MOORE

RTA-266-2022

Nova Smar S/A

Financial statements for the years ended December 31, 2021 and 2020, accompanied by the independent auditors' report

Moore Prisma Auditores e Consultores

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RTA-266-2022

Ribeirão Preto - SP, April 8, 2022.

To the shareholders and managers of
Nova Smar S/A
Sertãozinho SP

To the attention of the **Board of Directors**

Gentlemen:

We enclose the financial statements for the years ended December 31, 2021 and 2020, accompanied by the independent auditors' report on the financial statements.

Please return the attached copy of this letter duly registered to us, for our control and filing.

Very truly yours,

Moore Prisma Auditoria e Consultoria Contábil

Thiago Sousa Portugal
Director

Nova Smar S/A

Financial statements for the years ended December 31, 2021, and 2020, accompanied by the independent auditors' report on the financial statements.

Summary

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Independent auditors' report on the financial statements

The Shareholders and Managers of
Nova Smar S/A
Sertãozinho SP

Opinion

We have examined the financial statements of Nova Smar S/A ("Company"), comprising the balance sheet as of December 31, 2021 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, as well as the accompanying notes including a summary of the main accounting policies.

In our opinion, the financial statements referred to above present fairly in all material aspects the assets and financial position of Nova Smar S/A as of December 31, 2021, the results of its operations and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil applicable to small and medium businesses - NBC TG 1000 (R1).

Basis for opinion

Our audit was conducted in accordance with Brazilian and international auditing standards. Our responsibilities in accordance with such standards are described under the section "Auditor's responsibilities for the audit of the financial statements". We are independent from the Company according to the relevant ethical principles established under the Professional Accountants' Code of Ethics and the professional standards issued by the Federal Accounting Council. We also comply with all the other ethical responsibilities set forth by those standards. We believe that the audit evidence obtained is sufficient and appropriate as a basis for our opinion.

Management's and governance's responsibilities for the financial statements

The management of the Company is responsible for the preparation and proper presentation of the financial statements in accordance with accounting practices adopted in Brazil and applicable to small and medium businesses – NBC TG 1000 (R1), as well as for the internal controls it deemed necessary for preparing financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the management is responsible for evaluating the Company's capacity to continue in business and, where applicable, disclosing matters related with its continuity in business (going concern basis) and the use of this basis for preparing the financial statements, unless the management intends to liquidate the Company or discontinue its operations, or if there is no realistic alternative to winding up.

Those responsible for the Company's governance are in charge of supervising the preparation of the financial statements.

Auditor's responsibility for the audit of the financial statements

Our objectives are to attain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and issue an audit report containing our opinion. By reasonable assurance what is meant is a high security level, but no guarantee that the audit conducted in accordance with Brazilian and international auditing standards always detects the eventually existing material misstatements. Misstatements may be due to fraud or error and are deemed to be material if individually or jointly, from a reasonable perspective, they may influence users' economic decisions made based on the financial statements in question.

As part of the audit conducted in accordance with Brazilian and international auditing standards, we have exercised professional judgment and maintained professional skepticism throughout the audit work. Additionally, we have:

- Identified and evaluated the risks of material misstatement in the financial statements whether due to fraud or error; and performed auditing procedures in response to those risks and obtained appropriate and sufficient audit evidence to support our opinion. The risks of failing to detect material misstatement due to fraud is higher than that due to error, since fraud may involve bypassing internal controls, collusion, forgery, omission, or intentionally false representations.

- Gained understanding of internal controls that are relevant to the audit, in order to plan auditing procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Company's internal controls.

- Assessed the adequacy of the accounting policies used and the reasonableness of accounting estimates and the related disclosures made by the management.

- Concluded on the appropriate use of the going-concern basis and, based on the audit evidences obtained, whether there is any relevant uncertainty surrounding events or conditions that may raise significant doubt about the Company's capacity to continue in business. If the conclusion is that there is relevant uncertainty, attention is drawn in our audit report to the related disclosures in the financial statements, and if the disclosures are inadequate, our opinion should be modified. Our conclusions rely on audit evidence obtained to the date of our report. However, future events or conditions may lead the Company not to continue in business.

- Evaluated the general presentation, structure and contents of the financial statements, including disclosures, and whether they reflect the related transactions and events consistently with the objective of proper presentation.

We have contacted those in charge of governance about, among other things, the planned audit scope and timing, as well as the significant audit findings including any internal control weaknesses identified in the course of our work.

Ribeirão Preto - SP, April 8, 2022

Moore Prisma Auditoria e Consultoria Contábil
CRC 2SP024067/O-6

Thiago Sousa Portugal
Accountant - CRC SP258542/O-1

Nova Smar S/A

Balance sheets
As of December 31, 2021 and 2020
In Reais

	Note	2021	2020
Asset			
Current			
Cash and cash equivalents	**4**	3.208.237	2.135.587
Accounts receivable	**5**	12.804.086	13.094.011
Inventories	**6**	13.289.587	10.280.638
Taxes and contributions recoverable		464.384	943.421
Advancement to suppliers		2.076.542	1.325.211
Other credits		128.042	145.207
Total current assets		**31.970.878**	**27.924.075**
Non- current			
Long-term assets			
Taxes and contributions recoverable		661.449	-
Related-party transactions	**7**	-	1.361.643
Escrow deposits	**14**	1.232.738	682.475
Investments		122.677	117.091
Property, plant, and equipment	**8**	5.894.252	6.739.291
Intangibles		630.441	286.654
Total non-current assets		**8.541.557**	**9.187.154**
Total assets		**40.512.435**	**37.111.229**

	Note	2021	2020
Liabilities			
Current			
Loans and financing	**9**	3.949	92.437
Suppliers	**10**	1.540.516	1.485.618
Salaries, provision for vacation pay and social contributions	**11**	3.379.483	2.978.679
Taxes and contributions collectible	**12**	2.265.805	1.758.035
Advances from clients	**13**	1.659.651	2.164.841
Other obligations		125.995	116.548
Total current liabilities		**8.975.399**	**8.596.158**
Non- current			
Loans and financing	**9**	-	54.398
Taxes and contributions collectible	**12**	2.370.309	2.228.102
Total non-current liabilities		**2.370.309**	**2.282.500**
Net equity	**15**		
Capital stock		17.145.601	17.145.601
Legal reserve		601.056	454.348
Revenue reserve		11.420.070	8.632.622
Total shareholders' equity		**29.166.727**	**26.232.571**
Total liabilities and shareholders' equity		**40.512.435**	**37.111.229**

The accompanying notes are an integral part of these financial statements.

Nova Smar S/A

Statements of income
Years ended December 31, 2021 and 2020
In Reais

	Note	2021	2020
Net operating revenue	**16**	**66.773.385**	**57.920.426**
Costs of products sold and services rendered		**(38.117.637)**	**(31.804.253)**
Gross profit		**28.655.748**	**26.116.173**
Operating (expenses) revenues			
Personnel expenses	**17**	(11.780.701)	(10.728.930)
General, administrative, and selling expenses	**18**	(12.280.565)	(8.306.752)
Other net operating expenses		(101.978)	(70.443)
		(24.163.244)	**(19.106.125)**
Profit before financial income		**4.492.504**	**7.010.048**
Net financial income	**31**	(394.163)	111.501
Pretax income		**4.098.341**	**7.121.549**
Income tax and social contribution - current	**20**	(1.164.185)	(1.668.965)
Net income for the year		**2.934.156**	**5.452.584**

The accompanying notes are an integral part of these financial statements.

Nova Smar S/A

Statements of comprehensive income
Years ended December 31, 2021 and 2020
In Reais

	2021	2020
Net income for the year	**2.934.156**	**5.452.584**
Other comprehensive income	-	-
Comprehensive income for the year	**2.934.156**	**5.452.584**

The accompanying notes are an integral part of these financial statements.

Nova Smar S/A

Statements of changes in net equity
Years ended December 31, 2021 and 2020
In Reais

	Capital stock	Legal reserve	Revenue reserve	Accumulated profits	Total
Balance in January 01, 2020	**17.145.601**	**181.719**	**3.452.667**	**-**	**20.779.987**
Net income for the year	-	-	-	5.452.584	5.452.584
Recording for the statutory reserve	-	272.629	-	(272.629)	-
Profit retention	-	-	5.179.955	(5.179.955)	-
Balance as of December 31, 2020	**17.145.601**	**454.348**	**8.632.622**	**-**	**26.232.571**
Net income for the year	-	-	-	2.934.156	2.934.156
Recording for the statutory reserve	-	146.708	-	(146.708)	-
Profit retention	-	-	2.787.448	(2.787.448)	-
Balance in December 31, 2021	**17.145.601**	**601.056**	**11.420.070**	**-**	**29.166.727**

The accompanying notes are an integral part of these financial statements.

Nova Smar S/A

Statements of cash flows
Years ended December 31, 2021 and 2020
In Reais

	2021	2020
Cash flow from operating activities		
Net income for the year	2.934.156	5.452.584
Adjustments for:		
Depreciation and amortization	1.409.845	1.228.366
Residual value of asset retirements	369.507	106.784
Expected credit losses - ECL	264.432	755.591
Variations in assets and liabilities:		
Accounts receivable	25.493	(3.279.133)
Inventories	(3.008.949)	(3.648.311)
Taxes and contributions recoverable	(182.412)	(28.756)
Advancement to suppliers	(751.331)	(551.318)
Escrow deposits	(550.263)	(440.188)
Other credits	17.165	(82.464)
Suppliers	54.898	379.306
Salaries, provision for vacation pay and social contributions	400.804	373.155
Taxes and contributions collectible	649.977	1.844.630
Advances from clients	(505.190)	263.451
Other obligations	9.447	89.775
Net income from operating activities	**1.137.579**	**2.463.472**
Cash flow from investing activities		
Increase in investments	(5.586)	(3.321)
Acquisition of property, plant, and equipment assets	(783.428)	(788.540)
Acquisition of intangibles	(494.672)	(191.370)
Net income from investing activities	**(1.283.686)**	**(983.231)**
Cash flow from financing activities		
Variations in loans and financing	(142.886)	(647.638)
Related-party transactions	1.361.643	937.062
Net income from financing activities	**1.218.757**	**289.424**
Increase in cash and cash equivalents	**1.072.650**	**1.769.665**
Changes in cash and cash equivalents:		
Cash and cash equivalents at the end of year	3.208.237	2.135.587
Cash and cash equivalents at the beginning of year	2.135.587	365.922
Increase in cash and cash equivalents	**1.072.650**	**1.769.665**

The accompanying notes are an integral part of these financial statements.

1 Operations

Nova Smar S/A ("Company") is a closed- capital company domiciled in Brazil with headquarters in Sertãozinho SP that was formed as a result of the continued bankruptcy of Smar (currently consisting of the liquidation mass of the companies Smar Comercial Ltda., Smar Equipamentos Industriais Ltda., and Valblock Indústria e Comércio Ltda.), formed in December 2017. The sentence that decrees the formation of Nova Smar S/A was delivered on October 24, 2017.

Based on the conversion into bankruptcy of the above entities, from the date it was formed Nova Smar S/A has assumed the operational assets contained in the liquidation mass classified as essential for formation of a new business organized as a Corporation. After the relevant court order, those who own the new company's shares are labor creditors assuming the position of *shareholders* for business purposes.

Within the management scope, the Company continues to be structured by a management committee – a corporate governance body – elected at a shareholders´ meeting. The Company is locally and internationally recognized as a specialized provider of industrial automation, manufacturing and sale of controlling devices, and measurement, control, operation and management of hardware and software for maintenance assets.

Because of the Covid-19 pandemic, Nova Smar S/A has preventively maintained all health safety protocols among its co-workers, while monitoring all production and administrative sites in terms of daily health conditions. Awareness campaigns have also been conducted in site and using billboards and e-mails to highlight the importance of following protocols, and home-office work was adopted for some sectors.

The production capacity has not been affected, considering that internal logistic planning and changes in external variables such as foreign exchange the Company's cash resources. It must be kept in mind that costly liabilities are not related with foreign currencies and international demand, on the other hand, has increased due to the favorable exchange rate, despite the increase in import costs due to the lower Real quotation.

The management has closely monitored the market movement and its systematic variables in order to adopt a contingency plan for the pandemic, if necessary.

2 Basis of preparation and presentation of the financial statements

a Declaration of conformity

The financial statements were prepared and are being presented in accordance with accounting practices adopted in Brazil, covering the provisions of the Corporate Law, pronouncements, interpretations and guidance issued by the Accounting Pronouncements Committee ("CPC") applicable to small and medium businesses – NBC TG 1000 (R1), and approved by the Brazilian Securities Commission ("CVM"), all in conformity with the new standards issued by the *International Accounting Standards Board* – IASB, evidencing all relevant financial statement information which is consistent with that used by the Company's management.

After assessing the Company´s capacity to continue in business, the management is convinced that it is able to continue as a going concern in the future. Additionally, the management is not aware of any material uncertainty capable of raising doubt about such capacity. Therefore, the Company's financial statements were prepared on the going concern basis.

The financial statements, including the explanatory notes, are under the responsibility of the Company's management, who authorized its completion in April 8, 2022.

b Value measurement

The financial statements were prepared based on the historical cost, unless otherwise stated in accompanying notes.

c Presentation currency and functional currency

The Real is the Company's functional and presentation currency. All financial figures are presented in Reais, unless when stated otherwise in explanatory notes.

d Use of estimates, assumptions and judgments

In preparing financial statements in accordance with regulations applicable to small and medium businesses - NBC TG 1000 (R1), the Company's management is required to make judgments, estimates and assumptions that affect the application of accounting policies and reported assets, liabilities, revenues, and expenses.

Estimates and assumptions are continually reviewed. The reviews of accounting estimates are recognized in the year they are made and in future years affected thereby.

Below, the main judgments and estimates made by management during the application of accounting policies and those more intensely affecting amount recognized in the financial statements.:

i. Expected credit loss - ECL: provisions are recorded based on the management´s judgment, in sufficient amounts to cover estimated future losses in trade receivables. Judgments are made considering historical and expected losses and may differ from actually realized amounts due to the different characteristics of each client, as per the accompanying note n. 5.

ii. Estimated losses due to inventory non-realization - An analysis is conducted regarding the recording of a provision for estimated losses due to inventory non-realization for slow-moving, obsolete, or non-realized items. A judgment made based on the estimated and expected loss may differ from the actually realized amount, considering the specific characteristics of each product and the future uses, as per explanatory note n. 6.

iii. Property, plant, and equipment assets useful life review and evaluation of assets' recoverable value (*impairment*) - The recovery capacity of assets used in the Company's activities is evaluated whenever events or changes in economic, operational, or technological circumstances indicate that the book value of an asset or a group of assets may not be recoverable based on future cash flows. Should any such changes be identified and the net book value of assets exceeds their recoverable value, a provision for deterioration is recorded, with adjustment of the net book value and alteration of its useful life to new values.

iv. Income tax, social contribution, and other taxes - The Company records provisions for situations in which it is likely that additional taxes will be due. When these issues result differently from the initially estimated and recorded values, these differences will affect current and deferred tax assets and liabilities in the year when the definitive value is determined.

v. Provision for tax, labor and civil risks: the evaluation of probable losses includes the assessment of available evidences, relevant legal provisions and case law, recent court decisions and their relevance, as well as the opinion of external lawyers. The provisions are recorded and adjusted taking into account possible modification of circumstances, such as limitation period, conclusions from tax inspections or additional exposures identified based on new issues or court decisions.

vi. Measurement at fair value - Several of the Company's accounting policies and disclosures demand the measurement at fair value of financial and non-financial assets and liabilities. Material evaluation issues are reported to the Company's Management. When measuring the fair value of an asset or liability, the Company uses observable market data as much as possible. Fair values are classified at different hierarchy levels, based on the information (inputs) used in different evaluation techniques. Additional information regarding the assumptions used when measuring values is included in explanatory note n. 21 - Financial instruments.

Real results may differ from the estimates.

3 Main accounting policies

The main accounting policies adopted by the Company in these financial statements are described below. These policies were consistently applied in the presented years, unless otherwise stated in the explanatory notes.

a Foreign currency

Foreign currency transactions are converted to the functional currency at the exchange rates ruling on the dates of transactions. Exchange gains and losses on conversion of foreign currency are recognized in income.

b Financial instruments

The Company classifies its financial assets and liabilities as basic financial instruments, in accordance with the Company's accounting policy, also following the conditions stated in section 11 of NBC TG 1000 (R1) – Accounting of Small and Medium Businesses. Basic financial assets are therefore: i) cash and cash equivalents; ii) accounts receivable; iii) advance payments to suppliers; iv) other credits; and v) related parties.

Basic financial liabilities are: i) loans and financing; ii) suppliers iii) deferred revenue from costumers; and iv) other obligations.

The Company initially recognizes basic financial assets and liabilities on the date of origin, except for assets measured at fair value through result, which are initially recognized in the date of negotiation in which the Company becomes one of the parties of the instrument's contractual dispositions.

After the initial recognition, basic financial assets and liabilities are measured at the amortized cost by the effective interest rate method, with a decrease due to any impairment losses. Financial assets registered at fair value through result are measured at fair value and changes to the fair value of these assets are acknowledged in the income of the year.

The Company derecognizes a financial asset when contractual rights to the asset's cash flows expire or when an entity transfers the rights to receiving contractual cash flows of a financial asset through a transaction in which all risks and benefits of ownership are transferred.

The Company derecognizes a financial liability when its contractual obligation is removed, canceled, or expires.

Basic financial assets and liabilities are compensated and their net value presented in balance sheets when, and only when, the Company has the legal right to compensate values and has the intention of liquidating in a net basis or realize the asset and liquidate the liability simultaneously.

c Cash and cash equivalents

These comprise cash on hand, bank demand deposits and financial applications of immediate liquidity. Financial applications of immediate liquidity are presented at cost value with the addition of income earned until the day of closure of the balance sheet. To be classified as cash equivalents, financial investments need to be readily convertible into a known cash amount involving negligible risk of impairment. Accordingly, an investment is usually classified as cash equivalent only if maturing in the short run, i.e., in up to three months from the acquisition date. When applicable, the fair value of financial applications of immediate liquidity is calculated considering market information or market values that enable such measurement.

When utilized, guaranteed accounts are demonstrated under current liabilities as “Loans”.

d Accounts receivable

Trade receivables are initially valued at the nominal value of the related bills, adjusted to present value if applicable. Expected credit losses are recorded based on an analysis of receivables at an amount deemed sufficient by the Company's Management to cover probable realization losses.

Accounts receivable from foreign markets are adjusted through the exchange rate variation in the day of balance closure.

e Inventories

Inventories are evaluated at the average acquisition or production cost, which is not higher than the realizable value. Costs incurred when transporting each product to its current location and condition are accounted for as follows: a) Raw materials – average acquisition cost; b) Finished and in-elaboration products – direct materials’ cost and a proportional share of general indirect production expenses based on the normal operating capacity.

Net realizable value corresponds to the sales price in the normal state of business minus estimated finishing costs and estimated necessary costs to sales realization. Provisions for low turnover or obsolete inventories are recorded when management deems necessary and are periodically reviewed and assessed in terms of their sufficiency.

f Taxes and contributions recoverable

Recoverable taxes and contributions are recorded under current and non-current assets based on expectations of realization. Loss estimations are set up for balances that are of doubtful recovery.

g Investments

Measured through the acquisition cost and adjusted to fair value, these are represented by capital shares in the participation in Sicoob Coocred.

h Property, plant, and equipment

- Recognition and measurement

Property, plant, and equipment items are measured at the historical acquisition or construction cost deducted of accumulated depreciation and, where applicable, accumulated impairment losses. Costs include those directly attributable to the acquisition of an asset. When parts of property, plant, and equipment assets have different useful lives, they are recorded as individual asset items (main components) of property, plant, and equipment. Gains and losses on the disposal of property, plant, and equipment assets are determined based on the difference between the proceeds of disposal and the carrying value of the items disposed of, and are recognized as other operating revenues (expenses) under the income.

- Subsequent expenses

Subsequent expenses are capitalized to the extent that future benefits will probably arise to the Company therefrom. Maintenance and repair expenses are recognized in the income, as incurred.

- Depreciation

The depreciation of property, plant, and equipment assets is made by the straight-line method in the income for the year based on the estimated useful economic life of each component. Depreciation of property, plant, and equipment assets begins on the date of installation and availability for use, or in case of internally built assets, from the date construction is completed and the assets are made available for use. Depreciation methods, useful lives and residual values are reviewed at each fiscal year's end, and eventual adjustments are recognized as changes in accounting estimates.

i Intangibles

Intangibles mostly comprise *software* licenses. Intangible assets acquired separately are valued at current cost at the moment of their initial recognition and subsequently subtracted of accumulated amortization and impairments, when applicable. Amortization begins on the date the software is available for use. Maintenance related costs are recognized as expenses, as incurred.

j Evaluation of the recoverable value of assets (impairment test)

The Company's management yearly reviews the net book value of assets in order to evaluate events or changes to economic, operational or technological circumstances that may indicate deterioration or impairment. Should any such changes be identified and the net book value of assets exceeds their recoverable value, a provision for deterioration is recorded, adjusting the net book value to the recoverable value. Based on current available information, the Company's management is not aware of any impairment loss on assets or changes in business circumstances that justify recognizing an impairment loss on assets.

k Loans and financing

Loans and financing are initially recognized at the value of the transaction (i.e., the amount received from the bank, including transaction costs) and subsequently at the amortized cost.

Costs are recognized as financial expenses in the income for the year, as incurred. Interest rate expenses are recognized based on the effective interest rate method throughout loans terms in such a way that the accounting balance at the maturity date is equal to the due value. Financing and loans due until the end of the next accounting year are classified under current liabilities, and those with longer terms under non-current liabilities.

l Suppliers

Accounts payable to suppliers are obligations payable for goods, assets, or services acquired in the regular course of business. They are initially recognized at fair value and subsequently measured at the amortized cost based on the effective interest rates method. In practice, they are usually recognized at the amount of the related invoice.

Foreign market suppliers are adjusted through the exchange rate variation observed on the day of balance closure.

m Provisions

Provisions are recognized whenever there is a current legal or non-formal obligation resulting from past events that can be reliably estimated and will probably require economic resources to be settled in the future, while also being conditioned upon a reliable estimate of value. Provisions for risks and contingencies are recorded based on updated values, based on the best loss estimates established by the Company's juridical advisors. When a provision is measured based on the estimated cash flow necessary to liquidate the obligation, its value is determined based on the present value of these cash flows.

n Current income tax and social contribution

Current income tax and social contribution are calculated based on the taxable income at the current legally stipulated tax rates. Current taxes are recognized in the income.

o Related-party transactions

Intercompany operations comprise resources traded between the companies since the phase of constitution of the Company until the process of operational structuring. Were they made with third-parties, calculated results could have been different. Therefore, the financial statements are to be analyzed in this context of related-party transactions.

p Other current and non-current assets and liabilities

Assets are recognized in the balance sheet whenever future economic benefits for the Company will probably arise therefrom and their cost or value can be reliably measured. Liabilities are recognized in the balance sheet whenever the Company has a legal obligation deriving from a past event, and economic resources will probably be required to settle it in the future. They are stated at known or estimated amounts plus, where applicable, the related earnings, charges and monetary variation incurred up to the balance sheet date. In the case of assets, a rectifying provision for losses is set up, if necessary.

q In the case of assets, a rectifying provision for losses is set up, if necessary.

Non-current monetary assets and liabilities, as well as current ones when the effect is deemed relevant to the financial statements as a whole, are adjusted to present value. Non-current monetary assets and liabilities, as well as current ones when the effect is deemed relevant to the financial statements as a whole, are adjusted to present value. That way, interest rates present in revenues, expenses and costs associated with assets and liabilities are discounted, so as to recognize them in accordance with the year's accrual basis. This interest is later reallocated under financial revenues and expenses in the income based on the effective interest rate method used for cash flows. When applied, implicit interest rates are determined based on reasonable assumptions and are considered accounting estimates.

r Contingent assets and liabilities and legal obligations

The following are the accounting policies used in recording and disclosing contingent assets and liabilities and legal obligations:

Contingent assets: recognized only when there are actual guarantees or favorable judicial sentences not subject to further appeal. Contingent assets involving probable success are disclosed only in an explanatory note.

Contingent liabilities: provided for when losses thereon are deemed probable and the amounts involved can be reliably measured. Those involving possible losses are disclosed only in an explanatory note and those on which the possibility of loss is remote are not recorded nor disclosed.

Legal obligations are recorded as liabilities, regardless of the assessment made regarding the possibility of success on processes filed by the Company to question the constitutionality of taxes.

Changes to expectations are recognized in the year they occur.

s Separation between current and non-current

Assets and liabilities with maturity until the closure of the next accounting year are recorded under current, and those with longer maturity under non-current.

t Capital stock

Capital shares are classified under shareholders' equity.

u Revenue recognition

Sales revenue is recognized when its value can be reliably measured, upon delivery of products and transfer of title thereto, when it is likely that future economic benefits will come to the Company and products' risks and benefits have been integrally transferred to the buyer. Revenues are measured at the fair value of payments received or receivable, net of discounts, rebates, returns and taxes levied thereon. Financial revenue is recognized based on the effective interest rate method. Other revenues are always recognized based on the accrual basis.

Revenues are not recognized if their realization is significantly uncertain.

v Statements of cash flows

The statements of cash flows were prepared by the indirect method.

4 Cash and cash equivalents

Description	2021	2020
Cash	38.871	27.298
Banks - Checking account	24.158	114.371
Readily realizable investments in the money market	3.145.208	1.993.918
	3.208.237	**2.135.587**

Cash and cash equivalents are held to meet the Company's short-term cash requirements. Financial applications mostly comprise investments in funds and CDI applications ("Certificado de Depósito Bancário" - Bank Deposit Certificate), which pay based on the variation of the Interbank Deposit Certificate (CDI - Certificado de Depósito Interbancário), according to the value, term, and time of application. Financial applications are made in first class financial institutions, so as to maintain the purchasing power of the currency (Real) and generate safe revenue to continue operations, and can be withdrawn as funds are needed.

5 Accounts receivable

a Balance composition

Description	2021	2020
Domestic market	8.431.611	10.863.069
Foreign market	5.475.523	3.069.558
	13.907.134	13.932.627
(-) Expected credit losses – ECL **(i)**	(1.103.048)	(838.616)
	12.804.086	**13.094.011**

Expected credit losses (ECL) were calculated based on a critical economic analysis of costumers' investment portfolios and other matured titles, observing each customer's particular situation. The losses calculated by the Company’s management were deemed sufficient to cover eventual defaults in accounts receivable.

Domestic clients’ values are not updated. Only foreign market clients are affected by the effects of exchange rate variation.

The Company assessed the adjustment to present value of accounts receivable from clients on the dates of balances and concluded that they do not generate any material effects on the financial statements.

b Accounts receivable sorted by maturity

Description	Domestic market	Foreign market	Total
			2021
Yet to mature	7.903.287	3.569.681	11.472.968
Up to 30 days late	215.812	1.258.647	1.474.459
31 to 60 days late	61.938	238.201	300.139
61 to 90 days late	20.297	-	20.297
91 to 180 days late	5.244	122.641	127.885
Due for more than 180 days	225.033	286.353	511.386
	8.431.611	**5.475.523**	**13.907.134**

Description	Domestic market	Foreign market	Total
			2020
Yet to mature	10.176.255	658.959	10.835.214
Up to 30 days late	191.853	829.820	1.021.673
31 to 60 days late	10.119	178.040	188.159
61 to 90 days late	4.914	119.333	124.247
91 to 180 days late	375.950	397.851	773.801
Due for more than 180 days	103.978	885.555	989.533
	10.863.069	**3.069.558**	**13.932.627**

6 Inventories

Description	2021	2020
Raw materials	10.166.269	8.476.408
Finished products	1.570.826	1.673.629
Products in process	1.552.492	130.601
	13.289.587	**10.280.638**

The Company’s management understands that, given the analysis of inventory items and relevance considerations, there is no need to record any provisions for slow-moving or obsolete inventories, or non-realization.

7 Related-party transactions

Description	2020
Non-current assets	
Advance payments - operations	19.925.859
Other credits - FOPAG	16.138.481
	36.064.340
Non-current liabilities	
Accounts payable - suppliers and FOPAG	**(34.702.697)**
Net balance	**1.361.643**

Balances are presented net in the balance sheets, drawn from assets or liabilities according to the nature and origin of transactions, and only current resources for the continuation of operational activities and payroll liquidation were transferred, in accordance with legal authorization.

The remaining receivable net balance at Nova Smar S/A, valued at R$ 1.361.643 in 2021, was liquidated based on the transference of residual inventory items that, in 2020, were recorded in the liquidation mass and residual values recorded under other expenses in the income for the year.

Transactions with related parties are distinguished from transactions made with third parties.

8 Property, plant, and equipment

Description	Annual depreciation rate	Acquisition cost	Accumulated depreciation	2021 Net	2020 Net
Machines and equipment	10%	4.849.101	(1.328.188)	3.520.913	3.946.893
Tools	20%	1.029.615	(529.412)	500.203	523.135
Models and shapes for casting	Between 20% and 33%	364.107	(269.041)	95.066	167.924
Furniture and utensils	10%	284.404	(73.985)	210.419	202.925
Computer hardware	20%	683.536	(278.284)	405.252	400.271
Vehicles	20%	216.561	(122.873)	93.688	137.000
Small value goods - machines and equipment	10%	438.764	(127.791)	310.973	358.295
Small value goods - tools	20%	321.722	(192.915)	128.807	194.021
Small value goods – furniture and utensils	10%	611.166	(185.586)	425.580	490.288
Small value goods – phones	10%	873	(254)	619	706
Small value goods – computer hardware	20%	505.854	(303.122)	202.732	317.833
		9.305.703	**(3.411.451)**	**5.894.252**	**6.739.291**

a Changes in cost in 2021

Description	Beginning balances	Acquisitions	Write-downs	Ending balances
Machines and equipment	4.894.985	412.119	(458.003)	4.849.101
Tools	865.053	164.562	-	1.029.615
Models and shapes for casting	327.305	36.802	-	364.107
Furniture and utensils	251.289	34.835	(1.720)	284.404
Computer hardware	548.992	135.110	(566)	683.536
Vehicles	216.561	-	-	216.561
Small value goods - machines and equipment	443.080	-	(4.316)	438.764
Small value goods - tools	322.558	-	(836)	321.722
Small value goods – furniture and utensils	615.655	-	(4.489)	611.166
Small value goods – phones	873	-	-	873
Small value goods – computer hardware	528.309	-	(22.455)	505.854
	9.014.660	**783.428**	**(492.385)**	**9.305.703**

b Changes in cost in 2020

Description	Ending balances	Acquisitions	Write-downs	Ending balances
Machines and equipment	4.486.615	522.658	(114.288)	4.894.985
Tools	843.073	21.980	-	865.053
Models and shapes for casting	293.328	33.977	-	327.305
Furniture and utensils	228.108	23.181	-	251.289
Computer hardware	389.721	160.960	(1.689)	548.992
Vehicles	216.561	-	-	216.561
Small value goods – machines and equipment	417.296	25.784	-	443.080
Small value goods – tools	323.147	-	(589)	322.558
Small value goods – furniture and utensils	615.867	-	(212)	615.655
Small value goods – phones	873	-	-	873
Small value goods – computer hardware	546.270	-	(17.961)	528.309
	8.360.859	**788.540**	**(134.739)**	**9.014.660**

c Changes in accumulated depreciation in 2021

Description	Beginning balances	Acquisitions	Write-downs	Ending balances
Machines and equipment	(948.092)	(502.458)	122.362	(1.328.188)
Tools	(341.918)	(187.494)	-	(529.412)
Models and shapes for casting	(159.381)	(109.660)	-	(269.041)
Furniture and utensils	(48.364)	(26.137)	516	(73.985)
Computer hardware	(148.721)	(129.563)	-	(278.284)
Vehicles	(79.561)	(43.312)	-	(122.873)
Small value goods - machines and equipment	(84.785)	(43.006)	-	(127.791)
Small value goods - tools	(128.537)	(64.378)	-	(192.915)
Small value goods – furniture and utensils	(125.367)	(60.219)	-	(185.586)
Small value goods – phones	(167)	(87)	-	(254)
Small value goods – computer hardware	(210.476)	(92.646)	-	(303.122)
	(2.275.369)	**(1.258.960)**	**122.878**	**(3.411.451)**

d Changes in accumulated depreciation in 2021

Description	Ending balances	Acquisitions	Write-downs	Ending balances
Machines and equipment	(504.559)	(466.391)	22.858	(948.092)
Tools	(179.068)	(162.850)	-	(341.918)
Models and shapes for casting	(53.669)	(105.712)	-	(159.381)
Furniture and utensils	(26.418)	(21.946)	-	(48.364)
Computer hardware	(61.702)	(87.469)	450	(148.721)
Vehicles	(36.428)	(43.133)	-	(79.561)
Small value goods – machines and equipment	(41.337)	(43.448)	-	(84.785)
Small value goods – tools	(63.776)	(64.987)	226	(128.537)
Small value goods – furniture and utensils	(63.821)	(61.567)	21	(125.367)
Small value goods – phones	(80)	(87)	-	(167)
Small value goods – computer hardware	(107.264)	(107.612)	4.400	(210.476)
	(1.138.122)	**(1.165.202)**	**27.955**	**(2.275.369)**

In 2021 and 2020, the Company's management reviewed the remaining economic useful life of property, plant, and equipment assets and no relevant changes from previous estimates were identified.

Moreover, no need for recording a provision for the impairment of goods was identified.

9 Loans and financing

Purpose	Monthly interest rate	Final maturity	2021 Current	2020 Current	2020 Non-current	2020 Total
Working capital	3,22%	December/2024	**3.949**	**92.437**	**54.398**	**146.835**

Rates are market standards for each modality. These obligations are guaranteed by sureties.

10 Suppliers

Description	2021	2020
Domestic market	1.230.061	1.320.103
Foreign market	310.455	165.515
	1.540.516	**1.485.618**

Suppliers' balance is substantially comprised of values payable to suppliers of raw materials, use and consumption materials and services.

The values of suppliers are not updated, only foreign market suppliers are affected by exchange rate variations.

The Company assessed the adjustment to present value of suppliers on balance dates and concluded that they do not have relevant effects on the financial statements.

11 Salaries, provision for vacation pay, and social contributions

Description	2021	2020
Salaries payable	590.362	577.676
Provision for vacation pay and social contributions	2.185.245	1.862.809
Social Security (INSS)	316.197	216.384
FGTS	159.337	144.855
Other social obligations and charges	128.342	176.955
	3.379.483	**2.978.679**

12 Taxes and contributions collectible

			2021			2020
Description	Current	Non-current	Total	Current	Non-current	Total
IRRF	370.915	-	370.915	301.033	-	301.033
IPI	293.507	-	293.507	164.948	-	164.948
IRPJ	263.187	-	263.187	224.238	-	224.238
CSLL	94.617	-	94.617	86.002	-	86.002
PIS	22.992	-	22.992	44.075	-	44.075
COFINS	106.097	-	106.097	203.978	-	203.978
PIS/COFINS/CSLL	6.888	-	6.888	9.448	-	9.448
ISS	28.655	-	28.655	20.498	-	20.498
Social Security (INSS)	1.856	-	1.856	1.718	-	1.718
ICMS	101.023	-	101.023	656	-	656
Installment - IRPJ **(i)**	729.508	1.754.860	2.484.368	510.626	1.624.128	2.134.754
Installment – CSLL **(i)**	246.560	615.449	862.009	190.815	603.974	794.789
	2.265.805	**2.370.309**	**4.636.114**	**1.758.035**	**2.228.102**	**3.986.137**

(i) In the year of 2021, the Company paid in installments the IRPJ and CSLL related to the 4th trimester of 2020 and the 1st trimester of 2021, with final maturity in 2026.In the year of 2020, the Company paid in installments the IRPJ and CSLL related to the 4th trimester of 2019 and 2nd trimester of 2020, with final maturity in 2025. In the year of 2019, the Company paid in installments the IRPJ and CSLL related to the periods of 2018 and the 1st and 3rd trimesters of 2019, with final maturity in 2023.

13 Advance payments from clients

Description	2021	2020
Domestic market	**1.659.651**	**2.164.841**

The balance of advance payments from clients refers to advances with the objective of *production start*, whereas the Company accepts advance payment to mitigate the risk of business termination. The amounts are compensated with resources receivable from clients originating from the invoicing of goods and services.

14 Escrow deposits and contingent liabilities

Escrow deposits amounting to R$ 1.232.738 as of December 31, 2021 (R$ 682.475 in 2020), refer to the lawsuit the Company filed against the Brazilian Internal Revenue Service – “RFB” questioning the ICMS credits in the calculation basis for PIS and COFINS.

As of December 31, 2021, the Company is part of a civil lawsuit amounting to R$174.315. The opinion of its juridical advisors regarding the probability of loss is that this outcome in the processes is possible but not likely. Based on the opinions of its juridical advisors that loss in this lawsuit is possible but not likely, the Management did not proceed with the recording of a contingency provision for this suit.

Also, in the course of its regular operations the Company is exposed to certain risks related with tax, labor and civil processes. There are no undergoing processes that were classified by the juridical advisors as "likely loss" in the years and as "possible loss" in 2020. Therefore, the Management did not proceed with the recording of provisions for contingencies and/or disclosure.

Under current legislation, the Company´s operations are subject to review by tax authorities during limitation periods (usually five years) varying with the different federal, state and municipal taxes. However, according to the Company's management, all taxes have been duly paid or properly provided for. As of December 31, 2021 and 2020, no relevant tax contingency involving probable losses was known.

15 Net equity

a Capital stock

The subscribed capital consists of 28.172.742 common, nominative shares worth R$ 1,00 each, partially paid for at the amount of 17.145.601, respectively in December 2021 and 2020, representing tangible and intangible assets (according to an economic-financial appraisal report - valuation) held by the shareholders. In 2021, the Company acquired enough equity to pay for the capital stock with its profit reserve, subsequently sharing and attributing the shares nominally in 2022.

b Legal reserve

In accordance with the Corporate Law and the Company's articles of association, it was set up at 5% of the net income for the year, amounting to R$ 146.708 and R$ 272.629 in December 31, 2021 and 2020, respectively. The legal reserve is intended to ensure the wholeness of capital and cannot be use but to compensate losses and increase capital.

c Revenue reserve

Intended to compensate accumulated losses, this reserve cannot exceed the amount of capital. The use of any excess thereof in capital payment or increase or dividend distribution must be deliberated upon at the shareholders' meeting. In the years of 2021 and 2020, the reserve was increased in R$ 2.787.448 e R$ 5.179.955, respectively, with net profit for the year net of the amount provisioned as legal reserve for the year.

d Earnings per share

The Company disclosed its net earnings per share considering the income attributable to shareholders, divided by the number of outstanding shares during the year. The Company does not have instruments potentially capable of diluting the earnings per share reported. The calculation of earning per share is presented as follows:

Description	2021	2020
Numerator		
Net income for the year	2.934.156	5.452.584
Denominator		
Number of outstanding shares	17.145.601	17.145.601
Income per thousand-share lot	**0,17**	**0,32**

16 Net operating revenue

Description	2021	2020
Gross operating revenue		
Products sold – domestic market	57.073.382	48.398.679
Products sold– foreign market	17.375.470	17.342.692
Services rendered – domestic market	7.651.528	5.731.458
Services rendered – foreign market	785.594	1.474.227
	82.885.974	**72.947.056**
Deductions from gross revenue		
Sales taxes	(14.686.429)	(11.937.073)
Returns and cancellations	(1.426.160)	(3.089.557)
	(16.112.589)	**(15.026.630)**
	66.773.385	**57.920.426**

17 Personnel expenses

Description	2021	2020
Salaries, overtime and “pro-labore” (*)	(7.105.744)	(6.733.999)
Payroll taxes	(2.315.147)	(2.082.318)
Benefits	(1.334.530)	(764.410)
Vacation pay, 13th-month salary and indemnities	(973.456)	(1.096.594)
Other personnel expenses	(51.824)	(51.609)
	(11.780.701)	**(10.728.930)**

18 General, administrative, and selling expenses

Description	2021	2020
Commissions	(4.963.152)	(3.584.435)
Expected credit losses - ECL	(1.103.048)	(843.824)
Consulting services	(834.972)	(696.690)
Depreciation and amortization	(570.508)	(475.460)
Licenses and certifications	(566.483)	(414.942)
Maintenance	(541.283)	(174.918)
Rents	(467.366)	(369.226)
Sales discounts	(453.898)	-
Communication	(330.543)	(397.034)
Advertising and publicity	(303.827)	(91.462)
Travels	(281.546)	(358.584)
Cleaning and preservation	(251.921)	(113.924)
Licenses and software	(142.727)	(186.746)
Taxes	(131.546)	(98.471)
Energy	(102.374)	(91.777)
Gifts	(74.587)	(31.985)
Fairs and expositions	(74.412)	(24.023)
Training and courses	(46.535)	(18.229)
Freights and shipping costs	(31.500)	(32.381)
Other expenses	(1.008.337)	(302.641)
	(12.280.565)	**(8.306.752)**

19 Financial income, net

Description	2021	2020
Financial revenues		
Exchange gains	1.551.345	2.640.643
Financial applications' earnings	76.566	9.853
Interest rate gains	43.636	19.072
Discounts obtained	7.306	50.407
	1.678.853	**2.719.975**
Financial expenses		
Exchange losses	(1.568.659)	(1.875.764)
Arrears fine	(208.907)	(378.904)
Interest rate losses	(144.150)	(219.911)
Bank charges	(93.196)	(102.211)
Discounts granted	(39.498)	(13.056)
Other expenses	(18.606)	(18.628)
	(2.073.016)	**(2.608.474)**
	(394.163)	**111.501**

20 Current income tax and social contribution

Description	1st quarter	2nd quarter	3rd quarter	4th quarter	2021 Total
Pretax income	3.072.005	(1.102.821)	990.567	1.138.590	
(+) Additions	190.706	680.305	214.016	2.140.082	
(-) Exclusions	(1.002.822)	(325.022)	(1.061.665)	(1.593.607)	
Pre-compensation basis of calculation	**2.259.889**	**(747.538)**	**142.918**	**1.685.065**	
Compensation of negative basis	-	-	(42.876)	(505.519)	
Income tax and social contribution basis of calculation	**2.259.889**	**(747.538)**	**100.042**	**1.179.546**	
IRPJ (tax rate – 15% + 10% on any excess of R$ 60 thousand in the quarter)	(545.412)	-	(18.411)	(281.809)	(845.632)
CSLL (tax rate – 9%)	(203.390)	-	(9.004)	(106.159)	(318.553)
Income tax and social contribution	**(748.802)**	**-**	**(27.415)**	**(387.968)**	**(1.164.185)**

Description	1st quarter	2nd quarter	3rd quarter	4th quarter	2020 Total
Pretax income	(177.520)	5.073.851	1.050.197	1.175.021	
(+) Additions	84.080	71.734	69.745	553.184	
(-) Exclusions	(181.616)	(807.808)	(864.835)	(986.090)	
Pre-compensation basis of calculation	**(275.056)**	**4.337.777**	**255.107**	**742.115**	
Compensation of negative basis	-	(295.399)	-	-	
Income tax and social contribution basis of calculation	**(275.056)**	**4.042.378**	**255.107**	**742.115**	
IRPJ (tax rate – 15% + 10% on any excess of R$ 60 thousand in the quarter)	-	(984.079)	(56.246)	(175.076)	(1.215.401)
CSLL (tax rate – 9%)	-	(363.814)	(22.960)	(66.790)	(453.564)
Income tax and social contribution	**-**	**(1.347.893)**	**(79.206)**	**(241.866)**	**(1.668.965)**

As from 2019, the Company has been given the benefits ordered by Law nº 11.196/05 – “Lei do Bem”. It is a specific law that provides tax benefits to legal entities performing research and technological innovation. The benefits consist of reduction of the basis of income tax levied on research and development expenses incurred on technological innovation, which can be classified as operating expenses under the income tax legislation.

21 Financial instruments and risk management

a General considerations

The Management operates with financial instruments the risk of which is managed through financial strategies, internal control and exposure-limit systems. The risk policies and systems are regularly monitored to reflect changes in market conditions and the activities of society as a whole. Every operation is fully accounted for and restricted to the instruments described below:

	Note	2021	2020	Classification
Financial assets				
Cash and cash equivalents	**4**	63.029	141.669	**(i)**
Readily realizable investments in the money market	**4**	3.145.208	1.993.918	**(ii)**
Accounts receivable	**5**	12.804.086	13.094.011	**(i)**
Advancement to suppliers		2.076.542	1.325.211	**(i)**
Other credits		128.042	145.207	**(i)**
Related-party transactions	**7**	-	1.361.643	**(i)**
		18.216.907	**18.061.659**	
Financial liabilities				
Loans and financing	**9**	3.949	146.835	**(iii)**
Suppliers	**10**	1.540.516	1.485.618	**(iii)**
Advances from clients	**13**	1.659.651	2.164.841	**(iii)**
Other obligations		125.995	116.548	**(iii)**
		3.330.111	**3.913.842**	

Classification:

(i) Assets at amortized cost.
(ii) Assets at fair value through result
(iii) Liabilities at the amortized cost

b Risk factors that may affect the businesses

The main risk factors to which the Company is exposed are related with strategic, operational, economic and financial aspects. Strategic and operational risks (such as the demand, competition behavior and relevant structural changes) are dealt with according to a management model. The risk and financial instrument management is conducted through the adoption of policies, definition of strategies and implementation of control systems aimed at ensuring liquidity, profitability, and safety. The control policy consists in permanently monitoring contracted rates as compared to current market ones. The management adopts a conservative resource-management policy, the main objectives of which are to protect value and liquidity of financial assets and ensure financial funds for properly conducting and even expanding businesses. The main financial risks considered by the Management are the following:

- Price risk involved in goods and services rendered.
- Credit risk.
- Liquidity risk.
- Interest rate risk.
- Foreign exchange rate risk.

The management does not perform speculative operations using derivatives or other risk assets. In this note is information on the Company's exposure to each of the above mentioned risks, the objectives, policies and processes concerning the risk measurement and management, as well as the management of capital. These financial statements also disclose additional quantitative information.

c Price risk involved in goods sold and services rendered

This refers to the possibility of price fluctuation for the products and/or services the Company sells or the raw materials and other inputs used in its production process. Sales revenue and especially the cost of products sold may be affected by price fluctuation. To minimize these risks, the Company permanently monitors price fluctuation in both domestic and foreign markets.

d Credit risk

The financial instruments involving credit risks to the Management consist basically of cash and cash equivalents, accounts receivable from clients, advance payment to suppliers, other credits and related parties. The cash and cash equivalent risks arise mainly from financial institutions being unable to meet their financial obligations with the Company. Management regularly performs a credit analysis of the credit institutions with whom it relates through several methods that evaluate liquidity, solvency, leverage, portfolio quality, among others. Cash equivalents are only held in institutions with solid credit position histories, favoring security and liquidity. Credit risks related with trade receivables are reduced because of constant monitoring and analysis of credit and control procedures. In the table below, information on the maximum exposure to credit risks:

	Note	2021	2020
Financial assets			
Cash and cash equivalents	**4**	63.029	141.669
Readily realizable investments in the money market	**4**	3.145.208	1.993.918
Accounts receivable	**5**	12.804.086	13.094.011
Advancement to suppliers		2.076.542	1.325.211
Other credits		128.042	145.207
Related-party transactions	**7**	-	1.361.643
		18.216.907	**18.061.659**

e Liquidity risk

The liquidity risk arises from the possibility that the Company will not be able to meet contracted obligations in due time, and the cash requirements due to restricted liquidity in the market. Consistently with its strategic focus in reducing capital costs, the Management reduces these risks by using revolving credit lines the increase short-term liquidity and provide more effective cash management. The Company's main sources of funds are the cash flow generated by its operations, suppliers, and loans and financing and other obligations. The management believes that these are appropriate to meet its current fund requirements, including but not limited to working capital, investment capital, debt amortization and dividend payment. The table below shows liquidity risks and reflects the Company's financial flow:

		2021			2020
Description	**Cash flow**	**Up to One year**	**Cash flow**	**Up to One year**	**More than One year**
Assets					
Cash and cash equivalents	63.029	63.029	141.669	141.669	-
Readily realizable investments in the money market	3.145.208	3.145.208	1.993.918	1.993.918	-
Accounts receivable	12.804.086	12.804.086	13.094.011	13.094.011	-
Advancement to suppliers	2.076.542	2.076.542	1.325.211	1.325.211	-
Other credits	128.042	128.042	145.207	145.207	-
Related-party transactions	-	-	1.361.643	-	1.361.643
	18.216.907	**18.216.907**	**18.061.659**	**16.700.016**	**1.361.643**
Liabilities					
Loans and financing	3.949	3.949	146.835	92.437	54.398
Suppliers	1.540.516	1.540.516	1.485.618	1.485.618	-
Advances from clients	1.659.651	1.659.651	2.164.841	2.164.841	-
Other obligations	125.995	125.995	116.548	116.548	-
	3.330.111	**3.330.111**	**3.913.842**	**3.859.444**	**54.398**

f Interest rate risk

This arises from the possibility that the Company comes to bear losses due to fluctuation of rate of interest levied on liabilities and assets it holds. To minimize possible impact from interest rate fluctuation, the Company adopts a diversification policy, by alternating fixed and variable rates under contracts and periodically reviewing contracts in order to adjust them to the market and any change in circumstances.

g Exchange rate risk

This arises from the possibility of changes in foreign exchange risk affecting financial expenses (revenue). However, as a safeguard against exchange fluctuation, the Company monitors its foreign exchange exposure.

h Capital management

It is the Company's policy to maintain a sound capital basis to ensure investors', creditors', and the market's trust and the future development of the business. To this end, the net debt relationship with the total shareholders´ equity is closely monitored.

The management endeavors to keep a balance between the highest possible returns and the most appropriate levels of financing and advantages and safety provided by a sound capital position. Below, the Company's debt to the adjusted capital position at the end of the year:

	2021	**2020**
Total liabilities	11.345.708	10.878.658
Minus: cash and cash equivalents	3.208.237	2.135.587
Net debt (A)	**8.137.471**	**8.743.071**
Total owner's equity **(B)**	29.166.727	26.232.571
Net debt to adjusted equity ratio **(A)/ (B)**	0,3	0,3

i Fair value estimate

It is assumed that the book value of accounts receivable and accounts payable subtracted of any loss (*impairment)* are close to their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting contracted future cash flows at current market rates.

22 Insurance coverage

The Company's management has a policy of only hiring insurance from different modalities, the coverages of which are deemed sufficient by the Management and insurance agents to cover the occurrence of claims. Given their nature, adopted risk assumptions are not part of the financial statements' audit scope, and consequently were not examined by our independent auditors.

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CONTATO

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