RTA-446-2021

Nova Smar S/A

Financial statements for the years ended December 31, 2020 and 2019, accompanied by the independent auditors' report

MOORE

Moore Prisma Auditores e Consultores

Rua Milton José Robusti, 75
15º andar
CEP 14021-613
Ribeirão Preto - SP

T. 55 (16) 3019-7900
E. moorerp@moorebrasil.com.br

www.moorebrasil.com.br

RTA-446-2021

Ribeirão Preto, SP, July 26, 2021.

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, 2020 and 2019, 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

MOORE

Nova Smar S/A

Financial statements for the years ended December 31, 2020 and 2019, accompanied by the independent auditors' report on the financial statements.

Summary

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Independent auditors' report 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, 2020 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, 2020, 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 those 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 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.

Other matters

Audit of values pertaining to the previous year

Values pertaining to the year ended December 31, 2019, are presented for comparative purposes and were examined by our auditors. This report was issued in August 14, 2020, and contained changes to the initial balances of the Company's financial statements for the previous year ended in December 31, 2018, which had not been sufficiently examined by independent auditors and lacked evidences of appropriate and sufficient auditing from a first audit that could guarantee that the opening balances cannot materially affect the income for the year ended in 2019, or otherwise impact the financial statements.

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) and the internal controls 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 the 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, obtaining 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 with no intention of 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 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 to 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 significant audit findings including any internal control weaknesses identified in the course of our work.

Ribeirão Preto, SP, June 04, 2021.

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

Thiago Sousa Portugal
CRC SP258542/O-1

Nova Smar S/A

Balance sheets
As of December 31, 2020 and 2019
In Reais

	Note	2020	2019		Note	2020	2019
Assets				**Liabilities**			
Current				**Current**			
Cash and cash equivalents	**4**	2.135.587	365.922	Loans and financing	**9**	92.437	709.093
Accounts receivable	**5**	13.094.011	10.570.469	Suppliers	**10**	1.485.618	1.106.312
Inventories	**6**	10.280.638	6.632.327	Salaries, provision for vacation pay and social contributions	**11**	2.978.679	2.605.524
Taxes and contributions recoverable		943.421	914.665	Taxes and contributions collectible	**12**	1.758.035	1.131.960
Advance payments for suppliers		1.325.211	773.893	Advance payments from clients	**13**	2.164.841	1.901.390
Other credits		145.207	62.743	Other obligations		116.548	26.773
Total current assets		**27.924.075**	**19.320.019**	**Total current liabilities**		**8.596.158**	**7.481.052**
Non- current				**Non- current**			
Long-term assets				Loans and financing	**9**	54.398	85.380
Related-party transactions	**7**	1.361.643	2.298.705	Taxes and contributions collectible	**12**	2.228.102	1.009.547
Escrow deposits	**14**	682.475	242.287	**Total non-current liabilities**		**2.282.500**	**1.094.927**
Investments		117.091	113.770				
Fixed assets	**8**	6.739.291	7.222.737	**Net equity**	**15**		
Intangibles		286.654	158.448	Capital stock		17.145.601	17.145.601
Total non-current assets		**9.187.154**	**10.035.947**	Legal reserve		454.348	181.719
				Revenue reserve		8.632.622	3.452.667
				Total shareholders' equity		**26.232.571**	**20.779.987**
Total assets		**37.111.229**	**29.355.966**	**Total liabilities and shareholders' equity**		**37.111.229**	**29.355.966**

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

Nova Smar S/A

Statements of income
Years ended December 31, 2020 and 2019
In Reais

	Note	2020	2019
Net operating revenue	**16**	**57.920.426**	**43.757.184**
Cost of goods sold		**(31.804.253)**	**(23.323.965)**
Gross profit		**26.116.173**	**20.433.219**
Operating (expenses) revenues			
Personnel expenses	**17**	(10.728.930)	(8.652.175)
Administrative and general expenses	**18**	(6.902.132)	(6.125.167)
Selling expenses		(1.404.620)	(1.343.902)
Other net operating expenses		(70.443)	(185.394)
		(19.106.125)	**(16.306.638)**
Profit before financial income		**7.010.048**	**4.126.581**
Net financial income	**31**	111.501	(560.854)
Pretax income		**7.121.549**	**3.565.727**
Income tax and social contribution - current	**20**	(1.668.965)	(535.601)
Net income for the year		**5.452.584**	**3.030.126**

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

Nova Smar S/A

Statements of comprehensive income
Years ended December 31, 2020 and 2019
In Reais

	2020	2019
Net income for the year	**5.452.584**	**3.030.126**
Other comprehensive income	-	-
Comprehensive income for the year	**5.452.584**	**3.030.126**

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

Nova Smar S/A

Statements of changes in shareholders' equity
Years ended December 31, 2020 and 2019
In Reais

	Capital stock	Legal reserve	Revenue reserve	Accumulated profits	Total
Balance in January 01 2019	**8.075.624**	**30.213**	**574.047**	**-**	**8.679.884**
Capital contribution	9.069.977	-	-	-	9.069.977
Net income for the year	-	-	-	3.030.126	3.030.126
Recording for the statutory reserve	-	151.506	-	(151.506)	-
Profit retention	-	-	2.878.620	(2.878.620)	-
Balance in December 31, 2019	**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**

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

Nova Smar S/A

Statements of cash flows
Years ended December 31, 2020 and 2019
In Reais

	2020	2019
Cash flow from operating activities		
Net income for the year	5.452.584	3.030.126
Adjustments for:		
Depreciation and amortization	1.228.366	1.083.715
Residual value of asset retirements	106.784	306.764
Expected Credit Losses - ECL	755.591	83.025
Variations in assets and liabilities:		
Accounts receivable	(3.279.133)	(5.435.308)
Inventories	(3.648.311)	(5.116.110)
Taxes and contributions recoverable	(28.756)	(398.135)
Advance payments for suppliers	(551.318)	(325.097)
Escrow deposits	(440.188)	(242.287)
Other credits	(82.464)	(11.015)
Suppliers	379.306	613.616
Salaries, provision for vacation pay and social contributions	373.155	1.726.622
Taxes and contributions collectible	1.844.630	1.296.407
Advances from clients	263.451	477.635
Other obligations	89.775	17.138
Net income from operating activities	**2.463.472**	**(2.892.904)**
Cash flow from investing activities		
Increase in investments	(3.321)	(12.270)
Acquisition of fixed assets	(788.540)	(1.909.731)
Acquisition of intangibles	(191.370)	(63.727)
Net income from investing activities	**(983.231)**	**(1.985.728)**
Cash flow from financing activities		
Variations in loans and financing	(647.638)	694.473
Related-party transactions	937.062	(5.130.158)
Capital contribution	-	9.069.977
Net income from financing activities	**289.424**	**4.634.292**
(Decrease) increase in cash and cash equivalents	**1.769.665**	**(244.340)**
Changes in cash and cash equivalents:		
Cash and cash equivalents at the end of year	2.135.587	365.922
Cash and cash equivalents at the beginning of year	365.922	610.262
(Decrease) increase in cash and cash equivalents	**1.769.665**	**(244.340)**

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, as well as manufacturing and selling of controlling devices, and supplying 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 do not impact the Company’s cash resources. That is because 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, all consistent with those 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 on June 04, 2021.

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 that most affect the figures recorded 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 in regards to recording 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. Fixed asset 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 in which 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 modifications 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 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 and following the conditions stated in section 11 of the 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 asset when its contractual obligation is removed, cancelled, or expires.

Basic financial assets and liabilities are compensated and their net value is 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 realizing the asset and liquidating 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 it matures 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, not exceeding 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 Investments

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

g Fixed assets

- Recognition and measurement

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

h 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.

i 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.

j Loans and financing

Loans and financing are initially recognized at transaction value (that is, the value received from the bank, including transaction costs) and subsequently demonstrated at the amortized cost. Costs arising from financial expenses are recorded in the year's income, 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.

k Suppliers

Accounts payable to suppliers are obligations payable for goods, assets, and 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.

l Provisions

Provisions are recognized whenever there is a current legal or non-formal obligation resulting from past events that can be reliably estimated and economic resources will probably be required to settle this obligation in the future, also incurring in 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.

m 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.

n 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.

o 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.

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

Adjustment of assets and liabilities 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.

q 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 where the possibility of loss is remote are neither 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.

r Separation between current and non-current

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

s Capital stock

Capital shares are classified under shareholders' equity.

t 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. Revenues are not recognized if their realization is significantly uncertain.

u Statements of cash flows

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

4 Cash and cash equivalents

Description	2020	2019
Cash	27.298	10.644
Banks - Checking account	114.371	45.125
Readily realizable investments in the money market	1.993.918	310.153
	2.135.587	**365.922**

Cash and cash equivalents are held to meet the Company's short-term cash requirements. Financial applications mostly comprise investments in funds and CDI ("Certificado de Depósito Bancário" - Bank Deposit Certificate), which pay based in the variation of the Interbank Deposit Certificate (CDI - Certificado de Depósito Interbancário), as per 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.

In 2020, the substantial increase in operations and operating revenue resulted in an increase in the resources available under cash equivalents as of December 31, 2020

5 Accounts receivable

a Balance composition

Description	2020	2019
Domestic market	10.863.069	5.288.082
Foreign market	3.069.558	5.365.412
	13.932.627	10.653.494
(-) Expected Credit Losses - ECL	(838.616)	(83.025)
	13.094.011	**10.570.469**

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 the 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	2020 Total
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**

Description	Domestic market	Foreign market	2019 Total
Yet to mature	4.832.739	4.386.318	9.219.057
Up to 30 days late	340.723	262.251	602.974
31 to 60 days late	21.571	440.170	461.741
61 to 90 days late	3.428	62.837	66.265
91 to 180 days late	38.047	157.888	195.935
Due for more than 180 days	51.574	55.948	107.522
	5.288.082	**5.365.412**	**10.653.494**

6 Inventories

Description	2020	2019
Raw materials	8.476.408	5.869.701
Finished products	1.673.629	671.922
Products in process	130.601	90.704
	10.280.638	**6.632.327**

The Company's management understands that, due to the analysis of inventory items and relevance considerations, there is no need to record any other estimated losses for slow moving inventories, non-realization, or obsolescence beyond values already recorded.

7 Related-party transactions

Description	2020	2019
Non-current assets		
Advance payments - operations	19.925.859	19.514.889
Other credits - FOPAG	16.138.481	16.138.481
	36.064.340	**35.653.370**
Non-current liabilities		
Accounts payable - suppliers and FOPAG	**(34.702.697)**	**(33.354.665)**
Net balance	**1.361.643**	**2.298.705**

Net balances are presented 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, with due legal authorization.

The remaining receivable net balance at Nova Smar S/A, currently valued at R$ 1.361.643, is expected to be liquidated based on transferences of residual inventory items still recorded in the liquidation mass as of 2021.

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

8 Fixed assets

Description	Annual depreciation rate	Acquisition cost	Accumulated depreciation	2020 Net	2019 Net
Machines and equipment	10%	4.894.985	(948.092)	3.946.893	3.982.056
Tools	20%	865.053	(341.918)	523.135	664.005
Models and shapes for casting	33%	327.305	(159.381)	167.924	239.659
Furniture and utensils	10%	251.289	(48.364)	202.925	201.690
Computer hardware	20%	548.992	(148.721)	400.271	328.019
Vehicles	20%	216.561	(79.561)	137.000	180.133
Small value goods - machines and equipment	10%	443.080	(84.785)	358.295	375.959
Small value goods - tools	20%	322.558	(128.537)	194.021	259.371
Small value goods – furniture and utensils	10%	615.655	(125.367)	490.288	552.046
Small value goods – phones	20%	873	(167)	706	793
Small value goods – computer hardware	20%	528.309	(210.476)	317.833	439.006
		9.014.660	**(2.275.369)**	**6.739.291**	**7.222.737**

a Changes in cost in 2020

Description	Initial 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**

b **Changes in cost in 2019**

Description	Initial balances	Acquisitions	Write-downs	Ending balances
Machines and equipment	4.119.143	613.619	(246.147)	4.486.615
Tools	817.764	26.933	(1.624)	843.073
Models and shapes for casting	2.100	291.228	-	293.328
Furniture and utensils	218.978	12.105	(2.975)	228.108
Computer hardware	22.723	367.821	(823)	389.721
Vehicles	136.847	79.714	-	216.561
Small value goods - machines and equipment	363.049	61.081	(6.834)	417.296
Small value goods - tools	260.557	63.482	(892)	323.147
Small value goods – furniture and utensils	540.180	130.474	(54.787)	615.867
Small value goods – phones	-	873	-	873
Small value goods – computer hardware	297.610	262.401	(13.741)	546.270
	6.778.951	**1.909.731**	**(327.823)**	**8.360.859**

c **Changes in accumulated depreciation in 2020**

Description	Initial 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)**

d **Changes in accumulated depreciation in 2019**

Description	Initial balances	Acquisitions	Write-downs	Ending balances
Machines and equipment	(71.576)	(451.175)	18.192	(504.559)
Tools	(97)	(179.080)	109	(179.068)
Models and shapes for casting	-	(53.993)	324	(53.669)
Furniture and utensils	(894)	(25.549)	25	(26.418)
Computer hardware	(190)	(61.571)	59	(61.702)
Vehicles	(2.709)	(33.808)	89	(36.428)
Small value goods - machines and equipment	-	(41.557)	220	(41.337)
Small value goods - tools	-	(63.835)	59	(63.776)
Small value goods – furniture and utensils	-	(65.116)	1.295	(63.821)
Small value goods – phones	-	(80)	-	(80)
Small value goods – computer hardware	-	(107.951)	687	(107.264)
	(75.466)	**(1.083.715)**	**21.059**	**(1.138.122)**

In 2020 and 2019, the Company's management reviewed the remaining economic useful life of fixed assets and no relevant changes from previous estimates were identified.

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

9 Loans and financing

Purpose	Monthly interest rate	Final maturity	2020 Current	2020 Non- current	2020 Total	2019 Current	2019 Non- current	2019 Total
Working capital	Between 0,14% and 1,98%	September/2024	**92.437**	**54.398**	**146.835**	**709.093**	**85.380**	**794.473**

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

10 Suppliers

Description	2020	2019
Domestic market	1.320.103	935.243
Foreign market	165.515	171.069
	1.485.618	**1.106.312**

The 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	2020	2019
Salaries payable	577.676	462.602
Provision for vacation pay and social contributions	1.862.809	1.689.373
Social Security (INSS)	216.384	245.468
FGTS	144.855	122.654
Other social obligations and charges	176.955	85.427
	2.978.679	**2.605.524**

12 Taxes and contributions collectible

			2020			**2019**
Description	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
IRRF	301.033	-	301.033	234.387	-	234.387
IPI	164.948	-	164.948	215.411	-	215.411
IRPJ	224.238	-	224.238	149.996	-	149.996
CSLL	86.002	-	86.002	55.093	-	55.093
PIS	44.075	-	44.075	15.881	-	15.881
COFINS	203.978	-	203.978	132.986	-	132.986
PIS/COFINS/CSLL	9.448	-	9.448	4.340	-	4.340
ISS	20.498	-	20.498	31.236	-	31.236
Social Security (INSS)	1.718	-	1.718	1.307	-	1.307
ICMS	656	-	656	-	-	-
Installment - IRPJ **(i)**	510.626	1.624.128	2.134.754	210.993	731.800	942.793
Installment – CSLL **(i)**	190.815	603.974	794.789	80.330	277.747	358.077
	1.758.035	**2.228.102**	**3.986.137**	**1.131.960**	**1.009.547**	**2.141.507**

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

13 Advance payments from clients

Description	2020	2019
Domestic market	**2.164.841**	**1.901.390**

The balance of advance payments from clients refers to advances with the objective of starting production, whereas the Company accepts advance payment to smoothen 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$ 682.475 as of December 31, 2020 (R$ 242.287 in 2019) refer to a legal action filed against the Brazilian Internal Revenue Service - "RFB", questioning the ICMS credits included in the basis of PIS and COFINS calculation.

In the course of its regular operations, the Company is also 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" or "possible loss", and for this reason Management did not proceed with the recording of any provision 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 among 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, 2020 and 2019, no relevant tax contingency involving probable losses was known.

15 Shareholders’ equity

a Capital stock

The subscribed capital consists of 28.172.742 common, nominative shares worth R$ 1,00 each, respectively - 17.145.601 and 8.075.624 – partially paid as of December 31 2020 and 2019, representing tangible and intangible assets (according to an economic-financial appraisal report - valuation) held by the shareholders.

b Legal reserve

In accordance with Corporate Law and the Company's articles of association, this was set-up at 5% of the net income for the year at the amount of R$ 272.629 and R$ 151.506 as of December 31 2020 and 2019, respectively. The legal reserve is intended to ensure the wholeness of capital and can only be used 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 2020 and 2019, the reserve was increased in R$ 5.179.955 and R$ 2.878.620, 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 earnings per share is presented as follows:

Description	**2020**	**2019**
Numerator		
Net income for the year	5.452.584	3.030.126
Denominator		
Number of outstanding shares	17.145.601	17.145.601
Income per thousand-share lot	**0,32**	**0,18**

16 Net operating revenue

Description	**2020**	**2019**
Gross operating revenue		
Products sold – domestic market	48.398.679	32.971.863
Products – foreign market	17.342.692	16.092.426
Services rendered – domestic market	5.731.458	3.904.130
Services rendered – foreign market	1.474.227	2.132.523
	72.947.056	**55.100.942**
Deductions from gross revenue		
Sales taxes	(11.937.073)	(8.587.502)
Returns and cancellations	(3.089.557)	(2.756.256)
	(15.026.630)	**(11.343.758)**
	57.920.426	**43.757.184**

17 Personnel expenses

Description	**2020**	**2019**
Salaries, overtime and "pro-labore" (management fees)	(6.738.016)	(5.861.746)
Payroll taxes	(2.082.318)	(1.647.049)
Vacation pay, 13th-month salary and indemnities	(1.087.016)	(1.046.537)
Benefits	(787.047)	(76.334)
Other personnel expenses	(34.533)	(20.509)
	(10.728.930)	**(8.652.175)**

18 Administrative and general expenses

Description	2020	2019
Commissions	(3.584.435)	(2.903.973)
Consulting services	(696.690)	(572.507)
Depreciation and amortization	(475.460)	(397.057)
Communication	(397.034)	(560.262)
Rents	(369.226)	(473.649)
Expected credit losses - ECL	(366.656)	(83.025)
Maintenance	(174.918)	(235.436)
Cleaning and preservation	(113.924)	(212.735)
Taxes	(98.471)	(61.215)
Energy	(91.777)	(108.599)
Gifts	(31.985)	(64.490)
Training and courses	(18.229)	(71.329)
Other expenses	(483.327)	(380.890)
	(6.902.132)	**(6.125.167)**

19 Net financial income

Description	2020	2019
Financial revenues		
Exchange gains	2.640.643	465.045
Discounts obtained	50.407	83.851
Financial applications' earnings	9.853	17.310
Interest rate gains	19.072	6.293
Bonuses	-	6.047
	2.719.975	**578.546**
Financial expenses		
Exchange losses	(1.875.764)	(488.001)
Arrears fine	(378.904)	(363.528)
Interest rate losses	(219.911)	(98.229)
Bank charges	(102.211)	(88.396)
Discounts granted	(13.056)	(73.376)
Other expenses	(18.628)	(27.870)
	(2.608.474)	**(1.139.400)**
	111.501	**(560.854)**

20 Current income tax and social contribution

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)**

Description	1st quarter	2nd quarter	3rd quarter	4th quarter	2019 Total
Pretax income	1.260.217	(324.471)	1.070.312	1.559.669	
(+) Additions	84.264	85.240	79.575	214.226	
(-) Exclusions	(651.133)	(181.779)	(735.080)	(853.143)	
Pre-compensation basis of calculation	**693.348**	**(421.010)**	**414.807**	**920.752**	
Compensation of negative basis	-	-	(124.442)	(276.226)	
Income tax and social contribution basis of calculation	**693.348**	**(421.010)**	**290.365**	**644.526**	
IRPJ (tax rate – 15% + 10% on any excess of R$ 60 thousand in the quarter)	(167.337)	-	(66.591)	(155.132)	(389.060)
CSLL (tax rate – 9%)	(62.401)	-	(26.133)	(58.007)	(146.541)
Income tax and social contribution	**(229.738)**	**-**	**(92.724)**	**(213.139)**	**(535.601)**

As from 2019, the Company has received 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	2020	2019	Classification
Financial assets				
Cash and cash equivalents	**4**	141.669	55.769	**(i)**
Readily realizable investments in the money market	**4**	1.993.918	310.153	**(ii)**
Accounts receivable	**5**	13.094.011	10.570.469	**(i)**
Advancement to suppliers		1.325.211	773.893	**(i)**
Other credits		145.207	62.743	**(i)**
Related-party transactions	**7**	1.361.643	2.298.705	**(i)**
		18.061.659	**14.071.732**	
Financial liabilities				
Loans and financing	**9**	146.835	794.473	**(iii)**
Suppliers	**10**	1.485.618	1.106.312	**(iii)**
Advances from clients	**13**	2.164.841	1.901.390	**(iii)**
Other obligations		116.548	26.773	**(iii)**
		3.913.842	**3.828.948**	

Classification:

(i) Assets at amortized cost.

(ii) Assets at fair value through the income

(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 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. Management adopts a conservative resource-management policy, the main objectives of which are to protect the value and liquidity of financial assets and ensure financial funds for properly conducting and even expanding businesses. The main financial risks taken into consideration by management are the following:

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

Management does not perform speculative operations using derivatives or other risk assets. This note contains information on the Company's exposure to each of the risks mentioned above, 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 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. In order to minimize the risks in question, the Company permanently monitors the fluctuation of both local and internal prices.

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 held only in institutions with a solid credit position history, 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	2020	2019
Financial assets			
Cash and cash equivalents	**4**	141.669	55.769
Readily realizable financial investments	**4**	1.993.918	310.153
Accounts receivable	**5**	13.094.011	10.570.469
Advance payments to suppliers		1.325.211	773.893
Other credits		145.207	62.743
Related-party transactions	**7**	1.361.643	2.298.705
		18.061.659	**14.071.732**

e Liquidity risk

Liquidity risk arises from the possibility of the Company not being able to meet its contracted obligations in due time, and the cash demands originating from market liquidity restrictions. In order to lessen this risk, the Management uses revolving credit lines that increase short-term liquidity and provide more effective cash management, consistently with the strategic focus of reducing capital cost. The Company's main sources of funds are the cash flow generated by its operations, suppliers, 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:

			2020			2019
Description	**Cash flow**	**Up to one year**	**More than one year**	**Cash flow**	**Up to one year**	**More than one year**
Assets						
Cash and cash equivalents	141.669	141.669	-	55.769	55.769	-
Readily realizable financial investments	1.993.918	1.993.918	-	310.153	310.153	-
Accounts receivable	13.094.011	13.094.011	-	10.570.469	10.570.469	-
Advance payments to suppliers	1.325.211	1.325.211	-	773.893	773.893	-
Other credits	145.207	145.207	-	62.743	62.743	-
Related-party transactions	1.361.643	-	1.361.643	2.298.705	-	2.298.705
	18.061.659	**16.700.016**	**1.361.643**	**14.071.732**	**11.773.027**	**2.298.705**
Liabilities						
Loans and financing	146.835	92.437	54.398	794.473	709.093	85.380
Suppliers	1.485.618	1.485.618	-	1.106.312	1.106.312	-
Advance payments from clients	2.164.841	2.164.841	-	1.901.390	1.901.390	-
Other obligations	116.548	116.548	-	26.773	26.773	-
	3.913.842	**3.859.444**	**54.398**	**3.828.948**	**3.743.568**	**85.380**

f **Interest rate risk**

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

g **Foreign exchange rate risk**

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

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 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 return and the most appropriate levels of financing, as well as the advantages obtained and the safety provided by a sound capital position. Below, the Company's debt in terms of the adjusted capital position at the end of the year:

	2020	**2019**
Total liabilities	10.878.658	8.575.979
Less: cash and cash equivalents	2.135.587	365.922
Net debt (A)	**8.743.071**	**8.210.057**
Total shareholders' equity **(B)**	26.232.571	20.779.987
Net debt index to adjusted equity **(A)/ (B)**	0,3	0,4

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 market rates.

22 Insurance coverage

Company 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.

*** End ***

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CONTATO

Moore Prisma Auditores e Consultores

Rua Milton José Robusti, 75
15º Andar
CEP 14021-613
Ribeirão Preto - SP - Brasil

T 55 (16) 3019 7900
E moorerp@moorebrasil.com.br

MOORE

www.moorebrasil.com.br