.

Cash equivalents are measured, after initial recognition, at amortized cost, plus income earned through the statement of financial position dates.

3. Summary of significant accounting policies (Continued)

3.4. Inventories

Inventories are stated at average acquisition cost, net of recoverable taxes, which does not exceed their realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Inventory losses are periodically assessed and recorded in profit or loss for the year.

The provision for inventory losses is estimated based on the Company's historical losses, computed through inventory counts carried out cyclically. Provisions are also set up for goods considered to be slow-moving inventories, based on their age.

3.5. Other current and noncurrent assets and liabilities

An asset is recognized in the statement of financial position when its future economic benefits are likely to be generated for the Company, and its cost or value can be reliably measured. A liability is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, the settlement of which is likely to generate an outflow of economic benefits. Corresponding charges and monetary or foreign exchange differences incurred are added, where applicable. Provisions are set up reflecting the best estimates of the risk involved.

Assets and liabilities are classified as current when they are likely to be realized or settled within the following twelve months. Otherwise, they are stated as noncurrent.

3.6. Property, plant and equipment

Property, plant and equipment are stated at acquisition cost, net of accumulated depreciation and/or accumulated impairment losses, if any. The cost includes the amount of equipment replaced and borrowing costs for long-term construction projects, if the recognition criteria are met. When significant property, plant and equipment items are replaced, such components are recognized as individual assets, with specific useful lives and depreciation. Likewise, when significant property, plant and equipment items are replaced, their costs are recognized in the carrying amount of such items as replacement, provided that the recognition criteria are met. All the other repair and maintenance costs are recognized in profit or loss for the year as incurred.

3. Summary of significant accounting policies (Continued)

3.6. Property, plant and equipment (Continued)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets.

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses arising from the asset write-off (calculated as the difference between asset net disposal proceeds and carrying amount) are included in profit or loss for the year when the asset is written off.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Intangible assets acquired separately are measured at initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful life of an intangible asset is rated either as finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Indefinite-lived intangible assets are not amortized, but are submitted to annual impairment tests, either individually or based on the relevant cash-generating unit. Indefinite useful life assessment is reviewed annually to determine whether such assessment continues to be justified. Otherwise, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized when it is sold (i.e., the date on which the beneficiary gains control over the related asset) or when future economic benefits are not expected from its use or sale. Any gain or loss resulting from the derecognition of the asset (the difference between the net proceeds from sale and the asset carrying amount) is recognized in the statement of profit or loss for the year.

The Company and its subsidiaries earn revenue from software lease (TaaS) over the term of each contract, when the performance obligation has been fulfilled.

3. Summary of significant accounting policies (Continued)

3.7. Investments in subsidiaries

Investments in subsidiaries are valued under the equity method, for the purpose of the individual financial statements.

After applying the equity pickup method for the purpose of the Company's financial statements, the Company determines if additional impairment of its investment in each subsidiary needs to be recognized. The Company determines, at every statement of financial position date, whether there is objective evidence that the investments in subsidiaries had impairment losses.

3.8. Profit distribution

The mandatory minimum dividends provided for by law are presented in the statements of financial position as dividends payable. In accordance with current Brazilian Corporation Law, distribution is authorized when approved by the shareholders and the corresponding amount is directly recognized in equity. Dividends in excess of this minimum, not yet approved for payment in shareholders' meeting, are presented as an additional dividend proposed in equity. After approval in shareholders' meeting, dividends in excess of the minimum are transferred to current liabilities, and considered as legal obligations.

3.9. Employee profit sharing

The Company has obligations arising from employment contracts, recognizing these provisions during the year. Provisions are recorded to recognize the expense regarding employee profit sharing. These provisions are calculated based on qualitative and quantitative goals set by management and accounted for in specific accounts according to their function in groups of Cost of services, Selling expenses and General and administrative expenses.

3.10. Provisions

Provisions are recognized when the Company has a present legal or constructive obligation arising from past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

3. Summary of significant accounting policies (Continued)

3.10. Provisions (Continued)

The Company and its subsidiaries are parties to several lawsuits and administrative proceedings. Provisions are recognized for all contingencies in connection with legal proceedings for which it is likely that a cash outflow will be required to settle the contingency/obligation and a reasonable estimate can be made. Assessment of the likelihood of loss includes an evaluation of available evidence, the hierarchy of laws, available case law, recent court decisions and their relevance in the legal system, as well as the opinion of outside legal advisors. Provisions are reviewed and adjusted considering changes in circumstances, such as applicable period of limitation, tax audit conclusions or additional exposures identified based on new court matters or rulings.

3.11. Taxes and social contributions

<u>Income and social contribution taxes</u>

Current income and social contribution assets and liabilities for the current and previous years are measured at the expected amount to be recovered from or paid to tax authorities, using the tax rates that are approved at the end of the year being reported in the countries where the Company operates and generates taxable profit.

Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Profit (CSLL) are calculated at the rates in force (15% for IRPJ, plus surtax of 10% for IRPJ on profit exceeding R$240 p.a. and 9% for CSLL) and consider the offsetting of income and social contribution tax losses, for the purpose of determining whether they are payable, where applicable. Therefore, additions to book income deriving from temporarily non-deductible expenses or exclusions from temporarily non-taxable profit upon determination of current taxable profit generate deferred tax assets or liabilities.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and written off to the extent that taxable profits will not likely be available so that deferred tax assets can be used in total or in part. Deferred tax assets written off are reviewed at each statement of financial position date and are recognized as future taxable profits are likely to allow such tax assets to be recovered.

3. Summary of significant accounting policies (Continued)

3.11. Taxes and contributions (Continued)

Sales taxes

Revenues from services rendered are subject to the following taxes and contributions, at the statutory rates below.

- Social contribution tax on gross revenue for social integration program (PIS) – 1,65%
- Social contribution tax on gross revenue for social security financing (COFINS) – 7,6%

3.12. Government grants and assistance

Government grants are recognized when the Company is reasonably sure to comply with all established conditions in connection with the grant, and that such grant will be received by the Company. When the benefit refers to an expense item, it is recognized over the benefit period, on a systematic basis in relation to the expenses which the benefit is intended to offset.

ICMS matching credit

The Company has a tax benefit of 100% ICMS matching credit due on sales of industrially processed products in its Head Office, located in the Technology Hub of Ilhéus, state of Bahia (BA), in effect until 12/31/2022, and 90%, from 01/01/2023 to 12/31/2024.

On products imported for resale (without industrial processing), the tax burden will be 3.5% of ICMS for local sales (within the State of Bahia), and 1% for interstate transactions, until 12/31/2022.

Deferral of ICMS due on Imports to the moment of sale of the industrially processed products or resale of imported ones.

3. Summary of significant accounting policies (Continued)

3.12. Government grants and assistance (Continued)

ICMS matching credit (Continued)

Conditions:

- Annual renewal of the incentive authorization;
- Proof of production billing at the unit equivalent to, at least, 5% of the Company's total, from the 6th year of effective production;
- Having invested at least 70% of its industrial project;
- Maintaining a regular tax position before the Bahia State Department of Finance (Sefaz/BA);
- Having an "ISO 9000" certificate or subsequent ones;
- Annually contributing, until March 31 of the following year, with 0,25% (at least) of the sales amount of industrially processed products covered by the benefit to the INOVATEC Program;
- From January 2009, carrying out customs clearance of at least 15% (fifteen percent) of imports in Bahia;

Sudene

The Company also has a tax incentive for the Reduction of the Corporate income tax (IRPJ) (principal - 15%; surtax - 10% of the portion exceeding R$ 240 thousand per year) of 75% calculated on profit from tax incentive operations (*lucro da exploração*).

Conditions:

- Compliance with labor, social and environmental legislation;
- Annual presentation of earnings statements presenting the reductions;
- Prohibiting distribution of the tax amount related to the reduction to partners or shareholders;
- Provide annual information in the annual SUDENE Incentives survey;
- Annual presentation to SUDENE (up to 12/31 each year) of a Certificate of regular position regarding federal taxes and social security;
- Documentary evidence of accounting for the amount resulting from the reduction granted,

in accordance with current legislation.

- Annual approval by the Brazilian IRS (RFB) of the SUDENE incentive report.

3. Summary of significant accounting policies (Continued)

3.12. Government grants and assistance (Continued)

Sudene (Continued)

The reserve set up may be used to: i) absorb losses, provided that the other Profit Reserves have already been fully absorbed, except for the Legal Reserve; ii) increase capital.

3.13. Present value adjustment

Monetary assets and liabilities are measured and, when necessary and material, adjusted to their present value, which considers cash flows and explicit or implicit interest rates. For the purposes of recording and determining whether it is material, the adjustment to present value is calculated considering contractual cash flows and the explicit interest rate, or implicit rate in some cases, for these assets and liabilities. Based on analyses made and on management’s best estimate, the Company concluded that the present value adjustment of current monetary assets and liabilities is material in relation to the overall financial statements and, accordingly, recorded present value adjustments on accounts receivable and trade accounts payable.

3.14. Transactions in foreign currency

Transactions in foreign currency are translated into the Company’s functional currency at the exchange rates in force as of the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate as of that date. Exchange gain from or loss on monetary items is the difference between the amortized cost of the functional currency at the beginning of the period, adjusted for interest and actual payments for the period and the amortized cost in foreign currency at the exchange rate at the end of the reporting period.

Assets and liabilities of subsidiaries abroad are translated into reais at the exchange rate statement of financial position date, and the corresponding statements of profit or loss are translated at the average exchange rates. Foreign exchange differences resulting from said translation are accounted for in other comprehensive income.

3. Summary of significant accounting policies (Continued)

3.15. Revenue from contracts with customers

Revenue arising from products sold comprises the fair value of the consideration received or receivable in the ordinary course of business of the Company and its subsidiaries. Revenue is presented net of taxes, returns, rebates and discounts, where applicable, and after the elimination of sales between Company subsidiaries.

The Company applies the CPC 47/IFRS 15 model to measure and account for revenue from contracts with customers, which establishes that revenue is recognized at an amount that reflects the consideration the Company expects to receive in exchange for the transfer of assets or services to a customer. The model is based on five steps: i) identification of contracts with customers; ii) identification of the performance obligations provided for in the contracts; iii) determination of the transaction price; iv) allocation of the transaction price to the performance obligation provided for in the contracts; and v) revenue recognition when the performance obligation is met.

a) Sale of products

Revenue from the goods sold is recognized when the control of the asset is transferred to the customer, usually when the equipment is delivered to the physical location indicated by the customer, in accordance with the agreed sales terms.

b) Lease

The Company and its subsidiaries earn revenue from software and equipment lease (TaaS) over the term of each contract, when the performance obligation has been fulfilled.

3.16. Leases

At inception of a contract, the Company and its subsidiaries assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company as a lessee

The Company applies a single approach to recognize and measure all leases, except for short-term leases and low-value asset leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets that represent the right to use the underlying assets.

3. Summary of significant accounting policies (Continued)

3.16. Leases (Continued)

Right-of-use assets (Continued)

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

Lease liabilities

At the commencement date, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable by the lessee under residual value guarantees.

When calculating the present value of lease payments, the Company uses its incremental borrowing rate at inception, as the interest rate implicit in the lease cannot be readily determined. After the commencement date, the lease liability amount is increased to reflect the increase in interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured to reflect changes, changes in lease terms, in lease payments (e.g., changes in future payments resulting from a change in an index or rate used to determine such lease payments), or a change in the assessment of an option to purchase the underlying asset.

3. Summary of significant accounting policies (Continued)

3.16. Leases (Continued)

Short-term and low-value asset leases

The Company applies the recognition exemption to its short-term leases (i.e., leases for which the lease term is 12 months or less from the date of commencement and that do not contain a purchase option). The recognition exemption concession also applies to low-value assets. Short-term and low-value asset lease payments are recognized as expenses on a straight-line basis over the lease term.

The Company as a lessor

Leases for which the Company does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Lease revenue is accounted for using the straight-line method during the lease term and is included as revenue in the statement of profit or loss, given its operational nature. Initial direct costs incurred in negotiating operating lease contracts are added to the carrying amount of the leased asset, and recognized over the lease term, similarly to lease revenue.

For lease contracts in which the receipt period is shorter than the contract term, the Company recognizes deferred revenue in liabilities, representing the amount of payments received in advance, which are recognized in profit or loss over the lease term.

3.17. Share-based payment

Executives (key personnel) are rewarded with rights on share appreciation, which can only be settled in cash.

A liability is recognized at the fair value of the cash-settled transaction. The fair value is initially measured and at each reporting date up to the settlement date (including), with changes in fair value recognized as share-based payment expenses. The fair value is recognized as an expense over the period in which the service is provided (vesting period) until the date of the liquidity event, with recognition of a corresponding liability. The fair value is determined based on the multiples model. Further details are presented in Note 22.

The expense in the statement of profit or loss for the period represents changes in cumulative expense recognized at the beginning and end of that period.

3. Summary of significant accounting policies (Continued)

3.18. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of common shares.

3.19. Fair value measurement

The Company measures financial instruments accounted for at fair value at each reporting date. Furthermore, the fair values of financial instruments measured at amortized cost are disclosed in Note 7.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the assumption that the transaction to sell the asset or to transfer the liability will take place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Company must have access to the principal or most advantageous market. The fair value of an asset or liability is measured based on the assumption that market participants would use to define the price of an asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

3. Summary of significant accounting policies (Continued)

3.19. Fair value measurement (Continued)

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

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is either directly or indirectly observable;
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is not observable.

For assets and liabilities recognized in the financial statements at fair value on a recurring basis, the Company determines whether there have been transfers between hierarchy levels, revaluing their categorization (based on the lowest level input that is significant to the entire fair value measurement) at the end of each reporting period.

For fair value disclosure purposes, the Company determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and their fair value hierarchy level, as described above.

3.20. Impairment loss

Another disclosure related to impairment of non-financial assets is available in the following Note: Significant accounting judgments, estimates and assumptions – 3.23. i, ii and iii)

The Company's assessment of impairment is based on the most recent financial forecasts and budgets, which are prepared separately by management for each cash-generating unit to which the assets are allocated. Projections based on these forecasts and budgets generally span a ten-year period. An average long-term growth rate is calculated and applied to future cash flows after the fifth year.

Another disclosure related to impairment of non-financial assets is available in the following Note: Significant accounting judgments, estimates and assumptions – 3.22. i, ii and iii)

3. Summary of significant accounting policies (Continued)

3.20. Impairment (Continued)

The Company's assessment of impairment is based on the most recent financial forecasts and budgets, which are prepared separately by management for each cash-generating unit to which the assets are allocated. Projections based on these forecasts and budgets generally span a ten-year period. An average long-term growth rate is calculated and applied to future cash flows after the fifth year. An asset impairment loss is recognized in profit or loss consistently with the function of the asset subject to the loss. For assets other than goodwill, an assessment is conducted at each reporting date to determine whether there is an indication that the impairment losses previously recognized no longer exist or have decreased. If such indication exists, the Company estimates the recoverable amount of the asset or the cash-generating unit. A previously recognized impairment loss on an asset is reversed only if there has been a change in the estimates used to determine the asset recoverable amount since the impairment loss was last recognized. Reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined (net of depreciation, amortization or depletion) had no impairment loss been recognized for the asset in previous years. Such reversal is recognized in profit or loss.

Goodwill is annually tested for impairment at December 31 or whenever circumstances indicate that the carrying amount has deteriorated. The impairment loss is recognized for a cash-generating unit to which the goodwill is related. When the recoverable amount of the unit is lower than the carrying amount of the unit, the loss is recognized and allocated to reduce the carrying amount of the unit's assets in the following order: (a) reducing the carrying amount of the goodwill allocated to the cash-generating unit; and (b) then, to the other assets of the unit in proportion to the carrying amount of each asset.

Intangible assets with indefinite useful lives are annually tested for impairment at December 31, individually or at the cash-generating unit level, as the case may be, or when circumstances indicate impairment.

3. Summary of significant accounting policies (Continued)

3.21. New accounting pronouncements

a) Accounting pronouncements applied for the first time in the year ended December 31, 2018

IFRS 9/CPC48 – Financial instruments

CPC 48 - Financial instruments, equivalent to IFRS 9, supersedes CPC 38 (equivalent to IAS 39) for annual periods beginning on or after January 1, 2018, and gathers all three aspects of accounting for financial instruments: classification, measurement, and impairment.

The Company applied it prospectively, with the initial adoption date of January 1, 2018. The change had no material impact on the Company's operating, investing and financing cash flows and basic earnings per share.

The nature of these adjustments is as follows:

i) Classification and measurement

CPC 48 contains a new approach to classifying and measuring financial assets that reflects the business model in which assets are managed and their cash flow characteristics, and contains three main categories of classification for financial instruments: measured at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss.

The standard eliminates existing IAS 39 categories held-to-maturity, loans and receivables and available for sale. This nomenclature change does not change how financial instruments are subsequently measured and impacts only the disclosures of financial instruments by category in the financial statements, as follows:

(In thousands of reais)

3. Summary of significant accounting policies (Continued)

3.21. New accounting standards (Continued)

a) Accounting pronouncements applied for the first time in the year ended December 31, 2018 (Continued)

IFRS 9/CPC48 - Financial instruments (Continued)

ii) *Impairment*

Classification – financial assets and liabilities:	IAS 39/CPC 38 classification	IFRS 9/CPC 48 classification
Financial assets:		
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade accounts receivable	Loans and receivables	Amortized cost
Financial liabilities:		
Trade accounts payable	Amortized cost	Amortized cost
Loans and financing	Amortized cost	Amortized cost
Discounted trade bills	Amortized cost	Amortized cost
Tax payment in installments	Amortized cost	Amortized cost
Intercompany loans	Amortized cost	Amortized cost

The Company reviewed its financial assets and liabilities and found that the procedures for recognizing the allowance for expected credit losses needed changes to comply with the standard, since the Company only recognized balances overdue for more than 180 days, which, in turn, failed to accurately reflect reality.

The new loss model developed by the Company was based on an allowance matrix calculated based on the actual loss experience based on the historical analysis of losses of the last 24 months. This analysis also had to be conducted by nature of receivables in a segregated manner. As a result, it was concluded that there were no material misstatements between the historical losses of “Leases” and “Sales”, i.e., the percentage of historical loss for both receivables is equivalent.

The Company applied the modified retrospective method with initial adoption date of January 1, 2018. Reconciliation of the impacts on statement of financial position balances for the year ended December 31, 2018, affected by the new standard, is as follows:

(In thousands of reais)

3. Summary of significant accounting policies (Continued)

3.21. New accounting standards (Continued)

a) Accounting pronouncements applied for the first time in the year ended December 31, 2018 (Continued)

IFRS 9/CPC48 - Financial instruments (Continued)

ii) *Impairment* (Continued)

Statement of financial position	Financial statements at 12/31/2017 (restated)	IFRS 9/CPC 48 adoption impacts	Financial statements at 01/01/2018
Current assets	**183.873**	**(797)**	**183.076**
Accounts receivable. net	**83.583**	**(797)**	**82.786**
Other current assets	**100.290**	**-**	**100.290**
Noncurrent assets	**120.256**	**-**	**120.256**
Other noncurrent assets	**120.256**	**-**	**120.256**
Total assets	**304.129**	**(797)**	**303.332**
Current liabilities	**133.260**	**(797)**	**132.463**
Deferred revenue	**36.264**	**(797)**	**35.467**
Other current liabilities	**96.996**	**-**	**96.996**
Noncurrent liabilities	**111.838**	**-**	**111.838**
Other noncurrent liabilities	**111.838**	**-**	**111.838**
Equity	**59.031**	**-**	**59.031**
Total liabilities	**304.129**	**(797)**	**303.332**

(In thousands of reais)

3. Summary of significant accounting policies (Continued)

3.21. New accounting standards (Continued)

a) Accounting pronouncements applied for the first time in the year ended December 31, 2018 (Continued)

IFRS 9/CPC48 - Financial instruments (Continued)

ii) *Impairment* (Continued)

A reconciliation of the impacts on profit or loss balances for the year ended December 31, 2018, affected by the new standard, is as follows:

Statement of profit or loss	Financial statements at 12/31/2018 without adoption effect	IFRS 9/CPC 48 adoption impacts	Financial statements at 12/31/2018 with adoption effect
Net revenue	**371.536**	**-**	**371.536**
Cost of goods sold and services rendered	**(265.505)**	**-**	**(265.505)**
(=) Gross profit	**106.031**	**-**	**106.031**
Operating expenses	**(51.535)**	**(1.058)**	**(52.594)**
(=) Income before finance income (expenses)	**54.496**	**(1.058)**	**53.438**
Finance income (expenses), net	**(18.582)**	**-**	**(18.582)**
(=) Income before income and social contribution taxes	**35.914**	**(1.058)**	**34.856**
Income and social contribution taxes	**(6.799)**	**-**	**(6.799)**
(=) Net income for the year	**29.115**	**(1.058)**	**28.057**

IFRS 15/CPC47 – Revenue from contracts with customers

CPC 47, equivalent to IFRS 15, supersedes CPC 17 (R1) – Construction contracts (equivalent to IAS 11), CPC 30 - Revenues (equivalent to IAS 18) and related interpretations, and applies, with limited exceptions, to all revenues from contracts with customers. CPC 47 establishes a five-step model to account for revenues from contracts with customers, and requires that revenue be recognized at an amount that reflects the consideration an entity expects to receive in exchange for the transfer of goods or services to a customer.

3. Summary of significant accounting policies (Continued)

3.21. New accounting standards (Continued)

a) Accounting pronouncements applied for the first time in the year ended December 31, 2018 (Continued)

IFRS 15/CPC47 – Revenue from contracts with customers (Continued)

CPC 47 requires that entities exercise judgment, taking into account all significant facts and circumstances when applying each step of the model to contracts with its customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and costs directly related to fulfillment of a contract. In addition, the standard requires more detailed disclosures. The criteria for recognizing the Company's revenue are shown below:

i) Sale of goods

Revenue from the sale of goods is recognized in the statement of profit or loss when all risks inherent in the product are transferred to the buyer and economic benefits are generated in favor of the Company.

ii) Provision of services

Service revenue is recognized based on the performance of services provided for in the service agreements executed by and between the parties, or on the completion of the services, i.e., when the significant risks and rewards are transferred to the buyer. When the result of an agreement cannot be reliably measured, revenue is recognized only to the extent that the expenses incurred may be recovered.

After completion of the analyses prepared by management for application of CPC 47, no impacts on initial adoption were detected.

3. Summary of significant accounting policies (Continued)

3.21. New accounting standards (Continued)

b) Accounting pronouncements applied for the first time in the year ended December 31, 2019

IFRS 16 / CPC 06 R2 - Leases

CPC 06 (R2) - Leases, issued by CPC is equivalent to IFRS 16 - Leases, issued in January 2016, and supersedes the previous version (CPC 06 (R1), equivalent to IAS 17). CPC 06 (R2) establishes principles for the recognition, measurement, presentation and disclosure of leases, and requires that lessees account for all leases using a single statement of financial position model, similarly to accounting for finance leases under CPC 06 (R1).

The Company adopted IFRS 16 using the modified retrospective method of adoption with the initial application date of January 1, 2019. The Company elected to use the practical transition expedient allowing the standard to be applied only to contracts that were previously identified as leases in accordance with IAS 17 and IFRIC 4 on the date of initial application. The Company also elected to use the recognition exemptions for lease agreements whose lease term does not exceed 12 months and whose amounts are not immaterial.

Therefore, the comparative information presented for 2018 has not been restated, i.e., it is presented as previously reported in accordance with CPC 06 (R1) / IAS 17 and related interpretations.

The average incremental rate applied was Selic p.a., depending on the agreement terms.

(In thousands of reais)

3. Summary of significant accounting policies (Continued)

3.21. New accounting standards (Continued)

b) Accounting pronouncements applied for the first time in the year ended December 31, 2019 (Continued)

IFRS 16 / CPC 06 R2 – Leases (Continued)

A reconciliation of the impacts on statement of financial position balances for the year ended December 31, 2019, affected by the new standard, is as follows:

Statement of financial position	Financial statements disclosed at 12/31/2018 (restated)	IFRS 16/CP 06 (R2) adoption impacts	Financial statements at 01/01/2019 with adoption effect
Current assets	260.173	-	260.173
Noncurrent assets	217.511	3.200	220.711
Total assets	**477.684**	**(3.200)**	**480.884**
Short-term lease liabilities	**-**	1.572	1.572
Other current liabilities	285.327	-	285.327
Long-term lease liabilities	**-**	1.628	1.628
Other noncurrent liabilities	133.326	-	133.326
Equity	59.031	-	59.031
Total liabilities and equity	**477.684**	**(3.200)**	**480.884**

Until December 31, 2018, the Company had no finance lease balance in its statement of financial position.

(In thousands of reais)

3. Summary of significant accounting policies (Continued)

3.21. New accounting standards (Continued)

b) Accounting pronouncements applied for the first time in the year ended December 31, 2019 (Continued)

IFRS 16 / CPC 06 R2 – Leases (Continued)

A reconciliation of the impacts on consolidated profit or loss for the year ended December 31, 2019, affected by the new standard, is as follows:

Consolidated statement of profit or loss for the years ended December 31, 2019	Without IFRS 16/CPC 06 (R2) adoption impacts	(R2) a	With IFRS 16/CPC 06 (R2) adoption impacts
Net revenue	506.575	-	506.575
Cost of goods sold and services rendered	(372.927)	-	(372.927)
Gross profit	**133.648**	**-**	**133.648**
Operating income (expenses)			
Depreciation and amortization	(5.984)	(1.686)	(7.670)
Lease expenses	(1.274)	1.274	-
Other operating expenses	(72.982)	-	(72.982)
Income before finance income (expenses)	**53.408**	**(412)**	**52.996**
Finance income (expenses)	(32.378)	(171)	(32.549)
Income before income and social contribution taxes	**21.030**	**(583)**	**20.447**
Income and social contribution taxes	(470)	-	(470)
Net income for the year	**20.560**	**(583)**	**19.977**

IFRIC 23 / ICPC 22 - Uncertainty over income tax treatments

This interpretation clarifies how to apply CPC 32 recognition and measurement requirements when there is uncertainty over income tax treatments. In these circumstances, the entity must recognize and measure its current or deferred tax asset or liability, applying the requirements of CPC 32 / IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, determined based on this interpretation.

3. Summary of significant accounting policies (Continued)

3.21. New accounting standards (Continued)

b) Accounting pronouncements applied for the first time in the year ended December 31, 2019 (Continued)

IFRIC 23 / ICPC 22 - Uncertainty over income tax treatments (Continued)

Company management understands that there are no significant impacts on the interim accounting information, resulting from treatments that could potentially expose the Company to materially probable risks of loss, since the procedures adopted for the calculation and payment of income taxes are supported by legislation and precedents of Administrative and Legal Courts.

c) Accounting pronouncements applied for the first time in the year ended December 31, 2020

Amendments to CPC 15 (R1): Definition of business

The amendments to CPC 15 (R1) clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. In addition, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the Company’s individual and consolidated financial statements.

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

Amendments to CPC 38 and CPC 48 provide exceptions that apply to all hedging relationships directly affected by the interest rate benchmark reform. A hedging relationship is ‘directly affected’ if the reform gives rise to uncertainties about the timing or the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument. These amendments have no impact on the Company’s individual and consolidated financial statements, as it has no interest-rate hedging relationships.

3. Summary of significant accounting policies (Continued)

3.21. New accounting standards (Continued)

c) Accounting pronouncements applied for the first time in the year ended December 31, 2020 (Continued)

Amendments to CPC 26 (R1) and CPC 23: Definition of ‘material’

The amendments provide a new definition of ‘material’, according to which “information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”.

The amendments clarify that the materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement is material if it could reasonably be expected to influence decisions of primary users. These amendments had no impact on the individual and consolidated financial statements, and no future impact is expected for the Company.

Revised CPC 00 (R2): Conceptual Framework for Financial Reporting

The pronouncement revises some new concepts, provides updated definitions and criteria to recognize assets and liabilities, and clarifies some important concepts. These amendments had no impact on the Company’s individual and consolidated financial statements.

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

The amendments provide relief to lessees from applying CPC 06 (R2) guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under CPC 06 (R2), if the change were not a lease modification.

3. Summary of significant accounting policies (Continued)

3.21. New accounting standards (Continued)

c) Accounting pronouncements applied for the first time in the year ended December 31, 2020 (Continued)

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

These amendments had no impact on the Company's individual and consolidated financial statements.

Adoption of these standards, amendments and interpretations had no significant impact on the Company and its subsidiaries in the initial application period.

d) Accounting standards issued, but not yet in force

The new and amended standards and interpretations issued but not effective until the issue date of the Company's and its subsidiaries' financial statements are described below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 - Insurance contracts

In May 2017, the IASB issued IFRS 17 - Insurance Contracts (a standard not yet issued by CPC in Brazil, but which will be codified as CPC 50 - Insurance Contracts and will supersede CPC 11 - Insurance Contracts), a new comprehensive accounting standard for insurance contracts that includes recognition and measurement, presentation and disclosure. As soon as it comes into effect, IFRS 17 (CPC 50) will supersede IFRS 4 - Insurance Contracts (CPC 11) issued in 2005. IFRS 17 applies to all types of insurance contracts (such as life, elementary lines, direct insurance and reinsurance), regardless of the type of entity that issues them, as well as certain guarantees and financial instruments with discretionary participation characteristics. Some scope exceptions apply. The general objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements of IFRS 4, which are largely based on local accounting policies in force in previous periods, IFRS 17 provides a comprehensive model for insurance contracts, covering all significant accounting aspects. The focus of IFRS 17 is the general model, complemented by:

3. Summary of significant accounting policies (Continued)

3.21. New accounting standards (Continued)

d) Accounting standards issued, but not yet in force (Continued)

IFRS 17 - Insurance contracts (Continued)

- A specific adaptation for contracts with characteristics of direct participation (variable rate approach).
- A simplified approach (premium allocation approach) mainly for short-term contracts.

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

Amendments to IAS 1: Classification as current or noncurrent liabilities

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1, related to CPC 26, in order to specify the requirements for classifying the liability as current or noncurrent. The amendments clarify:

- The meaning of a right to defer settlement;
- That the right to defer must exist at the reporting date;
- That this classification is not affected by the likelihood of an entity exercising its right to defer settlement;
- That only if a derivative embedded in a convertible liability is an equity instrument, would the terms of a liability not affect its classification.

These amendments are effective for periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company currently does not expect an impact of this standard on its individual and consolidated financial statements.

3. Summary of significant accounting policies (Continued)

3.22. Significant accounting judgments, estimates and assumptions

Judgments

Preparation of the Company’s financial statements requires that management make judgment and estimates and adopt assumptions that affect those figures reported as revenues, expenses, assets and liabilities, as well as contingent-liability disclosures, as of the financial statements date.

However, uncertainty about these assumptions and estimates could lead to results that would require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

Significant assumptions concerning sources of uncertainty in future estimates and other important sources of estimation uncertainty as of the statement of financial position date, involving significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year are discussed below:

a) *Provisions for civil, tax and labor contingencies*

The Company recognizes a provision for tax, civil and labor claims. Assessment of the likelihood of loss includes an evaluation of available evidence, the hierarchy of laws, available case law, recent court decisions and their relevance in the legal system, as well as the opinion of outside legal advisors. Provisions are reviewed and adjusted to consider changes in circumstances, such as applicable statutes of limitation, tax audit conclusions or additional exposures identified based on new court matters or rulings.

b) *Useful lives of noncurrent assets*

Property, plant and equipment are depreciated and intangible assets are amortized on a straight-line basis, considering rates that approximate their economic useful lives, which are annually reviewed.

3. Summary of significant accounting policies (Continued)

3.22. Significant accounting judgments, estimates and assumptions (Continued)

Estimates and assumptions (Continued)

c) *Allowance for expected credit losses*

An allowance for expected credit losses is set up at an amount deemed sufficient to cover probable realization losses in accounts receivable. In order to determine the sufficiency of the allowance on trade accounts receivable, loss rates are assessed through an allowance matrix that contains the historical bases of losses on receivables of the last 24 months by maturity, their respective amounts and the characteristics of each receivable, considering the likelihood of realization.

When there are significant fluctuations in the loss rate determined from one year to the next, an additional allowance amount will be recorded in the statement of financial position at an amount sufficient to cover the probable losses.

d) *Lease term*

The Company applied judgment to determine the lease term of some contracts, considering the provisions of Law No. 8245 (Tenancy Law), which grants the lessee the right to contractual renewals when certain conditions are met, as well as past practices regarding the Company success in renewing its contracts. The assessment of whether the Company is reasonably certain to exercise these options has an impact on the lease term (average of 5 years), which significantly affects the lease liability amount and the recognized right-of-use assets.

e) *Share-based payment*

The estimated fair value of share-based payments requires that the most adequate valuation model be determined, which depends on the terms and conditions of each grant. This also requires the determination of the most appropriate data for the valuation model, including observable or unobservable data in the market. The Company measures the cost of share-based payment transactions with employees based on the fair value of equity instruments on the grant date. As these are financially settled share-based transactions, the liability needs to be remeasured at each reporting period end through the settlement date, with recognition, in profit or loss, of any changes in fair value, which requires a reassessment of the estimates used at each reporting period end. To measure the fair value of share-based payments granted to employees on the grant date, the Company uses the EBITDA Multiples model.

3. Summary of significant accounting policies (Continued)

3.22. Significant accounting judgments, estimates and assumptions (Continued)

Estimates and assumptions (Continued)

f) *Recoverability of deferred taxes*

Deferred tax assets are recognized for all temporary differences to the extent that taxable profit is likely to be available for realization of assets. Significant judgment from management is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. For more details on deferred taxes, see Note 8.

g) *Impairment of nonfinancial assets*

Management annually reviews the net carrying amount of assets to assess events or changes in economic, operating or technological circumstances which may indicate deterioration or impairment. When such evidence is identified and net carrying amount exceeds recoverable amount, a provision for impairment is set up to adjust the carrying amount to the recoverable amount. The recoverable amount of an asset or a cash generating unit (CGU) is defined as the higher of value in use and fair value less costs to sell. In assessing an asset's value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects the weighted average cost of capital for the industry where the cash-generating unit operates.

Fair value less costs of disposal is determined, whenever possible, based on a firm sales agreement in an arm's length transaction, between knowledgeable and willing parties, after deducting the costs of disposal, or, when a firm sales agreement does not exist, based on market price in an active market, or on price of the most recent transaction with similar assets.

i) *Impairment testing of property, plant and equipment and finite-lived intangible assets*

Property, plant and equipment and finite-lived intangible assets are tested for impairment whenever signs of devaluation are detected.

3. Summary of significant accounting policies (Continued)

3.22. Significant accounting judgments, estimates and assumptions (Continued)

Estimates and assumptions (Continued)

g) *Impairment of nonfinancial assets* (Continued)

ii) *Impairment testing of goodwill for expected future profitability*

Goodwill is tested for impairment annually (at December 31) or whenever circumstances indicate losses due to decrease in carrying amount.

iii) *Impairment testing of indefinite-lived intangible assets*

Indefinite-lived intangible assets are annually tested for impairment at December 31, or whenever circumstances indicate impairment. The test is conducted individually or at the level of the cash-generating unit, as applicable.

The Company measures the effect of this procedure from time to time and, in the 2020 financial statements, it detected no adjustments to be recorded.

iv) *Estimated impairment of assets (inventories)*

For inventories that are damaged, fully or partially obsolete, or even if their selling price has decreased, and their cost can be recovered, the Company remeasures the recoverable amount in order to reduce the cost of the inventory item.

4. Special events that occurred during the period

4.1. Effect of the new Coronavirus on the individual and consolidated financial statements

The Company has been following the new Coronavirus pandemic ("Covid-19") evolution, and has been taking preventive and mitigating measures in line with the guidelines established by the health authorities regarding the safety of its employees and the continuity of its operations.

Among the measures adopted by the Company, we point out the following ones:

- Creation of a prevention committee, involving the Executive Board and the Board of Directors, to assess the COVID-19 evolution on an ongoing basis, its possible impacts and necessary measures;

- New procedures for the protection of employees and third parties working in our facilities, following distancing, hygiene and cleanliness determinations from WHO and other reliable sources;

- Working-from-home plan for approximately 70% of employees - technology systems and remote training, which facilitated the high productivity of teams even from a distance;

- Suspension or postponement of events and national and international business trips;

It is noteworthy that, during the period, the Company did not adopt measures to reduce wages and work hours of its employees, nor did it reduce teams outside the normal course of its operations.

<u>Operational characteristics</u>

WDC Networks's business is resilient due to some of its characteristics:

- Approximately 40% of its revenues are recurring, and with long-term contracts;
- Low revenue concentration: the largest customer accounts for 6% of the Company's revenue;
- Company with a high level of corporate governance and cash generation;
- Majority of sales already took place remotely.

4. Special events that occurred during the period (Continued)

4.1. Effect of the new Coronavirus on the individual and consolidated financial statements (Continued)

Potential impacts on our operation

Since the beginning of the pandemic, the Company has not suffered any material negative impact on its profit or loss resulting from the new economic scenario caused by the Coronavirus. It did not have to interrupt its operations, although they have been temporarily and partially been conducted remotely. Its operations continue normally.

While it has not been impacted, some issues should be highlighted:

- In the period, the greater demand for connectivity and online services increased the volume of products in the Telecom segment, as the essentiality of type of service increased;
- Large projects continued to generate new demands, given the long-term scope of these customers;
- Customers of segments focused on events and places where people are crowded will have their sales postponed to the end of the circulation restriction;
- Default has affected a small number of customers, so we do not have elements or visibility, at this time, to set up additional allowances for expected credit losses.

The Company understands that it is taking appropriate measures to prevent the spread of COVID-19, and to ensure business continuity whilst the pandemic lasts. Although the Company's operations or financial position have not been significantly affected to date, management cannot estimate or foresee the occurrence of future events related to the pandemic. However, it surely continues assessing any impacts on its operations, and undertakes to inform any possible new scenarios and necessary measures to be adopted.

The Company continues to operate and reaffirms its commitment to the safety of its employees, and to guarantee customer service. It is understood that, in view of the limited impact on the Company's operations and financial results, there is no need to recognize losses or additional provisions to date.

5. Corporate restructuring

5.1. Acquisition of Munddo

On January 8, 2019, the Company acquired 100% of the capital of Munddo Comercio e Importação Ltda. (“Munddo”), specialized in the distribution of intelligent systems for home and building automation. The acquisition was mainly motivated by the know-how and commercial relationship with manufacturers in such segments.

The acquisition price was R$3.556 to be paid as follows: (i) R$1.000 paid on contract execution; (ii) R$2.000 paid on January 31, 2019; and (iii) R$556 paid on April 30, 2019.

The contract provided for certain operational and financial objectives for 2019, which, if achieved, could result in the payment of an additional installment by the Company in the amount of R$1.000, to be paid on January 31, 2020. Such objectives were not achieved and, therefore, no earn-out obligation was recorded.

As a result of the transfer of all of Munddo’s units of interest to the Company, as of that date, the Company took over all Munddo’s operations, including relationships with customers, suppliers, service providers and other counterparts, imports, and all other legal relationship activities of the acquiree. The transaction was recorded as a Business Combination, in accordance with IFRS 3/CPC15.

The measurement period ends as soon as the acquirer receives the information they were looking for about facts and circumstances that existed as of the acquisition date or finds that they cannot obtain more information. The measurement period cannot exceed one year from the acquisition date.

5.1.1. Identifiable assets acquired and goodwill

Pursuant to IFRS 3 (R)/CPC 15 (R1) – Business Combinations, business acquisitions are accounted for under the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated by total fair values of transferred assets, liabilities assumed at the date of acquisition from the former controlling members of the acquiree and the units of interest issued in exchange for control of the acquiree. Assets acquired and liabilities assumed were recognized at fair value at the acquisition date based on a financial appraisal report issued by an independent appraisal company:

(In thousands of reais)

5. Corporate restructuring (Continued)

5.1. Acquisition of Munddo (Continued)

5.1.1. Identifiable assets acquired and goodwill (Continued)

Fair value recognized upon acquisition	Munddo
Current assets	**1.683**
Cash and cash equivalents	
Trade accounts receivable	**437**
Inventories	**1.206**
Other assets	**40**
Noncurrent assets	**29**
Property. plant and equipment	**29**
Current liabilities	**431**
Trade accounts payable	**199**
Labor and tax obligations	**59**
Taxes payable	**150**
Other accounts payable	**23**
Total identifiable assets. net	**1.281**
Consideration transfered	**3.556**
Goodwill on business combination	2.275

No other intangible assets were detected that would require allocation by the Company.

The fair value of trade accounts receivable is R$437, and coincides with its carrying amount. The contractual amount is expected to be fully received. From the date of acquisition to the merger, Munddo contributed to the Company with net revenue of R$323 and a net income (loss) of R$ (62).

As the acquisition took place on January 8, 2019, Munddo's contribution to the Company's profit or loss has already been reflected since the beginning of the year, so disclosing the pro-forma profit or loss is not applicable.

Expenses incurred in the acquisition, which amount to R$88, were recognized in the Company's profit or loss for the year ended December 31, 2019, under "Operating expenses - Advisory and consultancy services", and was not considered an integral part of the acquisition cost.

(In thousands of reais)

5. Corporate restructuring (Continued)

5.1. Acquisition of Munddo (Continued)

5.1.1. Identifiable assets acquired and goodwill (Continued)

Considering that the Company acquired 100% of Munddo, no non-controlling interest was involved and, consequently, there was no recognition in this regard. Investments up to the date of merger are presented in Note 10.

5.1.2. Merger of Munddo

On April 30, 2019, the merger of Munddo Importação e Exportação Ltda was completed, and net assets were consolidated by the Company. There was no change in balances between the acquisition and merger of Munddo, except for the Other Assets account.

The carrying amount of net assets merged is as follows:

Assets	
Current assets	
Cash and cash equivalents	**568**
Trade accounts receivable	**293**
Inventories	**1.312**
Total current assets	**2.173**
Noncurrent assets	
Property. plant and equipment	**29**
Total noncurrent assets	**29**
Total assets	**2.202**
Liabilities	
Current liabilities	
Trade accounts payable	**525**
Labor and tax obligations	**-**
Taxes payable	**104**
Other accounts payable	**354**
Total current liabilities	**983**
Net assets merged	**1.219**

The net assets of Munddo Importação e Exportação Ltda. was appraised by experts who issued an appraisal report on the company’s equity on July 19, 2019. The merger of Munddo’s net assets did not affect the Company’s cash flow.

(In thousands of reais)

5. Corporate restructuring (Continued)

5.2. Purchase of assets - Axyon

On August 14, 2018, the Company entered into an asset purchase and sale agreement with Axyon Distribuidora Ltda. ("Axyon") for the sole purpose of acquiring the exclusive right to 100% of current and future contracts with customers in the business industry in which Axyon operates, and the exclusive right to purchase information technology and telecommunications products for certain providers. Due to the mutual interest of the parties, the necessary confirmations to put the purchase and sale agreement into effect were made on the "Closing date", on November 7, 2018, by means of the signed closing term.

Based on CPC 15/IFRS3, the Company concluded that the acquired assets do not constitute a "business", since there are no workforce or other substantial processes that can generate profit or loss. Consequently, the acquisition was not identified as a business combination, but recognized as an "asset acquisition".

The contractual purchase price of the assets was R$17.611, adjusted to present value at the acquisition date, totaling R$15.795. This amount was recorded in intangible assets with a matching entry to Other liabilities - Accounts payable for the acquisition of Axyon's assets. The amount will be paid in quarterly installments until 2023. The amount is monetarily restated by the reference to the IPCA variation. The term for amortization of intangible assets is 45 months.

6. Cash and cash equivalents

6.1. Cash and cash equivalents

Cash equivalents are held by the Company in order to meet short-term cash commitments, rather than for investment or other purposes. The Company considers as cash equivalents those amounts that are readily realizable and convertible into cash.

	Individual			Consolidated		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
		(restated)	**(restated)**		**(restated)**	**(restated)**
Cash and cash equivalents	**32.412**	24.186	4.321	**36.978**	25.192	4.321
Short-term investments (a)	**807**	3.036	98	**807**	3.036	98
Total	**33.219**	27.222	4.419	**37.785**	28.228	4.419

(In thousands of reais)

6. Cash and cash equivalents (Continued)

6.1. Cash and cash equivalents (Continued)

(a) At December 31, 2020, short-term investments in Bank Deposit Certificates (CDB) were remunerated at an average rate of 105% of the CDI (105% of the CDI in 2019), with daily liquidity, redeemable from the issuer without significant loss of value.

6.2. Short-term investments

	Individual			Consolidated		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
		(restated)	**(restated)**		**(restated)**	**(restated)**
Bank deposit certificates (b)	**52.046**	4.130	-	**52.046**	4.130	-
Total	**52.046**	4.130	-	**52.046**	4.130	-

(b) At December 31, 2020, short-term investments in Bank Deposit Certificates (CDB) were remunerated at an average rate of 105% of the CDI (105% of the CDI in 2019), with daily liquidity, redeemable from the issuer without significant loss of value.

7. Trade accounts receivable

	Individual			Consolidated		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
		(restated)	**(restated)**		**(restated)**	**(restated)**
Accounts receivable – goods sold	**187.800**	122.656	86.978	**188.803**	122.821	86.978
Accounts receivable - leases	**43.926**	12.256	44.004	**43.926**	12.256	44.004
Gross accounts receivable	**231.726**	134.912	130.982	**232.729**	135.077	130.982
Allowance for expected credit losses	**(26.558)**	(11.883)	(7.068)	**(26.558)**	(11.883)	(7.068)
Accounts receivable. net	**205.168**	123.029	123.914	**206.171**	123.194	123.914
Current	**161.578**	111.209	78.448	**162.581**	111.374	78.448
Noncurrent	**43.590**	11.820	45.466	**43.590**	11.820	45.466

(In thousands of reais)

7. Trade accounts receivable (Continued)

Changes in allowance for expected credit losses:

	Individual and Consolidated (restated)
At December 31, 2017	(3.180)
Additions	(3.091)
First-time adoption of IFRS 9	(797)
Write-offs	-
At December 31, 2018	(7.068)
Additions	(5.612)
Write-offs	797
At December 31, 2019	(11.833)
Additions	**(14.675)**
Write-offs	**-**
At December 31, 2020	**(26.558)**

The aging list of accounts receivable at December 31, 2020, 2019 and 2018 is as follows:

Aging list of accounts receivable (Consolidated)	**2020**	**2019**	**2018**
Falling due	**163.504**	101.977	110.691
Overdue from 0 to 30 days	**16.741**	10.447	10.899
Overdue from 31 to 90 days	**15.513**	6.718	2.462
Overdue from 91 to 180 days	**7.124**	4.829	2.370
Overdue from 181 to 270 days	**6.437**	2.800	1.168
Overdue from 271 to 365 days	**13.283**	2.086	833
Overdue for more than 365 days	**10.127**	6.220	2.559
Total	**232.729**	135.077	130.982

7.1. Accounts receivable from leases and future minimum lease payments

The Company has equipment lease as a business line. Such leases have an average term of 60 months and minimum lease payments are fixed, subject to annual restatement according to the inflation index.

Future minimum receipts from such leases are as follows:

Such lease contracts generated revenues for the year ended December 31, 2020 in the amount of R$255.427 (R$185.165 and R$102.997 at December 31, 2019 and 2018, respectively), and are disclosed in Note 26.

(In thousands of reais)

7. Trade accounts receivable (Continued)

7.1. Accounts receivable from leases and future minimum lease payments (Continued)

Individual and Consolidated Minimum lease receipts	2020
2021	**211.516**
2022	**101.532**
2023	**47.482**
2024	**27.699**
2025	**11.053**
Total	**399.282**

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

Individual and Consolidated Recognition period	2020
2021	**207.699**
2022	**107.001**
2023	**51.267**
2024	**28.253**
2025	**13.044**
Total	**407.264**

For contracts in which the receipt period is shorter than the lease period, the Company recognizes deferred revenue corresponding to the amounts received in advance, as shown in Note 17.

8. Deferred and recoverable taxes

8.1. Recoverable taxes

	Individual			Consolidated		
	2020	2019 (restated)	2018 (restated)	2020	2019 (restated)	2018 (restated)
Withholding Income Tax (IRRF) recoverable	**439**	430	442	**439**	430	442
IRPJ and CSLL to be offset	**3.378**	2.655	2.103	**3.378**	2.655	2.103
Contribution tax on gross revenue for social integration program (PIS) and for social security financing (COFINS) recoverable	**1.991**	4.060	1.109	**1.991**	4.060	1.109
ICMS recoverable	**13.141**	2.554	39	**13.141**	2.554	39

(In thousands of reais)

IPI to be offset	**1.324**	115	115	**1.324**	115	115
Deferred PIS and COFINS	**601**	1.186	2.030	**601**	1.186	2.030
Other	**11**	3	-	**1.888**	338	-
Total	**20.885**	11.003	5.838	**22.762**	11.338	5.838

8. Deferred and recoverable taxes (Continued)

8.2. Deferred taxes

	Individual and Consolidated		
	2020	**2019**	**2018**
		(restated)	**(restated)**
Deferred income and social contribution taxes refer to:			
Tax assets:			
Allowance for doubtful accounts	**4.981**	2.116	953
Inventory valuation allowance	**3.695**	2.304	417
Provision for share-based payment	**5.006**	1.122	242
Present value adjustment – business combination	**60**	189	223
Present value adjustment – accounts receivable	**543**	399	248
Provision for tax contingencies	**163**	188	-
Provision – deferred revenue (MAXBR)	**1.742**	3.407	6.140
Tax liabilities:			
Derivatives - swap	**(688)**	-	-
Amortization, for tax purposes, of goodwill generated on Munddo acquisition	**(271)**	(116)	-
Deferred tax assets, net	**15.231**	9.610	8.223

8.2.1. Estimated deferred tax realization

	Deferred taxes and social contributions
2021	**10.692**
2022	**4.475**
2023	**64**
Total	**15.231**

(In thousands of reais)

9. Inventories

	Individual			Consolidated		
	2020	**2019 (restated)**	**2018 (restated)**	**2020**	**2019 (restated)**	**2018 (restated)**
Raw materials	**8.882**	3.797	2.830	**8.882**	3.797	2.830
Goods	**75.812**	68.551	81.356	**80.412**	83.841	81.356
Inventory in transit	**31.693**	64.770	83.726	**31.693**	64.770	83.726
Finished products	**27.500**	16.728	-	**27.500**	16.728	-
Software for resale	**3.455**	7.738	-	**3.456**	7.738	-
Estimated asset impairment losses (a)	**(13.162)**	(9.069)	(2.294)	**(13.163)**	(9.069)	(2.294)
Total	**134.180**	152.515	165.618	**138.780**	167.805	165.618

(a) Refers to the amounts of estimated inventory impairment and obsolescence losses. Additions and reversals are included in the cost of goods sold.

Provision for obsolescence	**Individual and Consolidated**
At December 31, 2017	(1.228)
Additions	(1.066)
Reversals	-
At December 31, 2018	(2.294)
Additions	(6.775)
Reversals	-
At December 31, 2019	(9.069)
Additions	**(4.093)**
Reversals	**-**
At December 31, 2020	**(13.162)**

10. Investments

	Individual		
	2020	**2019**	**2018**
Wdc US	**1.414**	706	-
Wdc Colombia	**598**	76	-
Livetec Panama	**497**	-	-
	2.509	782	-

(In thousands of reais)

10. Investment (Continued)

Significant financial information of subsidiaries is as follows:

2020				
Subsidiaries	Percentage of interest	Equity	Net revenue	Net income (loss) for the year
Direct				
Wdc US	**100%**	**1.414**	**5.259**	**503**
Wdc Colombia	**100%**	**598**	**7.921**	**448**
Wdc Panama	**100%**	**497**	**16.771**	**(26)**
Total		**2.509**	**29.951**	**925**

2019				
Subsidiaries	Percentage of interest	Equity	Net revenue	Net income (loss) for the year
Direct				
Wdc US	100%	706	413	296
Wdc Colombia	100%	76	1.084	(298)
Wdc Panama	100%	-	-	-
Total		782	1.497	(2)

Changes in investments are as follows:

Changes in investments	Wdc US	Wdc Colombia	Wdc Panama	Munddo	Total
Balance at December 31, 2018	-	-	-	-	-
Capital increase	402	381	-	-	783
Acquisition of subsidiary – Munddo (a)	-	-	-	3.556	3.556
Equity pickup	296	(298)	-	(62)	(64)
Merger Munddo (b)	-	-		(1.219)	(1.219)
Goodwill transfer to intangible assets (a/b)	-	-	-	(2.275)	(2.275)
Foreign exchange difference on investment (c)	8	(7)	-	-	1
Balance at December 31, 2019	706	76	-	-	782
Capital increase (and other reserves)	**204**	**12**	**519**		**735**
Equity pickup	**503**	**448**	**(26)**		**925**
Foreign exchange difference on investment (c)	**1**	**62**	**4**		**67**
Balance at December 31, 2020	**1.414**	**598**	**497**		**2.509**

(a) Acquisition of Munddo, totaling R$3.556 and goodwill of R$2.275, according to Note 5.1.1

(b) Subsidiary merged on April 30, 2019. See note 5.1.2.

(c) For the year ended December 31, 2020 and 2019, the amounts of R$67 and R$1 were generated, respectively, related to the effects of foreign exchange difference resulting from the translation into reais of the financial statements of subsidiaries headquartered abroad, originally prepared in US dollars (USD), Colombian pesos (COP). These effects are recorded as "Other Comprehensive Income" in Equity.

(In thousands of reais)

11. Property, plant and equipment

At December 31, 2020, 2019 and 2018, the Company has no assets pledged or blocked in court, or assets pledged as collateral for loans and financing, except for the assets subject to finance leasing.

The Company assessed the economic and useful life of property, plant and equipment, and concluded that there are no significant adjustments or changes to be recognized at each year end since there were no significant changes in the estimates and assumptions adopted in the previous year.

Changes in property, plant and equipment in the statement of financial position are as follows:

	Individual							
	Furniture and fixtures	**IT equipment**	**Vehicles**	**Products for lease**	**Machinery and equipment**	**Buildings**	**Other**	**Total**
Annual depreciation rate %	10%	20%	20%	20%	10%	4%	10%	
At December 31, 2017	448	415	1.242	90.150	64	-	242	92.561
Additions	339	492	56	88.288	84	-	16	89.275
Write-offs	-	-	(439)	-	-	-	-	(439)
Depreciation	(93)	(162)	(111)	(35.217)	(21)	-	(40)	(35.644)
At December 31, 2018	694	745	748	143.221	127	-	218	145.753
Additions	127	411	-	150.684	181	-	861	152.264
Merger of Munddo (Note 5.1.1)	6	1	-	-	5	-	17	29
Write-offs	-	-	-	(2)	-	-	(3)	(5)
Depreciation	(115)	(248)	(195)	(58.237)	(34)	-	(38)	(58.867)
At December 31, 2019	712	909	553	235.666	279	-	1.055	239.174
Additions	**99**	**203**	**199**	**191.294**	**7**	**561**	**427**	**192.790**
Write-offs	**(23)**	**(2)**	**(169)**	**(700)**		**-**	**(4)**	**(898)**
Depreciation	**(94)**	**(279)**	**(188)**	**(84.652)**	**(38)**	**-**	**(28)**	**(85.279)**
At December 31, 2020	**694**	**831**	**395**	**341.608**	**248**	**561**	**1.450**	**345.787**
At December 31, 2018								
Cost	1.149	1.408	1.143	229.248	228	-	330	233.506
Accumulated depreciation	(455)	(663)	(395)	(86.027)	(101)	-	(112)	(87.753)
Net residual value	694	745	748	143.221	127	-	218	145.753
At December 31, 2019								
Cost	**1.283**	**1.820**	**1.142**	**379.929**	**414**	**-**	**1.205**	**385.793**
Accumulated depreciation	**(571)**	**(911)**	**(589)**	**(144.263)**	**(135)**	**-**	**(150)**	**(146.619)**
Net residual value	**712**	**909**	**553**	**235.666**	**279**	**-**	**1.055**	**239.174**
At December 31, 2020								
Cost	1.382	1.989	943	542.915	420	561	1.624	549.834
Accumulated depreciation	(687)	(1.159)	(548)	(201.308)	(172)	-	(173)	(204.047)
Net residual value	695	830	395	341.607	248	561	1.451	345.787

(In thousands of reais)

11. Property, plant and equipment (Continued)

	Consolidated							
	Furniture and fixtures	**IT equipment**	**Vehicles**	**Products for lease**	**Machinery and equipment**	**Buildings**	**Other**	**Total**
Annual depreciation rate %	10%	20%	20%	20%	10%	4%	10%	
At December 31, 2017	448	415	1.242	90.150	64	-	242	92.561
Additions	339	492	56	88.288	84	-	16	89.275
Write-offs	-	-	(439)	-	-	-	-	(439)
Depreciation	(93)	(162)	(111)	(35.217)	(21)	-	(40)	(35.644)
At December 31, 2018	694	745	748	143.221	127	-	218	145.753
Additions	141	477	-	150.684	181	-	861	152.344
Acquisition of Munddo (Note 5.1.1)	6	1	-	-	5	-	17	29
Write-offs	-	(1)	-	(2)	-	-	(3)	(6)
Depreciation	(115)	(248)	(195)	(58.237)	(34)	-	(38)	(58.867)
At December 31, 2019	726	974	553	235.666	279	-	1.055	239.253
Additions	**113**	**270**	**199**	**191.294**	**7**	**561**	**427**	**192.871**
Write-offs	**(23)**	**(2)**	**(169)**	**(700)**		**-**	**(4)**	**(898)**
Depreciation	**(94)**	**(296)**	**(188)**	**(84.652)**	**(38)**	**-**	**(28)**	**(85.296)**
At December 31, 2020	**722**	**946**	**395**	**341.608**	**248**	**561**	**1.450**	**345.930**
At December 31, 2018								
Cost	1.149	1.408	1.143	229.248	228	-	330	233.506
Accumulated depreciation	(455)	(663)	(395)	(86.027)	(101)	-	(112)	(87.753)
Net residual value	694	745	748	143.221	127	-	218	145.753
At December 31, 2019								
Cost	**1.298**	**1.886**	**1.142**	**379.929**	**414**	**-**	**1.205**	**385.874**
Accumulated depreciation	**(572)**	**(912)**	**(589)**	**(144.263)**	**(135)**	**-**	**(150)**	**(146.621)**
Net residual value	**726**	**974**	**553**	**235.666**	**279**	**-**	**1.055**	**239.253**
At December 31, 2020								
Cost	1.410	2.121	943	542.915	420	561	1.624	549.994
Accumulated depreciation	(688)	(1.175)	(548)	(201.308)	(172)	-	(173)	(204.064)
Net residual value	**722**	**946**	**395**	**341.607**	**248**	**561**	**1.451**	**345.930**

(In thousands of reais)

12. Intangible assets

Individual (restated)	Software licenses	Software for lease	Customer portfolio	Goodwill	Trademarks and patents	Total
% - Annual amortization rate	20%	20%	27%	Indefinite	20%	
At December 31, 2017	3.918	-	-	-	-	3.918
Additions	203		-	-	-	203
Acquisition of assets - Axyon (a)	-		15.795	-	-	15.795
Amortization	(1.064)		(783)	-	-	(1.847)
At December 31, 2018	3.057	-	15.012	-	-	18.069
Additions	751		-	-	2	753
Goodwill on acquisition of Munddo (b)	-		-	2.275	-	2.275
Amortization	(1.163)		(3.571)	-	-	(4.734)
At December 31, 2019	2.645	-	11.441	2.275	2	16.363
Additions	**404**	**29.451**	**-**	**-**	**13**	**29.868**
Amortization	**(1.272)**	**(2.869)**	**(4.121)**	**-**	**-**	**(8.262)**
At December 31, 2020	**1.777**	**26.582**	**7.320**	**2.275**	**15**	**37.969**

Consolidated (restated)	Software licenses	Software for lease	Customer portfolio	Goodwill on merger	Trademarks and patents	Total
% - Annual amortization rate	20%	20%	27%	Indefinite	20%	
At December 31, 2017	3.918	-	-	-	-	3.918
Additions	203	-	-	-	-	203
Addition due to merger	-	-	15.795	-	-	15.795
Amortization	(1.064)	-	(783)	-	-	(1.847)
At December 31, 2018	3.057	-	15.012	-	-	18.069
Additions	753	-	-	-	2	755
Goodwill on acquisition of Munddo (b)	-	-	-	2.275	-	2.275
Amortization	(1.163)	-	(3.571)	-	-	(4.734)
At December 31, 2019	2.647	-	11.441	2.275	2	16.365
Additions	**405**	**29.451**	**-**	**-**	**13**	**29.869**
Amortization	**(1.272)**	**(2.869)**	**(4.121)**	**-**	**-**	**(8.262)**
At December 31, 2020	**1.780**	**26.582**	**7.320**	**2.275**	**15**	**37.972**

(a) Refers to purchase of assets from Axyon Distribuidora Ltda. for R$17.611, net of present value adjustment do (R$1.816), for the sole purpose of acquiring the exclusive right to 100% of current and future contracts with customers, and the exclusive right to purchase information technology and telecommunications products for certain providers. (Note 5.2).

(b) Goodwill arising from expected future profitability on the acquisition of Munddo (Note 5.1.1).

12. Intangible assets (Continued)

The goodwill acquired through business combination (b) is allocated to the Enterprise cash-generating unit, which is also an operating segment that discloses information, for impairment testing purposes.

The Company carried out an impairment test at December 31, 2020, 2019 and 2018, and considers, among other factors, the relationship between market capitalization and carrying amount, when conducting a review to detect impairment indicators. At December 31, 2020, the Company tested goodwill for impairment and found no impairment indicators.

The recoverable amount of the cash-generating unit to which the goodwill is allocated is R$2,275 at December 31, 2020, and was calculated based on value in use, in view of the cash flow projections based on financial budgets approved by senior management over a ten-year period. The discount rate before taxes applied to cash flow projections is 8,3%, and the cash flow for the period beyond the ten years considers a growth rate of 3,5%.

A significant assumption used in the calculation of the value in use and sensitivity refers to:

<u>Discount rates</u>

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the assumptions included in the cash flow model. The discount rate calculation is based on the specific circumstances of the Company and its operating segments, and is derived from weighted average cost of capital (WACC – Actual). WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment made by the Company’s investors. The cost of debt is based on the interest-bearing borrowings the Company is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

(In thousands of reais)

13. Advances to suppliers

	Individual			Consolidated		
	2020	**2019 (restated)**	**2018 (restated)**	**2020**	**2019 (restated)**	**2018 (restated)**
Advances to local suppliers (a)	**7.894**	6.644	3.099	**9.068**	6.717	3.099
Advances to international suppliers (b)	**25.859**	4.297	866	**25.859**	4.297	866
Total	**33.753**	10.941	3.965	**34.927**	11.014	3.965

(a) These refer to advances for the purchase of goods for resale in the national territory.

(b) These refer to advances for the purchase of goods for resale in foreign territory.

14. Trade accounts payable

	Individual			Consolidated		
	2020	**2019 (restated)**	**2018 (restated)**	**2020**	**2019 (restated)**	**2018 (restated)**
Local suppliers	**61.500**	44.557	29.166	**66.205**	46.970	29.166
Foreign suppliers	**82.869**	45.076	126.602	**82.869**	58.003	126.602
Total	**144.369**	89.633	155.768	**149.074**	104.973	155.768

15. Personnel, social charges and benefits

	Individual			Consolidated		
	2020	**2019 (restated)**	**2018 (restated)**	**2020**	**2019 (restated)**	**2018 (restated)**
Profit sharing and bonus	**5.738**	4.062	2.977	**5.738**	4.062	2.977
Salaries payable	**-**	793	817	**-**	793	817
Vacation pay and 13th monthly salary pay	**2.153**	1.461	778	**2.153**	1.461	778
Social security contribution tax (INSS) payable	**711**	609	405	**711**	609	405
Unemployment Compensation Fund (FGTS) payable	**238**	197	128	**238**	197	128
IRRF	**612**	530	326	**612**	530	326
Management fees payable	**-**	155	-	**-**	155	-
Share-based payment	**14.723**	3.299	711	**14.723**	3.299	711
Other	**23**	27	40	**94**	67	40
Total	**24.198**	11.133	6.182	**24.269**	11.173	6.182

(In thousands of reais)

16. Taxes payable

	Individual			Consolidated		
	2020	**2019 (restated)**	**2018 (restated)**	**2020**	**2019 (restated)**	**2018 (restated)**
Income and social contribution taxes payable	**5.428**	2.347	1.827	**6.964**	2.347	1.827
Federal value-added tax (IPI) payable	**55**	1.513	1.036	**55**	1.513	1.036
State value-added tax (ICMS) payable	**676**	131	871	**676**	131	871
IRRF	**34**	14	4	**34**	14	4
PIS and COFINS payable	**-**	-	334	**-**	-	334
Federal taxes (installment payment plan)	**467**	499	-	**467**	499	-
Other	**436**	330	909	**711**	542	909
Total	**7.096**	4.834	4.981	**8.907**	5.046	4.981

17. Deferred revenues

	Individual			Consolidated		
	2020	**2019 (restated)**	**2018 (restated)**	**2020**	**2019 (restated)**	**2018 (restated)**
Deferred revenues – lease contracts (a)	**7.982**	23.048	93.350	**7.982**	23.048	93.350
Total	**7.982**	23.048	93.350	**7.982**	23.048	93.350
Current	**7.545**	15.066	22.398	**7.545**	15.066	22.398
Noncurrent	**437**	7.982	70.952	**437**	7.982	70.952

(a) Deferred operating lease revenue, arising from asset lease contracts for which the receipt term is shorter than the lease term, will be recognized in profit or loss, as shown in Note 7.

18. Loans, financing and debentures

18.1. Loans in general

Breakdown of the position of loans, financing and debentures taken out by the Company and in effect at the closing date of these financial statements is as follows:

(In thousands of reais)

18. Loans, financing and debentures (Continued)

18.1. Loans in general (Continued)

a) Loans in local currency

							Individual and Consolidated					
							2020		2019		2018	
Financial institution	Annual charges	Maturity	Type	Index	Guarantee	Covenants	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
Banco do Brasil	4,99% to 5,59%	Oct/24	Working capital	CDI	Real property – trade bills	18.2 (d)	**26.190**	**33.011**	27.636	23.667	16.722	29.685
Banco BNDES	11,59%	Dec/23	Working capital	IPCA	Collateral signature/ trade bills	-	**13.333**	**26.972**	-	40.210	-	-
Banco BTG	5,17%	Aug/23	Working capital	CDI	Trade bills	18.2 (a)	**13.333**	**66.698**	32.000	48.334	-	-
Banco CCB	6,30%	Sept/23	Working capital	CDI	Trade bills	-	**6.667**	**11.677**	-	-	-	-
Banco CEF S,A	4,43%	Feb/23	Working capital	CDI	Trade bills	-	**9.091**	**10.613**	2.542	1.491	2.555	4.036
Banco Daycoval	14,57%	Aug/21	Working capital	CDI	Trade bills	-	**1.094**	**164**	1.875	1.277	2.031	3.180
Banco Santander	4,50% a 14,96%	Mar/23	Working capital	CDI	Collateral signature/ trade bills	-	**27.250**	**14.380**	18.972	13.833	4.707	7.451
Banco Votorantim	4,70% a 7,60%	Mar/24	Working capital	CDI	Trade bills	-	**16.144**	**26.670**	3.871	4.772	-	-
							113.102	**190.185**	86.896	133.584	26.015	44.352

b) Loans in foreign currency

							Individual and Consolidated					
							2020		2019		2018	
Financial institution	Annual charges	Maturity	Type	Index	Guarantee	Covenants	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
Banco ABC Brasil	5,06% to 5,20%	Sept/22	Working capital	CDI	Collateral signature/ trade bills	-	**24.011**	**12.609**	6.727	28.604	5.187	5.391
Banco BBM Bocom	5,48% to 6,50%	Mar/24	Finimp	CDI	Trade bills	-	**14.449**	**11.962**	660	13.288	8.317	-
Banco Citi	2,00% a 5,50%	Nov/24	Working capital	LIBOR	Trade bills	18.2 (b)	**23.811**	**27.570**	15.117	24.410	-	-

62.271	**52.141**	22.504	66.302	13.504	5.391

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Notes to individual and consolidated financial statements (Continued)
December 31, 2020, 2019 and 2018
(In thousands of reais)

18. Loans, financing and debentures (Continued)

18.1. Loans in general (Continued)

c) Debentures

							Individual and Consolidated					
							2020		2019		2018	
Financial institution	Annual charges	Maturity	Type	Index	Guarantee	Covenants	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
Banco Itaú	3,50%	Nov/22	Debentures	CDI	Trade bills	18.2 (c)	**18.543**	**18.359**	8.318	40.083	4.860	1.946
Banco Itaú Asset	5,00%	Nov/24	Debentures	CDI	Trade bills	18.2 (c)	**1.111**	**38.927**	-	-	-	-
Banco Bradesco S,A	5,00%	Nov/24	Debentures	CDI	Trade bills	18.2 (c)	**834**	**29.196**	-	-	-	-
							20.488	**86.482**	8.318	40.083	4.860	1.946

	2020	2019	2018
Current	**195.861**	117.718	44.379
Noncurrent	**328.808**	239.969	51.689

(In thousands of reais)

18. Loans, financing and debentures (Continued)

18.1. Loans in general (Continued)

c) Debentures (Continued)

Changes for are as follows:

	Individual and Consolidated
Balance at December 31. 2017	45.138
New debt	81.170
Financial charges	4.450
Payment of interest	(2.081)
Payment of principal	(32.609)
Balance at December 31. 2018	96.068
New debt	325.446
Financial charges	24.106
Payment of interest	(22.628)
Payment of principal	(65.305)
Balance at December 31. 2019	357.687
New debt	**280.989**
Financial charges	**50.288**
Payment of interest	**(47.051)**
Payment of principal	**(117.244)**
Balance at December 31. 2020	**524.669**

18.2. Covenants

The Company has covenants for loans, financing and debentures that restrict its ability to take certain measures, and may require early maturity or refinancing of debts if the Company fails to comply therewith.

Indexes, and minimum and maximum amounts required by these covenants at December 31, 2020, 2019 and 2018 are as follows:

18. Loans, financing and debentures (Continued)

18.2. Covenants (Continued)

a) Banco BTG Pactual S.A. (i) The Company’s net debt to EBITDA ratio (covenants) must be lower than or equal to 2,50 times at December 31, 2020. (ii) The EBITDA to Net finance costs ratio (covenants) of the Company must be greater than or equal to 3,00 times at December 31, 2020.

b) Citibank, N.A. (i) The Company’s net debt to EBITDA (covenants) must be lower than or equal to 2,75 times at December 31, 2020.

c) Debentures 1st Issue

   (i) The Company’s net debt to EBITDA (covenants) must be lower than or equal to 2,50 times at December 31, 2020.

   (ii) The Company’s EBITDA to Net finance costs ratio (covenants) must be greater than or equal to 3,00 times at December 31, 2020.

d) Banco do Brasil (agreement 333.602.663) (i) Net debt to EBITDA ratio (covenants) must be lower than or equal to 3,00 times at December 31, 2020. (ii) The EBITDA to Net finance income (costs) ratio (covenants) of the Company must be greater than or equal to 1,50 times at December 31, 2020.

   At December 31, 2020, 2019, 2018 all of the above financial ratios had been met.

(In thousands of reais)

19. Leases

	Individual and Consolidated		
	2020	**2019**	**2018**
Assets			
Right-of-use asset	**5.313**	4.452	-
Total	**5.313**	4.452	-
Liabilities			
Leased real properties	**5.431**	4.509	-
Leased equipment	**-**	-	-
Total	**5.431**	4.509	-
Current liabilities	**2.650**	1.885	-
Noncurrent liabilities	**2.781**	2.624	-

Changes in right-of-use assets for the year are as follows:

	Individual and Consolidated
Balance at December 31, 2018	-
First-time adoption of IFRS 16	3.200
Additions	2.938
Depreciation	(1.686)
Balance at December 31, 2019	4.452
Additions	**3.720**
Depreciation	**(2.859)**
Balance at December 31, 2020	**5.313**

Changes in lease liabilities for the year are as follows:

	Individual and Consolidated
Balance at December 31, 2018	-
First-time adoption of IFRS 16	3.200
Additions	2.938
Charges	171
Payments	(1.800)
Balance at December 31, 2019	4.509
Additions	**3.720**
Charges	**329**
Payments	**(3.127)**
Balance at December 31, 2020	**5.431**

(In thousands of reais)

19. Lease agreements (Continued)

The future maturities of the lease liabilities are as follows:

	2020
2021	2.650
2022	2.174
2023	394
2024	213
	5.431

Upon initial recognition, to determine the fair value of the lease, the nominal discount rate was applied to the expected minimum payments, considering the lease agreement term. At December 31, 2020 and 2019, the average lease term was 30 months.

20. Other obligations

	Individual			Consolidated		
	2020	**2019 (restated)**	**2018 (restated)**	**2020**	**2019 (restated)**	**2018 (restated)**
Accounts payable for acquisition of assets – Axyon (a)	**6.774**	11.519	15.492	**6.774**	11.519	15.492
Advance from customers	**27.319**	5.834	5.059	**27.319**	5.874	5.059
Bill and hold transactions (b)	**9.980**	8.287	619	**9.980**	8.287	619
Other	**872**	1.246	981	**1.152**	1.782	981
Total	**44.945**	26.886	22.151	**45.225**	26.925	22.151
Current	**44.945**	22.055	11.830	**45.225**	22.094	11.830
Noncurrent	**-**	4.831	10.321	**-**	4.831	10.321

(a) Refers to purchase of assets from Axyon Distribuidora Ltda. for the sole purpose of acquiring the exclusive right to 100% of current and future contracts with customers, and the exclusive right to purchase information technology and telecommunications products for certain providers (Note 5.2).

(b) Total balance of this account comprises simple invoices, which are awaiting the customer's definition of goods destination (solar energy products). When shipped, the bill-and-hold invoice is generated and revenue is recognized.

(In thousands of reais)

21. Provisions for contingencies

Contingencies classified as probable losses

	Individual and Consolidated			
	Labor	**Tax**	**Civil**	**Total**
At December 31, 2017	413	369	-	782
Additions	-	-	97	97
Write-offs	(364)	(224)	-	(588)
Monetary restatement	18	55	-	73
At December 31, 2018	67	200	97	364
Additions	-	412	-	412
Payment	(67)	(56)	(97)	(220)
At December 31, 2019	**-**	**556**	**-**	**556**
Additions	**-**	**364**	**-**	**364**
Write-offs	**-**	**(441)**	**-**	**(441)**
At December 31, 2020	**-**	**479**	**-**	**479**

The Company is party to certain legal matters arising from the normal course of its business, which include tax and civil proceedings.

The Company classifies the risk of loss in legal proceedings as “probable”, “possible” or “remote”. The provision recorded in relation to such proceedings is determined by Company management, based on the analysis of its legal advisors, and reasonably reflects the estimated probable losses.

Company management believes that the provision for labor, tax and civil contingencies, set up in accordance with CPC 25 - Provisions, Contingent Liabilities and Contingent Assets, is sufficient to cover losses, if any, arising from administrative and legal proceedings, as follows:

Tax

The Company has legal disputes with Brazil’s Telecommunications Regulatory Agency (Anatel) for possible products in breach of what has been determined by the regulatory agency. The balance recorded at December 31, 2020 is R$479 (R$556 at December 31, 2019 and R$200 at December 31, 2018).

(In thousands of reais)

21. Provisions for legal claims (Continued)

Contingencies classified as possible losses

	Individual and Consolidated			
	Labor	**Tax**	**Civil**	**Total**
At December 31, 2017	-	1.298	52	1.350
Additions	-	-	97	97
Write-offs	-	-	-	-
Monetary restatement	-	-	-	-
At December 31, 2018	-	1.298	149	1.447
Additions	-	74	-	74
Write-offs	-	-	-	-
Monetary restatement	-	28	-	28
At December 31, 2019	-	1.400	149	1.549
Additions	**51**	**110**	**208**	**369**
Write-offs	**-**	**(109)**	**(142)**	**(251)**
Monetary restatement	**-**	**8**	**-**	**8**
At December 31, 2020	**51**	**1.409**	**216**	**1.675**

Tax

The Company filed a Protest Letter and a Pleading for the suspension of tax liability enforceability based on its enrollment with the Special Tax Settlement Program (PERT), which are still pending judgment. At December 31, 2020, the amounts of proceedings classified as possible losses totaled R$1.409 (R$1.400 at December 31, 2019 and R$1.298 at December 31, 2018).

22. Share-based payment

On January 17, 2019, the Company's Board of Directors approved the variable share-based payment plan, appointing key professionals to participate in the plan and the total amount to be distributed. The plan is classified as cash settlement.

(In thousands of reais)

22. Share-based payment (Continued)

The vesting period of the Plan is four years, from the earlier of when 2B Capital fund became a shareholder of the Company, in April 2017, or the date the professional is hired (initial date).

The vesting period is determined as follows:

Vesting period	18 months	24 months	36 months	48 months	Total
Percentage of variable compensation	25,0%	50,0%	75,0%	100,0%	**100,0%**
				Total	**100,0%**

The contract provides that the beneficiary acquires the right to receive gross variable compensation over time (vesting period) to be calculated by applying a percentage (depending on the beneficiary) on the positive amount obtained from Company's share value in said Liquidity Event less the share price of the initial date, according to the following formula:

$$\begin{gathered} \textit{Variable compensation amount} = \\ \textit{Percentage of variable compensation (depending on the beneficiary)} \times \textit{(Company appraisal amount at the initial date)} \end{gathered}$$

The sale of shares accounting for at least 50% (fifty percent) plus one share of the Company's capital is defined as a liquidity event. The base value per share on the grant date is restated by reference to the IPCA/IBGE variation from the grant date to the date of the liquidity event, multiplied by the total number of shares issued by the Company on the same date.

Considering that the Liquidity Event did not take place at December 31, 2020, no rights were exercised or amounts were settlement.

(In thousands of reais)

22. Share-based payment (Continued)

As the settlement will be in cash, the liability must be measured at fair value at the end of each reporting period, until settlement, and any changes in fair value must be recognized in profit or loss for the year. The fair value of shares must be measured at the market price of the Company's shares (or estimated market price, if the shares are not publicly traded), adjusted by the terms and conditions under which the shares were granted.

In the case of the Company, as the shares granted are subject to terms and conditions that are not applicable to the shares traded on the market (unobservable), the fair value of the shares must be determined by applying an option pricing model, which estimates at what price the respective equity instruments could be traded, on the measurement date, in a transaction between parties with knowledgeable and willing parties. The valuation technique must be consistent with the generally accepted valuation methodologies for pricing financial instruments. In this sense, the Company applied the option pricing model "multiple of EBITDA", which considers the assumption of historical equity value and current expectation based on observable market information (level 2), and the terms and conditions under which the rights on the valuation of shares were granted. The share-based payment liability is disclosed in Note 15. At December 31, 2020, the Company recognized expenses with share-based payment in the amount of R$11.424 (R$2.588 and R$711 at December 31, 2019 and 2018, respectively).

23. Equity

23.1. Capital stock

Fully subscribed and paid-in capital at December 31, 2020, 2019 and 2018 amounts to R$86.666, comprising shares with no par value.

At December 31, 2020, 2019 and 2018, shares are held as follows:

	Common shares	
Shareholder	**Number of shares (thousand)**	**%**
Vanderlei Rigatieri Junior	45.815	51,1%
2B Capital - Brasil Capital de Crescimento	38.678	43,2%
Francisco Sérgio Day de Toledo	5.091	5,7%
Total shares	**89.584**	**100,0%**

There were no events in the period that changed the Company's shareholding structure.

(In thousands of reais)

23. Equity (Continued)

23.2. Legal reserve

This is set up with allocation of 5% of net income for each financial year, under the terms of article 193 of Law No. 6404/76, limited to 20% of capital. At December 31, 2020, 2019 and 2018, the Company set up reserves in the amounts of R$3.529, R$1.056 and R$1.403, respectively.

23.3. Dividends

The Company's articles of incorporation establish mandatory minimum dividend of 25%, calculated on the annual net income, adjusted pursuant to Article 202 of Law No. 6404/76. Dividends resolved for 2020 were calculated as follows:

	2020	2019 (restated)	2018 (restated)
Net income for the year	**70.587**	19.977	28.057
Grant reserve	**(7.435)**	(880)	(1.201)
Allocation to legal reserve	**(3.529)**	(1.056)	(1.403)
Total	**59.623**	18.041	25.453
Adjusted net income	**59.623**	18.041	25.453
Allocation			
Mandatory minimum dividend (25%)	**(14.906)**	(4.798)	(6.363)
Additional dividends	**-**	-	(212)
Retained profits reserve	**(14.901)**	-	-
Absorption of accumulated losses	**29.816**	13.243	18.878

23.4. Investment grant reserve

At December 31, 2020, the Company recorded R$11.961 referring to the tax incentive to reduce 75% of income tax until calendar year 2024, as per Brazilian IRS Regulatory Decision No. 129/2015, calculated based on profit from tax incentive operations (*lucro da exploração*), related to the Manufacture and Assembly of Communication and Security Equipment. Income obtained with this tax benefit is recognized as income or reduction of expenses in profit or loss for the period and transferred to the grant reserve account in equity. For the year ended December 31, 2020, total benefit obtained was R$7.435 (R$880 for the year ended December 31, 2019 and R$1.201 for 2018).

23. Equity (Continued)

23.5. Reserve for goodwill on share subscription

On April 17, 2017, capital increase in the amount of R$30.000 was approved, with issue of 28.036.726 common shares, fully subscribed by 2B Capital, under the terms of the subscription instrument, for the price of R$40.000. Of the total share issue price, R$30.000 is allocated to form capital, and the remaining balance, R$10.000, is allocated to the capital reserve account as goodwill on share subscription.

23.6. Retained profits reserve

The Company created a retained profit reserve on the amount of net income for the year not distributed under the terms of paragraph 4 (article 202 of Law No. 6404), and, if not absorbed by losses in subsequent years, such profits are to be paid as dividends as soon as the Company's financial position allows it. Profits not allocated under the terms of articles 193 to 197 should be distributed as dividends.

23.7. Earnings per share

Basic earnings per share are calculated by dividing net income attributable to the Company's shareholders by the weighted average number of shares outstanding for the period, as follows:

	2020	2019 (restated)	2018 (restated)
Net income for the year	**70.587**	19.977	28.057
Weighted average number of outstanding shares (in thousands of shares) (a)	**44.792**	44.792	44.792
Basic earnings per share (in reais)	1,5758	0,4460	0,6264

The Company does not have any instrument that has a dilutive effect. Accordingly, diluted earnings per share are equivalent to basic earnings per share.

(a) In connection with the Special General Shareholders' Meeting held on February 15, 2021, a reverse stock split was approved, with capital comprising 44.792 thousand shares. Accordingly, the weighted average number of shares outstanding was adjusted and is reflecting the effects of the reverse stock split for all years presented. See Note 33.

(In thousands of reais)

24. Income and social contribution taxes

	Individual			Consolidated		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
		(restated)	**(restated)**		**(restated)**	**(restated)**
Income before taxes	**90.948**	20.357	34.856	**91.280**	20.447	34.856
Expenses with income and social contribution taxes at the rate of 34%	**(30.922)**	(6.921)	(11.851)	**(31.035)**	(6.952)	(11.851)
				-		-
Additions / (exclusions) on permanent differences:				**-**		-
Nondeductible expenses	**(1.093)**	(158)	(3.877)	**(1.093)**	(158)	(3.877)
Allocation of deferred revenues (MAXBr)	**3.595**	5.728	7.057	**3.595**	5.728	7.057
Other (PVA, equity pickup, and other)	**24**	24	499	**(195)**	(35)	499
Tax benefits (SUDENE/PAT)	**8.035**	947	1.373	**8.035**	947	1.373
TOTAL IR/CS	**(20.361)**	(380)	(6.799)	**(20.693)**	(470)	(6.799)
					-	-
Current income and social contribution taxes	**(25.982)**	(1.767)	(5.018)	**(26.314)**	(1.857)	(5.018)
Deferred income and social contribution taxes	**5.621**	1.387	(1.781)	**5.621**	1.387	(1.781)
						-
IR/CS effective rate	**-22,39%**	-1,87%	-19,51%	**-22,67%**	-2,30%	-19,51%

25. Related-party balances and transactions

Key management personnel compensation and related parties

The amount of compensation paid by the Company to its Board of Directors and Statutory Officers was recorded in general and administrative expenses. The share-based payment is still outstanding, recorded in Personnel, Charges and social benefits.

	Individual and Consolidated		
	2020	**2019**	**2018**
Executive board compensation (fixed)	**2.984**	2.860	2.225
Performance bonus (variable)	**1.744**	1.641	1.298
Share-based payment	**2.982**	673	-
Total	**7.710**	5.174	3.523

(In thousands of reais)

25. Related-party balances and transactions (Continued)

Key management personnel compensation and related parties (Continued)

For the years ended December 31, 2020, 2019 and 2018, our Directors and Officers did not receive any pension, retirement or similar benefits.

Related-party transactions

The main related-party balances arise from transactions with companies related to the Company, which were carried out at prices and conditions negotiated between the parties, as follows:

	Individual		
	2020	**2019**	**2018**
Assets			
Intercompany loans – Colombia (a)	**3.991**	537	-
Total	**3.991**	537	-

	Individual		
	2020	**2019**	**2018**
Liabilities			
Loan with shareholder (b)	**-**	-	4.701
Guarantor remuneration (c)	**309**		-
Total	**309**	-	4.701

	Individual		
	2020	**2019**	**2018**
Profit or loss			
Loan expenses – Shareholder (b)	**-**	-	201
Guarantor remuneration (c)	**4.148**	-	-
Total	**4.148**	-	201

(a) Loan agreement with related parties executed with subsidiary Colombia.

(b) Loan agreement with related party Vanderlei Rigatieri Junior

(c) Agreement with officers Vanderlei Rigatieri and Francisco Sergio Day Toledo, as guarantors of obligations assumed by the Company.

In addition to the abovementioned transactions, the Company has:

(b) Lease agreement with related parties with PDV Industrialização de Equipamentos Eletrônicos Ltda:

(In thousands of reais)

25. Related-party balances and transactions (Continued)

Related-party transactions (Continued)

	2020			2019			2018	
Type	Assets	Liabilities	Profit or loss	Assets	Liabilities	Profit or loss	Liabilities	Profit or loss
Lease of real property	**557**	**600**	**480**	878	945	420	768	384
Lease of forklift	**112**	**117**	**117**	-	-	116	-	39
	669	**717**	**597**	878	945	536	768	423

The leases do not have a contractual provision for the application of interest, and are restated only on renewals or by means of addenda. The transactions are carried out under conditions agreed by and between the parties. The contracts are covered by IFRS 16, and therefore, amounts are presented as Operating Leases and Right of use (Note 19). PDV is not consolidated in the Company.

(c) Product purchase and sale transactions and cash advance between Livetech and its subsidiary Livetech Panama:

	Individual		
	2020	2019	2018
Assets			
Advances to suppliers	**12.885**	-	-
Liabilities	**-**	-	-
Trade accounts payable	**17.180**	-	-

The abovementioned amounts are presented net in the financial statements.

26. Revenue from contracts with customers

	Individual			Consolidated		
	2020	2019	2018	2020	2019	2018
Gross sales revenue	**595.683**	439.815	339.496	**608.975**	442.831	339.496
Gross lease revenue	**255.427**	185.165	102.997	**255.427**	185.165	102.997
Gross revenue	**851.110**	624.980	442.493	**864.402**	627.996	442.493
(-) Taxes on revenue	**(133.703)**	(107.844)	(62.348)	**(133.794)**	(107.846)	(62.348)
(-) Returns	**(12.542)**	(13.574)	(8.609)	**(12.563)**	(13.575)	(8.609)
Net revenue	**704.865**	503.562	371.536	**718.045**	506.575	371.536

(In thousands of reais)

27. Costs of goods sold and services rendered

	Individual			Consolidated		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
Cost of goods sold	**(361.993)**	(285.082)	(214.726)	**(371.681)**	(287.383)	(214.726)
Cost of depreciation	**(84.613)**	(57.617)	(35.088)	**(84.614)**	(57.617)	(35.088)
Costs of import and freight	**(12.958)**	(14.138)	(8.110)	**(12.958)**	(14.138)	(8.110)
Personnel costs	**(3.371)**	(6.110)	(4.197)	**(3.371)**	(6.110)	(4.197)
Provision for inventory obsolescence	**(4.093)**	(6.775)	(1.066)	**(4.093)**	(6.775)	(1.066)
Services rendered – legal entities	**(996)**	(521)	(207)	**(996)**	(521)	(207)
Other costs	**(1.331)**	(338)	(2.111)	**(1.334)**	(383)	(2.111)
Total costs	**(469.355)**	(370.581)	(265.505)	**(479.047)**	(372.927)	(265.505)

28. Expenses by nature

	Individual			Consolidated		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
Personnel	**(52.696)**	(34.978)	(22.164)	**(53.023)**	(35.052)	(22.164)
Freight and storage	**(18.282)**	(10.963)	(7.360)	**(18.743)**	(10.972)	(7.360)
Allowance for doubtful accounts	**(14.675)**	(5.612)	(3.091)	**(14.675)**	(5.612)	(3.091)
Marketing and publicity	**(892)**	sale	(2.489)	**(892)**	(5.143)	(2.489)
Sales representation	**(6.414)**	(3.651)	(1.760)	**(6.417)**	(3.654)	(1.760)
Travel and lodging	**(688)**	(1.710)	(858)	**(688)**	(1.710)	(858)
Tax expenses	**2.178**	(634)	(4.485)	**2.178**	(634)	(4.485)
Services rendered – legal entities	**(5.545)**	(4.767)	(2.871)	**(5.942)**	(4.967)	(2.871)
Depreciation and amortization	**(11.787)**	(7.669)	(2.403)	**(11.803)**	(7.670)	(2.403)
Conservation and repair	**(1.603)**	(1.816)	(1.073)	**(1.603)**	(1.816)	(1.073)
Consumption expenses	**(2.243)**	(2.743)	(2.631)	**(3.500)**	(3.186)	(2.631)
Other expenses	**(595)**	(236)	(1.408)	**(595)**	(236)	(1.408)
Operating expenses	**(113.242)**	(79.922)	(52.593)	**(115.703)**	(80.652)	(52.593)
Personnel expenses	**(52.696)**	(34.978)	(22.164)	**(53.023)**	(35.052)	(22.164)
Selling expenses	**(40.951)**	(27.079)	(15.558)	**(41.415)**	(27.091)	(15.558)
General and Administrative expenses	**(15.154)**	(13.070)	(9.759)	**(15.567)**	(13.271)	(9.759)
Other operating income (expenses), net	**(4.441)**	(4.795)	(5.112)	**(5.698)**	(5.238)	(5.112)

(In thousands of reais)

29. Finance income (expenses)

	Individual			Consolidated		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
Finance income	**51.020**	15.226	11.712	**51.301**	15.326	11.712
Foreign exchange differences	**25.132**	8.959	7.394	**25.413**	9.059	7.394
Fair value adjustment of derivative instruments	**16.575**	621	-	**16.575**	621	-
Interest income	**8.723**	4.912	3.076	**8.723**	4.912	3.076
Short-term investment income	**265**	130		**265**	130	
Other finance income	**325**	604	1.242	**325**	604	1.242
						-
Finance expenses	**(83.265)**	(47.864)	(30.294)	**(83.316)**	(47.875)	(30.294)
Foreign exchange differences	**(21.300)**	(16.314)	(16.532)	**(21.351)**	(16.321)	(16.532)
Fair value adjustment of derivative instruments	**-**	-	(2.986)	**-**	-	(2.986)
Interest on loans, financing and debentures	**(50.288)**	(24.106)	(4.450)	**(50.288)**	(24.106)	(4.450)
Guarantor remuneration	**(4.148)**	-	-	**(4.148)**	-	-
Discounts granted	**(866)**	(880)	(1.749)	**(866)**	(880)	(1.749)
Charges on discounted trade bills	**-**	(244)	(1.162)	**-**	(244)	(1.162)
Tax on Financial Transactions (IOF) and income tax on loans	**(4.435)**	(5.618)	(2.228)	**(4.435)**	(5.618)	(2.228)
Banking fees	**(1.263)**	(531)	(908)	**(1.263)**	(535)	(908)
Other finance expenses	**(965)**	(171)	(279)	**(965)**	(171)	(279)
						-
Finance income (expenses), net	**(32.245)**	(32.638)	(18.582)	**(32.015)**	(32.549)	(18.582)

30. Risk management and valuation of financial instruments

a) Risk considerations

Credit risk

Credit risk is the risk that a counterparty to an arrangement will fail to comply with an obligation defined in a financial instrument or contract, which would cause financial losses. The Company is exposed to credit risk in its operating activities (mainly related to accounts receivables and credit notes) and financing activities, including deposits in banks and financial institutions.

Liquidity risk

The risk management policy implies maintaining a safe level of cash and cash equivalents or access to readily obtainable funds. The Company's goal is to maintain the balance between continuity of funds and flexibility in checking accounts available for immediate use through secured accounts, bank loans, derivatives and intercompany loans.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument may vary due to variations in market interest rates. The Company's exposure to changes in market interest risk mainly refers to non-current obligations subject to variable interest rates. The Company has loans and financing from major financial institutions to meet cash needs for investments and growth. As a result of these transactions, the Company is exposed to the risk of debt pegged to the Interbank deposit certificate (CDI).

Currency risk

This is the risk that the fair value of the future cash flows of a financial instrument will fluctuate due to exchange rate differences. Company exposure to exchange rate fluctuation refers mostly to Company's operating activities (when revenues or expenses are denominated in a currency other than functional currency). The Company manages its currency risk through goods acquisition transactions with foreign suppliers, which are expected to occur within the 12-month period from the purchase to the settlement of the supplier's invoice.

30. Risk management and valuation of financial instruments (Continued)

b) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the assumption that the transaction to sell the asset or to transfer the liability will take place either:

- In the principal market for the asset or liability.
- In the absence of a principal market, in the most advantageous market for the asset or liability. The Company must have access to the principal (or most advantageous) market.

The fair value of an asset or liability is measured based on the assumption that market participants would use to define the price of an asset or liability, assuming that market participants act in their best economic interest. Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances, and for which sufficient input is available to measure fair value, maximizing the use of significant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which a fair value is measured or disclosed in financial statements are categorized within the fair value hierarchy described below, based on the lowest level input that is significant to the entire fair value measurement:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is either directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is not observable.

For assets and liabilities recognized in the financial statements on a recurring basis, the Company determines whether there have been transfers between hierarchy levels, revaluing their categorization (based on the lowest level input that is significant to the entire fair value measurement) at the end of each reporting period. Where applicable, independent appraisers will be involved in the valuation of significant assets and liabilities.

30. Risk management and valuation of financial instruments (Continued)

b) Fair value measurement (Continued)

The involvement of independent appraisers is decided, on an annual basis, after discussion with and approval by management. Selection criteria include knowledge of the market, reputation, independence and verification that professional standards are fulfilled. The Company usually rotate appraisers every three years. Management decides, after discussion with the Company's independent appraisers, which valuation techniques and information will be used in each case.

At each reporting date, management analyzes changes in the values of assets and liabilities that should be measured or reassessed in accordance with the Company's accounting policies. For the purposes of this analysis, management confirms significant information used in the preceding valuation, and compares the information contained in the valuation calculation with the contracts and other relevant documents.

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

For fair value disclosure purposes, the Company determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and their fair value hierarchy level, as described above. Corresponding disclosures at fair value of financial instruments and nonfinancial assets measured at fair value or, upon disclosure of fair values, are summarized in the respective notes.

The main financial instruments in assets and liabilities at December 31, 2020, 2019 and 2018, as well as their respective market values, are disclosed below:

(In thousands of reais)

30. Risk management and valuation of financial instruments (Continued)

b) Fair value measurement (Continued)

	Fair value hierarchy	Classification	Carrying amount 2020	Carrying amount 2019	Carrying amount 2018	Fair value 2020	Fair value 2019	Fair value 2018
Assets (current and noncurrent)								
Cash and cash equivalents	Level 1	Amortized cost	**37.785**	28.228	4.419	**37.785**	28.228	4.419
Short-term investments	Level 1	Amortized cost	**52.046**	4.130	-	**52.046**	4.130	-
Accounts receivable, net	Level 2	Amortized cost	**206.171**	123.194	123.914	**206.171**	123.194	123.914
Derivative financial instruments	Level 2	Fair value through profit or loss	**14.210**	366	-	**14.210**	366	-
Total			**310.212**	155.918	128.333	**310.212**	155.918	128.333
Liabilities (current and noncurrent)								
Trade accounts payable	Level 2	Amortized cost	**149.074**	104.973	155.768	**149.074**	104.973	155.768
Loans and financing	Level 2	Amortized cost	**524.669**	357.687	96.068	**524.669**	357.687	96.068
Discounted trade bills	Level 2	Amortized cost	**-**	-	25.527	**-**	-	25.527
Derivative financial instruments	Level 2	Fair value through profit or loss	**-**	2.731	2.986	**-**	2.731	2.986
Lease liabilities	Level 2	Amortized cost	**5.431**	4.509	-	**5.431**	4.509	-
Related parties	Level 2	Amortized cost	**309**	-	4.701	**309**	-	4.701
Other obligations	Level 2	Amortized cost	**45.225**	26.925	22.151	**45.225**	26.925	22.151
Total			**724.708**	496.825	307.201	**724.708**	496.825	307.201

(In thousands of reais)

30. Risk management and valuation of financial instruments (Continued)

b) Fair value measurement (Continued)

The objectives of the Company and its subsidiary in managing their capital are to safeguard their ability to continue as a going concern in order to provide returns to their shareholders and guarantee to other stakeholders, and to maintain an optimal target capital structure.

There were no changes in objectives, policies or processes for the years ended December 31, 2020, 2019 and 2018.

b.1) *Exposure to currency risk*

In order to reduce cash flow volatility, derivative transactions (swap) were carried out, which consist of converting the cash flow of certain loan and financing agreements into R$, with rates mainly pegged to the CDI. Swaps basically provide for an agreement for two parties to exchange the risk of a long (creditor) or short (debtor) position, at a future date, according to previously established criteria. In these swap transactions, the Company pays fixed rates in US$ and receives remuneration in R$ pegged to the interest rates of the hedged debts. The average exchange rate considered for the US dollar, R$4.03, at December 31, 2020 was obtained from Bloomberg.

		2020		
		Fair value		
Contacts	**Reference value**	**Adjustment receivable**	**Adjustment payable**	**Net position**
SWAP (exchange rate)	**65.035**	**58.925**	**(44.715)**	**14.210**
		Assets		**14.210**
		Liabilities		**-**
		Current		**8.088**
		Noncurrent		**6.122**

		2019		
		Fair value		
Contacts	**Reference value**	**Adjustment receivable**	**Adjustment payable**	**Net position**
SWAP (exchange rate)	88.807	62.164	(64.529)	(2.365)
		Assets	-	366
		Liabilities	-	(2.731)

(In thousands of reais)

30. Risk management and valuation of financial instruments (Continued)

b) Fair value measurement (Continued)

b.1) *Exposure to currency risk* (Continued)

		2018		
		Fair value		
Contacts	Reference value	Adjustment receivable	Adjustment payable	Net position
SWAP (exchange rate)	52.324	51.829	54.814	(2.986)
		Assets	-	-
		Liabilities	-	(2.986)

c) Changes in liabilities from financing activities

	Consolidated							
	At December 31, 2019	Payment of dividends	Payment of principal	Payment of interest	Foreign exchange difference and/or interest expenses	New debt contracts	Mandatory minimum dividend	At December 3,. 2020
Loans. financing and debentures	357.687	**-**	**(117.244)**	**(47.051)**	**50.288**	**280.989**	**-**	**524.669**
Dividends payable	4.896	**(4.798)**	**-**	**-**	**-**	**-**	**14.906**	**15.006**
Capital stock	86.666	**-**	**-**	**-**	**-**	**-**	**-**	**86.666**

	Consolidated							
	At December 31, 2018	Payment of dividends	Payment of principal	Payment of interest	Foreign exchange difference and/or interest expenses	New debt contracts	Mandatory minimum dividend	At December 31, 2019
Loans. financing and debentures	96.068	-	(65.305)	(22.628)	24.106	325.446	-	357.687
Dividends payable	6.575	(6.477)	(6.477)	-	-	-	4.798	4.896
Discounted trade bills	25.527	-	(25.527)	-	-	-	-	-
Capital stock	86.666	-	-	-	-	-	-	86.666

(In thousands of reais)

30. Risk management and valuation of financial instruments (Continued)

c) Changes in liabilities from financing activities (Continued)

	Consolidated							
	At December 31, 2017	**Payment of dividends**	**Payment of principal**	**Payment of interest**	**Foreign exchange difference and/or interest expenses**	**New debt contracts**	**Mandatory minimum dividend**	**At December 31, 2018**
Loans. financing and debentures	45.138	-	(32.609)	(2.081)	4.450	81.170	-	96.068
Dividends payable	1.783	(1.783)	-	-	-	-	6.575	6.575
Discounted trade bills	6.407	-	-	-	-	-	19.120	25.527
Capital	86.666	-	-	-	-	-	-	86.666

d) Sensitivity analysis

In order to check index sensitivity of checking accounts in foreign currency, cash equivalents and loans and financing, as well as operations exposed to interest rate risk classified in cash equivalents, debentures and loans, to which the Company was exposed at December 31, 2019, three different scenarios were defined.

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

(In thousands of reais)

30. Risk management and valuation of financial instruments (Continued)

d) Sensitivity analysis (Continued)

Consolidated (In R$/thousand)			**Projection of finance income – 01 year**				
Short-term investments – Consolidated	**Interest rate**	**Position in 2020**	**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	**89.831**	1.235	1.853	2.470	3.088	3.706
Loans. financing and debentures:							
Banco do Brasil	CDI	**(59.201)**	(1.182)	(1.773)	(2.365)	(2.956)	(3.547)
Banco BNDES	IPCA	**(40.305)**	(2.238)	(3.357)	(4.476)	(5.595)	(6.714)
Banco BTG	CDI	**(80.031)**	(1.254)	(1.881)	(2.508)	(3.135)	(3.763)
Banco CCB	CDI	**(18.344)**	(166)	(248)	(331)	(414)	(497)
Banco CEF S.A	CDI	**(19.705)**	(1.288)	(1.931)	(2.575)	(3.219)	(3.863)
Banco Daycoval	CDI	**(1.258)**	(91)	(137)	(183)	(228)	(274)
Banco Itaú Unibanco	CDI	**(36.902)**	(1.469)	(2.204)	(2.939)	(3.674)	(4.408)
Banco Itaú Asset	CDI	**(40.038)**	(776)	(1.163)	(1.551)	(1.939)	(2.327)
Banco Bradesco	CDI	**(30.030)**	(198)	(297)	(396)	(495)	(594)
Banco Santander	CDI	**(41.630)**	(1.991)	(2.987)	(3.983)	(4.979)	(5.974)
Banco Votorantim	CDI	**(42.814)**	(731)	(1.096)	(1.461)	(1.827)	(2.192)
Banco ABC Brasil	CDI	**(36.620)**	(1.033)	(1.549)	(2.066)	(2.582)	(3.099)
Banco BBM Bocom	CDI	**(26.411)**	(920)	(1.381)	(1.841)	(2.301)	(2.761)
Banco Citi	CDI	**(51.381)**	(1.878)	(2.816)	(3.755)	(4.694)	(5.633)
SWAP - Banco ABC	Euro/ CDI	**8.011**	4.116	6.174	8.231	10.289	12.347
SWAP - Bocom	Dollar/ CDI	**365**	188	281	375	469	563
SWAP - Citibank	Libor/ Dollar/ CDI	**5.834**	2.997	4.496	5.994	7.493	8.991
Subtotal		**(510.459)**	(7.915)	(11.872)	(15.829)	(19.787)	(23.744)
Scenarios for index variations:							
(i) CDI		**2,75%**	1,38%	2,12%	2,83%	3,53%	4,24%
(i) IPCA		**4,52%**	2,36%	3,54%	4,72%	5,91%	7,09%
(i) Dollar		**519,67%**	266,98%	400,47%	533,96%	667,45%	800,94%
(ii) Euro		**637,79%**	327,66%	491,50%	655,33%	819,16%	982,99%
(ii) LIBOR		**0,24%**	0,12%	0,18%	0,24%	0,31%	0,37%

(*) Foreign currency loan operations are hedged by the same banks through foreign exchange swaps.

Sources: (i) Dollar - PTAX Central Bank of Brazil; (ii) CDI - B3 Brasil Bolsa Balcão; (iii) IPCA - Brazilian Institute of Geography and Statistics.

30. Risk management and valuation of financial instruments (Continued)

(In thousands of reais)

e) Capital management

The Company’s main objectives when managing capital are to safeguard its ability to continue as a going-concern to provide returns to shareholders and benefits to stakeholders, and provide better cash management to ensure availability of credit lines in order to maintain liquidity and obtain the lowest cost of raising funds when combining own and third-party capital.
The Company monitors its capital structure based on the financial leverage ratio, corresponding to net debt divided by total capital, and adjustments are made considering the changes in economic conditions, as follows:

	Consolidated		
	2020	**2019**	**2018**
Loans. financing and debentures	**524.669**	357.687	96.068
(-) Cash and cash equivalents	**(37.785)**	(28.228)	(4.419)
(-) Short-term investments	**(52.046)**	(4.130)	-
(+/-) Derivative financial instruments	**(14.210)**	2.365	2.986
(+) Discounted trade bills	**-**	-	25.527
(+) Intercompany loans	**-**	-	4.701
Net debt	**420.628**	327.694	124.863
Equity	**129.959**	74.211	59.031
Total capital (equity and net debt)	**550.587**	401.905	183.894
Financial leverage ratio %	**76%**	82%	68%

(In thousands of reais)

31. Segment information

Management defined is strategic business model, basing the Company’s decisions on these segments: Telecom and Enterprise.

These segments have different service dynamics, types of products and business models. The Telecom segment encompasses the fixed broadband internet market, including optical fiber and FTTH (fiber to the home) products, data networks, wi-fi, among others. The Enterprise segment encompasses the B2B consumer market (companies), including electronic security products, cybersecurity, data center infrastructure, building and home automation, professional audio and video, LED panels, photovoltaic power generators, among others.

The Company’s segment information (in Consolidated) are as follows:

	Telecom			**Enterprise**			**TOTAL**		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Gross revenue from goods sold and services rendered	**308.869**	210.462	180.766	**300.106**	232.369	158.730	**608.975**	442.831	339.496
Gross revenue TaaS (Deferred leases)	**218.857**	171.573	89.804	**36.570**	13.592	13.193	**255.427**	185.165	102.997
Gross revenue	**527.726**	382.035	270.570	**336.676**	245.961	171.923	**864.402**	627.996	442.493
(-) Taxes on revenue	**(81.239)**	(58.411)	(33.841)	**(52.555)**	(49.435)	(28.507)	**(133.794)**	(107.846)	(62.348)
(-) Returns	**(5.810)**	(5.202)	(2.256)	**(6.753)**	(8.373)	(6.353)	**(12.563)**	(13.575)	(8.609)
Net revenue	**440.677**	318.422	234.473	**277.368**	188.153	137.063	**718.045**	506.575	371.536
Cost of goods sold and services rendered	**(270.234)**	(210.789)	(141.651)	**(208.813)**	(162.138)	(123.854)	**(479.047)**	(372.927)	(265.505)
Gross profit	**170.443**	107.633	92.822	**68.555**	26.015	13.209	**238.998**	133.648	106.031
Operating expenses	**(57.957)**	(40.848)	(29.321)	**(57.746)**	(39.804)	(23.272)	**(115.703)**	(80.652)	(52.593)
Finance income (expenses), net	**(26.686)**	(30.979)	(17.689)	**(5.329)**	(1.570)	(893)	**(32.015)**	(32.549)	(18.582)
Income before income and social contribution taxes	**85.800**	35.806	45.812	**5.480**	(15.359)	(10.956)	**91.280**	20.447	34.856
Income and social contribution taxes	**(18.771)**	(470)	(8.899)	**(1.922)**	-	2.100	**(20.693)**	(470)	(6.799)
Net income for the year	**67.029**	35.336	36.913	**3.558**	(15.359)	(8.856)	**70.587**	19.977	28.057

(In thousands of reais)

31. Segment information (Continued)

Statement of financial position accounts by segment

	Telecom			Enterprise			TOTAL		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Accounts receivable. net	**152.875**	86.071	85.008	**53.296**	37.123	38.906	**206.171**	123.194	123.914
Inventories	**52.116**	93.226	98.456	**86.664**	74.579	67.162	**138.780**	167.805	165.618
Property. plant and equipment	**263.944**	218.168	145.753	**81.986**	21.085	0	**345.930**	239.253	145.753
Other assets	**118.115**	45.995	33.258	**102.314**	39.508	9.141	**220.429**	85.503	42.399
Total assets	**587.050**	443.460	362.475	**324.260**	172.295	115.209	**911.310**	615.755	477.684
Trade accounts payable	**79.815**	72.210	98.831	**69.259**	32.763	56.937	**149.074**	104.973	155.768
Loans and financing	**392.890**	278.165	78.147	**131.779**	79.522	17.921	**524.669**	357.687	96.068
Deferred revenue	**7.982**	21.016	93.350	**0**	2.032	0	**7.982**	23.048	93.350
Other liabilities and equity	**148.265**	102.333	121.064	**81.320**	27.714	11.434	**229.585**	130.047	132.498
Total liabilities and equity	**628.952**	473.724	391.392	**282.358**	142.031	86.292	**911.310**	615.755	477.684

a) *Information on customer concentration*

For the period ended December 31, 2020, the Company has no customer that individually accounts for 10% or more of the Company's consolidated sales. Analyzing the segments individually, we have: (i) in the Telecom segment, one customer accounted for 7,2% of the segment's total (4,7% of consolidated); and (ii) in the Enterprise segment, one customer accounted for 19,2% of the segment's total (6,8% of consolidated).

b) *Geographic Information*

	In Brazil			Abroad		
	2020	**2019 (restated)**	**2018 (restated)**	**2020**	**2019 (restated)**	**2018 (restated)**
Net revenue	**704.865**	503.562	371.536	**13.180**	3.013	-
Noncurrent assets	**456.521**	282.201	217.511	**145**	701	-

(In thousands of reais)

32. Insurance coverage

The Company maintains insurance coverage at amounts deemed sufficient by management to cover risks on its assets and/or liabilities. The insurance coverage covers the manufacturing headquarter established at the Ilhéus Industrial Hub and a commercial branch located in the city of São Paulo.

Coverage, at December 31, 2020, 2019 and 2018, is as follows:

	Individual and Consolidated	
	2020	**2019**
Property damage	**119.948**	10.000
Civil liability	**12.841**	-
Other	**729**	-

33. Events after the reporting period

New loans raised

In connection with the Company's Board of Directors' Meeting held on February 5, 2021, new bank loans were formally approved, totaling R$99.000, which will be used to pay suppliers of operating inventory items, and/or equipment to be used in long-term lease agreements with the Company's customers.

Reverse stock split

At the Special General Shareholders' Meeting held on February 15, 2021, the reverse stock split of all 89.583.722 (eighty-nine million, five hundred and eighty-three thousand, seven hundred and twenty-two) common registered shares issued by the Company, with no par value, was approved, in the proportion of 2 (two) shares to form 1 (one) share, without changes in capital, under the terms of article 12 of the Brazilian Corporation Law. After the reverse stock split, the Company's capital comprises 44.791.861 common registered shares, with no par value.