

(Convenience translation into English from the original
previously issued in Portuguese)

MULTILASER INDUSTRIAL S.A.

Independent auditor's review report

Individual and consolidated interim financial
information

As at June 30, 2021

MULTILASER INDUSTRIAL S.A.

Individual and consolidated interim financial information
As at June 30, 2021

Contents

Independent auditor's review report on the individual and consolidated interim financial information

Individual and consolidated interim statements of financial position

Individual and consolidated interim statements of income

Individual and consolidated interim statements of comprehensive income

Individual and consolidated interim statements of changes in equity

Individual and consolidated interim statements of cash flows - Indirect method

Individual and consolidated interim statements of value added - Supplementary information

Notes to the individual and consolidated interim financial information

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the
Shareholders and Management of
Multilaser Industrial S.A.
São Paulo - SP

Introduction

We have reviewed the individual and consolidated interim financial information of Multilaser Industrial S.A. ("Company"), identified as Parent Company and Consolidated, respectively, for the quarter ended June 30, 2021, which comprises the statement of financial position as at June 30, 2021, and the respective statements of income and comprehensive income for the three- and six-month periods ended June 30, 2021 and 2020, and of changes in equity and cash flows for the six-month period ended June 30, 2021 and 2020, including the notes to the financial information.

The Company's and its controlled companies' Management is responsible for the preparation of this individual and consolidated interim financial information in accordance with NBC TG 21 (R4) - Interim Financial Information and with International Accounting Standard (IAS) 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and for the presentation of this interim financial information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to quarterly information. Our responsibility is to express a conclusion on the individual and consolidated interim financial information based on our review.

Scope of the review

We conducted our review in accordance with Brazilian and international standards on review engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity). An interim review principally consists of applying analytical and other review procedures and making enquiries of and having discussions with persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit conducted in accordance with auditing standards. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit. Accordingly, we do not express such an audit opinion.

Conclusion on the individual and consolidated interim financial information

Based on our review, we are not aware of any fact that leads us to believe that the individual and consolidated interim financial information included in the accompanying Quarterly Information has not been prepared, in all material respects, in accordance with NBC TG 21 (R4) and IAS 34, applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by CVM.

Other matters

Interim statements of value added

The accompanying interim financial information includes the individual and consolidated statements of value added for the six-month periods ended June 30, 2021 and 2020, prepared under the responsibility of the Company's Management and presented as supplementary information for the purposes of IAS 34. These statements were submitted to review procedures executed with the review of the quarterly information, with the purpose of concluding whether they are reconciled with the interim financial information and accounting records, as applicable, and if its form and contents meet the criteria defined in NBC TG 09 - Statement of Value Added. Based on our review, we are not aware of any fact that would lead us to believe that these statements of value added were not prepared, in all material respects, in accordance with the criteria established in this standard and consistently with the individual and consolidated interim financial information taken as a whole.

The accompanying financial information has been translated into English for the convenience of readers outside Brazil.

São Paulo, August 12, 2021.



BDO RCS Auditores Independentes SS
CRC 2 SP 013846/O-1



Luiz Gustavo Pereira dos Santos
Accountant CRC 1 SP 258849/O-9

MULTILASER INDUSTRIAL S.A.

Statement of financial position
As at June 30, 2021 and December 31, 2020
(In thousands of Brazilian Reais)

Assets						Liabilities and equity					
		Company		Consolidated				Company		Consolidated	
	Note #	30/06/2021	31/12/2020	30/06/2021	31/12/2020		Note #	30/06/2021	31/12/2020	30/06/2021	31/12/2020
Current assets						Current liabilities					
Cash and cash equivalents	4	146,098	41,237	311,175	452,453	Trade accounts payable	14	1,433,678	1,227,723	1,588,250	1,992,782
Accounts receivable	5	1,406,851	973,180	1,362,900	967,780	Loans and financing	15	486,895	232,282	488,430	232,282
Related-party transactions	28	220,670	183,878	-	-	Employees' pay and related charges	16	51,479	26,619	58,274	30,250
Inventories	6	2,069,393	1,651,923	2,619,463	2,610,622	Taxes payable	17	34,680	22,602	47,251	37,329
Derivative financial instruments	25(b.2)(b.3)	82,283	10,920	82,283	10,920	Related-party transactions	28	230,004	170	-	-
Recoverable taxes	7	383,953	207,001	421,991	222,315	Advances from customers	-	85,278	51,594	88,711	54,921
Prepaid expenses	-	17,049	6,506	17,157	6,568	Derivative financial instruments	25(b.2)(b.3)	16,930	20,548	16,930	20,548
Other assets	9	15,012	3,953	27,777	12,325	Obligations incurred with warranties	-	35,109	35,430	35,111	35,432
Total current assets		4,341,310	3,078,598	4,842,746	4,282,983	Interest on equity capital and dividends	19.2 (d)	125,259	23,538	125,259	23,538
Noncurrent assets						Lease liabilities	13	2,649	1,681	3,386	2,138
Long-term assets						Other payables	-	40,587	46,024	81,378	71,736
Deferred taxes	26	131,967	130,139	147,583	133,208	Total current liabilities		2,542,549	1,688,211	2,532,979	2,500,955
Deposits into court	9	24,424	53,797	25,637	53,797	Noncurrent liabilities					
Other assets	9	66,969	29,857	81,861	39,525	Loans and financing	15	743,075	473,464	746,382	473,464
		223,359	213,793	255,080	226,530	Taxes payable	17	72,406	36,457	112,899	42,641
Investment	8	615,691	476,382	-	-	Provision for civil and tax contingencies	18	99,659	142,079	107,454	142,079
Properties held for investment	10	5,020	5,020	5,020	5,020	Lease liabilities	13	8,183	3,445	8,183	4,170
Property, plant and equipment	11	100,541	87,032	203,399	161,925	Other accounts payable	-	2,400	-	2,400	-
Intangible assets	12	2,073	2,107	23,484	5,403	Total noncurrent liabilities		925,723	655,444	977,318	662,354
Right-of-use assets	13	10,729	4,779	11,019	5,504	Equity					
		734,054	575,320	242,922	177,852	Capital	19.1	757,039	757,039	757,039	757,039
Total noncurrent assets		957,413	789,112	498,002	404,382	Capital reserve	19.2(c.1)	12,271	8,357	12,271	8,357
						Legal reserve	19.2(a)	65,298	45,501	65,298	45,501
						Tax incentive reserve	19.2(b)	854,386	599,432	854,386	599,432
						Appropriated retained earnings	-	121,192	101,722	121,192	101,722
						Statutory reserve	19.2(c)	22,711	22,711	22,711	22,711
						Treasury shares	19.2(c)	(2,447)	(10,708)	(2,447)	(10,708)
						Total equity		1,830,450	1,524,055	1,830,450	1,524,055
Total assets		5,298,722	3,867,710	5,340,748	4,687,365	Total liabilities and shareholders' equity					
								5,298,722	3,867,710	5,340,748	4,687,365

Management's notes are an integral part of the individual and consolidated interim financial statements.

MULTILASER INDUSTRIAL S.A.

Statement of income Periods ended June 30, 2021 and 2020 (In thousands of Brazilian Reais)

	Note #	Company				Consolidated			
		Accumulated amounts		2nd Quarter		Accumulated amounts		2nd Quarter	
		2021	2020	2021	2020	2021	2020	2021	2020
Net sales	20	2,541,331	1,057,433	1,179,149	589,225	2,640,189	1,087,264	1,237,657	608,524
Cost of merchandize and products sold	21	(2,050,660)	(755,532)	(1,003,550)	(405,380)	(1,769,111)	(713,025)	(840,863)	(400,747)
Gross income		490,671	301,901	175,599	183,845	871,078	374,239	396,794	207,777
Operating revenue/(expenses)									
Selling expenses	21	(351,695)	(183,304)	(174,665)	(95,981)	(394,541)	(204,436)	(177,416)	(99,029)
General and administrative expenses	21	(43,318)	(19,445)	(16,987)	(9,495)	(65,110)	(22,060)	(37,107)	(11,424)
Equity in earnings (loss) of investees	8	224,181	39,002	146,288	18,154	-	-	-	-
Other operating revenue/(expenses)	23	40,256	501	40,724	(1,759)	(4,355)	(4,025)	(3,532)	(4,201)
Income before financial revenue (expenses)		360,095	138,655	170,958	94,764	407,071	143,718	178,739	93,123
Financial revenue	-	160,308	7,902	113,256	5,964	163,688	10,503	115,457	7,628
Financial expenses	-	(141,138)	(16,749)	(108,877)	(12,716)	(143,944)	(18,044)	(110,668)	(13,686)
Foreign currency exchange variation, net	-	14,850	(47,327)	16,738	(6,386)	17,533	(55,438)	23,745	(7,175)
Financial revenue (expenses)	22	34,020	(56,173)	21,116	(13,138)	37,277	(62,980)	28,534	(13,233)
Income before income and social contribution taxes		394,116	82,482	192,074	81,626	444,348	80,738	207,273	79,891
Current income and social contribution taxes	26. (a)	-	-	-	-	(65,396)	(482)	(30,263)	70
Deferred income and social contribution taxes	26. (a)	1,828	660	10,225	9,122	16,991	2,886	25,290	10,787
Income of the period		<u>395,944</u>	<u>83,142</u>	<u>202,300</u>	<u>90,748</u>	<u>395,944</u>	<u>83,142</u>	<u>202,300</u>	<u>90,748</u>
Income attributable to:									
Controlling shareholders	-	395,944	83,142	202,300	90,748	395,944	83,142	202,300	90,748
Income of the period		<u>395,944</u>	<u>83,142</u>	<u>202,300</u>	<u>90,748</u>	<u>395,944</u>	<u>83,142</u>	<u>202,300</u>	<u>90,748</u>
Earnings per share:									
Basic earnings per share (in R\$)	24	1.8582	0.3848	0.9494	0.4200	1.8582	0.3848	0.9494	0.4200
Diluted earnings per share (in R\$)	24	<u>1.8582</u>	<u>0.3848</u>	<u>0.9494</u>	<u>0.4200</u>	<u>1.8582</u>	<u>0.3848</u>	<u>0.9494</u>	<u>0.4200</u>

Management's notes are an integral part of the individual and consolidated interim financial statements.

MULTILASER INDUSTRIAL S.A.

Statement of comprehensive income Periods ended June 30, 2021 and 2020 (In thousands of Brazilian Reais)

	Company				Consolidated			
	Accumulated amounts		2nd Quarter		Accumulated amounts		2nd Quarter	
	2021	2020	2021	2020	2018	2018	31/03/2021	31/03/2020
Net income of the period	395,944	83,142	202,300	90,748	395,944	83,142	202,300	90,748
Total comprehensive income	<u>395,944</u>	<u>83,142</u>	<u>202,300</u>	<u>90,748</u>	<u>395,944</u>	<u>83,142</u>	<u>202,300</u>	<u>90,748</u>
Income attributable to:								
Controlling shareholders	395,944	83,142	202,300	90,748	395,944	83,142	202,300	90,748
Total comprehensive income	<u>395,944</u>	<u>83,142</u>	<u>202,300</u>	<u>90,748</u>	<u>395,944</u>	<u>83,142</u>	<u>202,300</u>	<u>90,748</u>

Management's notes are an integral part of the individual and consolidated interim financial statements.

MULTILASER INDUSTRIAL S.A.

Statement of change in equity (In thousands of Brazilian Reais)

	Income reserve							
	Capital	Capital reserve	Legal reserve	Appropriated retained earnings	Tax incentive reserve	Statutory reserve	Treasury shares	Accumulated losses
Balances as at December 31, 2019	757,039	-	23,286	23,593	346,059	-	-	-
Net income of the period	-	-	-	-	-	-	-	83,142
Destination of income								-
Legal reserve	-	-	4,157	-	-	-	-	(4,157)
Tax incentive reserve	-	-	-	-	78,985	-	-	(78,985)
Balances as at June 30, 2020	757,039	-	27,444	23,593	425,044	-	-	-
	Income reserve							
	Capital	Capital reserve	Legal reserve	Appropriated retained earnings	Tax incentive reserve	Statutory reserve	Treasury shares	Accumulated losses
Balances as at December 31, 2020	757,039	8,357	45,501	101,722	599,432	22,711	-10,708	-
Net income of the period	-	-	-	-	-	-	-	395,944
Destination of income								-
Legal reserve	-	-	19,797	-	-	-	-	(19,797)
Tax incentive reserve	-	-	-	-	254,954	-	-	(254,954)
Distribution of dividends and interest on equity capital (Note n°19.2(d))	-	-	-	(101,722)	-	-	-	-
Retained earnings	-	-	-	121,192	-	-	-	(121,192)
Share-based compensation (Note n°19.2(c.1))/Note 29	-	3,914	-	-	-	-	1,403	-
Transfer of shares among shareholders (Note 19.2(c.3))	-	-	-	-	-	-	6,857	-
Balances as at June 30, 2021	757,039	12,271	65,298	121,192	854,386	22,711	(2,448)	-

Management's notes are an integral part of the individual and consolidated interim financial statements.

MULTILASER INDUSTRIAL S.A.

Statement of cash flows Periods ended June 31, 2021 and 2020 (In thousands of Brazilian Reais)

	Note #	Company		Consolidated	
		30/06/2021	30/06/2020	30/06/2021	30/06/2020
Cash flows from operating activities					
Net income of the period		395,944	83,142	395,944	83,142
Adjustment to operating activities:					
Deferred income and social contribution taxes	26.(a)	(1,828)	(660)	(16,991)	(2,886)
Equity in earnings (loss) of investees	8	(224,181)	(39,571)	-	-
Depreciation and amortization	11,12 and 13	4,421	5,910	15,075	10,740
Write-off of property, plant and equipment and intangible assets	11	353	2,129	356	6,328
Unrealized exchange rate variation	-	(5,636)	91,172	38,660	108,792
Expenses/interest, net	-	24,246	2,932	24,285	3,436
Discount to present value of accounts receivable	-	(1,260)	1,247	(1,260)	1,247
Allowance for doubtful accounts	5	11,011	8,386	11,589	11,487
Estimate of expenditures and rebates on customers	-	(22,209)	12,651	(16,791)	12,619
Impairment of inventories	6	(2,816)	(2,945)	(975)	777
Provision for civil and tax contingencies	18	(42,420)	(17,276)	(34,625)	(17,276)
Provision for warranties	-	(321)	1,834	(321)	1,832
Other non-cash transactions	-	30,665	(412)	(62,807)	(412)
		<u>165,969</u>	<u>148,539</u>	<u>352,138</u>	<u>219,827</u>
Asset and liability valuation adjustment					
Accounts receivable	-	(421,213)	(209,122)	(386,044)	(212,005)
Inventories	-	(414,654)	(216,422)	(6,854)	(231,510)
Tax credit	-	(176,953)	32,683	(199,670)	36,511
Other assets	-	(66,133)	(110,435)	(39,970)	2,358
Trade accounts payable	-	209,426	123,382	(450,635)	195,895
Taxes payable	-	48,028	21,779	78,012	25,288
Accounts payable	-	281,741	50,025	70,050	58,410
		<u>(539,758)</u>	<u>(308,110)</u>	<u>(935,111)</u>	<u>(125,053)</u>
Net cash provided by/(used in) operating activities		<u>(373,789)</u>	<u>(159,571)</u>	<u>(582,973)</u>	<u>94,774</u>
Cash flows from investing activities					
Purchase of property, plant and equipment	11	(17,131)	(5,758)	(54,315)	(14,297)
Purchase of intangible assets	12	(42)	-	(42)	-
Investment in ownership interest in other companies	-	(5,000)	-	(4,287)	-
Net cash provided by/(used in) investing activities		<u>(22,173)</u>	<u>(5,758)</u>	<u>(58,644)</u>	<u>(14,297)</u>
Cash flows from financing activities					
Funds from capital contribution by shareholders	-	-	-	-	-
Funds from loans and financing	15.4	622,661	205,968	622,661	228,449
Repayment of loans and financing	15.4	(97,804)	(64,653)	(97,804)	(67,235)
Interest paid on loans and financing	15.4	(22,480)	(604)	(22,481)	(607)
Payment of lease liabilities	13	(1,553)	(2,642)	(2,038)	(2,746)
Net cash provided by/(used in) financing activities		<u>500,823</u>	<u>138,069</u>	<u>500,338</u>	<u>157,861</u>
Net (decrease)/increase in cash and cash equivalents		<u>104,861</u>	<u>(27,260)</u>	<u>(141,279)</u>	<u>238,339</u>
Cash and cash equivalents at beginning of year		41,237	33,871	452,453	97,927
Cash and cash equivalents at end of year		146,098	6,611	311,175	336,266
Net (decrease)/increase in cash and cash equivalents		<u>104,861</u>	<u>(27,260)</u>	<u>(141,279)</u>	<u>238,339</u>

Management's notes are an integral part of the individual and consolidated interim financial statements.

MULTILASER INDUSTRIAL S.A.

Statement of value added

Periods ended June 30, 2021 and 2020

(Em milhares de Reais)

	Company		Consolidated	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Revenue				
Sales of merchandize and services	3,030,982	1,271,432	2,989,338	1,267,818
Other revenue	929	289	982	(2,167)
Allowance for doubtful accounts	11,011	(8,386)	11,589	(11,487)
	<u>3,042,923</u>	<u>1,263,335</u>	<u>3,001,909</u>	<u>1,254,164</u>
Inputs acquired from third parties				
Cost of products, merchandize and services sold	(2,030,963)	(756,204)	(1,500,348)	(654,242)
Materials, electric power, third party services and other	(267,434)	(117,173)	(305,218)	(123,134)
Loss/recovery of the value of assets	(2,816)	2,945	(975)	(715)
	<u>(2,301,212)</u>	<u>(870,432)</u>	<u>(1,806,540)</u>	<u>(778,091)</u>
Gross value added	741,711	392,903	1,195,369	476,074
Depreciation and amortization	(4,405)	(5,910)	(16,073)	(10,740)
Net value produced by the Company	<u>737,306</u>	<u>386,993</u>	<u>1,179,296</u>	<u>465,334</u>
Value added received through transference				
Equity in earnings (loss) of investees	224,181	39,002	-	-
Financial revenue and foreign currency exchange rate variation	261,231	60,645	339,883	85,351
Other	45,199	1,304	1,555	1,319
Total value added to be distributed	<u>1,267,917</u>	<u>487,944</u>	<u>1,520,734</u>	<u>552,004</u>
Distribution of value added				
Personnel				
Direct compensation	99,811	44,883	115,560	51,783
Benefits	17,097	11,127	22,622	13,114
Severance Pay Fund (FGTS)	6,217	4,545	7,432	5,148
	<u>123,124</u>	<u>60,555</u>	<u>145,614</u>	<u>70,045</u>
Taxation				
Federal taxes	364,874	164,071	510,656	178,625
State taxes	142,426	61,532	150,762	66,588
Local taxes	593	190	672	362
	<u>507,893</u>	<u>225,793</u>	<u>662,090</u>	<u>245,575</u>
Interest paid on third party capital				
Interest and foreign currency exchange rate variation	219,677	111,317	292,680	142,363
Other	19,876	6,462	22,458	9,916
Rental	1,403	675	1,947	963
	<u>240,956</u>	<u>118,453</u>	<u>317,086</u>	<u>153,242</u>
Return on equity capital				
Retained earnings	395,944	83,142	395,944	83,142
	<u>395,944</u>	<u>83,142</u>	<u>395,944</u>	<u>83,142</u>
Total value added distributed	<u>1,267,917</u>	<u>487,944</u>	<u>1,520,734</u>	<u>552,004</u>

Management's notes are an integral part of the individual and consolidated interim financial statements.

1. Operations

Multilaser Industrial S.A. (the "Company") is a closely-held corporation headquartered in Brazil in the city of São Paulo. It has an industrial complex in Extrema - State of Minas Gerais with more than 120,000 m² and sells a wide range of products.

It is engaged in import, manufacturing, sale, distribution and after-sales activities related to several products, such as tablets, smartphones, laptops, memory sticks, memory chips, computer accessories, household appliances, smart home - IoT (Internet of Things), domestic utensils, tools, sporting accessories and equipment, health appliances, telecommunications networks, automotive accessories and products, audio and video devices, electronic security, toys, stationery, pets and child care, which are offered under own trademarks, as well as other licensed ones to thousands of retail customers and also through e-commerce.

The Company was founded on November 14, 1988, under the name Fax Point Indústria, Importação e Exportação Ltda., and had its name changed to Multilaser Industrial S.A. in June 2015.

The Company has four direct controlled companies:

- Multilaser Industria de Equipamentos de Informática, Eletrônicos e Ópticos Ltda.: a limited liability company organized in 2013, also located in the municipality of Extrema - MG, whose business purpose is the production of computer equipment and electronic and optical devices;
- Giga Industria e Comércio de Produtos de Segurança Eletrônica S.A.: it is a limited liability company purchased in March 2017, located in Manaus - State of Amazonas, whose business purpose is the development, manufacturing and sale of electronic equipment, computer equipment, electronic security and telecommunications devices;
- Proinox Brasil Ltda.: it is a limited liability company purchased in March 2019, located in Santa Catarina, engaged in the import and sale of various products;
- Lojas Multilaser - Comércio Varejistas Ltda.: in October 2019, the investment in the first physical store was made, which is located in the city of São Paulo - SP and is in full operation.
- Expet Industria e Comércio de Tapetes Ltda.: it is a limited liability company, acquired on June 08, 2021, located in the city of São Paulo - SP, and mainly engaged in the manufacture and sale of disposable hygienic mats for pets, among other safety accessories and equipment, paper for domestic, industrial, commercial, hygienic and sanitary use.

2. Basis of preparation and presentation of the individual and consolidated interim financial statements

2.1. Declaration of compliance

The individual and consolidated interim financial statements have been prepared according to Brazilian accounting practices, as well as International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Preparation also considered the guidelines and regulations of the Brazilian Securities and Exchange Commission (CVM).

The accounting practices adopted in Brazil comprise those provided by the Brazilian Corporate Law, in addition to technical pronouncements, guidelines and technical interpretations issued by the Committee of Accounting Pronouncements (CPC) as approved by the Brazilian Securities and Exchange Commission (CVM).

The interim statements have been prepared under the assumption of normal continuity of operations. During preparation, Management evaluates the capacity of the Company and of its controlled companies continuing as going concerns. No significant uncertainty about such capacity of continuing activities has been identified.

The Management authorized the issuance of the individual and consolidated interim financial statements on August 12, 2021, after discussion in the Board of Directors' meeting held on the same day. Management declares that all significant information is included in the financial statements and that it corresponds to the one used in running the Company.

The presentation of individual and consolidated statements of value added is required according to the Brazilian Corporate Law (NBC TG 09 / (CVM Decision 557/08), whereas under IFRS such report is not mandatory and presented as supplementary information, without affecting the financial statements as a whole.

2.2. Basis of presentation

The interim financial statements have been prepared for the six-month periods ended June 30, 2021 and 2020 and followed the provisions of Brazilian standard NBC TG 21 (R4) - Interim Statements and of the international standard IAS 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB). Preparation also took into account the norms of the Brazilian Securities and Exchange Commission (CVM) applicable to quarterly statements and guidelines included in Letter CVM/SNC/SEP # 003/2011.

Management's notes to the individual and consolidated interim financial statements
 Periods ended June 30, 2021 and 2020
 (In thousands of Brazilian reais, except where otherwise indicated)

These interim statements do not include all information and disclosures required by annual financial statements, and, therefore, must be read together with the individual and consolidated financial statements of the years ended December 31, 2020, 2019 and 2018, prepared according to IFRS and Brazilian accounting practices. As mentioned in item 2.6 of this note, there has been no change in the accounting practices adopted in the period ended June 30, 2021 and 2020, in relation to the ones applied on December 31, 2020, 2019 and 2018 or yet any new pronouncements, interpretations and amendments that became effective after December 31, 2020.

Standard NBC TG 21 (R4)/IAS 34 requires the use of certain accounting estimates by Management. The individual and consolidated interim financial statements have been prepared based on historical cost, except where otherwise indicated. Certain assets and financial instruments may be presented at fair value.

The individual and consolidated interim financial statements are presented in Brazilian reais (R\$), the Company's reporting currency. All amounts were rounded-off to the nearest thousand, except where otherwise indicated.

2.3. Translation of balances denominated in foreign currency

Functional and presentation currency

The Company's functional and reporting currency is the Brazilian real.

Operations in foreign currency are translated into the functional currency based on the exchange rates prevailing at transaction dates or prevailing when the items are re-measured. Foreign currency exchange rate gains and losses resulting from translated monetary assets and liabilities in foreign currency at the end of the period are recognized in the statement of income.

As at June 30, 2021 and 2020, and December 31, 2020, assets and liabilities denominated in foreign currency were translated into Brazilian reais at the following exchange rates:

Currency	Closing rate		Average	
	06/30/2021	12/31/2020	06/30/2021	06/30/2020
Euro	5.9276	6.3779	6.6033	4.9225
U.S. dollar	5.0022	5.1967	5.4833	4.4657

2.4. Use of estimates

Financial reporting according to IFRS and Brazilian Accounting Standards requires the use of certain accounting estimates on the part of the Company's Management. Actual results may differ from those estimates.

Estimates and assumptions are continuously reviewed. Adjusted accounting estimates are recognized in the periods where they are reviewed, as well as in any other affected future periods.

The areas involving critical judgment or the use of significant estimates in relation to the individual and consolidated financial statements are described in note 2.5 below.

Controlled companies are fully consolidated starting the date of their foundation, or the date where the Company obtains control over them.

The interim consolidated statements have been prepared based on the financial statements of the Company and of its controlled companies, under the same accounting practices. The reporting period of the Company coincides with the ones of the controlled companies. The main consolidation procedures are described in item 3.

2.5. Accounting estimates and critical accounting judgment

Financial reporting according to Brazilian accounting practices and IFRS requires Management to make use of judgment in determining accounting estimates that affect the reported amounts of revenue, expenses, assets and liabilities, as well as the disclosure of contingent liabilities. Such judgment and estimates are based on assumptions, past experience and other factors, including projections of future events, which are considered reasonable and relevant. However, the uncertainty of those assumptions and estimates could lead to significant adjustment in the carrying amounts of assets or liabilities in future affected periods.

We highlight below the main transactions involving the use of judgment and assumptions that, given the uncertainty degree of estimate about the future and other important sources of uncertainty may generate risk of significant adjustment in the carrying amounts of assets and liabilities: (i) Allowance for doubtful accounts; (ii) Discount to present value of accounts receivable; (iii) Estimate of expenditures and rebates to be incurred on customers; (iv) Estimated impairment of inventories; (v) Useful lives of property, plant and equipment; (vi) Taxes and tax incentives; (vii) Warranty obligations; (viii) Provision for civil and tax lawsuits; (ix) Rebates granted by suppliers; (x) realization of deferred taxes; (xi) repurchase/transfer of shares between executives; (xii) share-based compensation measured at the fair value; (xiii) business combinations; (xiv) realization value of precatórios (court-ordered debt securities).

Management's notes to the individual and consolidated interim financial statements
Periods ended June 30, 2021 and 2020
(In thousands of Brazilian reais, except where otherwise indicated)

2.6. New standards and interpretations

- New standards adopted on January 1, 2021;

Standards and amendments to norms		Mandatory application beginning on or after:
Improvement of norms	Definition of the reference interest rates for application of standards IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	January 1, 2021

The amendments to the mentioned standards had no impact to the Company's interim financial statements.

- New norms, interpretations and amendments issued that will be effective in future accounting periods and that Management decided to not adopt in advance (valid for year starting January 1, 2021):

Standard and amendments to norms		Mandatory application beginning on or after
IAS 37	Onerous contracts - Classification of costs related to the performance of onerous contracts.	January 1, 2022
IAS 16	Property, plant and equipment - Classification of items before they are in the required conditions to be operated	January 1, 2022
IFRS 3	Conceptual framework	January 1, 2022
Improvement of norms	IFRS 1 - First time adoption in a controlled company; IFRS 9, 10% test criterion for reversal of financial liabilities; IFRS 16 - Examples of lease and IAS 41 - Measurement of fair value.	January 1, 2022
IAS 1	Classification of liabilities as current or noncurrent ones	January 1, 2023
IFRS 4	Insurances contract - Temporary exemptions of the application of IFRS 9 to insurance companies	January 1, 2023
IFRS 17	New norm for Insurance Contracts that supersedes IFRS 4	January 1, 2023

No impacts are expected from the changes in those accounting standards.

3. Summary of significant accounting practices

3.1. Significant accounting practices

As mentioned in note 2.2, interim financial statements do not include all information and disclosures required by annual financial statements, and, thus, they must be read together with the individual and consolidated financial statements of the years ended December 31, 2020, 2019 and 2018. As mentioned in item 2.6, there has been no change in the accounting practices adopted in the periods ended June 30, 2021 and 2020, in relation to the ones applicable as at December 31, 2020, 2019 and 2018 or new pronouncements, interpretations or amendments that became effective after December 31, 2020, affecting the financial statements.

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements
Periods ended June 30, 2021 and 2020
(In thousands of Brazilian reais, except where otherwise indicated)

4. Cash and cash equivalents

	Company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
Cash	8	2	129	93
Cash at banks	18,470	26,071	26,190	59,799
Financial investments	127,620	15,164	284,856	392,561
	<u>146,098</u>	<u>41,237</u>	<u>311,175</u>	<u>452,453</u>

Short-term financial investments comprise: (i) Certificates of Deposit ("CDBs"); (ii) repurchase operations contracted with top-rated institutions, whose income is pegged to the variation of the rate of Certificates of Interbank Deposits (CDI) and have immediate liquidity; (iii) investment funds.

The revenue generated by such investment is recorded as financial revenue in the statement of income.

5. Accounts receivable

Breakdown of trade accounts receivable:

	Company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
Accounts receivable	1,450,064	1,026,563	1,406,345	1,021,973
(-) Allowance for doubtful accounts	(39,977)	(50,988)	(40,209)	(51,798)
(-) Discount to present value	(3,236)	(2,395)	(3,236)	(2,395)
	<u>1,406,851</u>	<u>973,180</u>	<u>1,362,900</u>	<u>967,780</u>

When sales on credit include a financial component, whose maturity is longer than 120 days, they are discounted to present value at transactions dates based on the rate estimated for the whole period until amounts are received. The discount rates used are the implicit ones of the respective transactions, which range from 2% to 2.5% p.a.

Discounted present value adjustments are recognized in the statement of income in the account of revenue, with a corresponding item to trade accounts receivable. Adjustments are recorded as financial revenue.

Receivables according to their aging:

	Company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
Not yet due	936,182	865,591	942,260	860,801
Overdue amounts				
Up to 30 days	307,295	2,322	248,437	2,309
From 31 to 60 days	80,612	49,547	81,309	49,272
From 61 to 90 days	52,087	37,579	53,870	37,370
From 91 to 180 days	33,911	20,537	40,260	20,423
More than 180 days	39,977	50,988	40,209	51,798
	<u>1,450,064</u>	<u>1,026,563</u>	<u>1,406,345</u>	<u>1,021,973</u>

Management's notes to the individual and consolidated interim financial statements
 Periods ended June 30, 2021 and 2020
 (In thousands of Brazilian reais, except where otherwise indicated)

Change in allowance for doubtful accounts

	Company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
Beginning balances	(50,988)	(25,646)	(51,798)	(26,377)
Recognition of allowance	(22,013)	(55,268)	(24,037)	(59,977)
Allowance reversed	33,024	29,926	35,626	34,557
Ending balances	<u>(39,977)</u>	<u>(50,988)</u>	<u>(40,209)</u>	<u>(51,798)</u>

The simplified approach of IFRS 9/CPC 48 - Financial Instruments is used at the Company in the measurement of expected credit losses. A provision was recognized based on historical average of losses, adjusted to specific prospective factors of the economic environment where the Company works and any financial collateral given as guarantee of receivables.

6. Inventories

Composition of inventories:

	Company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
Finished products	691,295	256,614	743,583	273,096
Raw materials	467,373	235,610	539,301	271,604
Imports in progress	947,587	1,195,671	1,374,623	2,105,043
Packing material	10,158	8,233	10,871	8,820
Impairment of inventories	(47,020)	(44,205)	(48,915)	(47,941)
	<u>2,069,393</u>	<u>1,651,923</u>	<u>2,619,463</u>	<u>2,610,622</u>

Changes in impairment of inventories:

	Company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
Balances at beginning of the periods	(44,205)	(41,770)	(47,941)	(46,003)
Impairment of inventories	(16,700)	(54,440)	(17,970)	(69,540)
Reversal of impairment of inventories	13,885	52,005	16,996	67,603
Ending balances	<u>(47,020)</u>	<u>(44,205)</u>	<u>(48,915)</u>	<u>(47,941)</u>

The amounts of R\$2,050,660 and R\$755,532 have been recognized as at June 30, 2021 and June 30, 2020, respectively, in the account of "Cost of merchandise and products sold" as a result of sales of inventories.

Management's notes to the individual and consolidated interim financial statements
 Periods ended June 30, 2021 and 2020
 (In thousands of Brazilian reais, except where otherwise indicated)

7. Recoverable taxes

The balances of recoverable taxes are as follows:

	Company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
Federal VAT (IPI)	24,932	13,110	28,555	17,661
State VAT (ICMS)	45,435	4,011	48,133	5,893
Contribution for the Social Integration Program (PIS) and Contribution for the Social Security Funding (COFINS)	134,521	78,766	149,050	80,134
Income and Social Contribution Taxes (IRPJ and CSLL)	178,951	110,259	195,800	117,500
Other	114	855	453	1,127
	<u>383,953</u>	<u>207,001</u>	<u>421,991</u>	<u>222,315</u>

Recoverable IPI / IRPJ and CSLL

With the enactment of law 13,969 in December 2019, which came into effect in April 2020, new provisions were added to the Brazilian Information Technology Law and PADIS¹. The changes brought by the new regulation include amendment to the Federal VAT (IPI) reduction subsidy.

The new law removed the incentive and implemented a new tax benefit. It can be used through financial credit that depends on the amount of investment made in research, development and innovation by companies (RD&I) and the value of revenue from products that meet the rules of the basic productive process (PPB) - Law 8.248/91.

According to the new law, financial credit can be used to reduce income and social contribution taxes, as well as to be offset with other federal taxes. In the statement of financial position of the Company, the financial credit is recognized under the line item of recoverable income and social contribution taxes, in the group of recoverable taxes.

Contribution for the Social Integration Program (PIS) and Contribution for Social Security Funding (COFINS)

The Company was a party to an action filed claiming PIS and COFINS credit. In 2020, after a final and non-appealable ruling was rendered, the Company was success and recognized the amounts in the statement of income under the line item "Recoverable PIS and COFINS."

Management is deciding on how to use the tax credit along the following accounting year.

¹ PADIS = Federal Tax Incentive Program

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements
Periods ended June 30, 2021 and 2020
(In thousands of Brazilian reais, except where otherwise indicated)

8. Investment

Controlled companies

The information about the controlled companies of the Group at the end of the reporting period are presented below:

Controlled company	Interest held	Company	
		6/30/2021	12/31/2020
(1) Multilaser Indústria de Equipamentos de Informática, Eletrônicos e Ópticos Ltda.	100.00%	318,310	304,952
(2) Giga Indústria e Comércio de Produtos de Segurança Eletrônica S.A.	100.00%	306,448	165,370
(3) Proinox Brasil Ltda	100.00%	(17,295)	6,395
(4) Lojas Multilaser - Comercio Varejista Ltda	100.00%	(372)	(334)
(5) Expet Industria	100.00%	8,600	-
		<u>615,691</u>	<u>476,382</u>

The change in investment in controlled companies as at June 30, 2021, was as follows:

Controlled company	Balance 12/31/2020	Acquisitions and contributions	Equity in earnings (loss) of investees	Dividends distributed	Balance 6/30/2021
(1) Componentes	304,952	-	43,204	(29,846)	318,310
(2) Giga	165,370	-	204,704	(63,626)	306,448
(3) Proinox	6,395	-	(23,689)	-	(17,295)
(4) Loja	(334)	-	(38)	-	(372)
(5) Expet	-	8,600	-	-	8,600
Total	<u>476,382</u>	<u>8,600</u>	<u>224,181</u>	<u>(93,472)</u>	<u>615,691</u>

Breakdown of investment in controlled companies as at June 30, 2021, and December 31, 2020:

6/30/2021	Multilaser Componentes Ltda	Giga Ind. Com. Prod. Seg. Eletr. S.A.	Proinox Brasil Ltda	Lojas Multilaser Ltda	Expet Ind. Com. Tapetes Ltda ¹
Percentage of interest held	100%	100%	100%	100%	100%
Total assets	377,993	905,282	241,456	8,872	13,197
Total liabilities	59,683	598,834	259,910	9,244	15,109
Capital	75,863	26,346	4,788	500	90
Equity	318,310	306,448	(18,454)	(372)	(1,913)
Net revenue	161,739	854,701	470,162	3,109	-
Net income (loss)	43,204	204,704	(23,689)	(38)	-
Equity according to % of interest held	318,310	306,448	(18,454)	(372)	-
Share of the group in profit/ loss	43,204	204,704	(23,689)	(38)	-

(¹) As the control over Expet was acquired in June 2021, income (loss) accounts will affect the Company as from that date.

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements
Periods ended June 30, 2021 and 2020
(In thousands of Brazilian reais, except where otherwise indicated)

12/31/2020	Multilaser Componentes Ltda	Com. Prod. Seg. Eletr. S.A.	Proinox Brasil Ltda	Lojas Multilaser Ltda
Percentage of interest held	100%	100%	100%	100%
Total assets	443,771	719,223	382,744	6,370
Total liabilities	140,117	538,414	379,834	6,704
Capital	75,863	26,346	4,788	500
Equity	303,654	180,809	2,910	(334)
Net revenue	67,914	252,645	(4,572)	849
Net income (loss)	56,155	130,994	(7,465)	(657)
Equity according to the % of interest held	303,654	180,809	2,910	(334)
Share of the group in profit/loss	56,155	130,994	(7,465)	(657)

Business combination - Expet Industria e Comércio de Tapetes Ltda.

On June 08, 2021, the Company entered into an Agreement for the Acquisition of Interest and Other Covenants (CCV) for the acquisition of 100% of Expet Indústria e Comércio de Tapetes Ltda. (Expet), which became a controlled company of Multilaser on the aforementioned acquisition date and whose activity is presented in the item Operations.

As consideration for the acquisition of this company, Multilaser will pay the amount of R\$ 8,600, of which the amount of R\$ 5,000 was paid upon signing the contract, and the outstanding amount of R\$ 3,600 will be paid in three installments every 12 months as from the acquisition date and down payment, adjusted by the CDI, from the acquisition date to the payment date.

As provided for in NBC TG 15 (R3) - Business Combinations, the Company measured the identifiable assets and liabilities assumed at fair value (provisional values) on the acquisition date, based on a report prepared by external experts hired by the Company, considering criteria, assumptions and methodology of adequate and consistent projections for businesses of this nature. Initially, no liabilities and provisions for contingencies to be recognized on the acquisition date were identified.

As provided for in items 45 and 49 of CPC 15 (R1)/NBC TG 15 (R3), the provisional fair values of these identifiable assets and liabilities assumed are presented and allocated as follows, including the effects of deferred taxes on their appreciation:

	R\$ Thousand
= Equity book balance	(6,994)
(+) Intangible assets - trademarks and patents ¹	5,537
(+) Intangible assets - client portfolio ¹	2,161
Provisional fair value of identifiable assets	7,698
(-) Liabilities - Deferred taxes	(2,617)
= Equity balance at fair value	(1,913)
Acquisition value at present value	8,600
= Goodwill from future profitability ¹	10,513

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements
Periods ended June 30, 2021 and 2020
(In thousands of Brazilian reais, except where otherwise indicated)

(1) These amounts are included in the consolidated changes in intangible assets, in the column "acquisition of controlled company", as per Note 12.

The Company's Management reviewed the assumptions and criteria adopted and concluded that the provisional fair values of said identifiable assets were properly measured on the acquisition date. Additionally, the Company's Management will monitor the effects of this acquisition, respecting the measurement period that cannot exceed one year as from the acquisition date, as provided for in NBC TG 15 (R3).

9. Deposits into court and other assets

We detail below the deposits made into court and other assets of the Company:

	Company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
Court deposits	24,424	53,797	25,637	53,797
Advances	15,097	4,038	27,862	13,577
Precatórios	48,068	16,156	48,068	16,156
Private investment funds (a)	18,815	13,616	33,708	22,116
Other assets	81,980	33,810	109,638	51,849
	<u>106,404</u>	<u>87,607</u>	<u>135,275</u>	<u>105,646</u>
Current	15,012	3,953	27,777	12,325
Noncurrent	91,392	83,654	107,498	93,322
	<u>106,404</u>	<u>87,607</u>	<u>135,275</u>	<u>105,646</u>

(a) Private investment funds

In 2020, the Company made contributions to the programs called Inova We Empreendedorismo Feminino em Participações - Capital Semente and Inova V Fundo de Investimento em Participações - Empresas Emergentes. In March 2021, funds were contributed to another program called Indicador 2 IOT Fundo de Investimentos em Participações. Their purpose of the programs is investing in technology startups according to their own policies. These funds are measured at fair value on every reporting date.

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements
Periods ended June 30, 2021 and 2020
(In thousands of Brazilian reais, except where otherwise indicated)

	Company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
Inova We Empreendedorismo Feminino Fundo de Investimentos em Participações	13,545	13,616	13,545	13,616
Indicator 2 IOT Fundo de Investimentos em Participações	5,270	-	5,270	-
Inova V Fundo de Investimentos em Participações Empresas Emergentes	-	-	14,892	8,500
	<u>18,815</u>	<u>13,616</u>	<u>33,707</u>	<u>22,116</u>

Changes in the period are as follows:

Consolidated	Balance 12/31/2020	Contributions of capital	Fair value	Balance 06/30/2021
Inova We Empreendedorismo Feimino em Participações Capital Semente	13,616	-	(71)	13,545
Indicator 2 IoT Fundo de Investimentos em Participações	-	6,000	(730)	5,270
Inova V Fundo em Participações Empresas Emergentes	8,500	7,000	(608)	14,892
	<u>22,116</u>	<u>13,000</u>	<u>(1,409)</u>	<u>33,707</u>

10. Properties held for investment

	Company and consolidated	
	6/30/2021	12/31/2020
Commercial real estate properties	5,020	5,020
	<u>5,020</u>	<u>5,020</u>

(a) Properties held for investment

Include two commercial properties purchased in 2018 and that are rented to third parties. Subsequent contract renewals are negotiated with tenants six months before the end of the terms of the contracts. No contingent charges are established in either of the contracts. Management has no intention of keeping those properties in the mid and long-term period.

(b) Measurement of properties held for investment

Investment properties are initially recognized at purchase cost. As at June 30, 2021, fair value had not been adjusted because the acquisition value was close to fair value (measured after the recognition).

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements
Periods ended June 30, 2021 and 2020
(In thousands of Brazilian reais, except where otherwise indicated)

11. Property, plant and equipment

Company	Average annual depreciation rates	Acquisition cost	Accumulated depreciation	Impairment	Net value	
					6/30/2021	12/31/2020
Plots of land		5,489	-	-	5,489	5,489
Buildings	N/A	53,762	(11,621)	-	42,141	15,580
Machinery and facilities	5.38%	51,878	(17,624)	(822)	33,432	27,934
Furniture, IT equipment and others	12.99%	16,243	(9,553)	-	6,690	5,367
Construction in progress	22.35%	12,789	-	-	12,789	32,662
Total		140,161	(38,798)	(822)	100,541	87,032

Consolidated	Average annual depreciation rates	Acquisition cost	Accumulated depreciation	Impairment	Net value	
					6/30/2021	12/31/2020
Plots of land		5,489	-	-	5,489	5,489
Buildings	N/A	61,046	(13,612)	-	47,434	21,018
Machinery and facilities	5.38%	146,342	(55,958)	(822)	89,562	75,801
Furniture, IT equipment and others	12.99%	18,713	(10,440)	-	8,273	6,968
Construction in progress	22.35%	52,641	-	-	52,641	52,649
Totals		284,231	(80,010)	(822)	203,399	161,925

Change in property, plant and equipment

Company	Plots of land	Buildings	Machinery and facilities	Furniture, IT equipment and others	Construction in progress	Total
Net value as at 12/31/2020	5,489	15,580	27,934	5,367	32,662	87,032
Additions	-	-	-	-	17,131	17,131
Transfers	-	27,544	8,470	2,240	(38,254)	-
Depreciation of the year	-	(983)	(2,950)	(914)	1,577	(3,270)
Write-offs (net amount)	-	-	(21)	(3)	(329)	(353)
Net value as at 06/30/2021	5,489	42,141	33,434	6,690	12,787	100,541

Consolidated	Plots of land	Buildings	Machinery and facilities	Furniture, IT equipment and others	Construction in progress	Total
Net value as at 12/31/2020	5,489	21,018	75,801	6,970	52,647	161,925
Additions	-	-	-	-	54,315	54,315
Transfers	-	27,544	26,533	2,401	(56,478)	-
Depreciation of the year	-	(1,129)	(12,747)	(1,094)	1,577	(13,393)
Write-offs (net amount)	-	-	(25)	(3)	(329)	(357)
Business combinations	-	-	-	-	907	907
Net value as at 06/30/2021	5,489	47,433	89,563	8,274	52,640	203,399

The Company and its controlled companies declare that they do not have: (i) any assets temporarily idle; (ii) assets retired from use and not classified as held for sale.

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements
Periods ended June 30, 2021 and 2020
(In thousands of Brazilian reais, except where otherwise indicated)

12. Intangible assets

	Amortization rates (%)	Company		Consolidated	
		6/30/2021	12/31/2020	6/30/2021	12/31/2020
Software	12.16%	169	203	529	606
Trademark and patents	N/A	-	-	5,537	-
Client portfolio	N/A	-	-	2,161	-
Other intangible assets	N/A	1,904	1,904	3,585	3,638
Goodwill on acquisition of controlled company		-	-	11,672	1,159
		<u>2,073</u>	<u>2,107</u>	<u>23,484</u>	<u>5,403</u>

We present next the change in intangible assets in the period:

Company	12/31/2020	Acquisitions	Acquisition of controlled company	Amortization for the year	6/30/2021
Software	203	42	-	(75)	169
Other intangible assets	1,904	-	-	-	1,904
	<u>2,107</u>	<u>42</u>	<u>-</u>	<u>(75)</u>	<u>2,073</u>

Consolidated	12/31/2020	Acquisitions	Acquisition of controlled company ¹	Amortization for the year	6/30/2021
Software	606	42	-	(119)	528
Trademark and patents	-	-	5,537	-	5,537
Client portfolio	-	-	2,161	-	2,161
Other intangible assets	3,638	-	-	(52)	3,586
Goodwill on acquisition of controlled company	1,159	-	10,513	-	11,672
	<u>5,403</u>	<u>42</u>	<u>18,211</u>	<u>(172)</u>	<u>23,484</u>

(¹) As described in Note 8, the Company acquired Expet, generating the recognition of these assets.

Amortization, where applicable, is recognized on a straight-line basis based on the estimated useful lives of assets. The estimated lifetimes and the amortization method are reviewed at the end of each year and the effect of any changes in the estimates prospectively accounted for.

13. Leases

The Company and its controlled companies have signed rental contracts of the buildings where they are located, as well as of the headquarters, plants and warehouses of some of the companies of the group. The average rental period is five years.

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements
Periods ended June 30, 2021 and 2020
(In thousands of Brazilian reais, except where otherwise indicated)

Management has opted to present right-of-use assets and lease liabilities in specific subgroups in the statement of financial position, although the norm does not establish such requirement.

Right-of-use assets

	Company	Consolidated
Balances as at December 31, 2020	4,779	5,504
Additions of new lease contracts	7,026	7,026
(-) Depreciation of right-of-use assets in the period	(1,076)	(1,512)
Balances as at June 30, 2021	10,729	11,019

In the period, a new lease agreement was executed in relation to the rental of a property to be used as a warehouse in the City of Extrema - State of Minas Gerais.

Lease liabilities

	Change	
	Company	Consolidated
Balances as at December 31, 2020	5,126	6,309
Additions of new contracts in the period	7,026	7,026
Interest paid in the period	233	271
(-) Consideration paid	(1,553)	(2,038)
Balances as at June 30, 2021	10,833	11,569
Current	2,649	3,386
Noncurrent	8,183	8,183
	10,833	11,569
Payment schedule		
In up to 1 year	2,649	3,386
From 2 to 3 years	3,347	3,347
From 3 to 4 years	1,927	1,927
From 4 to 5 years	2,910	2,910
	10,833	11,569

The average incremental borrowing rate used at the Company was 6%.

14. Trade accounts payable

	Company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
Foreign suppliers of raw material	958,505	1,143,105	1,488,992	1,958,699
Domestic suppliers of raw material	462,470	80,354	73,670	27,742
Domestic suppliers of services	12,703	4,264	25,588	6,340
	1,433,678	1,227,723	1,588,250	1,992,782

Management's notes to the individual and consolidated interim financial statements
 Periods ended June 30, 2021 and 2020
 (In thousands of Brazilian reais, except where otherwise indicated)

Foreign suppliers of raw material

The commercial transactions executed with foreign suppliers of raw materials are denominated in U.S. dollars. At the Company, no derivative financial instruments are used as hedge accounting for protection against foreign currency exchange exposure, except for certain contracts with customers defined at fixed selling prices.

Letters of credit obtained with top-rated financial institutions have been given as collateral for the amounts payable to foreign suppliers.

15. Loans and financing

		Consolidated		
Type	Charges	Weighted average interest rate (% p.a.)	6/30/2021	12/31/2020
In domestic currency				
Working capital	Average rate	6.49%	452,661	498,748
FINEP ¹	Fixed rate	3.22%	90,970	70,647
			543,631	569,395
In foreign currency				
Working capital	Average rate	6.86%	668,905	136,350
	Average rate +			
	Exchange rate			
FINIMP ²	fluctuation	3.10%	22,275	-
			691,180	136,350
			1,234,811	705,745
Current liabilities			488,430	232,282
Noncurrent liabilities			746,382	473,464
			1,234,811	705,745

¹FINEP - Financing of Studies and Projects

²FINIMP - Import Financing

The position of loans and financing of the Company also corresponds to the consolidated one. As for loans contracted in foreign currency, derivative financial instruments (swap contracts) have been contracted aiming to mitigate risks of changes in foreign currency exchange rates (Please refer to note 25.2. (b))

Management's notes to the individual and consolidated interim financial statements
 Periods ended June 30, 2021 and 2020
 (In thousands of Brazilian reais, except where otherwise indicated)

We present below the consolidated schedule of maturities of loans and financing along the period:

	6/30/2021	12/31/2020
2022	384,340	443,497
2023	210,318	13,737
2024	115,113	13,737
Maturing after 2024	36,611	2,493
	<u>746,382</u>	<u>473,464</u>

15.1 FINEP - Financing of Studies and Projects

The Company has innovation programs in place that aim the development and acquisition of new technologies. Such programs are supported by FINEP.

15.2 FINIMP - Import Financing

In the period ended June 30, 2021, the Company made use of FINIMP contracted with top-rated banks.

15.3 Guarantees and covenants

Bank loans are fifty percent (50%) guaranteed by receivables and by suretyship of the Company's controlling shareholders.

At closing date, the Company and its controlled companies had only one financing contract that contained covenants establishing the obligation of keeping financial ratios, whose noncompliance would automatically demand anticipated payment of debt. All contract covenants have been fulfilled.

Loan and financing contracts, besides the mentioned covenants, also include cross-default clauses.

15.4 Change in loans and financing

The change in the balance of loans and financing is demonstrated below:

	Consolidated	
	Current	Noncurrent
Balance as at 12/31/2020	232,282	473,464
New loans	622,661	-
Finance charges	28,098	-
Loans and financing of the business combination	1,535	3,307
Exchange rate gains (losses)	(2,166)	-
Payment of principal	(97,804)	-
Payment of interest	(22,480)	-
Transaction cost	(4,085)	-
Transfer	(269,611)	269,611
Balance as at 06/30/2021	<u>488,431</u>	<u>746,382</u>

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements
Periods ended June 30, 2021 and 2020
(In thousands of Brazilian reais, except where otherwise indicated)

16. Employees' pay and related charges

	Company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
Payroll and social charges	14,207	11,667	16,833	13,560
Board of directors' fees	18,280	4,393	18,280	4,393
Vacation pay, year-end bonus and related charges	18,992	10,560	23,161	12,298
	<u>51,479</u>	<u>26,619</u>	<u>58,274</u>	<u>30,250</u>

17. Taxes payable

	Company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
IPI payable	-	-	151	72
ICMS payable	31,372	37,786	33,412	39,994
PIS and COFINS payable	11,036	10,901	51,382	19,269
IRPJ and CSLL	5,127	6,873	6,779	15,665
Other taxes payable	6,649	3,498	15,523	4,970
ICMS Installment payment (a)	52,903	-	52,903	-
	<u>107,087</u>	<u>59,059</u>	<u>160,150</u>	<u>79,970</u>
Current	34,680	22,602	47,251	37,329
Noncurrent	72,407	36,457	112,899	42,641
	<u>107,087</u>	<u>59,059</u>	<u>160,150</u>	<u>79,970</u>

(a) On May 25, 2021, the Company entered into an agreement for the payment in installments of certain ICMS debts with the State of São Paulo in the amount of R\$ 63,842, which were being discussed in court. Said installments will be paid in a period of 60 months and each monthly installment is subject to adjustment at the Central Bank Overnight Rate (SELIC).

18. Provision for tax, labor and civil contingencies

The Company is a party to various lawsuits filed in the ordinary course of activities, for which provisions have been recognized according to the rating of legal counselors and/or expectation of probable future outflow of cash.

The actions in progress in the period ended June 30, 2021, are broken down below:

Consolidated	6/30/2021	12/31/2020
Tax-related actions	105,350	139,464
Labor and social-security-related claims	1,030	1,364
Civil actions	1,074	226
Regulatory actions	-	1,025
	<u>107,454</u>	<u>142,079</u>

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements
 Periods ended June 30, 2021 and 2020
 (In thousands of Brazilian reais, except where otherwise indicated)

The change in consolidated balances of provision for contingencies as at June 30, 2021, is the following:

Consolidated	12/31/2020	Additions	Reversals	6/30/2021
Tax-related actions	139,464	10,759	(44,874)	105,349
Labor and social security-related claims	1,364	16	(350)	1,030
Civil actions	226	849	-	1,075
Regulatory actions	1,025	-	(1,025)	-
	<u>142,079</u>	<u>11,624</u>	<u>(46,249)</u>	<u>107,454</u>

(a) Nature of contingencies

The Company is a party to labor and tax-related actions, which, where applicable, are supported by deposits into court. The respective provisions for contingencies were setup considering the actions rated as probable losses by legal counselors. Management believes that the end result of those matters will not produce any significant effects different from ones already been accrued for.

Labor complaints refer to actions filed by former employees claiming employment relationship recognition and various damages.

In 2020, the Company concluded the action claiming the right to PIS and COFINS credit with the Brazilian Internal Revenue Service corresponding to R\$88,801. Even though Management understands that the credit can be used based on an analysis of risk, consultation to tax authorities and rating of external legal counselors, a provision for that credit has been recognized.

(b) Possible losses not accrued for

As at June 30, 2021, the Company and its controlled companies were parties to other tax, labor and civil actions rated as "possible" losses, as follows:

Nature of contingencies	6/30/2021	12/31/2020
Tax-related actions	384,474	423,880
Labor and social security-related claims	12	57
Civil actions	921	902
Regulatory actions	-	57
	<u>385,407</u>	<u>424,896</u>

Management's notes to the individual and consolidated interim financial statements
Periods ended June 30, 2021 and 2020
(In thousands of Brazilian reais, except where otherwise indicated)

19. Equity

19.1 Capital

The subscribed and paid capital of the Company as at June 30, 2021, and December 31, 2020, corresponded to R\$757,039,208, divided into 205,271,563 common shares and 10,803,766 nominative preferred shares without par value, distributed as follows:

Shareholder	6/30/2021	12/31/2020
Controlling shareholders and related parties	108,138,766	107,028,139
Non-controlling shareholders, related parties and directors	104,936,923	104,013,884
Treasury shares	2,999,640	5,033,306
	<u>216,075,329</u>	<u>216,075,329</u>

19.2 Appropriated retained earnings

a) Legal reserve

A legal reserve is annually set up through the destination of 5% of net income of the year and cannot exceed 20% of capital.

A legal reserve aims to assure the integrity of capital and can only be used to offset losses or increase capital.

b) Tax incentive reserve

Tax incentive reserves relate to governmental grants and subsidies recognized when there is reasonable certainty that the benefit will be received and that the established conditions will be fulfilled.

They are determined and governed according to the laws applicable to each benefit.

The Company is entitled to a government subsidy granted by the State of Minas Gerais. It authorizes the deferral of State VAT (ICMS) payment in the receiving of goods from direct import and assures partial ICMS credit on the shipment of the goods that the Company sells.

The main obligation of the Company to be entitled to the grant is making certain types of investment. They have been made and state tax authorities acknowledged them.

The effects of the incentive are accounted for under the accrual basis, in the account of Deductions from sales - taxes.

According to income tax regulations, a tax incentive reserve can be used for capital increase and absorption of losses, but not for distribution of dividends, seeing that is a benefit of granted by the state to the Company for a specific activity.

c) Capital and statutory reserves and treasury shares

c.1) Capital reserve - share-based compensation

As at June 30, 2021, the Company had no kind of formalized share-based incentive plan. However, according to the Shareholders' Agreement in force at the time, a maximum compensation was established for the Director President, corresponding to 1.5% of the Company's contribution margin calculated by Management, to be settled as follows: (i) 30% in domestic currency (cash); (ii) 70% through subscription of shares. In this context, for the year ended December 31, 2020, and March 31, 2021, the compensation calculated based on the shareholders' agreement totaled R\$ 12,750 (12/31/2020), from which: (i) R\$ 4,393 (corresponding to the compensation in domestic currency) were entered in the liability account, and (ii) R\$ 8,357 (corresponding to the compensation to be settled with the transfer of shares) were entered at the capital reserve account in equity; and R\$ 5,591 (03/21/2021), from which: (i) R\$ 1,677 (corresponding to the compensation in domestic currency) were entered in the liability account, and (ii) R\$ 3,914 (corresponding to the compensation to be settled with the transfer of shares) were entered at the capital reserve account in equity. In 2021 and 2020, there was no subscription of shares for settlement of the obligation of compensation to the Director President.

We point out that this Shareholders' Agreement was terminated on May 12, 2021 (subsequent event to the date of the financial statements), not addressing, however, the form of settlement of the compensation with the transfer of shares to the Director President, as provided for in the mentioned Shareholders' Agreement in force at the time.

On June 21, 2021, the Shareholders' Agreement previously entered into was amended and approved in the Company's Extraordinary General Meeting to clarify that the remuneration of the Director President, to be settled through shares, valued at market value on the date of actual delivery, up to the amount of R\$ 12,271 recognized as at December 31, 2020, and March 31, 2021, according to the maximum limit approved and effective at balance sheet date.

Management's notes to the individual and consolidated interim financial statements
 Periods ended June 30, 2021 and 2020
 (In thousands of Brazilian reais, except where otherwise indicated)

The Company will use its treasury shares to settle this obligation with the Director President, whose number of shares which the Director President will receive in transfer of treasury shares will be defined by dividing the amount of R\$ 12,271 by the price per share to be established at the IPO (Initial Public Offering), and whose settlement shall be made within thirty (30) days from the determination of the number of shares to be transferred to the Director President, therefore reflecting the fair value of the shares to be transferred.

Accordingly, as the Company's IPO was concluded on July 20, 2021, with the share price at R\$ 11.10 per share, the Director President will be entitled to receive 1,105,493 shares, which will be transferred on August 20, 2021, at the latest.

Additionally, as described in Note 29, although there was no formalized share-based incentive plan at the time, the Company delivered common shares of its issue, measured at fair value, as part of the compensation of one of its directors, amounting to R\$ 1,403 over the period ended June 30, 2021.

The changes in the capital reserve in 2021 and 2020 is as follows:

Parent company	Capital reserve
Balance as at January 01, 2020	-
Recognition of reserve	8,357
Balance as at December 31, 2020	8,357
Recognition of reserve	3,914
Balance as at June 30, 2021	12,271

c.2) Reserve established according to Company's bylaws

In 2020, the Company assigned part of its income (loss) to the creation of a reserve according to bylaws, intended to the repurchase of treasury shares. The purpose of the repurchase is to obtain shares for: (i) future share-based incentive plan (see Note 32); (ii) resale of the shares in the future; and (iii) provide the intermediation and transfer of shares between shareholders, as follows:

Parent company	Reserve established by the Company's bylaws
Balance as at January 01, 2020	-
Recognition of reserve	22,711
Balance as at December 31, 2020	22,711

c.3) Treasury shares

Repurchase/ transfer of shares between shareholders

In June 2020, the Company repurchased from its shareholders, proportionally, 3% of its common shares totaling 6,482,260 shares at the total cost of R\$ 22,711, with value per share of R\$ 3.5036.

In March 2021, the Company made the onerous transfer of 1,957,642 repurchased common shares, in the amount of R\$ 6,859 to two shareholders acting as Company's directors and who also sold their shares to the Company in the process of repurchase of treasury shares.

These transfers of shares were made at the same value paid by the Company to the very shareholders upon the repurchase of shares made days/months earlier, R\$ 3.5036 per share, given that, as understood by Management, there was a transfer of shares between shareholders with the purpose of equalizing the Company's ownership interest among them, not generating any gains/losses between the parties. The Company was only used as a vehicle of intermediation to the process, instead of having the transaction made directly between the shareholders. Therefore, the transaction (repurchase and later transfer of shares) does not have any relation, according to Management, to the conditions for acquisition and/or restriction of right to the transferred shares (vesting period; performance; others), usually observed in share-based compensation plans and/or long-term incentive plans.

Following are the changes in treasury shares subject to the repurchase/ transferred as referred to above, as well as the share-based compensation (Note 29):

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements
Periods ended June 30, 2021 and 2020
(In thousands of Brazilian reais, except where otherwise indicated)

Changes in treasury shares - Number of shares (in thousands of Brazilian Reais)

Parent company	Alexandre Ostrowiecki	Dragon Gem	Edward Feder	Andre Poroger	Eder Grande	Total
Balance as at January 01, 2020	-	-	-	-	-	-
Shares acquired	(3,293)	(2,382)	(523)	(284)	-	(6,482)
Non-onerous transfers	540	-	-	421	-	961
Share-based compensation (Note 29)	-	-	-	-	488	488
Balance as at December 31, 2020	(2,753)	(2,382)	(523)	137	488	(5,033)
Non-onerous transfers	1,111	-	-	847	-	1,958
Share-based compensation (Note 29)	-	-	-	-	76	76
Balance as at June 30, 2021	(1,642)	(2,382)	(523)	984	564	(2,999)

Changes in treasury shares (in thousands of Brazilian Reais)

Parent company	Alexandre Ostrowiecki	Dragon Gem	Edward Feder	Andre Poroger	Eder Grande	Total
Balance as at January 01, 2020	-	-	-	-	-	-
Shares acquired	(11,539)	(8,345)	(1,831)	(996)	-	(22,711)
Non-onerous transfers	1,893	-	-	1,476	-	3,369
Share-based compensation (Note 29)	-	-	-	-	8,634	8,634
Balance as at December 31, 2020	(9,646)	(8,345)	(1,831)	480	8,634	(10,708)
Non-onerous transfers	3,891	-	-	2,968	-	6,859
Share-based compensation (Note 29)	-	-	-	-	1,403	1,403
Balance as at June 30, 2021	(5,755)	(8,345)	(1,831)	3,448	10,037	(2,446)

d) Dividends and interest on equity capital

Dividends

The Company's, articles of incorporation establish the distribution of a mandatory minimum dividend of 1% of income of the year, adjusted as established in law. In the period, no dividends were distributed related to the period ended June 30, 2021.

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements
Periods ended June 30, 2021 and 2020
(In thousands of Brazilian reais, except where otherwise indicated)

Description	In thousands of Brazilian Reais	
	6/30/2021	12/31/2020
Net income for the year	395,944	444,302
(-) Legal reserve	(19,797)	(22,215)
(-) Tax incentive reserve	(254,954)	(253,372)
Adjusted net income for dividend purposes	121,192	168,715
Mandatory dividends (1%)	-	1,687
Interest on equity capital decided	-	25,270
Proposed dividends	-	17,325
	-	44,282

On July 21, 2021, the Company stated and distributed the amount of R\$ 101,722 thousand, deducted from the account Retained Earnings.

20. Net sales

The Company's net revenue has the following composition:

Second quarter	Company		Consolidated	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Gross revenue from sales				
Sales of products and services	1,570,347	805,265	1,565,392	806,839
	1,570,347	805,265	1,565,392	806,839
Deductions from sales				
Items returned and rebates	(121,523)	(77,726)	(120,274)	(71,428)
Taxes on sales	(269,675)	(138,314)	(207,461)	(126,887)
	(391,198)	(216,040)	(327,735)	(198,315)
Net revenue	1,179,149	589,225	1,237,657	608,524

Accumulated	Company		Consolidated	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Gross revenue from sales				
Sales of products and services	3,354,366	1,412,103	3,311,798	1,403,770
	3,354,366	1,412,103	3,311,798	1,403,770
Deductions from sales				
Items returned and rebates	(323,384)	(140,671)	(322,461)	(135,708)
Taxes on sales	(489,651)	(213,999)	(349,148)	(180,798)
	(813,035)	(354,670)	(671,609)	(316,506)
Net revenue	2,541,331	1,057,433	2,640,189	1,087,264

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements Periods ended June 30, 2021 and 2020 (In thousands of Brazilian reais, except where otherwise indicated)

21. Costs and expenses per type

Second quarter

	Company		Consolidated	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Cost of merchandise and products sold				
Cost of materials	966,355	392,979	781,191	374,199
Personnel	18,783	5,515	33,058	12,475
Depreciation/ Amortization	1,482	862	2,434	1,869
Others	16,931	6,024	24,180	12,204
	<u>1,003,550</u>	<u>405,380</u>	<u>840,863</u>	<u>400,747</u>
Selling expenses				
Commercial expenses	71,295	44,667	70,146	41,530
Distribution expenses	37,832	22,896	38,389	24,299
Advertising and marketing	16,247	6,570	16,254	6,570
After sale activities	18,593	9,055	18,686	9,097
Research and Development	12,365	6,446	16,963	9,024
Allowance for doubtful accounts	18,332	6,346	16,978	8,509
	<u>174,665</u>	<u>95,981</u>	<u>177,416</u>	<u>99,029</u>
General and administrative expenses				
Personnel	10,582	4,824	11,027	4,969
Professional services	964	435	13,475	815
Communications	631	1,209	717	1,250
Technology and communications	2,695	1,070	9,282	1,900
Rents, insurance, travel, others	2,114	1,957	2,606	2,490
	<u>16,987</u>	<u>9,495</u>	<u>37,107</u>	<u>11,424</u>

Accumulated

	Company		Consolidated	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Cost of merchandise and products sold				
Cost of materials	1,994,651	731,073	1,683,222	674,961
Personnel	29,395	10,386	40,801	15,336
Depreciation/ Amortization	2,434	1,869	9,345	6,115
Others	24,180	12,204	35,743	16,613
	<u>2,050,660</u>	<u>755,532</u>	<u>1,769,111</u>	<u>713,025</u>
Selling expenses				
Commercial expenses	146,480	81,288	168,328	55,206
Distribution expenses	78,834	40,750	83,863	44,061
Advertising and marketing	28,723	19,222	28,733	51,638
After sale activities	35,605	21,178	35,767	21,278
Research and Development	29,867	10,829	45,756	19,113
Allowance for doubtful accounts	32,187	10,038	32,094	13,140
	<u>351,695</u>	<u>183,304</u>	<u>394,541</u>	<u>204,436</u>
General and administrative expenses				
Personnel	26,542	9,575	27,206	9,861
Professional services	2,324	1,260	15,616	1,854
Communications	1,516	1,924	1,671	2,001
Technology and communications	6,949	2,366	13,764	3,297
Rents, insurance, travel and others	5,987	4,320	6,853	5,047
	<u>43,318</u>	<u>19,445</u>	<u>65,110</u>	<u>22,060</u>

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements Periods ended June 30, 2021 and 2020 (In thousands of Brazilian reais, except where otherwise indicated)

22. Financial revenue (expenses)

Second quarter	Company		Consolidated	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Financial revenue				
Return on financial investments	239	2	2,207	1,595
Interest received	910	279	918	291
Monetary adjustment gain	25,845	152	25,911	152
Discount to present value	445	1,532	445	1,532
Gains from derivative financial instruments	85,557	3,544	85,557	3,544
Discount on purchase of precatórios	-	-	-	-
Other	260	454	419	514
	113,256	5,964	115,457	7,628
Financial expenses				
Interest paid	(18,163)	(3,123)	(18,277)	(3,675)
Monetary adjustment losses	(856)	(926)	(47,596)	(926)
Losses from derivative financial instruments	(85,057)	(4,961)	(38,592)	(4,961)
Bank fees	(3,056)	(1,296)	(4,341)	(1,624)
Other expenses	(1,745)	(2,410)	(1,862)	(2,500)
	(108,877)	(12,716)	(110,668)	(13,686)
Foreign currency exchange variation				
Gains	64,171	33,032	104,623	46,463
Losses	(47,434)	(39,417)	(80,878)	(53,638)
	16,738	(6,386)	23,745	(7,175)
Net financial income (loss)	21,116	(13,138)	28,534	(13,233)

Accumulated	Company		Consolidated	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Financial revenue				
Return on financial investments	241	4	3,357	2,475
Interest received	1,514	602	1,522	637
Monetary adjustment gain	25,994	531	26,076	540
Discount to present value	2,756	2,695	2,756	2,695
Gains from derivative financial instruments	129,422	3,544	129,422	3,544
Discount on purchase of precatórios	-	-	-	-
Other	381	526	554	611
	160,308	7,902	163,688	10,503
Financial expenses				
Interest paid	(30,053)	(4,143)	(30,310)	(4,772)
Monetary adjustment losses	(48,142)	(1,870)	(48,244)	(1,870)
Losses from derivative financial instruments	(54,075)	(4,961)	(54,075)	(4,961)
Bank fees	(5,747)	(2,670)	(7,977)	(3,095)
Other expenses	(3,121)	(3,104)	(3,337)	(3,346)
	(141,138)	(16,749)	(143,944)	(18,044)
Foreign currency exchange variation				
Gains	100,923	52,743	176,335	75,048
Losses	(86,073)	(100,069)	(158,802)	(130,487)
	14,850	(47,327)	17,533	(55,438)
Net financial income (loss)	34,020	(56,173)	37,277	(62,980)

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements Periods ended June 30, 2021 and 2020 (In thousands of Brazilian reais, except where otherwise indicated)

23. Other operating revenue(expenses)

Second quarter	Company		Consolidated	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Other revenue				
Business intermediation	887	262	887	266
Extemporaneous credit	8,026		10,269	
Indemnities, intermediation, sale of property, plant and equipment and other revenue	43,255			
	<u>52,168</u>	<u>262</u>	<u>11,156</u>	<u>266</u>
Other expenses				
Tax assessment notices	(0)		(0)	(6)
Provision for tax and labor contingencies and others	239	(1,624)	(877)	(1,624)
Contractual fines and indemnities	(70)		(70)	
Loss incurred in the realization of investment	(818)		(818)	
Contractual fines and indemnities, loss on property, plant and equipment, other expenses	(10,795)	(397)	(12,923)	(2,837)
	<u>(11,445)</u>	<u>(2,021)</u>	<u>(14,689)</u>	<u>(4,467)</u>
Other revenue (expenses), net	<u>40,724</u>	<u>(1,759)</u>	<u>(3,532)</u>	<u>(4,201)</u>
Accumulated				
Other revenue				
Business intermediation	887	188	887	188
Extemporaneous credit	8,248	1,037	10,723	2,002
Indemnities, intermediation, sale of property, plant and equipment and other revenue	45,233	1,464	1,643	1,479
	<u>54,369</u>	<u>2,689</u>	<u>13,253</u>	<u>3,669</u>
Other expenses				
Tax assessment notices	(7)	(17,668)	(626)	(17,673)
Provision for tax and labor contingencies and others	(407)	16,729	(1,524)	16,729
Loss on disposal of property, plant and equipment	1	(80)	9	(2,536)
Contractual fines and indemnities	(96)	(25)	(96)	(25)
Loss incurred in the realization of investment	(801)	-	(801)	-
Contractual fines and indemnities, loss on property, plant and equipment, other expenses	(12,802)	(1,145)	(14,570)	(4,190)
	<u>(14,113)</u>	<u>(2,188)</u>	<u>(17,608)</u>	<u>(7,694)</u>
Other revenue (expenses), net	<u>40,256</u>	<u>501</u>	<u>(4,355)</u>	<u>(4,025)</u>

24. Earnings (loss) per share

The table below reconciles the revenue (loss) determined as at June 30, 2021 and 2020, with the calculation of basic and diluted earnings per share:

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements
Periods ended June 30, 2021 and 2020
(In thousands of Brazilian reais, except where otherwise indicated)

	Accumulated		Quarter	
	6/30/2021	6/30/2020	6/30/2020	6/30/2020
Income for the year attributable to the Company's shareholders	395,944	83,142	202,300	90,748
Number of common shares	216,075,329	205,271,563	216,075,329	205,271,563
Number of preferred shares	-	10,803,766	-	10,803,766
Weighted average number of common and preferred shares (in units)	216,075,329	216,075,329	216,075,329	216,075,329
Basic and diluted earnings (in R\$) per common share	1.8582	0.3848	0.9494	0.4200
Basic and diluted earnings (in R\$) per preferred share	1.8582	0.3848	0.9494	0.4200

The Company holds treasury shares and, in 2021, the calculation of diluted and basic earnings (loss) considered the weighted average of common shares in the year and excluded treasury shares.

25. Financial risk management

25.1 General considerations and policies

The Treasury area of the Company is responsible for the management of risks. It also has the duty of reporting all investment operations and loans contracted by controlled companies for approval of Management and Board of Directors.

25.2 Financial risk factors

The Company's activities are exposed to various financial risks: market risk (including variation in currency, fair values, and in interest rates applicable to cash flows), price risks, credit risk and liquidity risk. The Company's risk management program is focused on the unpredictability of financial markets and aims to minimize potential adverse effects on financial performance.

The Board of Directors conducts risk management according to policies shareholders approved to identify and protect the Company against possible financial risks.

(a) Market risk

The Company and its controlled companies are exposed to market risks stemming from their business activities. Such market risks involve mainly the possibility of fluctuation in the foreign currency exchange rates, changes in interest rates and in Brazilian laws.

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements
Periods ended June 30, 2021 and 2020
(In thousands of Brazilian reais, except where otherwise indicated)

(b) Foreign currency exchange risk

This risk arises from the possibility of the Company incurring losses due to fluctuations in foreign currency exchange rates decreasing nominal amounts or increasing the cost of funds obtained in the market. We comment below on the exposure of the Company's financial instruments.

b.1) Obligations exposed to foreign currency variation

Following an evaluation of indebtedness and exposure to exchange rate variation, derivative financial instruments and swap contracts have been contracted to mitigate the risks of financial losses associated with loans and financing (please refer to note 15).

Regarding the balance payable in American dollars to foreign suppliers, as described in note 14, there are no policies in place to contract derivative financial instruments to mitigate the exposure to risk of fluctuation in exchange rates, seeing any increments in the cost of raw materials related to exchange variation are added to the final selling price of finished products.

However, in relation to certain supply contracts executed with customers at fixed prices, the Company contracts Non-Deliverable Forwards (NDF) to mitigate the exchange rate fluctuation risk.

b.2). Breakdown of balances recorded in loans and financing

Liabilities				Purpose: market risk hedge (a)					
				Fair value at 06/30/2021			Fair value at 12/31/2020		
Swap	Rate	Maturity	Notional value	Short leg	Long leg	Balance	Short leg	Long leg	Balance
Bank name									
Citibank	Euro - CDI	Mar/2021	17,058	99,212	(85,330)	13,882	98,908	(88,620)	10,288
Bradesco	Dolar - CDI	Feb/2025	34,893	200,673	(174,540)	26,133	-	-	-
Santander	Dolar - CDI	Feb/2024	35,848	202,702	(179,321)	23,381	-	-	-
Safra	Dolar - CDI	Mar/2024	17,782	100,201	(88,951)	11,250	-	-	-
Votorantim	Dolar - CDI	Mar/2024	12,505	70,187	(62,551)	7,636	-	-	-
				672,975	(590,693)	82,283	98,908	(88,620)	10,288
Itau	Euro - CDI	Mar/2021	2,936	-	-	-	16,022	(18,717)	(2,695)
				-	-	-	16,022	(18,717)	(2,695)

b.3). Breakdown of balances recorded in the account of financial instruments

Type	Other party	Hedge	Currency	Notional		MTM 6/30/2021
				USD	BRL	
NDF	CITI	Exchange rate	USD	18,224	91,160	(8,574)
NDF	VOTORANTIM	Exchange rate	USD	2,751	91,583	(8,356)
				20,975	182,743	(16,930)

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements
Periods ended June 30, 2021 and 2020
(In thousands of Brazilian reais, except where otherwise indicated)

Type	Other party	Hedge	Currency	Notional		MTM 2020 12/31/2020
				USD	REAIS	
NDF	BRASIL	Exchange rate	USD	629	3,268	(10)
NDF	BTG	Exchange rate	USD	22,788	118,424	(2,496)
NDF	CITI	Exchange rate	USD	34,496	179,265	(8,497)
NDF	VOTORANTIM	Exchange rate	USD	24,523	127,440	(6,851)
				82,436	428,397	(17,853)
NDF	FIBRA	Exchange rate	USD	8,912	46,312	632
						(17,222)

b.4) Balances of derivative assets and liabilities presented in the statement of financial position

Derivative financial assets and liabilities, presented in the statement of financial position, whose purpose is equity protection, are summarized below:

	Company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
Amounts receivable				
NDF	-	632	-	632
SWAP	82,283	10,288	82,283	10,288
	82,283	10,920	82,283	10,920
Amounts payable				
NDF	(16,930)	(17,853)	(16,930)	(17,853)
SWAP	-	(2,695)	-	(2,695)
	(16,930)	(20,548)	(16,930)	(20,548)
Net effect	65,353	(9,628)	65,353	(9,628)

c) Sensitivity analysis of foreign currency exchange rate risk

In order to provide information on the behavior of market risks that the Company and its controlled companies were exposed to as at June 30, 2021, and December 31, 2020, referring to the balance of foreign trade accounts payable (Note 14) and foreign-currency loans of the type FINIMP (Note 15), three scenarios were considered. The first is the probable scenario, that is, fair value as at June 30, 2021, and December 31, 2020. The two other two scenarios consider deterioration of 25% and 50% in the variable risk considered, classified as possible and remote scenarios, respectively. A futures market curve was used as at June 30, 2021, and December 31, 2020.

Management's notes to the individual and consolidated interim financial statements
 Periods ended June 30, 2021 and 2020
 (In thousands of Brazilian reais, except where otherwise indicated)

Stress test - Foreign exchange exposure in the statement of financial position			
	Probable scenario	Possible scenario	Remote scenario
06/30/2021	Book balance	25%	50%
Company	958,505	1,198,131	1,437,758
Consolidated	1,488,992	1,861,240	2,233,488

Stress test - Foreign exchange exposure in the statement of financial position			
	Book balance of probable scenario	Possible scenario	Remote scenario
12/31/2020	25%	50%	
Parent company	1,143,105	1,428,881	1,714,658
Consolidated	1,958,699	2,448,374	2,938,049

(1) The balances of working capital loans as at June 30, 2021, and December 31, 2020, in foreign currency, were not included in the analysis above, as the Company contracted a swap operation with financial institutions, observing the same dates, maturities and domestic values of said liability exposures contracted in foreign currency, replacing it by the percentage variation of the CDI on amounts in Brazilian Reais.

d) Interest rate risk

The interest rate risk of the Company is associated with long-term loans. Those with variable rates expose the entity to cash flow interest rate risk. Operations with fixed rates expose the Company to fair value risk.

Considering that a substantial part of the Company's loans is pegged to fixed rates, Management understands that the risk of significant changes in revenue and in cash flows is low.

As at June 30, 2021, there was no risk of exposure to interest rate at the Company or at its controlled companies.

e) Credit risk

Credit risk is associated with cash and cash equivalents, bank deposits and financial institutions, as well as exposure to default in relation to trade accounts receivable and replacement market.

As for banks and financial institutions, only instruments of top-rated entities are accepted.

In evaluating the granting of credit to customers, the credit rating area evaluates the financial position of the customer, past experience and other factors, as described in note 3.1.

Management's notes to the individual and consolidated interim financial statements
 Periods ended June 30, 2021 and 2020
 (In thousands of Brazilian reais, except where otherwise indicated)

Management limits individual credit risk by means of internal or external ratings. The use of credit limits is monitored on a continuous basis.

No credit limit has been exceeded along the years reported in the financial statements and Management does not expect any losses caused by contract default besides the ones already accrued for (note 5).

Below we demonstrate the amounts of financial assets subject to credit risk:

	Company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
Cash and cash equivalents	146,098	41,237	311,175	452,453
Accounts receivable	1,406,851	973,180	1,362,900	967,780
	<u>1,552,949</u>	<u>1,014,417</u>	<u>1,674,075</u>	<u>1,420,233</u>

f) Liquidity risk

The Company's liquidity is continuously monitored to assure that it has enough cash to meet its operating needs.

Such forecast takes into account the Company's indebtedness payment plans, fulfillment of contractual obligations, achievement of internal ratio targets and, if applicable and external regulatory or legal demands - for instance, currency restrictions.

Surpluses, beyond working capital needs are kept in interest-bearing bank accounts, as well as in short-term financial investment, which is chosen with appropriate maturities or which offer enough liquidity.

As at June 30, 2021, the Company's short-term financial investment corresponded to R\$127,621 and to R\$284.86 in the consolidated numbers (R\$15,164 and R\$392,561 in the consolidated statements as at December 31, 2020). Management deems that enough cash will be generated to avoid liquidity risk.

The table below presents the Company's non-derivative financial liabilities, per maturity, from reporting date to the maturities dates set in agreements.

Management's notes to the individual and consolidated interim financial statements
 Periods ended June 30, 2021 and 2020
 (In thousands of Brazilian reais, except where otherwise indicated)

		6/30/2021			
		Between one			
Company	Less than one year	and two years	Between two and five years	More than five years	Carrying amount
Loans and financing	488,430	589,815	115,113	36,611	1,229,969
Trade accounts payable	1,433,678				1,433,678
	<u>1,922,108</u>	<u>589,815</u>	<u>115,113</u>	<u>36,611</u>	<u>2,663,647</u>
		6/30/2021			
		Between one			
Consolidated	Less than one year	and two years	Between two and five years	More than five years	Carrying amount
Loans and financing	488,430	594,657	115,113	36,611	1,234,811
Trade accounts payable	1,588,250				1,588,250
	<u>2,076,680</u>	<u>594,657</u>	<u>115,113</u>	<u>36,611</u>	<u>2,823,061</u>
		12/31/2020			
		Between one			
Company	Less than one year	and two years	Between two and five years	More than five years	Carrying amount
	232,282	443,497	27,474	2,492	705,745
	1,227,723	-	-	-	1,227,723
	<u>1,460,005</u>	<u>443,497</u>	<u>27,474</u>	<u>2,492</u>	<u>1,933,468</u>
		12/31/2020			
		Between one			
Consolidated	Less than one year	and two years	Between two and five years	More than five years	Carrying amount
Loans and financing	232,282	443,497	27,474	2,492	705,745
Trade accounts payable	1,992,782	-	-	-	1,992,782
	<u>2,225,064</u>	<u>443,497</u>	<u>27,474</u>	<u>2,492</u>	<u>2,698,527</u>

25.3 Capital management

The objective of managing capital is safeguarding the capacity of the Company continuing as a going concern, offering return to shareholders and benefits to other stakeholders, besides keeping an ideal capital and reducing cost. To adjust capital, dividend payment policies may be reviewed, capital paid back to shareholders or yet assets sold to reduce the indebtedness level. Capital is monitored based on the entity's financial leverage ratio. Such index corresponds to net debt divided by total capital.

Net debt, in its turn, corresponds to total loans and financing (including short and long-term loans demonstrated in the statement of financial position), less cash, cash equivalents and short-term financial investment. Total capital is determined through sum of equity as demonstrated in the statement of financial position with net debt.

We present below the financial leverage ratios as at June 30, 2021, and December 31, 2020:

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements
Periods ended June 30, 2021 and 2020
(In thousands of Brazilian reais, except where otherwise indicated)

	Parent company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
Loans and financing	1,229,969	705,745	1,234,811	705,745
Cash and cash equivalents	(146,098)	(41,237)	(311,175)	(452,453)
Net debt	1,083,871	664,508	923,636	253,292
Equity	1,830,450	1,524,055	1,830,450	1,524,055
Financial leverage index	59.2%	43.6%	50.5%	16.6%

25.4 Financial instruments

Financial instruments are used in the Company's operations. They are managed by applying operating strategies and internal controls, aiming at liquidity, profitability and protection.

Shareholders and Management approve the policies for the contracting of financial instruments with hedge purposes and they are periodically analyzed in relation to the exposure to risk that Management intends to minimize. No transactions with derivative financial instruments or with any other risk assets are executed with speculative purposes.

The results obtained with those operations are compatible with the policies and strategies Management has defined and approved.

The estimated realization values of assets and liabilities of the Company have been determined through information available and appropriate evaluation methods. Both the interpretation of market data and the selection of evaluation methods require considerable use of judgment and estimates to reach the most appropriate realization value.

Thus, estimates do not necessarily indicate current market values and the use of different estimation methods may have a material effect to the projected realization amount.

The risk management practices Shareholders and Management established aim the identification and analysis of the risks the Company faces and to establish appropriate risk limits and necessary controls, as well as limit compliance monitoring routines. They are frequently reviewed to reflect for adjustment to changes in market conditions and in the Company's activities.

Classification of financial instruments

As required according to standard NBC TG 40/R3 (CVM Decision 684/12), the Company has had its financial instruments assessed.

As at June 30, 2021, the main financial instruments were the following:

- Cash and cash equivalents: They are measured at fair value through profit or loss or amortized cost. Market value is reflected in the amounts recorded in the statement of financial position;
- Trade accounts receivable and other receivables: Arise directly from the Company's operations and are classified as receivables at original values, less estimated losses and discount to present value and discounts granted to customers, where applicable;
- Related-party transactions: Stem from operations with controlled companies, being eliminated in the consolidation process. The market value of those financial instruments is equivalent to its book value;
- Trade accounts payable and other payables: Arise directly from the operations of the Company and are classified as financial liabilities;
- Loans and financing: The book values of loans and financing are close to their fair values because they are contracted at a variable interest rate, which is the CDI. The book values of financing change according to the variation of the Long-Term Interest Rate (TJLP) and are close to fair values because the TJLP correlates with the CDI rate and is also variable. The fair values of loans and financing contracted with fixed interest rates are close to the amounts described in note 15;
- Derivative financial instruments: Derivative financial instruments are presented as financial assets when the fair value of the instrument is positive and as financial liabilities when it is negative. Any gains or losses resulting from changes in the fair value of derivatives along the year are entered directly into the statement of income. The Company has no derivative instruments designated as hedge for the years reported in these individual and consolidated financial statements.

The classification of financial instruments is presented in the table below. There were no financial instruments classified into other categories besides the ones informed as at June 30, 2021, and December 31, 2020:

- At amortized cost;
- At fair value through profit or loss.

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements Periods ended June 30, 2021 and 2020 (In thousands of Brazilian reais, except where otherwise indicated)

	Company				
	6/30/2021		12/31/2020		
	Carrying amount	Fair value	Carrying amount	Fair value	Measurement
Assets					
Cash and cash equivalents	146,098	146,098	41,237	41,237	Amortized cost
Accounts receivable	1,406,851	1,406,851	973,180	973,180	Amortized cost
Related-party transactions	220,670	220,670	183,878	183,878	Amortized cost
Derivative financial instruments	82,283	82,283	10,920	10,920	FVTPL
Other receivables	81,981	81,981	3,953	3,953	Amortized cost
	<u>1,937,883</u>	<u>1,937,883</u>	<u>1,213,168</u>	<u>1,213,168</u>	
Liabilities					
Trade accounts payable	1,433,678	1,433,678	1,227,723	1,227,723	Amortized cost
Loans and financing	1,229,969	1,234,394	705,745	707,285	Amortized cost
Related-party transactions	230,004	230,004	170	170	Amortized cost
Derivative financial instruments	16,930	16,930	20,548	20,548	FVTPL
Lease liabilities	10,833	10,833	5,126	5,126	Amortized cost
Other accounts payable	42,987	42,987	46,024	46,024	Amortized cost
	<u>2,964,401</u>	<u>2,968,826</u>	<u>2,005,336</u>	<u>2,006,876</u>	

	Consolidated				
	6/30/2021		12/31/2020		
	Carrying amount	Fair value	Carrying amount	Fair value	Measurement
Assets					
Cash and cash equivalents	311,175	311,175	452,453	452,353	Amortized cost
Accounts receivable	1,362,900	1,362,900	967,780	967,780	Amortized cost
Derivative financial instruments	82,283	82,283	10,920	10,920	FVTPL
Other receivables	109,638	109,638	51,850	51,850	Amortized cost
	<u>1,865,996</u>	<u>1,865,996</u>	<u>1,483,003</u>	<u>1,482,903</u>	
Liabilities					
Trade accounts payable	1,588,250	1,588,250	1,992,782	1,991,782	Amortized cost
Loans and financing	1,234,811	1,234,394	705,745	707,285	Amortized cost
Derivative financial instruments	16,930	16,930	20,548	20,548	FVTPL
Lease liabilities	11,569	11,569	6,309	6,309	Amortized cost
Other accounts payable	83,778	83,778	71,736	71,737	Amortized cost
	<u>2,935,338</u>	<u>2,934,921</u>	<u>2,797,120</u>	<u>2,797,661</u>	

Derivative financial instruments

In 2020, the Company contracted swaps to minimize the effects of foreign currency exchange rate variation of "Loans and financing" (note 25.2 (b.2)).

The effect of the measurement at fair value of those derivative instruments is booked in the statement of income as financial revenue (expenses).

The position of derivative financial instruments mentioned above is demonstrated in note 25.2 (b.2).

Management's notes to the individual and consolidated interim financial statements
 Periods ended June 30, 2021 and 2020
 (In thousands of Brazilian reais, except where otherwise indicated)

Fair value of financial instruments

The method to determine the market value at the Company is the calculation of future value based on contracted conditions and discount to present value based on market curves, except for futures market derivatives that have their fair values set in commodities and futures exchange markets. According to standard NBC TG 40/R3 (CVM Decision 684/12), the Company classifies the measurement of fair value according to hierarchical levels that reflect the significance of the rates used in such measurement, according to the following levels:

- Level 1: (Unadjusted) observable prices quoted in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as evaluation techniques that use active market data;
- Level 3: Inputs used for calculation do not derive from an active market.

Currently, all financial instruments of the Company have their fair values reliably measured and classified as follows:

As at June 30, 2021

Company	Level 1	Level 2	Level 3
Cash and cash equivalents	-	146,098	-
Derivative financial instruments	-	82,283	-
	-	228,381	-
<hr/>			
Consolidated	Level 1	Level 2	Level 3
Cash and cash equivalents	-	311,175	-
Derivative financial instruments	-	82,283	-
	-	393,458	-

As at December 31, 2020

Company	Level 1	Level 2	Level 3
Cash and cash equivalents	-	41,237	-
Derivative financial instruments	-	10,920	-
	-	52,157	-
<hr/>			
Consolidated	Level 1	Level 2	Level 3
Cash and cash equivalents	-	452,453	-
Derivative financial instruments	-	10,920	-
	-	463,373	-

Management understands that the results obtained with those operations (including derivative instruments) are in line with the risk management strategy of the Company.

Management's notes to the individual and consolidated interim financial statements
 Periods ended June 30, 2021 and 2020
 (In thousands of Brazilian reais, except where otherwise indicated)

26. Income and social contribution taxes

a) Expense with income and social contribution taxes

Quarter	Company		Consolidated	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Current taxes				
Social contribution tax	-	-	(7,733)	70
Income tax	-	-	(22,530)	-
	-	-	(30,263)	70
	Company		Consolidated	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Deferred taxes				
Social contribution tax	2,707	2,415	6,783	2,856
Income tax	7,519	6,707	18,507	7,932
	10,225	9,122	25,290	10,787
Accumulated amounts	Company		Consolidated	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Current taxes				
Social contribution tax	-	-	(17,374)	(330)
Income tax	-	-	(48,022)	(152)
	-	-	(65,396)	(482)
	Company		Consolidated	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Deferred taxes				
Social contribution tax	484	175	4,498	764
Income tax	1,344	485	12,494	2,122
	1,828	660	16,991	2,886

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements
Periods ended June 30, 2021 and 2020
(In thousands of Brazilian reais, except where otherwise indicated)

Such tax credit refers to deferred income and social contribution taxes calculated on temporary additions/exclusions that were added/excluded in the determination of taxable income and tax base of current and previous taxes, besides the amounts of tax losses, which Management expects to realize within the next two years.

We present below the reconciliation of deferred taxes for the period ended June 30, 2021:

Description	Company		
	IRPJ	CSLL	Total
Ending balance as at December 31, 2020	95,690	34,449	130,139
Deferred taxes on temporary additions/exclusions	1,344	484	1,828
Ending balance as at June 30, 2021	<u>97,034</u>	<u>34,933</u>	<u>131,967</u>
Consolidated			
	IRPJ	CSLL	Total
Ending balance as at December 31, 2020	97,910	35,298	133,208
IRPJ and CSLL tax losses	(1,375)	(495)	(1,870)
Deferred taxes on temporary additions/exclusions	13,906	4956	18,862
Taxes on assets from business combination	(1,925)	(692)	(2,617)
	<u>108,516</u>	<u>39,067</u>	<u>147,583</u>

The realization of "Deferred tax assets" is based on projections of future taxable income and takes into account the assumptions that base the projection of future income and the past profitability of the business.

The expectation of realization of the "Deferred tax assets," is based on a technical study of feasibility as set forth in standard NBC TG 32, broken down as follows:

Year	Consolidated	
	6/30/2021	12/31/2020
2021	33,590	3,069
2022	23,215	36,744
2023	57,897	60,514
2024	32,881	32,881
	<u>147,583</u>	<u>133,208</u>

b) Reconciliation of current income and social contribution with income

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements
Periods ended June 30, 2021 and 2020
(In thousands of Brazilian reais, except where otherwise indicated)

	Company		Consolidated	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Net income before taxes	394,116	82,482	444,348	80,738
Prevailing rate	34%	34%	34%	34%
Taxes according to prevailing rate	(133,999)	(28,044)	(151,078)	(27,451)
Tax effect of permanent additions and exclusions:				
Tax incentives	121,223	36,646	167,310	50,106
Equity in earnings (loss) of investees	76,222	13,261	-	-
Unrecognized tax losses - Deferred taxes	(56,934)	(15,141)	(65,522)	(15,141)
Interest in equity capital	-	-	1,493	-
Other permanent differences	(4,683)	(6,061)	(607)	(5,111)
Income and social contribution taxes	1,828	660	(48,405)	2,404
Current income and social contribution taxes	-	-	(65,396)	(482)
Deferred income and social contribution taxes	1,828	660	16,991	2,886
	1,828	660	(48,405)	2,404
Effective rate (%)	-0.5%	-0.8%	10.9%	-3.0%

The amounts of deferred Corporate Income Tax (IRPJ) and Social Contribution Tax (CSLL) stem from temporary differences and tax losses, mostly incurred at the Company:

Management, based on projections of future taxable income, estimates that recorded tax credit will be realized between 2021 and 2025.

	Company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
From non-deductible provisions	93,924	93,034	112,153	96,103
Tax losses	38,043	37,105	38,047	37,105
Other deductible temporary differences	-	-	2,617	-
	131,967	130,139	147,583	133,208

27. Insurance coverage

The Company adopts the policy of contracting insurance coverage for the assets subject to risk, at amounts deemed enough to cover possible losses, considering the nature of its activities.

The risk assumptions adopted, in view of their nature, do not take part of the scope of an audit of financial statements. Therefore, our independent auditors have not audited them.

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements
Periods ended June 30, 2021 and 2020
(In thousands of Brazilian reais, except where otherwise indicated)

We presented below the declared insurance coverage:

Risks	6/30/2021	12/31/2020
Material losses	588,564	588,564
Loss or profit	506,000	506,000
Civil liability	3,000	3,000
Theft and sundry risks	260,000	260,000

a) Credit risk

As at June 30, 2021, the Company had insurance coverage for losses to be incurred with receivables. Approximately 60% of the Company's trade accounts receivable is insured and Management thinks that the general conditions of the policy are enough to cover the risk.

28. Related-party transactions

The table below displays the operations and balances of the Company with related parties:

6/30/2021	Amounts receivable			Amounts payable		
	Trade Accounts payable	Other amounts	Total	Trade Accounts payable	Other amounts	Total
Giga S.A	43,966	64,562	108,528	394,429	-	394,429
Componentes Ltda	2,272	29,499	31,771	-	230,004	230,004
Proinox Ltda	1	126,454	126,455	-	-	-
Lojas Multilaser Ltda	6,937	155	7,092	-	-	-
	<u>53,176</u>	<u>220,670</u>	<u>273,846</u>	<u>394,429</u>	<u>230,004</u>	<u>624,433</u>

12/31/2020	Amounts receivable			Amounts payable		
	Trade accounts payable	Other amounts	Total	Trade accounts payable	Other amounts	Total
Giga S.A	195	111,178	111,373	43,640	-	43,640
Componentes Ltda	-	71,759	71,759	-	-	-
Proinox Ltda	4,204	16	4,220	13,326	170	13,496
Lojas Multilaser Ltda	-	925	925	-	-	-
	<u>4,399</u>	<u>183,878</u>	<u>188,277</u>	<u>56,966</u>	<u>170</u>	<u>57,136</u>

	Revenue		Costs/Expenses	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Giga S.A	84,010	37,443	36,391	30,137
Componentes Ltda	10,588	16,299	10,588	16,356
Lojas Multilaser Ltda	7,325	373	7,542	127
Transactions with shareholders (Note 19.2(c.3))	-	-	6,859	-
	<u>101,923</u>	<u>54,115</u>	<u>61,380</u>	<u>46,620</u>

Seeing the statements of controlled companies are considered in the consolidated statements, all those balances were eliminated in the consolidation process.

The balances with related parties refer to transactions under specific conditions agreed upon between the parties. Neither payables nor receivables are adjusted for inflation. The balances with related companies in accounts receivable and in accounts payable represent the amounts receivable by the Company for the sale of products.

The collateral offered to financial institutions for the loans and financing of the Company are letters of guarantee and fixed assets. As at June 30, 2021, there was no collateral or suretyship given to related parties.

The expense of R\$ 6,859 refers to the transfer of non-onerous shares to shareholders (Note 19.2(c.3)).

29. Compensation of directors and executives

Short-term benefits granted to key management personnel corresponded to R\$18,502 as at June 30, 2021 (R\$1,523 as at June 30, 2020). Of this amount, R\$1,403 correspond to share-based compensation to one of the Company's directors during the quarter ended March 31, 2021. The shares delivered as part of the compensation of said director were measured at fair value, as provided for in CPC 10/IFRS 2, based on the Company's economic and financial valuation report (discounted cash flow method), prepared by external consultants, with calculated value per share of R\$18.45. In the quarter ended June 30, 2021, there was no share-based payments.

The Board of Directors did not receive any compensation until June 30, 2021.

The Company compensates shareholders in the form of dividends and/or interest on equity capital based on the limits defined in law and in the Company's articles of incorporation.

29.1. Controlling shareholders

As described in note 15.1 - Warranties and covenants, the shareholders of the Company granted suretyship for certain loans and financing of the Company, without any cost for the Company.

30. Segment reporting

The operating performance of the Company's businesses is managed based on information per segment and gross income and it is used by Management to make decisions on how to allocate resources. Activities and results are followed-up by the managers of each segment and reported to the main operations manager who makes decisions on the best way to allocate resources among segments.

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements
Periods ended June 30, 2021 and 2020
(In thousands of Brazilian reais, except where otherwise indicated)

The main operational segments of the Company are:

- Mobile devices;

Includes easily movable electronic devices, composed basically by smartphones, laptops and tablets sold in large retail networks and to corporate customers.

- Office & IT supplies;

Composed of computer peripherals, office supplies, internet and security equipment, chiefly sold in small retail stores and to suppliers and installers of internet services.

- Home products;

Comprises portable appliances, audio and video products and health care devices, sold thorough large retail stores and drugstore networks.

- Kids & sports.

Composed by childcare products, workout equipment, toys and products for pets, usually sold in the specialized retail shops.

Most of the operations of the Company are in Brazil and less than 1% of sales are exports. Despite not being something recurrent, in the three-month period ended March 31, 2021, a contract was executed with the Education Department of the State of São Paulo as a result of a public bidding operation. That represents 19% of the Company's net operating revenue.

Consolidated					
6/30/2021	Mobile Devices	Office & IT supplies	Home eletric products	Kids & Sports	Total
Net operating revenue	1,199,979	799,874	537,461	102,875	2,640,189
Gross income	368,049	316,160	138,517	48,352	871,078

Consolidated					
6/30/2020	Mobile Devices	Office & IT supplies	Home eletric products	Kids & Sports	Total
Net operating revenue	385,826	414,527	232,967	53,944	1,087,264
Gross income	84,955	160,638	98,954	29,692	374,239

We detail below information about the assets and liabilities that are analyzed by the main managers of each business in making decisions.

Consolidated					
6/30/2021	Mobile Devices	Office & IT supplies	Home eletric products	Kids & Sports	Total
Assets	556,396	480,299	228,067	73,673	1,338,435
Liabilities	675,064	578,798	186,029	43,151	1,483,042

MULTILASER INDUSTRIAL S.A.

Management's notes to the individual and consolidated interim financial statements
Periods ended June 30, 2021 and 2020
(In thousands of Brazilian reais, except where otherwise indicated)

6/30/2020	Consolidated				Total
	Mobile Devices	Office & IT supplies	Home electric products	Kids & Sports	
Assets	211,133	194,985	118,416	20,603	545,137
Liabilities	206,032	238,021	79,363	15,124	538,540

31. Additional information to the statement of cash flows

The table below demonstrates the changes in liabilities stemming from financing activities and cash and non-cash flows, as determined by standard NBC TG 03/R3 (CVM Decision 641/10) - Statement of cash flows.

Description	Company			
	Balance on 12/31/2020	Non-cash operations	Net effect to cash flows of financing activities	Balance on 3/31/2021
Loans and financing	705,745	21,847	502,377	1,229,969
Lease liabilities	5,126	7,260	(1,553)	10,833
	<u>710,871</u>	<u>29,107</u>	<u>500,824</u>	<u>1,240,802</u>

Description	Company			
	Balance on 12/31/2019	Non-cash operations	Net effect to cash flows of financing activities	Balance on 12/31/2020
Dividends and interest on equity capital	494	67,942	(44,832)	23,604
Loans and financing	175,501	45,825	484,419	705,745
	<u>175,995</u>	<u>113,767</u>	<u>439,587</u>	<u>729,349</u>

32. Subsequent events

Early settlement of loans and financing

In July 2021, the Company settled certain loan and financial contracts early, in line with what was disclosed in its Final Prospectus for its IPO concluded on July 20, 2021.

Bank	Principal amount	Cost	Guarantee	Original maturity	Amortization date
Banco do Brasil	20,000,000.00	198% of CDI	50% of accounts receivable	4/1/2022	7/28/2021
Banco BTG	25,000,000.00	CDI + 2,30% p.a.	Exchangeable sureties of the Group's companies	4/30/2022	7/30/2021
Banco BTG	25,000,000.00	CDI + 2,30% p.a.	Exchangeable sureties of the Group's companies	4/30/2022	7/31/2021

Acquisition of property in Extrema - MG

On July 08, 2021, the Company acquired a property in Extrema - MG for the amount of R\$ 10,700,000.00, with payment of R\$ 3,745,000.00 upon signing the contract. The outstanding amount will be paid in 12 equal and fixed installments, with the first due within 30 days as from the date on which the contract was signed.

* * *