(Convenience Translation into English from the Original Previously Issued in Portuguese)

Intelbras S.A. - Indústria de Telecomunicação Eletrônica Brasileira

Individual and Consolidated
Financial Statements for the
Year Ended December 31, 2021 and Independent
Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes Ltda.

Intelbras S.A. - Indústria de Telecomunicação Eletrônica Brasileira

Financial statements

December 31, 2021

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Highlights

Net Operating Revenue in calendar year 2021 was R$3,087,172 thousand, representing a growth of 44.6% in relation to the previous year.

Our **Ebitda** reached R$403,230, 1.6% lower than the previous year, representing an EBITDA margin of 13.1% of net operating revenue.

The **ROIC** (pre-tax) calculated in 2021 was 25.5%, reaching 27.8p.p. below that of the previous year.

Our **Net Income** for the year was R$363,509 thousand, representing a growth of 10.8% comparing to the previous year and a net margin of 11.8% of net operating revenue.

Management Message

The year 2021 proved to be a period of many challenges and many achievements of Intelbras.

We started the year with our IPO on B3, under the Ticker INTB3, a process that allowed us to participate in a select group of companies listed in the Novo Mercado segment. Our plans, our governance structure and especially our results are now being closely monitored by the public and, specially, by minority shareholders who trust our management. Our day-to-day activities became more exposed, and as a result our focus on performance and our determination to achieve our goals became even more present in the company's day-to-day activities. For the eighteenth time, we were included in the list of the best companies to work for in Brazil in the GPTW (Great Place to Work) ranking.

The growth in net operating revenue, as well as the individual achievements of each business segments throughout the year, allow us to qualify 2021 as an excellent year. We grew sales in all business units, gained space in new lines and consolidated our more mature businesses.

The acquisition of the newest company in the group, in April 2021, Khomp, reinforces our position as a technology developer and a company that constantly seeks innovation. During the second half, the announcement of our partnership with Qualcomm, aimed at the development of national technology for 5G and our entry as a relevant player in this business, complements our technological offer and differentiates us as a national company.

During the year, we took important steps to make our company relevant and recognized in the Distributed Energy Generation market, through our solar energy generators. This segment stood out, and we will continue to invest in the inclusion of our resellers and partners in what is one of the fastest growing markets for the coming years.

There were many achievements, in a very challenging business environment. Our certainty that we are on the right path, attentive to changes and always focused on the results that are achieved together with our reseller and installer partners, we enter 2022 with full confidence that we will conquer new challenges and follow our path of growth and profitability of our business.

Mais Financial Indicators

R$ thousands	2021	2020	Δ%	2019	Δ%
Net operating revenue	3,087,172	2,134,376	44.6%	1,697,956	81.8%
Gross profit	909,276	700,834	29.7%	593,146	53.3%
Gross Margin	29.5%	32.8%	-3.4p.p	34.9%	-5.5p.p
EBITDA	403,230	409,785	-1.6%	202,611	99.0%
EBITDA Margin	13.1%	19.2%	-6.1p.p	11.9%	+1.1p.p
Profit for the period	363,509	327,956	10.8%	189,393	91.9%
Net Profit Margin	11.8%	15.4%	-3.6p.p	11.2%	+0.6p.p
ROIC (pre-tax)	25.5%	53.3%	-27.8p.p	31.2%	-5.7p.p

Net Operating Revenue

In 2021, our net operating revenue grew by 44.6%, reaching R$3,087,172 thousand and exceeding our budget for the year. There was revenue growth in our three operating segments.

Security presented a growth of 41.2% reaching the amount of R$1,620,093 thousand, with broad growth in all its product categories.

In communication, our segment most affected by logistical adversities, we grew 18.8%, reaching a net operating revenue of R$917,976 thousand.

Finally, our most recent segment showed significant growth, of 155.9%, reaching a total of R$549,103 thousand, with emphasis on the Solar Energy business, which tripled its net operating revenue in 2021.

We ended a year with excellent growth in net operating revenue, which clearly reflects the assertiveness of our strategies and the ability to excel in the execution of plans.

Gross Profit

In a challenging scenario such as 2021, our gross profit growth did not follow the growth in net operating revenue, as can be seen in the table below:

R$ thousands	2021	2020	Δ R$	Δ%
Net operating revenue	**3,087,172**	**2,134,376**	**952,796**	**44.6%**
Cost of sales and services	-2,177,896	-1,433,542	(744,354)	51.9%
Gross profit	**909,276**	**700,834**	**208,442**	**29.7%**

In general, the company passes on the cost increases that occurred throughout the year in its price lists. On the other hand, we understand that cost changes, caused by specific issues, such as a change in the mode of transport, seeking to speed up the transit of material, or even the acquisition of raw materials from alternative suppliers, with higher costs, to maintain the production volumes in line with higher market demands, should not be passed on to the market, in order to balance and keep stability of prices at the peak.

Throughout 2021, the company acted in this way, and the compression in gross profit was precisely for this reason.

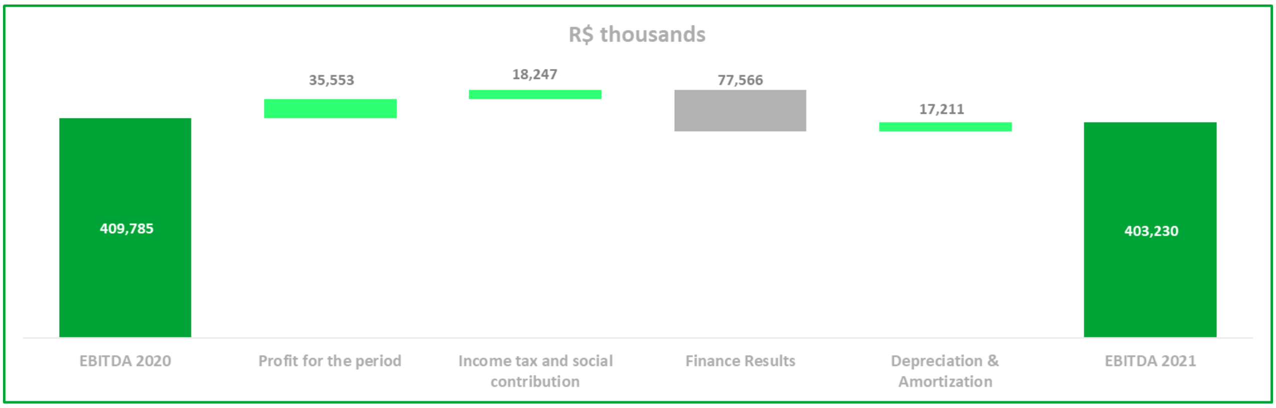
EBITDA

Our operating result, measured through Ebitda, is according to our plans and our history. The year 2020, the basis of comparison for this year, was marked by three major events that contributed to a result that was much higher than budgeted. They are: (i) immediate pass-through of exchange rate variations, but with average inventory costs rising in a mild manner, leading to an increase in gross margin, (ii) reduction of all company expenses, due to the health crisis and (iii) winning the Pis/Cofins lawsuit. Of these three points mentioned, we made an adjustment to our Ebitda for comparison purposes, considering only the third point:

R$ thousands	2021	2020	Δ%	2019	Δ%
Profit for the period	363,509	327,956	10.8%	189,393	91.9%
(+/-) income tax and social contribution	7,017	(11,230)	-162.5%	1,075	553.0%
(+/-) Net finance results	(7,918)	69,648	-111.4%	(6,539)	21.1%
(+) Depreciation	26,962	17,500	54.1%	14,141	90.7%
(+) Amortization	13,660	5,911	131.1%	4,541	200.8%
EBITDA	**403,230**	**409,785**	**-1.6%**	**202,611**	**99.0%**
(+) Law suit Pis/Cofins	-	(73,579)	0.0%	-	0.0%
(-) Profit sharing Pis/Cofins	-	20,624	0.0%	-	0.0%
EBITDA Ajusted	**403,230**	**356,830**	**13.0%**	**202,611**	**99.0%**
% EBITDA	**13.1%**	**19.2%**		**11.9%**	
% EBITDA Ajusted	**13.1%**	**16.7%**		**11.9%**	

It may be observed that the slight reduction in Ebitda translates into a growth of 13% when compared to 2020. Although the growth in operating income in 2021 is below the growth in gross profit, it is noteworthy that it is higher than in 2019, pre-pandemic, when the company's operating expenses were in line with its growth plans, ending the year with an Ebitda margin of 13.1%, according to company's plans.

The following chart represents the evolution of Ebitda, without adjustments, since the end of the previous year:



Net Income

Net income for the year was R$363,509, representing a net margin of 11.8% of net operating revenue and an increase of 10.8% in relation to the previous year. As highlighted above, in the considerations about the Ebitda adjustments, the gain in the lawsuit of Pis/Cofins also had a positive impact on net income in the year 2020, so that, if adjusted, the growth would be 59.1%, compared to the result of R$228,448 presented in 2020 if the impact of such lawsuit was disregarded.

Throughout 2021, we applied our hedging policy efficiently, and the result can be seen in the 88% reduction in net foreign exchange variation, contributing to the operating result being also reflected in the net result.

Also noteworthy is the slight contribution from the net financial result, as well as the maintenance of a historical income tax rate for our operation

ROIC (pre-tax)

The ROIC (pre-tax) for the year accumulates the results obtained over the last four quarters, and its calculation is described in the table below:

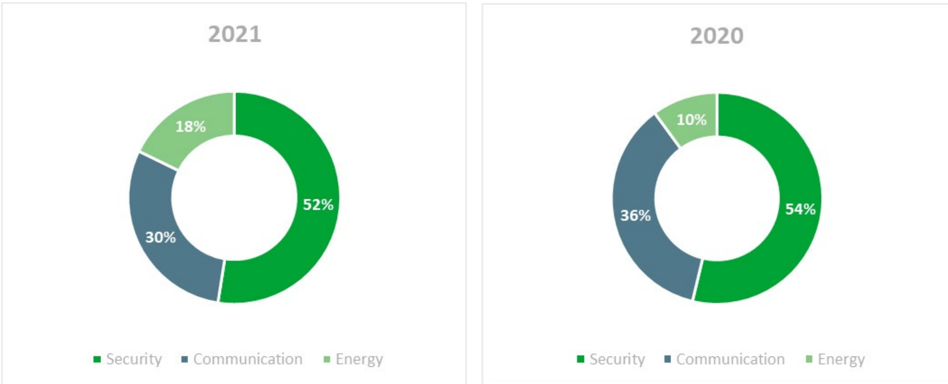
R$ thousands	2021	2020	Δ%	2019	Δ%
Operating profit before finance income (costs)	362,608	386,374		183,929	
Income tax and social contribution	(7,017)	11,230		(1,075)	
NOPAT	**355,591**	**397,604**	**-10.6%**	**182,854**	**94.5%**
Net cash	(497,164)	(251,454)		(134,919)	
Equity	1,919,139	976,230		724,859	
Capital employed	**1,421,975**	**724,776**	**96.2%**	**589,940**	**141.0%**
ROIC	**25.0%**	**54.9%**	**-29.9p.p**	**31.0%**	**-6.0p.p**
ROIC Pre-tax	**25.5%**	**53.3%**	**-27.8p.p**	**31.2%**	**-5.7p.p**

Although there is a significant drop in ROIC when compared to 2020, the new capital structure stands out and the impacts on this indicator originated from the inflow of resources from the issuance of shares for the primary offering had already been presented over the last few quarters.

The company has been making the necessary investments to follow the plans for growth, creation and occupation of new markets and should continue in this way for the next periods.

It is worth noting that the ROIC indicator had been positively affected for the same reasons already described in the chapters on Ebitda and Net Income.

Business Evolution by Business Segment



2021 was a year of great progress in all the company's business units, and consequently in our three operating segments.

Energy, as the most recent segment, has been growing above the other segments and now represents 18% of our net operating revenue. Although all three segments are growing, the acceleration seen in both Energy and Solar Energy leads it to take up space in our business.

In a period of several adversities, with a highly complex business environment, our three segments delivered results above the planned results for the year.

Below, each of the three segments can be observed in more details.

Security

Our main business segment closes a year of many achievements. The 41.2% growth in net operating revenue compared to the previous year is due to our strategic positioning in the market, which offers complete and integrated solutions both to our reseller and installer partners and to end customers.

Security	2021	2020	Δ%
Net operating revenue	1,620,093	1,147,074	41.2%
Gross profit	552,164	418,635	31.9%
% Gross profit	34.1%	36.5%	-2.4p.p
Quantities	22,521,490	17,244,392	30.6%

In a year of many logistical adversities, we launched our gate automation line and our IZY line, bringing more security to homes, introducing the concept of the connected home in our country. Although both lines are still in the market introduction phase, they are lines with important growth potential for the coming years.

In our more mature businesses, we highlight the market construction that has been carried out in access control, through more accessible and effic7ient technologies. Our facial access controllers have been very well accepted in all ranges of companies in the national territory. Our digital locks once again broke another sales record this year and are consolidated in the market as the main brand for this product category.

The compression of gross profit, observed when comparing it to 2020, is due to the various adverse factors that occurred throughout 2021 the deterioration of the logistics chain, which led us to incur additional costs to obtain materials that were not passed on at the price list. Here, we highlight the acquisition of raw materials from alternative sources to standard suppliers and the change in transport modalities, used to import urgent materials more quickly throughout the year.

Communication

Our communication segment was the most affected throughout the year by supply difficulties. Even so, we ended the year with a growth in net operating revenue of 18.8%, within the company's expectations for the period.

Communication	2021	2020	Δ%
Net operating revenue	917,976	772,713	18.8%
Gross profit	239,315	230,099	4.0%
% Gross profit	26.1%	29.8%	-3.7p.p
Quantities	12,286,272	12,611,179	-2.6%

The deterioration of the supply chain, mentioned above, also contributed to the compression of gross profit in this business segment, when compared to the previous year. However, it is noteworthy that during the second half of 2020, we achieved margins higher than the segment's historical gross margins, due to the explosion in demand for equipment at that time. This way, it is understood that the gross profit presented in 2021 reflects the reality of this operating segment.

Energy

Our energy segment is the standout segment in terms of revenue growth and market penetration. For the second consecutive year, we grew above triple digits, reaching the mark of 155.9% growth in net operating revenue, with the two Business Units performing above the company's original forecast.

Energy	2021	2020	Δ%
Net operating revenue	549,103	214,589	155.9%
Gross profit	117,797	52,100	126.1%
% Gross profit	21.5%	24.3%	-2.8p.p
Quantities	3,914,103	2,525,192	55.0%

Both the portfolio construction and market occupancy strategies have been very well accepted throughout the national territory, so we are shortening our distance to the leaders in this business segment.

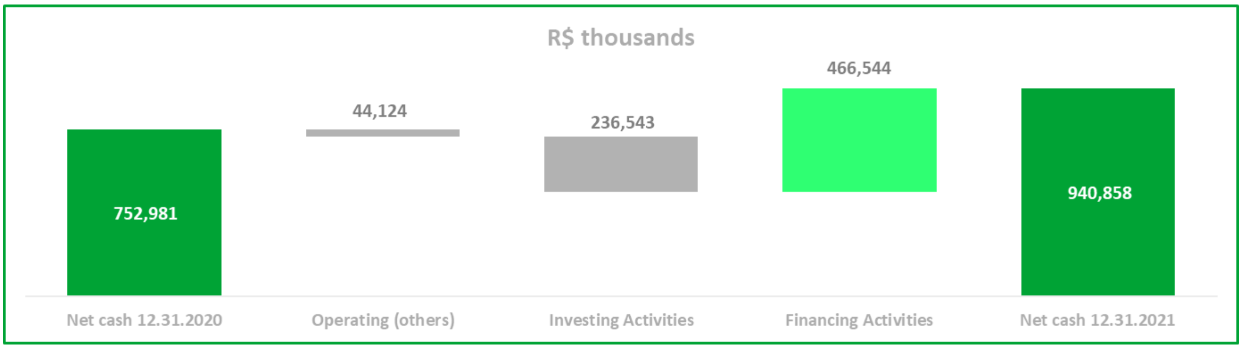
From the point of view of gross profit, in addition to the aforementioned logistical impact, it is noteworthy that in this business segment, Solar Energy has been growing at a fast pace and proportionally represents more than in 2020. Thus, even without the cost increases caused by erosion of the supply chain throughout the year, there would be a compression of gross profit as the gross margins practiced by Solar Energy are lower than the other business unit that makes up this operating segment.

Cash and Debit Position

Our cash position remains relevant, allowing us to move forward with our growth and investment plans. During 2021, after the entry of funds from the primary offering because of the IPO, we accelerated our investment plans to expand industrial capacity and studies and acquisitions of new companies.

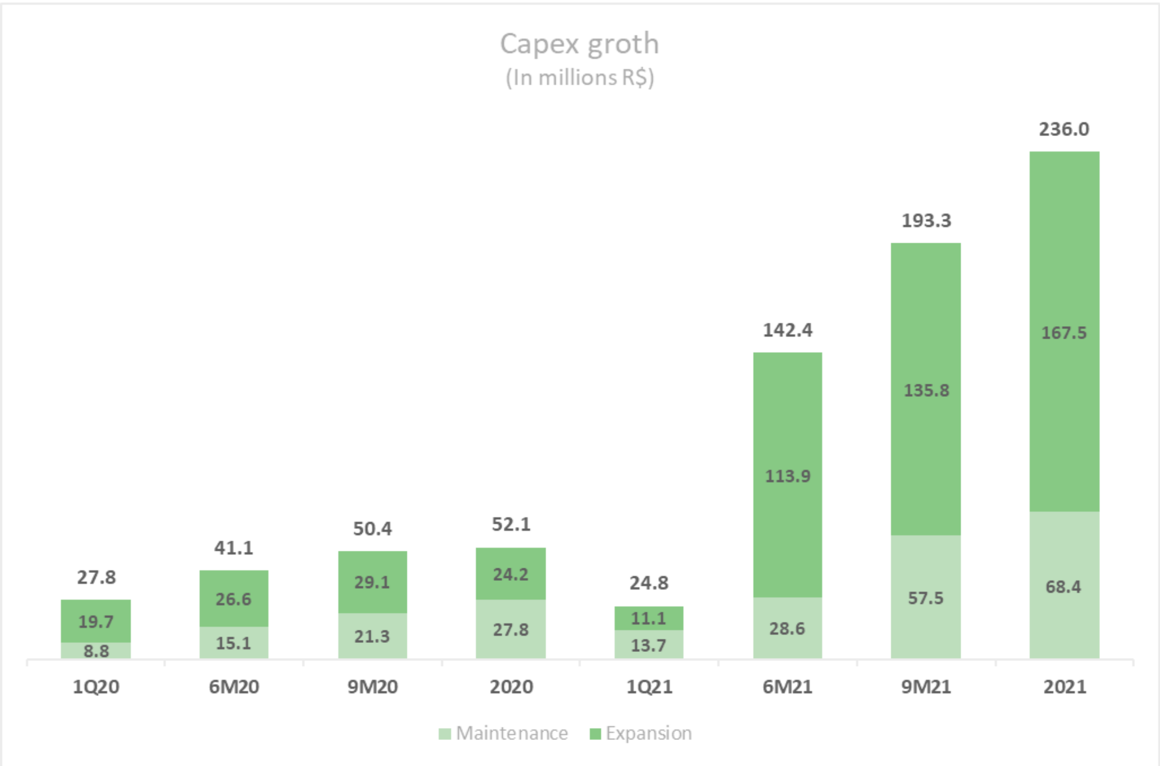
R$ thousands	2021	2020	Δ R$
Cash and cash equivalents	940,858	752,981	187,877
Operating (others)	(42,124)	238,330	(280,454)
Net cash used in investing activities	(236,543)	(53,004)	(183,539)
Net cash provided by financing activities	466,544	166,027	300,517

Due to logistical difficulties, we also decided to invest in expanding our inventory, with the objective of reducing possible impacts on our sales and production plans. The stock has been rising over the last few months of the 2021 fiscal year and is adequate to start the year 2022.



Part of the negative operating result is mainly due to the increase of inventories. Our investments and fundraising activities are in line with our objectives and will continue to be carried out with the premise of keeping the company's cash strong and adequate for conducting business over the coming periods.

CAPEX



We maintain our expansion plan, with investments in the SC, MG and AM plants, which in 2021 totaled just under R$100 million, in addition to the investment made in the acquisition of our subsidiary Khomp, bringing the expansion Capex to the total of R$172.2 million. From the point of view of maintenance Capex, we realized R$68.4 million, representing 2.2% of our net operating revenue, a proportion that is very much in line with our history of 2.5% over the last few years.

Perspectives

In our plans for 2022, we note that growth is expected for all our business units. The strategies are defined, and the teams are in the field already in the execution phase. We started the year with a stock of materials available, noting a slight improvement in the international logistics environment, but understanding clearly that more attention is still needed on this matter.

Although the macroeconomic environment proves to be challenging, we are focused so that the opportunities that present themselves throughout the year are captured and transformed into results for the company.

On February 15, 2022, the Company announced to the market that it had entered into an agreement, through which it committed to acquire 100% of the shares of the company Renovigi Energia Solar SA. The acquired company operates in the Solar Energy segment, and has consolidated its operation in the domestic market through its network of partners to resell its products. The acquisition will provide the Company's sales channels and partners a great opportunity to increase business, expanding the availability of products to the local market and benefiting the entire chain. The Company will pay the sellers the estimated total amount of R$334,336, depending on the achievement of agreed goals. The transaction provided for in the Agreement is subject to the fulfillment of certain conditions precedent to the closing customary in operations of this nature, including, without limitation, the approval of the Transaction by the Administrative Council for Economic Defense – CADE.

We see all the growth in the distributed generation of solar energy market with a very positive perspective, and we are making the necessary investments so that by the end of 2022, the company will become an even more relevant player in this segment.

The security and communication segments are also already working to keep their growth levels in line with our history and will contribute to a new year of many achievements.

Maintaining a customer-oriented culture, always close to everyone involved in our business, throughout the value generation chain, and very result-oriented, is one of the priorities for the year. This culture has supported recent results and will be essential for our future ones.

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INDEPENDENT AUDITOR’S REPORT ON THE
INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders and Management of
Intelbras S.A. - Indústria de Telecomunicação Eletrônica Brasileira

Opinion

We have audited the accompanying individual and consolidated financial statements of Intelbras S.A. - Indústria de Telecomunicação Eletrônica Brasileira (“Company”), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2021, and the related statements of income, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Intelbras S.A. - Indústria de Telecomunicação Eletrônica Brasileira as at December 31, 2021, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards ("IFRS”) issued by the International Accounting Standards Board (“IASB”).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the “Auditor’s responsibilities for the audit of the individual and consolidated financial statements” section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements set out in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council (“CFC”), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters (“KAM”) are those matters that, in our professional judgment, were of most significance in our audit of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Business combination

Why it is a KAM	How the matter was addressed in our audit
As described in notes 3.1 and 11.f to the individual and consolidated financial statements, in the second half of 2021, the Company completed the acquisition of control of Khomp Indústria e Comércio S.A. When acquiring a business, the Company must measure the fair value of the assets acquired and the liabilities assumed, as well as the fair value of the consideration transferred. The Company must also measure and recognize separately the goodwill arising on expected future earnings (“goodwill”). Such matter was considered a key audit matter in our audit, because: (i) the amounts involved in the acquisition of the abovementioned company were jointly material for the audit; (ii) the measurement of the fair values of assets, liabilities and goodwill involved applying significant valuation methodologies and assumptions that are complex and require a high level of judgment by Management and its specialists, such as discount and growth rates; (iii) the changes in the assumptions adopted could have significant impacts on the consolidated financial statements and on the amount of the investments recorded under the equity method in the Parent’s financial statements; and (iv) there was strong interaction with the Company's Management in assessing the matter during the year.	Our audit procedures included, but were not limited to: (i) assessing the agreements that documented the business combinations and analyzing the supporting documentation for the transactions; (ii) involving our corporate finance specialists to assess the main assumptions and methodologies used by the Company in the measurement of the fair value of the assets acquired, liabilities assumed and goodwill arising on future earnings; (iii) assessing the accounting records arising from the acquisition. We considered the recognition of the business combination of Khomp Indústria e Comércio S.A., including the determination of the fair value of the assets acquired, liabilities assumed and goodwill, as well as the disclosures in notes 3.1 and 11.f acceptable in the context of the individual and consolidated financial statements taken as a whole.

Revenue recognition

Why it is a KAM	How the matter was addressed in our audit
A significant portion of the Company's sales is made to distributors and the retail market, mainly in the domestic market. Sales revenue is recognized after billing and fulfillment of the conditions set forth in the accounting practices with respect to revenue from contracts with customers, as disclosed in notes 3.15 and 22 to the individual and consolidated financial statements. Such matter was considered a KAM due to the following aspects: (i) the amount of sales revenue represents a significant balance in the set of the individual and consolidated financial statements; (ii) the large volume of transactions requires internal control activities and automated systems to ensure that transactions are properly captured, recorded and recognized at the appropriate timing; and, (iii) there is an inherent risk that revenue might be recognized without fulfilling the minimum criteria necessary for its recognition.	Our audit procedures related to revenue recognition included, but were not limited to: (i) obtaining an understanding of the flow of sales transactions considering the nature of the Company's different transactions; (ii) assessing the design and implementation of significant internal control activities related to the occurrence, integrity, accuracy and recognition of revenue on the proper accrual period; (iii) performing tests, on a sampling basis, on sales transactions, where we inspected the documentation supporting the accounting records, as well as the delivery receipts so as to observe that only the sales delivered were considered by the Company in its financial statements; and, (iv) involving our information technology specialists in assessing the automated systems that support the sales transactions. Our procedures also included assessing the disclosures made by the Company in the individual and consolidated financial statements, which are presented in notes 3.15 and 22. Our procedures described above and the audit evidence supporting our tests showed certain internal control deficiencies in revenue review processes which changed the extent of our substantive procedures initially planned. We considered the revenue recognition criteria adopted by Management and the related disclosures in the notes to the financial statements acceptable in the context of the individual and consolidated financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added ("DVA") for the year ended December 31, 2021, prepared under the responsibility of the Company's Management and disclosed as supplemental information for purposes of the IFRS, were subject to audit procedures performed together with the audit of the Company's financial statements.
In forming our opinion, we assess whether these statements are reconciled with the other financial statements and the accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Other information accompanying the individual and consolidated financial statements and the independent auditor's report

Management is responsible for such other information. The other information comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards ("IFRS"), issued by the IASB, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

Auditor’s responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists.
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to those charged with governance a statement that we have complied with the relevant ethical requirements, including independence requirements, and communicate all relationships or matters that could considerably affect our independence, including, when applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The accompanying individual and consolidated financial statements have been translated into English for the convenience of readers outside Brazil.

Curitiba, February 24, 2022

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes Ltda.

Otávio Ramos Pereira
Engagement Partner

2022CB011882

Intelbras S.A. - Indústria de Telecomunicação Eletrônica Brasileira
Balance sheets
Year ended December 31, 2021 and 2020
(Amounts in thousands of Brazilian reais – R$)

	Note	Consolidated		Parent	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020
Assets					
Current assets					
Cash and cash equivalents	**5**	940,858	752,981	916,474	743,535
Securities	**6**	4,411	1,163	4,411	1,163
Trade receivables	**7**	634,869	531,690	611,800	527,984
Inventories	**8**	1,295,438	595,381	1,267,317	593,526
Recoverable taxes	**9**	60,243	154,904	57,950	152,835
Derivative instruments	**21**	4,835	-	4,835	-
Other receivables		14,634	7,083	13,527	5,943
Total current assets		**2,955,288**	**2,043,202**	**2,876,314**	**2,024,986**
Noncurrent assets					
Securities	**6**	10,119	3,490	10,119	3,490
Trade receivables	**7**	3,857	1,417	3,857	1,414
Escrow deposits	**16.b**	2,811	11,725	2,811	11,725
Deferred taxes	**20**	20,157	23,598	19,153	23,241
Recoverable taxes	**9**	3,215	1,294	2,433	1,294
Related parties	**28**	-	-	15,509	12,960
Other receivables		2,699	9,218	2,650	9,177
Investments	**11**	3,810	3,230	159,569	56,687
Right of use	**10**	9,862	-	3,390	-
Property, plant and equipment	**12**	371,066	257,453	340,348	243,071
Intangible assets	**13**	172,912	87,523	72,313	49,117
Total noncurrent assets		**600,508**	**398,948**	**632,152**	**412,176**
Total assets		**3,555,796**	**2,442,150**	**3,508,466**	**2,437,162**

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

Intelbras S.A. - Indústria de Telecomunicação Eletrônica Brasileira
Balance sheets
Year ended December 31, 2021 and 2020
(Amounts in thousands of Brazilian reais – R$)

	Note	Consolidated		Parent	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020
Liabilities					
Current liabilities					
Trade payables	**14**	870,441	682,672	866,183	681,059
Borrowings and financing	**15**	137,104	151,575	135,648	148,934
Leases	**10**	4,227	-	1,155	-
Derivative instruments	**21**	3,756	6,016	3,756	6,016
Payroll, related taxes and profit sharing	**25**	102,629	102,789	94,303	99,471
Taxes payable		3,412	4,929	-	4,053
Provision for warranties		17,257	14,660	17,195	14,660
Provision for tax, labor and civil risks	**16.a**	810	420	810	420
Interest on capital/dividends	**17.f**	33,151	54,736	33,151	54,736
Other payables		95,231	63,574	91,753	63,419
Total current liabilities		**1,268,018**	**1,081,371**	**1,243,954**	**1,072,768**
Noncurrent liabilities					
Borrowings and financing	**15**	306,590	349,952	306,450	348,331
Leases	**10**	6,066	-	2,428	-
Taxes payable		154	9,308	154	9,308
Provision for tax, labor and civil risks	**16.a**	15,849	13,556	15,074	13,456
Investments in negative equity	**11**	-	-	-	5,336
Payables for purchase of shares	**21**	23,475	-	23,475	-
Other payables		16,505	11,733	16,505	11,733
Total noncurrent liabilities		**368,639**	**384,549**	**364,086**	**388,164**
Equity					
Capital	**17.a**	1,074,500	350,000	1,074,500	350,000
Capital reserve	**17.b**	(26,701)	-	(26,701)	-
Earnings reserves	**17.c**	852,924	600,536	852,924	600,536
Valuation adjustments to equity	**17.d**	(558)	25,612	(558)	25,612
Cumulative translation adjustments	**17.e**	261	82	261	82
Equity attributable to owners of the Company		**1,900,426**	**976,230**	**1,900,426**	**976,230**
Equity attributable to noncontrolling interests	**17.g**	**18,713**	**-**	**-**	**-**
Total equity		**1,919,139**	**-**	**1,900,426**	**-**
Total liabilities and equity		**3,555,796**	**2,442,150**	**3,508,466**	**2,437,162**

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

Intelbras S.A. - Indústria de Telecomunicação Eletrônica Brasileira
Statements of income
For the years ended December 31, 2021 and 2020
(Amounts in thousands of Brazilian reais – R$, except earnings per share)

	Note	Consolidated		Parent	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020
Net operating revenue	**22**	**3,087,172**	**2,134,376**	**3,000,182**	**2,106,235**
Cost of sales and services	**23**	(2,177,896)	(1,433,542)	(2,156,239)	(1,428,446)
Gross profit		**909,276**	**700,834**	**843,943**	**677,789**
Operating income (expenses)					
Selling expenses	**23**	(356,114)	(260,663)	(340,175)	(253,352)
General and administrative expenses	**23**	(182,955)	(142,334)	(158,769)	(126,374)
Share of profit (loss) of subsidiaries	**11**	-	-	3,079	(4,838)
Other operating (expenses) income, net	**9b;23**	(7,599)	88,537	14,017	89,894
		(546,668)	(314,460)	(481,848)	(294,670)
Operating profit before finance income (costs)		**362,608**	**386,374**	**362,095**	**383,119**
Finance income	**24**	72,860	100,905	71,798	100,786
Finance costs	**24**	(50,164)	(47,751)	(48,730)	(47,089)
Exchange gains (losses), net	**24**	(14,778)	(122,802)	(14,781)	(121,526)
Profit (loss) before taxes		**370,526**	**316,726**	**370,382**	**315,290**
Current income tax and social contribution	**20**	(6,412)	(5,284)	(539)	(3,491)
Deferred income tax and social contribution	**20**	(605)	16,514	(5,400)	16,157
Profit for the year		**363,509**	**327,956**	**364,443**	**327,956**
Profit for the year attributable to:					
Owners of the Company		364,443	327,956	364,443	327,956
Noncontrolling interests		(934)	-	-	-
Profit for the year		**363,509**	**327,956**	**364,443**	**327,956**
Basic and diluted earnings per share (in R$)	**18**				
Common		**1.11**	**11.65**	**1.11**	**11.65**

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

Intelbras S.A. - Indústria de Telecomunicação Eletrônica Brasileira
Statements of comprehensive income
For the years ended December 31, 2021 and 2020
Amounts in thousands of Brazilian reais – R$)

	Note	Consolidated		Parent	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020
Profit for the year		**363,509**	**327,956**	**364,443**	**327,956**
Items that can be subsequently reclassified to the statement of income					
Other comprehensive income					
Exchange differences on foreign investments	**11**	179	628	179	628
Total comprehensive income		**363,688**	**328,584**	**364,622**	**328,584**
Comprehensive income attributable to:					
Owners of the Company		364,622	328,584	364,622	328,584
Noncontrolling interests		(934)	-	-	-

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

Intelbras S.A. - Indústria de Telecomunicação Eletrônica Brasileira
Statements of changes in equity
For the years ended December 31, 2021 and 2020
(Amounts in thousands of Brazilian reais – R$)

			Capital reserve	Earnings reserves								
	Note	Capital	Share issuance costs	Legal	Tax incentives	Retained earnings	Valuation adjustments to equity	Cumulative translation adjustments	Retained earnings	Equity attributable to the owners of the Company	Noncontrolling interests	Total equity (consolidated)
Balances as at December 31, 2019		**350,000**	**-**	**46,785**	**271,178**	**31,555**	**25,887**	**(546)**	**-**	**724,859**	**-**	**724,859**
Realization of deemed cost, net of taxes		-	-	-	-	-	(275)	-	275	-	-	-
Exchange differences on investments in foreign subsidiaries	17.e	-	-	-	-	-	-	628	-	628	-	628
Profit for the year		-	-	-	-	-	-	-	327,956	327,956	-	327,956
Allocations:												
Legal reserve	17.c	-	-	16,398	-	-	-	-	(16,398)	-	-	-
Tax incentive reserves	17.c	-	-	-	7,414	-	-	-	(2,269)	5,145	-	5,145
Interest on capital	17.f	-	-	-	-	-	-	-	(33,570)	(33,570)	-	(33,570)
Dividends	17.f	-	-	-	-	(11,338)	-	-	(37,450)	(48,788)	-	(48,788)
Retained earnings	17.f	-	-	-	-	238,544	-	-	(238,544)	-	-	-
Balances as at December 31, 2020		**350,000**	**-**	**63,183**	**278,592**	**258,761**	**25,612**	**82**	**-**	**976,230**	**-**	**976,230**
Payables for acquisition of noncontrolling interests	11.f	-	-	-	-	-	(25,896)	-	-	(25,896)	-	(25,896)
Noncontrolling interests in equity arising from acquisition	18.g	-	-	-	-	-	-	-	-	-	11,122	11,122
Surplus arising from acquisition, net		-	-	-	-	-	-	-	-	-	8,525	8,525
Realization of deemed cost, net of taxes		-	-	-	-	-	(274)	-	274	-	-	-
Exchange differences on investments in foreign subsidiaries	17.e	-	-	-	-	-	-	179	-	179	-	179
Profit for the year		-	-	-	-	-	-	-	364,443	364,443	(934)	363,509
Capital increase	17.a	724,500	-	-	-	-	-	-	-	724,500	-	724,500
Share issuance costs	17.h	-	(26,701)	-	-	-	-	-	-	(26,701)	-	(26,701)
Allocations:												
Legal reserve	17.c	-	-	18,222	-	-	-	-	(18,222)	-	-	-
Tax incentive reserves	17.c	-	-	-	2,715	-	-	-	(2,715)	-	-	-
Interest on capital	17.f	-	-	-	-	-	-	-	(20,269)	(20,269)	-	(20,269)
Dividends	17.f	-	-	-	-	(23,703)	-	-	(68,357)	(92,060)	-	(92,060)
Retained earnings	17.f	-	-	-	-	255,154	-	-	(255,154)	-	-	-
Balances as at December 31, 2021		**1,074,500**	**(26,701)**	**81,405**	**281,307**	**490,212**	**(558)**	**261**	**-**	**1,900,426**	**18,713**	**1,919,139**

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

Intelbras S.A. - Indústria de Telecomunicação Eletrônica Brasileira
Statements of cash flows
For the years ended December 31, 2021 and 2020
(Amounts in thousands of Brazilian reais – R$)

	Note	Consolidated 12/31/2021	Consolidated 12/31/2020	Parent 12/31/2021	Parent 12/31/2020
Cash flows from operating activities					
Profit before taxes		370,526	316,726	370,382	315,290
Adjustments to:					
Accrued interest and exchange differences		3,802	31,145	3,484	30,513
Depreciation	10;12	26,962	17,500	20,921	15,519
Amortization	13	13,660	5,911	4,770	3,380
Share of profit (loss) of subsidiaries	11	-	-	(3,079)	4,838
Provision for tax, labor and civil risks	16	2,683	6,999	2,008	6,999
Allowance for expected credit loss	7	192	1,443	(1,725)	1,190
Allowance for inventory losses	8	10,789	496	7,003	496
Financial and tax credits and inflation adjustment	23	(99,458)	(220,661)	(95,601)	(220,661)
Adjustment to present value		11,999	1,151	11,999	1,151
Accrued trade discounts		(2,250)	9,169	(2,250)	9,169
Provision for warranties		2,597	1,941	2,535	1,941
Derivative instruments		(7,095)	6,016	(7,095)	6,016
Residual value of property, plant and equipment and intangible assets written off		3,567	6,629	3,685	7,642
		337,974	**184,465**	**317,037**	**183,483**
Changes in assets and liabilities					
(Increase) decrease in trade receivables		(99,650)	(167,608)	(92,951)	(166,354)
(Increase) decrease in inventories		(690,594)	(162,486)	(684,283)	(161,496)
(Increase) decrease in recoverable taxes		192,198	108,301	189,347	110,273
(Increase) decrease in escrow deposits		8,914	(216)	8,914	(216)
(Increase) decrease in other assets		(10,411)	(4,102)	(18,509)	(3,608)
Increase (decrease) in trade payables		206,927	222,797	205,298	220,912
Increase (decrease) in payroll, related taxes and profit sharing		(2,860)	48,710	(5,168)	46,967
Increase (decrease) in taxes payable		(12,165)	(5,271)	(12,016)	(5,503)
Increase (decrease) in other payables		35,893	19,024	34,234	18,264
Income tax and social contribution paid		(8,350)	(5,284)	(4,496)	(3,491)
Net cash (used in) provided by operating activities		**(42,124)**	**238,330**	**(62,593)**	**239,231**
Cash flows from investing activities					
Acquisition of investments in subsidiaries, net of cash and cash equivalents	11.f	(81,608)	-	(81,608)	-
Acquisition of property, plant and equipment items	12;29	(126,053)	(47,101)	(119,262)	(43,822)
Proceeds from sale of property, plant and equipment		-	476	-	449
Capital increase in investee		-	-	(2,269)	-
Acquisition of other investments	11	(580)	(1,411)	(580)	(1,411)
Acquisition of intangible assets	13	(28,302)	(4,968)	(28,198)	(4,934)
Net cash used in investing activities		**(236,543)**	**(53,004)**	**(231,917)**	**(49,718)**
Cash flows from financing activities					
Loans granted (intragroup)		-	-	(5,128)	(10,946)
Borrowings (intragroup)		-	-	2,429	-
Borrowings	15	82,000	403,203	82,000	403,200
Borrowings paid (principal)	15	(138,718)	(198,175)	(138,124)	(197,585)
Borrowings paid (interest)	15	(28,438)	(16,415)	(26,264)	(16,369)
Payment of lease (principal)	10	(919)	-	(283)	-
Payment of lease (finance charges)	10	(275)	-	(75)	-
Capital increase	17.a	724,500	-	724,500	-
Share issuance costs		(40,456)	-	(40,456)	-
Dividends paid	17.f	(93,979)	(22,586)	(93,979)	(22,586)
Interest on capital paid	17.f	(37,171)	-	(37,171)	-
Net cash provided by financing activities		**466,544**	**166,027**	**467,449**	**155,714**
Increase in cash and cash equivalents, net		**187,877**	**351,353**	**172,939**	**345,227**
Cash and cash equivalents at the beginning of the year	5	**752,981**	**401,628**	**743,535**	**398,308**
Cash and cash equivalents at the end of the year	5	**940,858**	**752,981**	**916,474**	**743,535**

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

Intelbras S.A. - Indústria de Telecomunicação Eletrônica Brasileira
Statements of value added
For the years ended December 31, 2021 and 2020
(Amounts in thousands of Brazilian reais – R$)

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Revenues	**3,777,397**	**2,616,680**	**3,687,194**	**2,587,204**
Sale of goods and services, net of returns	3,759,209	2,599,488	3,667,254	2,569,759
Other revenue	18,380	18,635	18,215	18,635
Allowance for expected credit loss	(192)	(1,443)	1,725	(1,190)
Inputs purchased from third parties	**(2,598,776)**	**(1,568,196)**	**(2,548,110)**	**(1,547,809)**
Cost of sales and services	(1,936,597)	(1,165,241)	(1,946,974)	(1,168,004)
Supplies, power, outside services and other	(661,879)	(402,655)	(600,836)	(379,505)
Loss / recovery of assets	(300)	(300)	(300)	(300)
Gross value added	**1,178,621**	**1,048,484**	**1,139,084**	**1,039,395**
Depreciation and amortization	**(40,622)**	**(23,411)**	**(25,691)**	**(18,899)**
Wealth created by the Company	**1,137,999**	**1,025,073**	**1,113,393**	**1,020,496**
Wealth received in transfer	**182,554**	**298,454**	**181,701**	**293,463**
Share of profit (loss) of subsidiaries	-	-	3,079	(4,838)
Finance income and exchange gains	182,554	298,454	178,622	298,301
Total wealth for distribution	**1,320,553**	**1,323,527**	**1,295,094**	**1,313,959**
Wealth distributed	**1,320,553**	**1,323,527**	**1,295,094**	**1,313,959**
Personnel	**388,941**	**289,881**	**377,100**	**287,536**
Salaries and wages	327,109	248,351	316,615	246,163
Benefits	43,475	28,250	42,746	28,178
Severance Pay Fund (FGTS)	18,357	13,280	17,739	13,195
Taxes, fees and contributions	**383,023**	**333,330**	**373,305**	**328,107**
Federal	32,617	74,768	27,188	73,478
State	349,123	258,006	345,722	254,412
Municipal	1,283	556	395	217
Lenders and lessors	**185,080**	**372,360**	**180,246**	**370,360**
Finance costs and exchange losses	174,431	367,984	170,119	366,011
Rentals	10,649	4,376	10,127	4,349
Shareholders	**363,509**	**327,956**	**364,443**	**327,956**
Interest on capital and dividends paid	88,626	(71,020)	88,626	(71,020)
Retained earnings in the year	274,883	398,976	275,817	398,976

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

1. General information

Intelbras S.A. - Indústria de Telecomunicação Eletrônica Brasileira (Company"), incorporated on March 22, 1976, is a company headquartered in the City of São José, State of Santa Catarina, with branches in the City of São José (SC) and in the Cities of Santa Rita do Sapucaí (MG), Manaus (AM), Jaboatão dos Guararapes (PE) and investments for expansion in the City of Tubarão (SC). It also has subsidiaries in São José (SC), Florianópolis (SC), Porto Alegre (RS) and in Asia.

It is mainly engaged in the manufacture, development and sale of electronic security equipment and electronic surveillance and monitoring services, consumer voice and/or data communications devices and equipment, professional voice and/or data communications equipment, services and means, network equipment, data communications infrastructure means and solutions and power and solar power products.

On February 2, 2021, the Company's Board of Directors approved the issuance of shares for trading at the Novo Mercado, a special stock trading segment of B3, regulated by the B3 Novo Mercado Rules, under ticker symbol "INTB3" (see note 17.h).

Impacts of Covid-19

In the first quarter of 2020, the World Health Organization (WHO) has declared the Coronavirus (COVID-19) a global health emergency. The outbreak triggered significant decisions from governments and private sector entities which, coupled with its potential impact, raised the level of uncertainty for the economic agents and may have significant impacts on the financial statements.

The Company's Management has been observing all developments arising from the COVID-19 pandemic and monitors the possible impacts on its business to establish risk prevention and mitigation measures. The main analysis and monitoring dimensions are summarized below:

a) People:

Considered by Management as a high priority, requiring close attention and care. We monitor on a daily basis the situation and recommendations from the health bodies and the competent public authorities. All measures necessary to protect the health and wellbeing of our employees were taken and have been regularly revised so as to implement additional security and protection measures.

To mitigate the Covid-19 transmission in our plants, distribution center and head office, we implemented common space and area cleaning measures, adopted effective active communication with our employees about protection and sanitization measures at the work environment, at home and in public areas, distributed protective materials and equipment to employees, and also adopted flexible working hours, teleworking, strict social distancing rules, constant temperature measurement, etc.

We have so far been successful in these measures.

b) Production and supply chain:

Since the beginning of the pandemic our industrial production was suspended for no more than 20 days during 2020, by virtue of Decrees from State governments determining social distancing. In 2021 all Covid-19 prevention protocols were maintained, without the need to suspend our industrial production.

The Company operates in three (3) major operating segments. Because of the increased adoption of teleworking by companies and professionals, our communication segment was positively impacted, mainly in 2020, and our business did not experience a decline in the sales volume, sustaining the demand for our products. The measures adopted to protect our personnel also allowed us to maintain nonstop production during the year.

Adverse factors continue to be seen in the business environment, in particular the difficulty in supply and the fragmented, more expensive international logistics, both already highlighted in the first periods of this year. On the other hand, the Company continues to pursue its growth pace and business growth. We continue to actively monitor the delivery capacity of our suppliers, assessing potential risks of disruptions in the supply of materials and inputs.

We maintain compatible inventory levels necessary to face potential supply problems.

c) Sales and credit granting

As mentioned above, the demand for products of our business segments has increased due to the increase in the dependence of people and companies on remote communication.

Our credit area has been monitoring the credit risk of our customers considering the current economic and health crisis condition to avoid the risk of increase of our default or loss level in the current scenario.

d) Liquidity

We have a stable cash position to respond to the crisis and maintained our credit limits with financial institutions unchanged to mitigate possible future liquidity risks. We have been constantly assessing possible risks of credit crunch or decrease of our payment capacity; so far, we did not identify any risks of such nature.

We analyze our performance indicators more frequently than before the crisis and these analyses are used to make quicker decisions on facing the potential risks that may arise.

The Company will continue to monitor the impacts and will adopt the required measures and disclosures, if necessary.

2. Basis of preparation of the financial statements

2.1. Basis of preparation and presentation

The Company’s individual and consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil (BRGAAP), which comprise the Brazilian corporate law, the pronouncements, interpretations and guidelines issued by the Brazilian Accounting Pronouncements Committee (CPC), the rules issued by the Brazilian Securities and Exchange Commission (CVM), pursuant to the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (“IASB”).

These financial statements were approved by the Company’s Board of Directors on February 24, 2022.

The individual and consolidated financial statements have been prepared based on historical cost, unless otherwise stated.

The individual and consolidated financial statements have been prepared in the normal course of business and based on the assumption that the Company will continue as a going concern. Management assesses its ability to continue as a going concern when preparing the individual and consolidated financial statements.

Accordingly, all relevant information reported in the individual and consolidated financial statements, and only this information, is being disclosed, and corresponds to the information used by Management to manage the Company.

2.2. Functional and presentation currency

The individual and consolidated financial statements are presented in thousands of Brazilian reais (R$), which is the Company's functional currency. The amounts are presented in thousands of Brazilian reais and rounded to the nearest amount.

The financial statements of each subsidiary included in the consolidation are prepared using the functional currency of each investee. When defining the functional currency of each investee, Management considered which currency significantly influences the sales price of the services provided and the currency in which most of the cost of services is paid or incurred.

2.3. Basis of consolidation

The consolidated financial statements comprise the Company and its subsidiaries, as follows:

		Equity interest (%)	
	Subsidiary	**12/31/2021**	**12/31/2020**
Ascend Trading & Consultation (Shenzhen) Company Limited	Indirect	100%	100%
Ascent Asia Limited	Direct	100%	100%
Décio Indústria Metalúrgica Ltda.	Direct	100%	100%
Seventh Ltda.	Direct	100%	100%
Khomp Indústria e Comércio Ltda	Direct	75%	-
Indústria de Telecomunicación Eletronica Brasileña de México, S.A. de C.V.	Direct	100%	100%
Prediotech Consultoria e Projetos Tecnológicos Ltda.-ME. (*)	Direct	-	100%

(*) See note 11.

The Company assesses whether it exercises control or not over an investee if facts and circumstances indicated that the following elements of control are present: has power over the investee; is exposed or is entitled to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect the amount of its returns.

The criteria adopted in consolidation are those set out in CPC 36 / IFRS 10 – Consolidated Financial Statements, the main of which are:

- The financial statements of subsidiaries are included in the consolidated financial statements from the date in which control is achieved until the date in which it ceases to exist;
- All intragroup balances are eliminated;
- Elimination of investment balances proportionally to the respective equity; and
- Reclassification of surplus according to the nature of each balance.

The Company does not hold investments in associates or joint ventures.

3. Significant accounting policies

The accounting policies described below have been consistently applied to all reporting periods of these individual and consolidated financial statements.

3.1 Business combination

Business combinations are accounted for using the acquisition method. The cost of acquisition is measured as the sum of the consideration transferred, based on the fair value on acquisition date, and the amount of any noncontrolling interest in the acquiree. For each business combination, the acquirer must measure noncontrolling interests in the acquiree at fair value or based on its share of the acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the consideration transferred in relation to the net assets acquired (identifiable net assets acquired and liabilities assumed).

After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. For impairment testing, after the acquisition date, the goodwill acquired on a business combination is allocated to each of the cash-generating units that are expected to benefit from the combination synergies, regardless of other assets or liabilities of the acquiree attributable to these cash-generating units.

When goodwill is part of a cash-generating unit and a portion of such unit is sold to third parties that are not under the Company's control, the goodwill associated with the portion sold should be included in transaction costs when the gain or loss on sale is determined. The goodwill disposed of under these circumstances is determined based on the proportional amounts of the portion disposed of in relation to the cash-generating unit maintained.

3.2 Foreign currency

Foreign currency-denominated transactions, i.e., all transactions carried out in a currency other than the functional currency, are translated at the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the exchange rate prevailing at the end of the reporting period. Exchange gains and losses arising on translating monetary assets and liabilities are recognized in the statement of income. Non-monetary assets and liabilities acquired or contracted in foreign currency are translated at the exchange rates prevailing at the transaction dates or at the dates fair value is determined when this is used. Gains and losses arising from changes in foreign investments are directly recognized in equity, in "Cumulative translation adjustments".

Assets and liabilities from foreign operations are translated into Brazilian reais, functional currency, at the exchange rates prevailing at the reporting date. Income and expenses from foreign operations are translated into Brazilian reais at the average exchange rates.

3.3 Financial instruments

(i) Non-derivative financial assets

Initial recognition
Financial assets are initially recognized at trade date when the Company becomes a party to the underlying contract, and are classified as (i) subsequently measured at amortized cost, (ii) at fair value through other comprehensive income ("FVTOCI") and (iii) at fair value through profit or loss ("FVTPL").

The classification of financial assets on initial recognition depends on their contractual cash flow characteristics and the Company's business model for managing these assets. That is, how the Company manages its financial assets to generate cash flows. Accordingly, the business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

A financial asset is classified and measured at amortized cost or at fair value through other comprehensive income, when it generates cash flows that are "solely payments of principal and interest on the principal amount outstanding. Such assessment is performed by financial instrument. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, regardless of the business model adopted.

A financial asset is initially measured at fair value plus, for an item not measured at fair value through profit or loss, the transaction costs that are directly attributable to its acquisition or issue. For trade receivables without a significant financing component, the initial measurement is carried out at the transaction price.

Subsequent recognition
For purposes of subsequent measurement, financial assets are classified into category described below:

Amortized cost: Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Any gains and losses are recognized in profit or loss when an asset is derecognized, modified or impaired. The Company's financial assets in this category include mainly cash and cash equivalents, securities and trade receivables.

Derecognition
The Company derecognizes a financial asset when the contractual rights to the asset's cash flows expire or when it transfers the rights to receiving contractual cash flows from a financial asset under a transaction that transfers substantially all the risks and rewards of ownership of the financial asset. Any interests created or retained by the Company in the financial assets are recognized as an individual asset or liability.

Financial assets or financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legally enforceable right to set off the amounts and the intention to either settle them on a net basis or to realize the asset and settle the liability simultaneously.

(ii) Financial liabilities

Initial recognition

The Company recognizes debt instruments issued and liabilities on the date they are originated. All other financial liabilities are initially recognized on the trade date when the Company becomes a party to the underlying contract.

Upon initial recognition, financial liabilities are either classified as (i) financial liabilities at fair value through profit or loss (ii) financial liabilities at amortized cost or (iii) derivatives designated as hedge instruments in an effective hedge relationship, as applicable.

All financial liabilities are initially measured at fair value, plus or less, in the case of financial liabilities that are not measured at fair value through profit or loss, transaction costs that are directly attributable to the issuance of the financial liability.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified into category described below:

Financial liabilities at amortized cost (borrowings and financing): after initial recognition, interest-bearing borrowings and financing are subsequently measured at amortized cost, using the effective interest method. Any gains and losses are recognized in profit or loss when liabilities are derecognized, as well as in the amortization process of the effective interest rate. The amortized cost is calculated taking into account any negative goodwill or goodwill arising on the acquisition and any rates or costs that are an integral part of the effective interest method. The Company's other financial liabilities in this category include mainly trade payables and other payables arising on business acquisition.

Derecognition

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or when they are paid. When an existing financial liability is replaced for another from the same lender under substantially different terms, or the terms of the existing liability are substantially modified, such replacement or modification is treated as a derecognition of the original liability and recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of income.

3.4 Cash and cash equivalents

Include cash, bank deposits and short-term investments redeemable within 90 days from the investment date, considered highly liquid or convertible into a known amount of cash, which are subject to an insignificant risk of change in value and carried at cost plus income earned through the end of the reporting periods, which does not exceed their fair or realizable values.

3.5 Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is based on the average acquisition or production cost and includes expenses incurred on the acquisition of inventories, production and processing costs and other costs incurred to bring them to their location and existing conditions. In the case of manufactured inventories and work in process, cost includes a share of overheads based on normal operating capacity.

The net realizable value is the estimated sales price in the ordinary course of business, less estimated completion costs and selling expenses.

3.6 Investments

The investment in a subsidiary is accounted for under the equity method. Exchange gains and losses arising on foreign investments are recognized "Cumulative translation adjustments" in equity.

The results of operations and financial position of all entities, whose functional currency is different from the presentation currency, are translated into the presentation currency as follows:

(i) Assets and liabilities in the balance sheet are translated using the exchange rate at the balance sheet date.
(ii) Income and expenses in the statement of income are translated using the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates in effect at the transaction dates and, in this case, income and expenses are translated using the exchange rates prevailing at the transaction dates).
(iii) All foreign exchange differences are recognized as a separate component in equity, in "Valuation adjustments to equity".

3.7 Property, plant and equipment

Recognition and measurement
Property, plant equipment items are measured at the historical acquisition, formation or construction cost, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of an asset. The cost of assets built by the entity itself includes costs of materials and direct labor, any other costs for bringing the asset to the place and condition necessary for it to be capable of operating in the manner intended by Management, the costs of dismantling and restoring the place where such assets are located, as well as borrowing costs on qualifying assets. Gains and losses on disposal of a property, plant and equipment item are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognized at their net amount in "Other income" in profit or loss.

Subsequent costs
Subsequent costs are capitalized to the extent it is probable that future benefits associated with such costs will flow into the Company. Recurring maintenance and repair costs are recorded in profit or loss.

Depreciation
Depreciation is calculated on the depreciable amount, which is the cost of an asset or another cost value. The residual value of the assets written off is usually immaterial and, for this reason, it is not considered in determining the recoverable amount.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

The estimated useful lives of property, plant and equipment items for the current year and comparative period are as follows:

	Useful lives
Buildings	50 years
Machinery, equipment and instruments	5 – 10 years
Furniture and fixtures	10 years
Facilities and improvements	10 years
Company cars	5 years
Computers	3 – 5 years
Other	1 – 5 years

Other additions are capitalized only when there is an increase in the economic benefits of the related property, plant and equipment item. Any other type of expenditure is expensed when incurred.

The depreciation methods, useful lives and residual values are reviewed at each reporting date and potential adjustments are recognized as a change in accounting estimates.

Interest capitalization

Borrowing costs directly related to the acquisition, construction or production of an asset that necessarily requires a significant time to be completed for use or sale are capitalized as part of the cost of the corresponding asset. All other borrowing costs are recognized as expenses as incurred. Borrowing costs comprise interest and other costs incurred by the Company related to the loan. In the year ended December 31, 2021, interest was capitalized in the amount of R$278 (R$357 in 2020).

3.8 Intangible assets

(i) Goodwill

Goodwill arising on the acquisition of subsidiaries is recorded in the Parent´s financial statements as part of the investment and together with intangible assets in the consolidated financial statements.

Goodwill is measured at cost, less accumulated impairment losses, when applicable. Goodwill is tested for impairment on an annual basis or whenever the circumstances indicate it might be impaired.

Goodwill is allocated to a cash-generating unit (CGU) for impairment testing purposes. The allocation is made to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination that originated the goodwill.

(ii) Software

Software development or maintenance costs are expensed when incurred. Expenses directly associated to exclusive, identifiable software, controlled by the Company, which will probably generate economic benefits higher than the costs during more than one year are recognized as intangible assets. Direct expenses include the compensation payable to the software development team and the appropriate portion of related general expenses. Expenses on software performance improvement or expansion beyond original specifications are added to the original software cost.

(iii) Amortization

Except for goodwill, amortization is recognized in profit or loss on a straight-line basis, based on the estimated useful lives of the intangible assets, from the date they become available for use, which currently is approximately five years.

3.9 Financial assets (including receivables)

A financial asset not measured at fair value through profit or loss is assessed on each reporting date to determine whether there is objective evidence that it might be impaired. A financial asset is considered to be impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows that can be reliably estimated.

Objective evidence that the financial assets are impaired may include default or delinquency in payment by the borrower, the restructuring of the amount due to the Company on terms that the Company would not otherwise consider, or indications that a borrower will file for bankruptcy or court-ordered reorganization.

3.10 Financial assets measured at amortized cost

The Company considers evidence of impairment for loans and receivables. All significant loans and receivables are assessed with respect to the loss of specific amount. Receivables that are not individually significant are collectively tested for impairment by grouping together receivables with similar risk characteristics.

In collectively testing assets for impairment, the Company uses historical trends of the likelihood of default, the recovery timing and the loss amount incurred, adjusted to reflect Management's judgment as to the assumptions if the current economic and credit conditions are such that actual losses are likely to be greater or lower than suggested by historical trends.

An impairment of a financial asset measured at amortized cost is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective original interest rate of the asset. Impairment losses are recognized in profit or loss and reflected in an allowance account as a contra entry to receivables. Interest on an impaired asset continues to be recognized through the reversal of the discount. When a subsequent event indicates the reversal of impairment, the impairment loss is reversed and recognized in profit or loss.

3.11 Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred income tax and social contribution, are analyzed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Whenever an evidence of impairment is identified and the carrying amount exceeds the recoverable amount, an allowance for impairment is recorded to adjust the net carrying amount to the recoverable amount. Inventories are monthly assessed and an allowance for inventory obsolescence losses is recorded, as described in note 4.5.

For goodwill and intangible assets with indefinite useful lives, the recoverable amount is estimated annually. The recoverable amount of an asset or a certain cash-generating unit is defined as the higher of the value in use and the net sales value.

In estimating the value in use of the asset, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the weighted average cost of capital for the industry in which the cash-generating unit operates. Details on the assumptions adopted are described in note 13.

Except for the allowance for inventory losses (note 8), Management did not identify any indication that would evidence that non-financial assets are impaired.

3.12 Trade receivables

Trade receivables are amounts owed by customers for goods sold or services provided in the ordinary course of business. Trade receivables are initially recognized at the amount of the consideration that is unconditional, unless they contain significant financial components, when they are recognized at fair value. The Company holds amounts receivable, with the purpose of receiving contractual cash flows, subsequently measuring them at amortized cost.

The Company applies the simplified approach of CPC 48 (IFRS 9) – Financial Instruments to measure the expected credit losses. Allowances for impairment of trade receivables are measured by applying the average historical losses realized and expected for the year on the outstanding receivables at the end of the year.

3.13 Employee benefits

The Company grants benefits to its employees, such as meal ticket, health care plan, transportation voucher and variable compensation. The Company does not have benefits classified as defined benefit in the reporting years.

Short-term employee benefit obligations are measured on an undiscounted basis and recognized as expenses as the related service is provided.

The liability is recognized at the amount expected to be paid under the cash bonus plan or short-term profit sharing, if the Company has a legal or constructive obligation to pay this amount due to a past service provided by the employee and the obligation can be reliably estimated.

The Company recognizes a liability and profit sharing expenses in profit or loss based on a policy approved by Management and disclosed to employees. The Company recognizes an accrual when it is contractually required or when there is a past practice that created a constructive obligation.

3.14 Provisions

A provision is recognized as a result of a past event, if the Company has a legal or constructive obligation that can be reliably estimated and it is probable that an outflow of funds will be required to settle the obligation. If the timing effect of the amount is significant, provisions are determined by discounting expected future cash flows at a pretax rate that reflects the current market assessments of the time value of money and liability-specific risks. Significant provisions are mentioned in note 4.

3.15 Operating revenue

The Company's revenues derive solely from the sale of security, communication and energy products, as described in note 1.

Revenue is recognized at fair value when the following conditions are met:

i) Control over the goods is transferred to the buyer;
ii) The Company no longer holds control or responsibility for the goods sold;
iii) The economic benefits for the Company are probable;
iv) Services are provided.

Revenue is measured based on the consideration that the Company expects to receive under a contract with a customer. Sales revenue is stated net of returns, including taxes on sales.

The amount of revenue is accounted for net of expected returns and cancellations.

There is a significant financing component in contracts considering the period between the date payment is received and control over this equipment is transferred, as well as market interest rates. Accordingly, the transaction price for these contracts is discounted, using the interest rate implicit in the contract (see note 7).

The Company maintains sales discount and incentive programs, through which it offers rebates based on the sales volume contracted by customers. Discounts may be granted by customer category or when the quantity of goods acquired during the period exceeds the limit set out in a contract. Rebates are offset against amounts payable by the customer or financial payments. The Company applies the expected value method to estimate the variable consideration under a contract. Thereafter, the Company applies the requirements on the estimated variable consideration to adjust sales prices.

3.16 Tax incentives

Government grants are recognized when there is reasonable assurance that the conditions established by the government grantors are met and calculated and governed according to the contracts, arrangements and laws applicable to each benefit. The effects on profit or loss are recorded in the accounting records on accrual basis, where gains relating to Financial credit – Law 13.969/19 are accounted for in Other operating income (expenses), net, as shown in note 9, and other gains are recorded as sales deductions. The financed amounts are accounted for in current and noncurrent liabilities and adjusted according to the respective contracts

3.17 Finance income and costs

Finance income comprise interest income on short-term investments, present value adjustment and other sundry income. Such interest income is recognized in profit or loss.

Finance costs comprise interest expenses on borrowings, finance charges on taxes, and present value adjustment. Such interest expenses are recognized in profit or loss.

The Company also recognizes expenses on exchange rate changes, which are also accounted for directly in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are accounted for in profit or loss using the effective interest method.

3.18 Income tax and social contribution

Current and deferred income tax and social contribution for the year are calculated at the rates of 15% for income tax, plus a 10% surtax on taxable income exceeding R$240 (annual basis), and 9% on taxable income for social contribution, considering the offset of income tax and social contribution loss, limited to 30% of taxable income.

Income tax and social contribution expense comprises current and deferred income taxes. Current and deferred taxes are recognized in profit or loss.

Current tax is the expected tax payable or receivable on taxable income or loss for the year, using tax rates enacted at the end of the reporting period, and any adjustment to taxes payable in relation to prior years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the corresponding amounts used for taxation purposes. The deferred tax is measured at the rates that are expected to be applied on temporary differences when they reverse, based on the laws that have been enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes imposed by the same tax authority on the same entity subject to taxation.

A deferred income tax and social contribution asset is recognized by unutilized tax losses, tax credits and deductible temporary differences when it is probable that future income subject to taxation will be available and against which they will be utilized. Deferred income tax and social contribution assets are reviewed at the end of each reporting period and reduced to the extent that their realization is no longer probable.

3.19 Present value adjustment of assets and liabilities

Long-term and short-term monetary assets and liabilities are adjusted to present value when the effect is considered material in relation to the financial statements taken as a whole. The present value adjustment is calculated considering contractual cash flows and the explicit, and in certain cases, implicit interest rates of the respective assets and liabilities. Accordingly, the interest embedded in revenues, expenses and costs related to these assets and liabilities is discounted for recognition on an accrual basis.

3.20 Classification as current and noncurrent

The Company recognizes assets and liabilities in the balance sheet based on their classification as current or noncurrent. Assets are classified as current when:

(i) Assets are expected to be realized, or available for sale or consumption in the entity's normal operating cycle;
(ii) Assets are primarily held for trading;
(iii) Assets are expected to be realized within 12 months after the balance sheet date; and
(iv) Assets correspond to cash or cash equivalents (as defined in Technical Pronouncement CPC 03 (IAS 7) – Statement of Cash Flows) unless they are restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date.

All other assets are classified as noncurrent.

Liabilities are classified as current when:

(i) Liabilities are expected to be settled in the entity's normal operating cycle;
(ii) Liabilities are primarily held for trading;
(iii) Liabilities are expected to be settled within 12 months after the balance sheet date; and
(iv) The entity has no unconditional right to defer settlement of the liability during at least 12 months after the balance sheet date.

The Company classifies all other liabilities as noncurrent. Deferred tax assets and liabilities are classified in noncurrent assets and liabilities.

3.21 Statement of value added

This statement is intended to disclose the wealth created by the companies and its distribution during a given year, and is presented as required by the Brazilian Corporate Law. Such statement has been prepared based on information obtained from the accounting records used as a basis for the preparation of the financial statements, supplementary records and in accordance with the provisions of technical pronouncement CPC 09 - Statement of Value Added.

3.22 Profit distribution

Shareholders are entitled to minimum dividend of 25% of the adjusted profit for the year in conformity with the Chapter VI of the Company's bylaws and the Brazilian Corporate Law.

The Company recognizes a liability for dividend payment when such distribution becomes a present obligation at the balance sheet date, related to the portion of mandatory minimum dividend not prepaid and/or supplementary dividends, which distribution was duly approved up to the balance sheet date.

3.23 New accounting standards

Amendments to IFRSs effective for annual periods beginning on or after January 1, 2021:

- IFRS 4 (CPC 11), IFRS 7 (CPC 40(R1)), IFRS 9 (CPC 48), IFRS 16 (CPC 06(R2)) and IAS 39 (CPC 38) – Impact of the first-time adoption of the amendments to the Interest Rate Benchmark Reform – Phase 2. Applicable for annual periods beginning on or after January 1, 2021.
- IFRS 16 (CPC 06(R2)) – Impact of the first-time adoption of the o da Amendment to IFRS 16 (CPC 06(R2)) - Covid-19-Related Rent Concessions. Applicable for annual periods beginning on or after June 30, 2021.

New and revised IFRSs not mandatory for the year ended December 31, 2021:

- IFRS 17 (CPC 50) – Insurance Contracts;
- IFRS 10 (CPC 36 (R3)) and IAS 28 (CPC 18(R2)) (amendments) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendment to IAS 1 (CPC 26 (R1))– Classification of Liabilities as Current or Non-current;
- Amendment to IFRS 3 (CPC 15 (R1)) – Reference to the Conceptual Framework;
- Amendments to IAS 16 (CPC 27) - Property, Plant and Equipment - Proceeds before Intended Use;
- Amendments to IAS 37 (CPC 25) – Onerous Contracts – Cost of Fulfilling a Contract;

- Amendments to IAS 1 (CPC 26(R1)) and practical expedient2 of IFRS – Disclosure of Accounting Policies;
- Amendments to IAS 8 (CPC 23) – Definition of Accounting Estimates;
- Amendments to IAS 12 (CPC 32) - Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- Annual Improvements to the IFRSs 2018–2020 Cycle – Amendments to IFRS 1 (CPC 27 (R1), CPC 43 (R1)) – First-time Adoption of International Financial Reporting Standards, IFRS 9 (CPC 48) – Financial Instruments, IFRS 16 (CPC 06(R2)) - Leases, and IAS 41 (CPC 29) - Agriculture.

The amendments were assessed by the Company's Management, with no impacts on the individual and consolidated financial statements, as well as for new pronouncements issued and effective beginning January 1, 2022, which Management has been monitoring, concluding that there will be no significant impacts on the Company's individual and consolidated financial statements.

4. Critical accounting judgments, estimates and assumptions

Judgments

The preparation of the Company's financial statements requires Management to make judgments and estimates and adopt assumptions that affect the reported amounts of income, expenses, assets and liabilities, as well as the disclosures of contingent liabilities on the reporting date. However, the uncertainty inherent in such assumptions and estimates may give rise to results that require a significant adjustment of the carrying amount of the affected asset or liability in future periods.

Estimates and assumptions

The preparation of the individual and consolidated financial statements requires Management to use estimates to account for certain assets, liabilities and other transactions. Estimates and assumptions are revised on an ongoing basis, so that any changes are made pursuant to CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors. The accounting policies and areas that require higher level of judgment and use of estimates in the preparation of individual and consolidated financial statements are:

4.1. Impairment loss on non-financial assets

An impairment loss exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of the fair value less costs to sell and the value in use. The calculation of the fair value less costs to sell is based on available information on transactions involving the sale of similar assets or market prices less additional costs to dispose of the asset. The value in use is calculated using the discounted cash flow model. The cash flows arise from the budget for the next five years and do not include reorganization activities to which the Company has not yet committed or significant future investments that will improve the asset base of the cash-generating unit tested for impairment. Recoverable amount is sensitive to the discount rate used under the discounted cash flow method, as well as expected future cash receipts, and to the growth rate used for extrapolation purposes. The main assumptions used to determine the recoverable amount of the several cash-generating units, including sensitivity analysis, are detailed in note 13.

4.2. Business combination

There are uncertainties related to the business combination process as a result of the calculation of goodwill and the fair values of the net assets and liabilities acquired, as well as their estimated useful lives. The Company relies on the work of specialized advisors for the preparation of a technical report on the Purchase Price Allocation (PPA). Details on the main accounting policies related to business combinations are disclosed in note 3.1.

During 2021 there was business combination related to the acquisition of 75% stake in subsidiary Khomp Indústria e Comércio Ltda., as mentioned in note 11.

4.3. Realization of deferred taxes

There are uncertainties over the interpretation of complex tax regulations and the amount and timing of future taxable income. In view of the comprehensive aspect of the tax law and the long-term nature and complexity of contractual instruments, differences between actual results and the assumptions adopted, or future changes in these assumptions, could require future adjustments to tax income and expenses already recorded.

As at December 31, 2021 and 2020, the Company did not identify any matter that would require the recognition of provisions for tax risks and currently there is no ongoing tax audit conducted by the tax authorities. Interpretation differences may arise for several matters, depending on conditions effective in the Company’s corresponding domicile.

Deferred tax asset is recognized for all unutilized tax losses to the extent that it is probable that taxable income will be available to allow the utilization of such tax losses. Significant judgment is required to determine the amount of deferred tax assets that can be recognized, based on the probable term and future taxable income, together with future tax planning strategies.

4.4. Provision for tax, civil and labor risks

The Company recognizes a provision for civil and labor risks. The likelihood of loss is assessed based on available evidence, the hierarchy of laws, available case rulings, most recent court decisions, their relevance within the legal system, and the assessment made by our outside legal counsel.

Provisions are reviewed and adjusted so as to consider changes in circumstances, such as applicable statute of limitations, conclusions of tax audits, or additional exposures identified based on new matters or court rulings.

4.5. Allowance for inventory obsolescence

The Company analyses the inventory realization, based on the expected inventory utilization or sale, history of losses, and also on the assessment between the carrying amount and the net realizable value.

4.6. Provision for discounts and commercial funds

The Company makes payments to its customers for market development purposes, such as advertising and marketing, based on predetermined criteria. Expenditures related to advertising and marketing programs are recognized as selling expenses. A provision is estimated and recorded at the balance sheet date based on goals achieved, but not yet realized, and a provision is recognized for these amounts as a reduction of trade receivables in assets, as a contra entry to selling expenses. The provision estimates take into account sales estimates, compliance with established criteria, as well as historical data.

The Company also maintains programs through which it offers to its customers discounts based on the attainment of certain preset commercial goals. Discounts are presented as sales deductions, when associated with the transaction price, as mentioned in note 3.15. The Company adopts estimates based on the contractual terms and conditions and historical data to estimate the amount of the adjustment to its revenue.

4.7. Allowance for expected credit losses on trade receivables

The Company uses an allowance matrix to calculate expected credit losses on trade receivables. The allowance rates applied are based on the default days for groups of customers, according to the sales channel, as they present similar loss patterns.

The allowance matrix is initially based on the Company's historical loss rates. The Company revises the matrix on a prospective basis to adjust it according to its historical credit loss experience. For example, if there is expectation of deterioration of economic conditions in the next year (for example, the gross domestic product), which could result in increased default levels in the manufacturing sector, the historical loss rates are adjusted. Historical loss rates observed in all reporting periods are adjusted and the changes in prospective estimates are analyzed.

The assessment of the correlation between the historical loss rates, the expected economic conditions and the expected credit losses is a significant estimate. The number of expected credit losses is sensitive to changes in circumstances and expected economic conditions. The Company's historical credit loss experience and the projection of economic conditions may not show the real pattern of the customer in the future. The information on expected credit losses on the Company's trade receivables is disclosed in note 7.

4.8. Derivative instruments

The Company has derivative instruments recorded at fair value through profit or loss, that is, NDF (Non-Deliverable Forward) contracts, to hedge against exchange rate fluctuations on foreign trade payables; Swap contract to hedge against exchange and interest rate fluctuations on bank financing and borrowings; in addition to the recognition of the payables for acquisition of stake in subsidiary Khomp Indústria de Comércio Ltda. relating to a put option held by the holders of a residual stake of 25% in such company. The uncertainties related to these balances refer to the calculation of their respective fair values.

4.9. Review of the useful life of property, plant and equipment and intangible assets

The Company makes judgment to determine useful life of property, plant and equipment and intangible assets. This estimate is determined based on the period in which these assets are expected to generate economic benefits for the Company.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

5. Cash and cash equivalents

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Cash and banks	19,673	15,798	18,580	13,324
Cash and banks – foreign currency	27,947	10,732	26,951	9,798
Short-term investments	893,238	726,451	870,943	720,413
	940,858	**752,981**	**916,474**	**743,535**

Short-term investments, classified as cash equivalents, refer to papers backed by the Interbank Deposit Certificate ("CDI"), held at institutions considered by Management as prime financial institutions, which yield is pegged to the DI rate with possibility of partial or full unrestricted redemption. The amounts are recorded at acquisition cost, plus respective income up to the balance sheet date, which were on average 101% of the CDI rate as at December 31, 2021 (101% as at December 31, 2020).

6. Securities

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Short-term investments	10,888	-	10,888	-
Short-term investments – Escrow account	3,642	4,653	3,642	4,653
	14,530	**4,653**	**14,530**	**4,653**
Current	4,411	1,163	4,411	1,163
Noncurrent	10,119	3,490	10,119	3,490

The balances of short-term investments yield interest based on the CDI fluctuation and were made to secure the indemnity obligations of the sellers of Khomp Indústria e Comércio Ltda., a company acquired as described in note 11.f. This amount will be released in two installments, the first in the amount of R$3,197 within one year after acquisition and the second in the amount of R$7,691 after five years. The short-term investment in escrow account is intended to secure the indemnity obligations of the sellers of Seventh Ltda. (company acquired), and the release of this amount on behalf of the sellers will be made in five annual installments, the first 12 months after the acquisition date. For both investments, deposit management is shared and requires authorization of both parties to be handled.

7. Trade receivables

Trade receivables are broken down as follows:

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Domestic – third parties	659,651	548,504	636,666	544,427
Foreign – third parties	7,319	4,238	4,950	4,238
	666,970	**552,742**	**641,616**	**548,665**
Allowance for expected credit loss	(14,084)	(13,892)	(11,799)	(13,524)
Present value adjustment (PVA)	(14,160)	(5,743)	(14,160)	(5,743)
	638,726	**533,107**	**615,657**	**529,398**
Current	634,869	531,690	611,800	527,984
Noncurrent	3,857	1,417	3,857	1,414

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

Installment sales were adjusted to present value on the transaction dates based on the estimated rate over the collection term. The contra entry to the present value adjustment is trade receivables and its recovery is recorded as finance income in finance income (costs). The discount rate used involves an analysis of the capital structure and the uncertainties of the macroeconomic context and was, on average, 8.07% p.a. as at December 31, 2021 (6.56% p.a. as at December 31, 2020). As at December 31, 2021, the average days sales outstanding was 56 days (69 days as at December 31, 2020).

The aging list of trade receivables is as follows:

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Up to 360 days	613,353	518,040	592,460	514,017
More than 360 days	8,039	5,928	8,039	5,928
Up to 30 days past due	21,531	13,060	20,563	13,035
Up to 90 days past due	5,668	4,025	4,515	4,011
Up to 180 days past due	2,297	1,350	2,019	1,346
Up to 360 days past due	2,398	1,930	2,235	1,921
More than 360 days past due	13,684	8,409	11,785	8,407
Closing balance	**666,970**	**552,742**	**641,616**	**548,665**

Variations in the allowance for expected credit losses:

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Opening balance	(13,892)	(12,449)	(13,524)	(12,334)
Recognition	(4,673)	(2,053)	(2,028)	(1,800)
Reversal	4,481	610	3,753	610
Closing balance	**(14,084)**	**(13,892)**	**(11,799)**	**(13,524)**

The Company uses a simplified approach, as prescribed by CPC 48 (IFRS 9) – Financial Instruments, to prospectively recognize an additional allowance for expected losses. This estimate is calculated based on the historical losses on sales, applied on all trade receivables, including current balances. The purpose of this analysis is to ensure a more careful analysis in determining the allowance for expected credit loss on the Company's and its subsidiaries' trade receivables.

8. Inventories

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Finished goods	376,186	193,913	374,580	193,309
Work in process	48,131	28,747	41,135	28,747
Goods for resale	3,897	-	-	
Raw materials and auxiliary materials	369,072	131,319	355,376	129,800
Imports in progress	395,422	214,416	395,402	214,416
Advances to suppliers	81,830	32,464	78,513	32,432
Other	47,870	7,214	45,195	7,214
	1,322,408	**608,073**	**1,290,201**	**605,918**
Allowance for obsolescence	(15,369)	(4,580)	(11,283)	(4,280)
Present value adjustment (PVA)	(11,601)	(8,112)	(11,601)	(8,112)
	1,295,438	**595,381**	**1,267,317**	**593,526**

Variations in the allowance for obsolescence:

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Opening balance	**(4,580)**	**(4,084)**	**(4,280)**	**(3,784)**
Recognition	(21,579)	(9,768)	(17,794)	(9,768)
Reversal	10,790	9,272	10,791	9,272
Closing balance	**(15,369)**	**(4,580)**	**(11,283)**	**(4,280)**

9. Recoverable taxes

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
State VAT (ICMS)	7,430	3,410	6,126	2,183
Financial credit – Law No. 13,969/19 (a)	13,729	27,665	12,454	27,174
Social contribution (CSLL)	2,964	3,622	2,878	3,595
Tax on revenue (COFINS) (b)	4,773	89,927	4,684	89,714
Tax on revenue (PIS) (b)	1,064	19,350	1,044	19,303
Corporate Income Tax (IRPJ)	14,058	6,990	13,758	6,926
Federal VAT (IPI)	12,513	5,192	12,512	5,191
Other	6,927	42	6,927	43
	63,458	**156,198**	**60,383**	**154,129**
Current	60,243	154,904	57,950	152,835
Noncurrent	3,215	1,294	2,433	1,294

(a) Law No. 13,969/2019 repealed the decrease of the IPI rate for IT goods produced using the Basic Production Process (PPB) and authorized in interministerial ordinances and established the financial credit for full offset in replacement of the incentives extinguished by the repeal. Such new incentive will be effective until December 31, 2029. As at December 31, 2021, the Company has a credit in the amount of R$13,729, consolidated balance, which is being periodically offset against federal taxes. This balance is being recorded as a contra entry to “Other operating (expenses) income, net” in profit or loss for the year and the Company expects to offset the total credits within the next year. See details in note 23.

In October 2020, Case No. 5005026-09.2019.4.04.7200/SC, which was filed in 2007 relating to the deduction of ICMS amounts from the PIS and COFINS tax basis, receivable a final and unappealable decision favorable to the Company handed down by the Regional Court of the 4th region, allowing the deduction of the ICMS separately disclosed in the invoice. Up to December 31, 2021, the amount of R$162,766 was offset (as at December 31, 2020, the remaining balance of this credit was R$105,187).

10. Leases

<u>Right-of-use lease assets</u>

As at December 31, 2021, the balances of right-of-use lease assets correspond to administrative offices and logistics warehouses.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

Variations in right-of-use assets:

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Opening balance as at December 31, net	-	-	-	-
Additions	11,064	-	3,866	-
Depreciation	(1,153)	-	(476)	-
Exchange gains (losses)	(49)	-	-	-
Closing balance as at December 31, net	**9,862**	-	**3,390**	-
As at December 31:				
Total cost	11,064	-	3,866	-
Accumulated depreciation	(1,153)	-	(476)	-
Exchange gains (losses)	(49)		-	
Accounting balance as at December 31, net	**9,862**	-	**3,390**	-

Lease liability

Variations in lease liability:

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Opening balance as at December 31, net	-	-	-	-
Additions	11,064	-	3,866	-
Principal repayment	(919)	-	(283)	-
Interest payment	(275)	-	(75)	-
Exchange gain (loss) and interest	423	-	75	-
Accounting balance as at December 31, net	**10,293**	-	**3,583**	-
Current	4,227	-	1,155	-
Noncurrent	6,066	-	2,428	-

Minimum payments:

	12/31/2021					
Consolidated	Up to 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total	Potential PIS/COFINS
Minimum amounts payable	2,282	6,165	874	2,071	11,392	461
Interest expenses	(305)	(666)	(496)	(387)	(1,854)	(29)
	1,977	**5,499**	**378**	**1,684**	**9,538**	**432**

	12/31/2021					
Parent	Up to 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total	Potential PIS/COFINS
Minimum amounts payable	1,455	3,539	-	-	4,994	257
Interest expenses	(151)	(159)	-	-	(310)	(17)
	1,304	**3,380**	**-**	**-**	**4,684**	**240**

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

Agreements per term and discount rate:

	Annual rate
Lease terms	
3 years	3.95%
4 years	3.92%
5 years	3.92%
20 years	3.93%

11. Investments

As at December 31, 2021, the Company's investments are composed of equity interests in other companies, as well as other investments, as follows:

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Investments in subsidiaries	-	-	54,485	3,990
Surplus on business acquisitions (*)	-	-	45,776	19,358
Goodwill on expected future earnings (**)	-	-	55,498	24,773
Other investments (***)	3,810	3,230	3,810	3,230
	3,810	**3,230**	**159,569**	**51,351**
Investment	**3,810**	**3,230**	**159,569**	**56,687**
Investment with negative equity	**-**	**-**	**-**	**(5,336)**

(*) Refer to the surplus on acquisitions of subsidiaries Decio, Seventh and Khomp.
(**) The Company recognizes goodwill on the acquisitions of Prediotech, Decio, Seventh and Khomp.
(***) Other investments refer to the investment at unit value in FUNDO SC - Fundo de Investimento em Empresas Emergentes Inovadoras, where the Company holds 10.00% interest and in Fundo de Investimento em Participação Sul Inovação, where it holds 4.65% interest.

		Equity interest		Parent	
Investee	Control	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Ascent	Subsidiary	100%	100%	1,133	1,322
Seventh	Subsidiary	100%	100%	12,144	6,924
Decio	Subsidiary	100%	100%	4,614	(3,438)
Khomp	Subsidiary	75%	-	36,594	-
Intelbras Mexico	Subsidiary	100%	100%	-	1,080
Prediotech	Subsidiary	-	100%	-	(1,898)
				54,485	**3,990**
			Accounted for under the equity method	54,485	9,326
			Investment with negative equity	-	(5,336)

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

Variations in investments are shown below:

Investee	12/31/2020	Share of profit (loss) of subsidiaries	Exchange gains	Acquisitions, write-offs and other	12/31/2021
Intelbras Mexico	1,080	(1,130)	49	1	-
Ascent	1,322	(319)	130	-	1,133
Prediotech	(1,898)	(371)	-	2,269	-
Seventh	6,924	5,220	-	-	12,144
Decio	(3,438)	8,052	-	-	4,614
Khomp	-	3,229		33,365	36,594
Surplus	19,358	(11, 602)	-	38,020	45,776
Goodwill	24,773	-	-	30,725	55,498
Other	3,230	-	-	580	3,810
	51,351	**3,079**	**179**	**104,960**	**159,569**
Investments	56,687				159,569
Negative equity	(5,336)				-

The main information on the subsidiaries, which fiscal year also ends on December 31, 2021 is shown below:

	12/31/2021						
Subsidiary	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Equity	Revenues	Profit (loss)
Ascent	1,712	2,843	3,422	-	1,133	13,626	(319)
Seventh	14,888	2,140	4,651	233	12,144	25,095	5,220
Decio	13,360	15,221	8,211	15,756	4,614	34,080	8,051
Khomp	48,573	12,003	7,710	4,074	48,792	42,565	4,305
Prediotech	-	-	-	-	-	584	(371)
Intebras Mexico	-	-	-	-	-	-	(1,129)

a) Indústria de Telecomunicación Electrónica Brasileña de México, S.A. de C.V.

The Executive Board decided to shut down the operations of the company located in Mexico City, in December 2018 and, since then, this subsidiary is dormant, only the completion of the company's liquidation processes with the competent bodies is remaining. Accordingly, the accounting balances of the investees were derecognized as at December 31, 2021.

b) Ascent Asia Limited

Subsidiary located in China (Wanchai, Hong Kong), which is engaged in business consulting, corporate and financial information management, focused on prospecting new businesses. Ascent Asia Limited is also the Parent of Ascend Trading& Consultation (Shenzhen) Company Limited, headquartered in Shenzhen at Mainland China, engaged in performing business and logistics consulting services to provide support to the Company in the development of suppliers for its inputs, as well as to support customs activities related to the import transactions carried out by the Company.

c) Prediotech Consultoria e Projetos Tecnológicos LTDA-ME.

As at September 30, 2021, Management approved the instrument of liquidation of the legal entity relating to the write-off of Prediotech Consultoria e Projetos Tecnológicos LTDA-ME. The activities and goods of this business were absorbed by Seventh Ltda., a Group company and the Company's subsidiary, in which it holds 100% stake, so that goodwill on the acquisition of this investment was maintained and will be annually tested for impairment.

d) Seventh Ltda.

Located in Santa Catarina (Florianópolis), Seventh is engaged in developing video monitoring access control, remote reception and event management solutions.

The goodwill of R$21,594 was generated on the acquisition, which is attributable to expected future earnings.

e) Décio Indústria Metalúrgica Ltda.

Engaged in manufacturing server structures specialized in cabinets, Décio Indústria Metalúrgica Ltda is located in Santa Catarina (São José).

The goodwill of R$1,788 was generated on the acquisition, which is attributable to expected future earnings.

f) Khomp Indústria e Comércio Ltda.

In April 2021, the Company acquired the control through the acquisition of 75% of the capital of Khomp Indústria e Comércio Ltda. ("Khomp"), located in Santa Catarina (Florianópolis), with a branch in São Paulo (SP), at the amount of R$89,182, of which R$78,680 was paid in cash and R$10,502 was retained by the Company as guarantee of indemnity payment by the sellers, arising from potential materialization of tax, labor or civil contingencies, in addition to losses on the acquiree's inventories and receivables, arising from facts occurred prior to the execution of the agreement, which amount is recorded in line item "Securities", as described in note 6.

As part of the shareholders' agreement entered into among the Company and the noncontrolling shareholders of Khomp, a put option was issued to the noncontrolling shareholders and a call option was issued to the Company, which may give rise to the acquisition by the Company of the acquiree's remaining shares at an amount equivalent to the EBITDA multiple of the transactions, which may vary depending on the attainment of certain goals, exercisable at any time as from May 2025 by both parties. As at December 31, 2021, the put option held by the noncontrolling shareholders amounts to R$23,475 (R$25,896 on the acquisition date) and liabilities were recorded with a contra entry in equity pursuant to CPC 39 (IAS 32) – Financial Instruments. No amount was attributable to the call option held by the Company. The amount of the obligation arising from such financial liability was calculated using usual valuation techniques (present value of the principal and future interest, discounted by the market rate) and will be adjusted for inflation on a quarterly basis, the variations in the obligation being recognized in profit or loss for the period.

The company is engaged in the development of electric and electronic telecommunication and IT products, provision of consulting, training, advisory, installation, hardware and software, import and export services. The purpose of this acquisition is to supplement the line of products and technological communication solutions of Intelbras and the action is part of the strategy aimed at the sustainable growth, expansion of the Company's production and commercial capacity.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

The fair value measurement of the assets and liabilities acquired was completed. The amounts paid in excess of the carrying amounts of the acquisition, mainly represented by the business combination synergies, were segregated between goodwill (R$30,724), and surplus (R$38,020), including deferred taxes calculated on such surplus (R$12,927). On April 30, 2021, cash acquired corresponds to R$7,574. The accounting balances involved in the subsidiary's acquisition process on April 30, 2021, relating to 100%, are broken down below:

Khomp Acquisition – Balances as at April 30, 2021			
	Carrying amount	Surplus value	Fair value
Assets			
Cash and cash equivalents	7,574	-	7,574
Trade receivables	14,578	-	14,578
Other receivables	518	-	518
Inventories	20,547	3,174	23,721
Property, plant and equipment	7,528	7,250	14,778
Intangible assets	-	40,268	40,268
Right of use	3,758	-	3,758
	54,503	**50,692**	**105,195**
Liabilities			
Trade payables	(1,047)	-	(1,047)
Taxes payable	(679)	-	(679)
Payroll and related taxes	(2,700)	-	(2,700)
Other payables	(1,832)	-	(1,832)
Leases	(3,758)	-	(3,758)
	(10,016)	**-**	**(10,016)**
Equity	**44,487**	**50,692**	**95,179**

Breakdown of the acquisition cost

Equity	**44,487**
Surplus	**50,692**
Deferred taxes	**(17,235)**
Goodwill	**30,724**
Noncontrolling interests	**(19,486)**
Acquisition amount	**89,182**

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

12. Property, plant and equipment

	Consolidated									
	Land	Buildings	Facilities and improvements	Machinery, equipment and instruments	Furniture and fixtures	Computers	Other	Construction in progress	Property, plant and equipment in transit	Total
Average annual depreciation rate		2%	10%	10% to 20%	10%	20% to 33%	20% to 100%			
Variations in cost										
Balances as at December 31, 2019	**47,244**	**57,203**	**17,187**	**83,711**	**8,028**	**14,451**	**19,636**	**64,909**	**3,570**	**315,939**
Additions	5,490	-	825	9,345	722	1,855	3,020	33,419	(2,691)	51,985
Transfers	-	48,286	20,691	8,881	437	2,578	1,955	(82,828)	-	-
Write-offs	-	(4,266)	(936)	(2,996)	(336)	(371)	(965)	(753)	-	(10,623)
Balances as at December 31, 2020	**52,734**	**101,223**	**37,767**	**98,941**	**8,851**	**18,513**	**23,646**	**14,747**	**879**	**357,301**
Additions	19,602	751	2,440	6,410	1,857	4,199	8,799	81,806	2,103	127,967
Property, plant and equipment arising from business combination	2,928	1,169	68	340	280	954	1,424	365	-	7,528
Acquisition of subsidiary – surplus	(353)	1,648	39	118	182	387	5,228	-	-	7,249
Transfers	-	22	2,388	22,528	889	5,747	10,562	(42,136)	-	-
Write-offs	-	-	(6)	(3,693)	372	(711)	(2,887)	(1)	-	(6,926)
Balances as at December 31, 2021	**74,911**	**104,813**	**42,696**	**124,644**	**12,431**	**29,089**	**46,772**	**54,781**	**2,982**	**493,119**
Variations in depreciation										
Balances as at December 31, 2019	-	**(13,654)**	**(8,356)**	**(39,681)**	**(3,964)**	**(7,772)**	**(12,424)**	**-**	**-**	**(85,851)**
Depreciation	-	(1,564)	(1,868)	(8,267)	(727)	(2,273)	(2,801)	-	-	(17,500)
Transfers	-	-	-	(1)	-	1	-	-	-	-
Write-off	-	206	118	2,059	348	355	417	-	-	3,503
Balances as at December 31, 2020	**-**	**(15,012)**	**(10,106)**	**(45,890)**	**(4,343)**	**(9,689)**	**(14,808)**	-	**-**	**(99,848)**
Depreciation	-	(2,002)	(2,338)	(9,892)	(923)	(3,350)	(7,304)	-	-	(25,809)
Write-off	-	-		1,378	35	607	1,584	-	-	3,604
Balances as at December 31, 2021	**-**	**(17,014)**	**(12,444)**	**(54,404)**	**(5,231)**	**(12,432)**	**(20,528)**	**-**	**-**	**(122,053)**
Net depreciation balance										
Balances as at December 31, 2019	**47,244**	**43,549**	**8,831**	**44,030**	**4,064**	**6,679**	**7,212**	**64,909**	**3,570**	**230,088**
Balances as at December 31, 2020	**52,734**	**86,211**	**27,661**	**53,051**	**4,508**	**8,824**	**8,838**	**14,747**	**879**	**257,453**
Balances as at December 31, 2021	**74,911**	**87,799**	**30,252**	**70,240**	**7,200**	**16,657**	**26,244**	**54,781**	**2,982**	**371,066**

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

	Parent									
	Land	Buildings	Facilities and improvements	Machinery, equipment and instruments	Furniture and fixtures	Computers	Other	Construction in progress	Property, plant and equipment in transit	Total
Average annual depreciation rate		**2%**	**10%**	**10% to 20%**	**10%**	**20% to 33%**	**20% to 100%**			
Variations in cost										
Balances as at December 31, 2019	**45,288**	**53,622**	**17,112**	**80,966**	**7,767**	**13,946**	**19,432**	**64,905**	**1,036**	**304,074**
Additions	5,490	-	43	2,949	667	1,548	3,020	33,419	(157)	46,979
Transfers	-	48,286	20,691	8,881	437	2,578	1,956	(82,829)	-	-
Write-offs	-	(4,268)	(933)	(3,040)	(460)	(404)	(889)	(745)	-	(10,739)
Balances as at December 31, 2020	**50,778**	**97,640**	**36,913**	**89,756**	**8,411**	**17,668**	**23,519**	**14,750**	**879**	**340,314**
Additions	19,602	30	2,320	6,085	1,754	3,293	7,828	78,285	1,978	121,175
Transfers	-	22	3,125	22,495	636	5,733	8,891	(40,902)	-	-
Write-offs	-	-	(7)	(3,658)	(43)	(637)	(2,244)	(1)	-	(6,590)
Balances as at December 31, 2021	**70,380**	**97,692**	**42,351**	**114,678**	**10,758**	**26,057**	**37,994**	**52,132**	**2,857**	**454,899**
Variations in depreciation										
Balances as at December 31, 2019	**-**	**(13,414)**	**(8,340)**	**(39,553)**	**(3,909)**	**(7,736)**	**(12,358)**	**-**	**-**	**(85,310)**
Depreciation	-	(1,459)	(1,789)	(6,869)	(594)	(2,072)	(2,736)	-	-	(15,519)
Transfers	-	-	-	(1)	-	1	-	-	-	-
Write-off	-	1	120	2,307	360	435	363	-	-	3,586
Balances as at December 31, 2020	**-**	**(14,872)**	**(10,009)**	**(44,116)**	**(4,143)**	**(9,372)**	**(14,731)**	**-**	**-**	**(97,243)**
Depreciation	-	(1,800)	(2,322)	(8,341)	(771)	(2,806)	(4,405)	-	-	(20,445)
Write-off				1,371	32	568	1,166	-	-	3,137
Balances as at December 31, 2021	**-**	**(16,672)**	**(12,331)**	**(51,086)**	**(4,882)**	**(11,610)**	**(17,970)**	**-**	**-**	**(114,551)**
Net depreciation balance										
Balances as at December 31, 2019	**45,288**	**40,208**	**8,772**	**41,413**	**3,858**	**6,210**	**7,074**	**64,905**	**1,036**	**218,764**
Balances as at December 31, 2020	**50,778**	**82,768**	**26,904**	**45,640**	**4,268**	**8,296**	**8,788**	**14,750**	**879**	**243,071**
Balances as at December 31, 2021	**70,380**	**81,020**	**30,020**	**63,592**	**5,876**	**14,447**	**20,024**	**52,132**	**2,857**	**340,348**

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

Depreciation for the year ended December 31, 2021, allocated to the cost of production and administrative expenses in the consolidated, total R$15,351 (R$11,029 in 2020) and R$10,458 (R$6,471 in 2020), respectively.

Certain property, plant and equipment items are pledged as collateral for financing and tax payment transactions (note 15).

Construction in progress refers to improvements at the Company's industrial and information technology areas.

As at December 31, 2021, Management did not identify any risk factor that would indicate that the amount recorded was higher than its recoverable amount. As disclosed in note 1, the Company is monitoring the impact from Covid-19 on the economy. No pandemic-related impact was identified so far that would indicate the need to recognize an allowance for impairment on the Company's intangible assets.

13. Intangible assets

	Consolidated					
	Goodwill	Trademarks and patents	Other	Projects in progress	Software	Total
Average annual amortization rate			**16%**		**20%**	
Variations in cost						
Balances as at December 31, 2019	58,140	6,014	1,694	4,124	41,683	111,655
Additions	-	-	-	4,103	865	4,968
Write-offs	-	-	(61)	(194)	(98)	(353)
Transfers	-	-	-	(4,434)	4,434	-
Balances as at December 31, 2020	58,140	6,014	1,633	3,599	46,884	116,270
Additions	30,724	-	-	21,285	7,017	59,026
Acquisition of subsidiary – surplus	-	20,093	17,857	-	2,318	40,268
Write-offs	-	-		(150)	(104)	(254)
Transfers	-	-	-	(1,980)	1,980	-
Balances as at December 31, 2021	**88,864**	**26,107**	**19,490**	**22,754**	**58,095**	**215,310**
Variations in amortization						
Balances as at December 31, 2019	-	-	(1,016)	-	(22,664)	(23,680)
Amortization in the year	-	-	(348)	-	(5,563)	(5,911)
Write-offs	-	-	844	-	-	844
Balances as at December 31, 2020	-	-	**(520)**	-	**(28,227)**	**(28,747)**
Amortization in the year	-	-	(7,271)	-	(6,389)	(13,660)
Write-offs	-	-		-	9	9
Balances as at December 31, 2021	-	-	**(7,791)**		**(34,607)**	**(42,398)**
Net amortization balance						
Balances as at December 31, 2019	**58,140**	**6,014**	**678**	**4,124**	**19,019**	**87,975**
Balances as at December 31, 2020	**58,140**	**6,014**	**1,113**	**3,599**	**18,657**	**87,523**
Balances as at December 31, 2021	**88,864**	**26,107**	**11,699**	**22,754**	**23,488**	**172,912**

Parent

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

	Goodwill on investees	Other	Projects in progress	Software	Total
Average annual amortization rate		**16%**		**20%**	
Variations in cost					
Balances as at December 31, 2019	33,366	293	4,124	33,316	71,099
Additions	-	-	4,103	831	4,934
Write-offs	-	(293)	(194)	(2)	(489)
Transfers	-	-	(4,434)	4,434	-
Balances as at December 31, 2020	33,366	-	3,599	38,579	75,544
Additions	-	-	21,285	6,913	28,198
Write-offs	-	-	(150)	(105)	(255)
Transfers	-	-	(1,980)	1,980	-
Balances as at December 31, 2021	**33,366**	**-**	**22,754**	**47,367**	**103,487**
Variations in amortization					
Balances as at December 31, 2019	-	-	-	(23,047)	(23,047)
Amortization in the year	-	-	-	(3,380)	(3,380)
Balances as at December 31, 2020	**-**	**-**	**-**	**(26,427)**	**(26,427)**
Amortization in the year	-	-	-	(4,770)	(4,770)
Write-offs				23	23
Balances as at December 31, 2021	**-**	**-**	**-**	**(31,174)**	**(31,174)**
Net amortization balance					
Balances as at December 31, 2019	**33,366**	**293**	**4,124**	**10,269**	**48,052**
Balances as at December 31, 2020	**33,366**	**-**	**3,599**	**12,152**	**49,117**
Balances as at December 31, 2021	**33,366**	**-**	**22,754**	**16,193**	**72,313**

Assets with finite useful lives

On an annual basis, the Company assesses whether there is evidence that the recoverable amount of intangible assets with finite useful lives might be impaired in relation to the carrying amounts. When such evidence is identified detailed impairment tests are conducted for this category of assets. The analyses conducted by Management did not identify any indicators or factors indicating that the carrying amounts might not be recoverable at the balance sheet dates.

Assets with indefinite useful lives

The Company's assets with indefinite useful lives are comprised of goodwill paid on business combinations. These assets are annually tested for impairment, regardless of indicators of existing risks or not. In the year ended December 31, 2021, no assets recorded at an amount higher than their recoverable amount were identified. As disclosed in note 1, the Company is monitoring the impact from Covid-19 on the economy. No pandemic-related impact was identified so far that would indicate the need to recognize an allowance for impairment on the Company's intangible assets.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

The goodwill disclosed above is based on expected future earnings, supported by valuation reports, after allocation of the assets identified. Goodwill maintained by the Company is summarized below:

Business acquired	Type of acquisition	Segment	12/31/2021	12/31/2020
Maxcom do Brasil Ltda.	Merged	Security	**1,348**	**1,348**
Engesul Produtos Eletrônicos	Merged	Security	**11,610**	**11,610**
Automatiza Ind. Com. de Equip. Eletrônico Ltda.	Merged	Security	**20,408**	**20,408**
Prediotech Consultoria e Projetos Tecnológicos LTDA	Merged	Security	**1,392**	**1,392**
Seventh Ltda.	Subsidiary	Security	**21,594**	**21,594**
Décio Indústria Metalúrgica LTDA	Subsidiary	Communication	**1,788**	**1,788**
Khomp Indústria e Comércio LTDA	Subsidiary	Communication	**30,724**	**-**
			88,864	**58,140**

Based on the tests conducted for the years ended December 31, 2021 and 2020, Management concluded that the amount of these assets will be recovered at an amount higher than the carrying amount at the balance sheet date, not being necessary therefore to record an allowance for impairment loss for the goodwill recorded.

Tests were conducted based on the discounted cash flow method, in order to determine the value in use for each of the Cash-generating Units (CGUs) to which goodwill is allocated. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Cash projections were made for a five-year horizon and subsequently perpetuated. The first year of the projected flow is in accordance with Management's detailed budget for each CGU. Growth assumptions were adopted for the next four years based on Management's business guidelines and perpetuity was prepared using a growth rate of 3.00% (3.20% in 2020).

Projections are discounted at the weighted average cost of capital ("WACC"). The post-tax discount rate applied on cash flow projections ranges from 10.40% p.a. to 13.78% p.a. in 2021 (8.10% p.a. to 13.46% p.a. in 2020).

In addition to the recoverability analysis mentioned above, Management has prepared a sensitivity analysis considering the variations in pretax profit and finance income (costs) (Earnings Before Interest and Taxes - EBIT) and the discount rate as shown below:

	Depreciation	Rate used	Appreciation
EBIT – Maxcom	28.93%	29.93%	30.93%
EBIT – Engesul	15.01%	16.01%	17.01%
EBIT – Automatiza	17.59%	18.59%	19.59%
EBIT – Décio	17.56%	18.56%	19.56%
EBIT – Seventh	34.84%	35.84%	36.84%
EBIT – Khomp	19.37%	20.37%	21.37%
WACC	11.87%	12.87%	13.87

a result of the sensitivity analysis, we did not identify the need to recognize an allowance for impairment on goodwill amounts recorded as at December 31, 2021.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

Research costs

Research and development costs incurred by the Company are earmarked for several electronic products. The research and development costs that are not eligible for capitalization, in the amount of R$102,110 as at December 31, 2021 (R$70,478 as at December 31, 2020) were recognized as expenses in the year in "Other operating expenses, net".

14. Trade payables

Inputs for the Company's production are acquired in higher volume through the import from foreign suppliers, accounting for around 89.38% of the outstanding balance as at December 31, 2021. The present value adjustment was calculated based on the rate of 2.39% p.a. as at December 31, 2021 (2.77% p.a. as at December 31, 2020), to which the average rate adopted by financial institutions that offer forfait services to the Company's suppliers refer. The amounts related to intercompany transactions were excluded from the consolidated balance. The average payment period is 110 days (129 days as at December 31, 2020). These balances are broken down as follows:

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Domestic suppliers	68,492	51,755	64,261	50,142
Suppliers of imported goods	492,023	306,513	491,996	306,513
Domestic suppliers - forfait	24,183	5,352	24,183	5,352
Suppliers of imported goods - forfait	288,186	321,402	288,186	321,402
	872,884	**685,022**	**868,626**	**683,409**
Present value adjustment (PVA)	(2,443)	(2,350)	(2,443)	(2,350)
	870,441	**682,672**	**866,183**	**681,059**

Balances with related and third parties are broken down as follows:

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Related parties				
Domestic suppliers	-	-	536	623
Suppliers of imported goods	263,219	202,754	263,627	202,754
Total due to related parties (note 28)	**263,219**	**202,754**	**264,163**	**203,377**
Unrelated	609,665	482,268	604,463	480,032
Total trade payables	**872,884**	**685,022**	**868,626**	**683,409**

Forfait

The Company entered into agreements with certain financial institutions for the financing of its supply chain. As agreed with the institutions, the Company's suppliers may elect to receive payment for their invoices in advance through the financial agent. Under the agreement, the financial institution agrees to pay the amounts due to a supplier in advance and receives the payment for the trade note by the Company on a subsequent date. The main purpose of this program is to facilitate payment processing and allow willing suppliers to sell their receivables due by the Company to a bank before the maturity date. In Management's opinion, the agreements do not significantly extend the payment conditions beyond the normal terms agreed with other suppliers that do not anticipate their receivables. The Company does not incur additional interest on the amounts due to suppliers.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

The Company did not derecognize the liabilities to which the agreement applies, as there was no legal write-off and the original liability was not substantially modified when the supplier accepted the agreement. The amounts advanced by the suppliers continue to be recorded by the Company as payables, as the nature and function of the financial liability continue the same as other payables.

Payments made to the bank at the original maturity of the receivables are included in cash flows from operating activities as they continue to be part of the Company's operating cycle and their main nature continues to be payables for acquisition of inputs.

15. Borrowings and financing

This note provides information on the contractual terms of interest-bearing borrowings, which are measured at amortized cost. Note 21 provides more information on the group's exposure to interest rate, foreign currency, and liquidity risks.

					Consolidated		Parent	
Lenders / creditors	Effective rate	Beginning	Maturity	Collaterals	12/31/2021	12/31/2020	12/31/2021	12/31/2020
FINEP	3% p.a. +TR	Apr/14	Apr/24	Bank guarantee	58,945	84,208	58,945	84,208
FINEP	3% p.a. +TR	Jun/19	Jun/29	Bank guarantee	122,642	122,577	122,642	122,577
PSI - Innovation 2018	1.1% and 2.61% p.a. + TLP and TR	Dec/19	Feb/27	Bank guarantee	82,347	72,096	82,347	72,096
PSI - Innovation 2016	1,86% p.a. + TJLP	Jun/17	Mar/23	Mortgage (properties- head office and SJ branch)	25,861	46,534	25,861	46,534
PSI - Innovation 2021	2.70% p.a. and 1.55% p.a. + TS	Nov/21	Dec/31	Officers' signature	72,263	-	72,263	-
FINIMP D	3.7% p.a.	Oct/19	Oct/22	Officers' signature	1,596	4,262		-
Citibank Swap	CDI + 3.50% p.a.	Mar/20	Mar/23	Officers' signature	50,750	85,076	50,750	85,076
Itaú	CDI + 3.50% p.a.	Apr/20	Apr/22	Officers' signature	29,290	86,774	29,290	86,774
					443,694	**501,527**	**442,098**	**497,265**
Current					137,104	151,575	135,648	148,934
Noncurrent					306,590	349,952	306,450	348,331

FINEP	Financing Agency for Studies and Projects
PSI	Investment Support Program
FINIMP	Import Financing

Collaterals

The following assets and financial instruments were pledged as collateral for the financing as at December 31, 2021 (consolidated):

Property, plant and equipment	101,318
Letter of guarantee	268,897
	370,215

The total cost of contracting the letters of guarantee effective as at December 31, 2021 was 0.69% p.a., recorded in other receivables and allocated to profit or loss on accrual basis according to its validity as finance costs. The Company recognized in the year the total amount of R$1,681 (R$1,203 in 2020) relating to the finance costs for contracting such collateral.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

Variations in borrowings and financing are as follows:

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Opening balance	**501,527**	**266,709**	**497,265**	**264,173**
Borrowings	82,000	404,930	82,000	403,200
Interest and exchange rate differences	27,323	44,478	27,221	43,846
Repayment of principal	(138,718)	(198,175)	(138,124)	(197,585)
Interest payment	(28,438)	(16,415)	(26,264)	(16,369)
Closing balance	**443,694**	**501,527**	**442,098**	**497,265**

The terms and conditions of outstanding borrowings are as follows:

a) Finep

The Reimbursable Financing line means providing support to the Innovation Strategic Investment Plans of Brazilian companies offered by the BNDES. The purpose of the financing is to partially bear the expenses incurred with the preparation and implementation of the "Intelbras program of integrated communication and technology update for the company's internationalization" project. The agreement has a 36-month grace period. The debt principal will be repaid in 85 monthly and consecutive installments, the first maturing on April 14, 2017, and the last on April 15, 2024. On December 29, 2020, the Company received a new tranche in the amount of R$56,700. Next expected tranches are: 3rd - R$24,300; 4th - R$24,300; 5th - R$29,700; and 6th - R$32,400.

b) Investment Support Program (PSI)

Funds released by the BNDES for investments in product research, development and innovation. After confirmation of the investment of funds, the BNDES grants to the Company a borrowing equivalent to up to 80% of the funds invested. Payments are made on a monthly basis and, during the grace period, interest is paid on a quarterly basis. Principal is repaid as detailed below:
PSI – Innovation 2021: The debt principal will be repaid in 96 monthly and consecutive installments, the first maturing on February 15, 2024, and the last on January 15, 2031.
PSI – Innovation 2018: The debt principal will be repaid in 87 monthly and consecutive installments, the first maturing on April 15, 2020, and the last on March 15, 2027.
PSI – Innovation 2016: The debt principal will be repaid in 48 monthly and consecutive installments, the first maturing on April 15, 2019, and the last on March 15, 2023.

c) Finimp

Import financing, where payment is made in cash to the exporter through a financial institution, which becomes the creditor, and the commitment to settle the transaction with the financial institution until the agreed due date is assumed.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

d) Citibank – Swap

Borrowing of US$20,000,000 taken in the first quarter of 2020 and payable in 11 installments of equal amount, the first maturing on September 24, 2020 and the last on March 24, 2023. As at December 31, 2021, the outstanding balance in US dollars is US$9,095.

e) Itaú

Borrowing of R$100,000 taken in the second quarter of 2020 and payable in 7 installments of equal amount, the first maturing on October 8, 2020 and the last on April 8, 2022.

f) Covenants

Agreements entered into with the BNDES have covenants related to debt-to-asset (<75%) and net debt-to-EBITDA (=<2.5) ratios ("covenants"), which are being fully met as at December 31, 2021.

The agreement entered into with Citibank determines that the Company must comply with the following financial ratio: Net debt (Total Net Bank Debt/EBITDA), lower than or equal to 2.5, at the end of the reporting period. The requirement is being fully met as at December 31, 2021.

The long-term borrowing and financing payment schedule is as follows:

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
2022	-	125,707	-	124,234
2023	73,210	70,196	73,070	70,048
2024	50,457	39,457	50,457	39,457
2025	42,179	31,179	42,179	31,179
2026	42,179	31,179	42,179	31,179
2027 to 2029	98,565	52,234	98,565	52,234
	306,590	**349,952**	**306,450**	**348,331**

16. Provision for tax, labor and civil risks

The Company is a party to lawsuits and administrative proceedings, at different levels, related to tax, civil and labor matters, arising in the ordinary course of business. Based on the opinion of its legal counsel, the Company's Management recognizes a provision to cover probable losses that may arise from unfavorable outcomes of these lawsuits (assessed as risk of probable loss). At the end of the reporting periods, the Company recognized the following liabilities and escrow deposits related to these lawsuits.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

a. Breakdown of the provision for tax, labor and civil risks:

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Labor	3,316	2,133	3,219	2,133
Civil	3,129	2,314	3,129	2,314
Tax	10,214	9,529	9,536	9,429
	16,659	**13,976**	**15,884**	**13,876**
Current	810	420	810	420
Noncurrent	15,849	13,556	15,074	13,456

Variations in the provision

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Balance at the beginning of the year	13,691	6,977	13,876	6,877
Balance arising from subsidiary acquisition	285	-	-	-
Increase of provision	4,399	8,542	3,664	8,542
Reversal/write-offs of provision	(1,716)	(1,543)	(1,656)	(1,543)
Balance at the end of the year	**16,659**	**13,976**	**15,884**	**13,876**

Labor
Related to lawsuits filed by the former employees of the Company and service providers. No labor lawsuit to which the Company or one of its subsidiaries is a party was considered individually relevant.

Civil
Related to lawsuits discussing general matters of collection, indemnities and execution nature, as well as lawsuits discussing matters of commercial nature, relating to consumers' complaints about the products provided by the Company. No civil lawsuit was considered individually relevant.

Tax
The main tax discussions are related to lawsuits on the Tax Classification of Goods (NCM) of imported parts and pieces for manufacturing, according to the production process defined. The tax authorities understand that this must be classified as finished good. The lawsuit is pending judgment of the voluntary appeal by the CARF.

Possible losses, not provided for in the balance sheet
The lawsuits whose likelihood of loss is assessed as possible are of labor, civil and tax nature, and the main labor lawsuits are as follows:

- Partial tax credit maintained by the CARF which challenged the IRPJ and CSLL levied on the ICMS deemed credit;
- Tax assessment notice related to the tax credit arising from the disallowance of the ICMS deemed credit granted by the State of origin;
- Tax assessment notice challenging the tax classification of the import of LCD displays;
- Tax assessment notice challenging the PIS and COFINS levied on the ICMS deemed credit;
- Installment payment plan under MP 470 upon the utilization of tax losses and discussion of the refund of tax overpayment.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

The main civil lawsuits refers to:

- Litigation involving the provision of services supply of materials.

There is no individually relevant labor lawsuit. The respective amounts are as follows:

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Labor	3,252	3,455	3,252	3,455
Civil	4,979	3,745	4,979	3,745
Tax	49,665	48,909	49,665	48,909
	57,896	**56,109**	**57,896**	**56,109**

<u>Contingent assets</u>
The contingent assets assessed as possible favorable outcome by the Company's legal counsel amount to R$71,353 as at December 31, 2021 (R$17,301 as at December 31, 2020). The main matters include:

- Writ of security filed to ensure the Company's right to the limit of 20 minimum wages of the tax basis of contributions to third parties ("S" system) which adjusted amount is R$41,657, refers to the claim for refund of payments made in the past five years;

- The Company is challenging at the courts the right not to pay the ICMS in the interstate delivery of goods to establishments of the same taxpayer. In a recent court ruling, the Superior Court of Justice understood that the ICMS paid in prior periods, levied on the transfer between establishments of the same company, must be refunded to taxpayers. The balance as at December 31, 2021 is R$8,866.

b. Breakdown of escrow deposits:

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Labor	870	779	870	779
Tax	1,941	10,946	1,941	10,946
	2,811	**11,725**	**2,811**	**11,725**

Labor deposits refer to several lawsuits filed by former employees where the Company must make escrow deposits while the merit of the amounts claimed is being discussed.

The main reason for the variation in balances was the termination of the lawsuit related to the tax principle under discussion involving "IPI on Finished Goods, as the Company received a favorable lower and appellate court decision (Federal Court in Florianópolis and TRF4 in Porto Alegre), however, the federal government was able to reverse the decision through a special appeal filed with the STJ, so that the previously deposited amount of R$15,804 was written down for payment, as well as the liabilities recorded in "Taxes payable".

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

17. Equity

a. Capital

On February 2, 2021, the Company's Board of Directors approved the capital increase in the amount of R$724,500, upon the issuance of 46,000,000 new common shares at the price of R$15.75 under the share offering at the market. As detailed in item "h" below.

As of December 31, 2021, capital was R$1,074,500 (R$350,000 as at December 31, 2020). All shares are common shares held as follows:

Shareholders	Quantity	%
Freitas family	210,167,323	64.15%
Dahua Europe B. V	32,761,111	10.00%
Outstanding shares	84,682,676	25.85%
Total shares	**327,611,110**	**100.00%**

b. Capital reserve

Share issuance costs refer to transaction costs such as: expense on the preparation of the offering prospectus and reports; third-party professional service compensation; expenses on advertising; fees and commissions; transfer costs; and registration costs. These costs were recorded net of the effects of income tax and social contribution.

c. Earnings reserves

(i) *Legal reserve*

Calculated at 5% of profit for the year, as provided for in Article 193 of Law 6,404/76, up to the limit of 20% of capital.

(ii) *Earnings retention*

Recognized for making investments, increasing and strengthening working capital or for future distribution to shareholders.

(iii) *Tax incentives*

Refer to the tax incentive amounts granted to the Company by the States of Santa Catarina, Minas Gerais and Amazonas.

d. Valuation adjustments to equity

In 2010 the Company elected to adopt the deemed cost for the main property, plant and equipment items.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

As part of the shareholders' agreement entered into among the Company and the noncontrolling shareholders of Khomp Indústria e Comércio Ltda (Acquiree), a put option and a call option was issued, which may give rise to the acquisition by the Company of the remaining shares, for which noncurrent liabilities were recognized with an effect on line item "Valuation adjustment to equity" at the amount of R$25,896, as mentioned in note 11 (f).

e. Cumulative translation adjustments

Comprise foreign currency differences arising from the translation of the financial statements of foreign subsidiaries.

f. Payments to shareholders

Interest on capital

In 2021 the Company calculated interest on capital at the gross amount of R$20,269, of which R$10,434 was not paid during the year. For purposes of compliance with tax regulations, the Company, upon calculation of Taxable Income and the tax basis of the social contribution recorded interest on capital for the year in line item "finance costs". For purposes of preparation of these financial statements, such interest is reversed from profit or loss against retained earnings, as determined by the accounting policies.

Dividends

On April 30, 2021, the Extraordinary General Meeting approved the distribution of dividends in addition to profit for 2020 in the amount of R$23,702.

On July 27, 2021, the Board of Directors approved the distribution of prepaid dividends in the amount of R$44,075 relating to profit for the first half of 2021; these payments were made on August 10, 2021. As at December 31, 2021, R$24,282 relating to the mandatory minimum dividend, as set forth in Law 6.404/76 (Brazilian Corporate Law) and the Company's bylaws, were accrued. See below:

	Dividend calculation	
	2021	2020
Profit for the year	364,443	327,956
Legal reserve – 5%	(18,222)	(16,398)
Tax incentive reserves	(2,714)	(2,268)
Tax basis	**343,507**	**309,290**
Minimum dividends pursuant to the bylaws	25%	25%
Amount of minimum mandatory dividends	**85,876**	**77,322**
Dividends paid	44,075	22,586
Interest on capital paid	9,834	-
(-) Withholding income tax (IRRF) on interest on capital	(1,197)	-
Total dividends and interest on capital paid	**52,712**	**22,586**
Balance of dividends payable	24,282	26,202
Balance of interest on capital payable	10,435	33,570
(-) Withholding income tax (IRRF) on interest on capital payable	(1,566)	(5,036)
Total dividends and interest on capital payable	**33,151**	**54,736**

g. Noncontrolling interests

Refers to the third-party interest, corresponding to 25%, held in the capital of subsidiary Khomp Indústria e Comércio Ltda, plus surplus arising on the business combination, as detailed in note 11 (f).

h. Public offering

On November 25, 2020, the Company's Board of Directors approved the conduction of a public offering for primary distribution of common shares, all registered, book-entry, without par value, and free and clear of any liens or encumbrances ("Shares"). On February 2, 2021, the Company's Board of Directors approved the issuance of 46,000,000 shares, for distribution in Brazil, with placement efforts abroad. The shares were authorized for trading at the Novo Mercado segment, B3's special trading segment, governed by B3 Novo Mercado Regulation, under ticker symbol "INTB3". The price per share was set at R$15.75, which price per share was calculated pursuant to article 170, paragraph 1, item III, of the Brazilian Corporate Law, and determined based on the outcome of the Bookbuilding Procedure. The offering was settled on February 5, 2021. Based on the price mentioned in the immediately preceding paragraph, the gross proceeds from the IPO reached the amount of R$724,500 before commissions and expenses.

The Company incurred offering costs in the amount of R$40,456. These costs are stated as "Share issuance costs" in equity, net of taxes, in the amount of R$26,701.

18. Earnings (loss) per share

The purpose of the calculation of earnings (loss) per share is to allow performance comparisons between different companies in the same period, as well as for the same company in different periods.

	Year ended	
	12/31/2021	12/31/2020
Numerator:		
Profit for the year	**364,443**	**327,956**
Denominator (in thousands of shares):		
Weighted average number of common shares	327,611,110	28,161,111
Denominator (in thousands of shares):		
Denominator for basic and diluted earnings (loss) per share	327,611,110	28,161,111
Basic and diluted earnings per share (in Brazilian reais - R$)		
Basic and diluted earnings per common share	**1.1124**	**11.6457**

There are no equity instruments with capital dilutive effect as at December 31, 2021.

19. Tax incentives

1. Federal VAT (IPI)

Law 13,969, of December 26, 2019, changed the tax incentive regime implemented by Law No. 8,248, of October 23, 1991, usually known as "IT Law". This new law for the information technology and communication sector (ITCs) was called ITCs Law.

The changes defined in this new law were effective beginning April 1 2020, and the Federal VAT (IPI) rates started to be applied in full, that is, the IPI rates for goods classified under the Federal IT Law were no longer eligible to decreases as prescribed by the previous law. Based on such new law, beginning April 1, 2020, the companies classified under the ITCs Law will be eligible to a Financial Credit in replacement of the IPI tax decrease set forth in the previous law. This financial credit converted into federal credits, obtained through a multiplier on the investment in Research, Development and Innovation (RD&I) performed by the IT-related good companies, corresponding to 4% of its gross revenue in the domestic market, arising from the sale of IT goods and services, subject to tax relief as prescribed by this Law. This law will be effective up to December 31, 2029.

As at December 31, 2021, the amount of this benefit was R$99,458 (R$85,445 as at December 31, 2020), recorded in “Other operating income” in the statement of income.

2. <u>State VAT (ICMS)</u>

The Company uses the following benefits in the calculation of the State VAT (ICMS):

2.1. <u>State of Santa Catarina</u>

ICMS/SC Regulation – Decree No. 2,870/2001, allows the reduction of the ICMS tax basis in domestic transactions involving automation, IT and telecommunication equipment, it being authorized to directly apply the percentage rate of 12% on the full tax basis. This regulation allows using the deemed ICMS credit in transactions involving goods under the Federal IT Law No. 8,248/91, which provides for the qualification and competitiveness of the IT and automation sector. This benefits allows a tax burden of approximately 3% for goods manufactured in Santa Catarina. The effective period of the benefits is up to December 31, 2032, pursuant to Supplementary Law 160/17.

The Company also uses tax benefits set forth in regulation for goods imported from abroad. The effective period of the benefits is up to December 31, 2025, pursuant to Supplementary Law 160/17.

As at December 31, 2021, the amount of this benefits was R$101,839 (R$88,034 as at December 31, 2020).

2.2. <u>State of Minas Gerais</u>

The ICMS/MG regulation – Decree No. 43,080/02, allows using the deemed ICMS credit authorized in a Memorandum of Understanding signed with the State of Minas Gerais and set forth in Special Regime. The effective period of the benefits is up to December 31, 2032, pursuant to Supplementary Law 160/17.

As at December 31, 2021, the amount of this benefits was R$23,999 (R$20,568 as at December 31, 2020).

2.3. <u>State of Amazonas</u>

Law No. 2,826/2003 allows using the deemed ICMS credit authorized in a Project approved with the State of Amazonas, which lists the goods eligible to tax incentives. The effective period of the benefits is up to December 31, 2073, pursuant to the Brazilian Constitution.

As at December 31, 2021, the amount of this benefits was R$83,461 (R$57,911 as at December 31, 2020).

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

2.4. State of Pernambuco

Law No. 11,675/1999 allows using the deemed ICMS credit authorized by Decree 47,885/2019 and Decree 50,584/2021, published by the State of Pernambuco. This law will be effective up to December 31, 2022, which term can be extended, according to the State's interests. All conditions imposed to be eligible to the tax incentives are being fulfilled by the Company.

The branch started to operate on July 1, 2021 and as at December 31, 2021, the amount of this benefits was R$2,744.

3. Income tax and social contribution

The Company was eligible to the tax benefit established by Law No. 11,196/05, which allows directly deducting from taxable income calculation and the social contribution tax basis the amount corresponding to 60% of the total expenditures in technological research and innovation, in accordance with the provisions set out in said Law. The effective period of the benefits is indeterminate.

20. Income tax and social contribution

a. Breakdown of deferred taxes (income tax and social contribution)

The Company has tax credits arising from prior-year tax loss carryforwards, that can be carried forward indefinitely, and from temporary additions and deductions.

The tax basis of the deferred taxes is as follows:

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Temporary differences				
Provision for tax, civil and labor risks	15,990	13,876	15,884	13,876
Provision for warranties	17,195	14,660	17,195	14,660
Allowance for obsolete inventories	11,583	4,280	11,283	4,280
Allowance for expected credit losses (*)	2,644	8,730	2,644	8,730
Goodwill (**)	(33,366)	(33,366)	(33,366)	(33,366)
Surplus	(53,510)	(19,323)	(44,356)	(19,323)
Provision for IT Law	712	3,748	712	3,748
Difference between tax x accounting depreciation (useful life)	(11,175)	(7,420)	(11,175)	(7,420)
Deemed cost and review of the useful life of property, plant and equipment items	(38,390)	(38,806)	(38,390)	(38,806)
Effects of revenue cut-off recognition - CPC 47 (IFRS 15)	37,440	44,645	37,440	44,645
Accrued commercial funds	11,931	26,025	11,931	26,025
PVA - trade receivables and trade payables	23,317	11,505	23,317	11,505
Derivative transactions – SWAP	(4,835)	(1,414)	(4,835)	(1,414)
Derivative transactions - NDF	3,756	7,430	3,756	7,430
Derivative transactions - Options	23,745	-	23,745	-
Other	17,425	6,578	16,757	6,578
Total temporary differences	**24,462**	**41,148**	**32,542**	**41,148**
Combined deferred income tax and social contribution rate	34%	34%	34%	34%
Deferred income tax and social contribution on temporary differences	**8,317**	**13,990**	**11,064**	**13,990**

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Income tax and social contribution loss				
Income tax loss	24,816	19,162	13,784	18,111
Deferred income tax rate	25%	25%	25%	25%
Deferred income tax on income tax loss	**6,204**	**4,791**	**3,446**	**4,528**
Social contribution loss	62,617	53,527	51,585	52,476
Deferred social contribution rate	9%	9%	9%	9%
Deferred social contribution on social contribution loss	**5,636**	**4,817**	**4,643**	**4,723**
Deferred taxes				
Deferred income tax	12,320	15,077	11,582	14,815
Deferred social contribution	7,837	8,521	7,571	8,426
Income tax and social contribution at statutory rate	**20,157**	**23,598**	**19,153**	**23,241**

(*) Part of the amount of the allowance for doubtful debts is comprised of receivables that already fulfill the requirements for deductibility and were considered as deductible.
(**) Goodwill paid upon the acquisition of companies was amortized as from the date the acquirees were merged. Deferred income tax and social contribution were recognized to the extent the tax amortization occurred. Tax goodwill is fully amortized on this date.

Deferred taxes are stated at their net amounts between assets and liabilities, pursuant to CPC 32 (IAS 12) – Income Taxes, when these taxes correspond to the same tax entities and there is an enforceable right and intent of the Company's Management to settle them at their net amount.
The estimated realization of the Company's and its subsidiaries' tax credits, arising from income tax and social contribution losses, are supported by the Company's and its subsidiaries' earnings projections, approved by Management, as follows:

	Consolidated	Parent
	12/31/2021	12/31/2021
2022	-	-
2023	5,862	5,862
2024 – 2026	5,978	2,227
	11,840	**8,089**

The assumptions used in the Company's and its subsidiaries' operating and financial result projections and growth potential were based on Management's expectations regarding the Company's and its subsidiaries' future.

b. Reconciliation of income tax and social contribution expenses

The reconciliation of income tax and social contribution shown in profit or loss with the amounts calculated at the statutory rate is as follows:

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Profit before income tax and social contribution	370,526	316,726	370,382	315,290
Share of profit (loss) of subsidiaries	-	-	(3,079)	4,838
Interest on capital	(20,272)	(33,570)	(20,272)	(33,570)
Tax incentives	(308,293)	(251,958)	(302,408)	(248,857)
Effect of recognition on tax loss carryforwards	(9,889)	-	-	-
Expenditures on technological research and innovation – Law No. 11,196/05	(18,791)	(13,951)	(18,791)	(13,951)
Lawsuit – inflation adjustment of the deduction of ICMS BC PIS and COFINS	-	(62,851)	-	(62,851)
Other	7,356	12,575	(8,365)	1,848
	20,637	(33,029)	17,467	(37,253)
Combined income tax and social contribution rate	34%	34%	34%	34%
Income tax and social contribution at statutory rate	**(7,017)**	**11,230**	**(5,939)**	**12,666**
Statutory rate				
Current	(6,412)	(5,284)	(539)	(3,491)
Deferred	(605)	16,514	(5,400)	16,157
Income tax and social contribution at statutory rate	**(7,017)**	**11,230**	**(5,939)**	**12,666**
Effective rate	**(1.89%)**	**3.55%**	**(1.60%)**	**4.02%**

21. Risk and financial instrument management

1. Risk management

The Company enters into transactions involving financial instruments. These financial instruments are managed through operating strategies and internal controls that aim at ensuring liquidity, profitability and security. Financial instruments are contracted for hedging purposes based on a periodic analysis of the risk exposure that Management has the intention to hedge (exchange rates, interest rates, etc.). The control policy consists of an ongoing monitoring of contracted terms and conditions compared to market terms and conditions.

The amounts of financial assets and liabilities disclosed at the balance sheet date have been determined according to the accounting criteria and policies disclosed in specific notes to the interim financial information.

As a result of their activities, the Company and its subsidiaries could be exposed to the following financial risks:

- Credit risks;
- Liquidity risks;
- Market risks;
- Interest rate risk;
- Exchange rate risk;
- Operational risks.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

(i) Credit risk

Arises from the possibility of the Company incurring losses as a result of default by its customers or financial institutions that are depositaries of funds or short-term investments.

To mitigate these risks, the Company analyzes the financial position of its customers and manage the credit risk based on a credit rating and granting program. The Company also recognizes an allowance for expected credit loss amounting to R$14,084 as at December 31, 2021(R$13,892 as at December 31, 2020) in the consolidated and R$11,799 as at December 31, 2021 (R$13,524 as at December 31, 2020) in the Parent, to cover the credit risk.

For short-term investments and deposits at financial institutions, the Company's Management, through its treasury area, monitors market information on its counterparties to identify potential credit risks.

The carrying amounts of the main financial assets that represent the maximum exposure to credit risk at the end of the reporting period are as follows:

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Checking account	47,584	26,503	45,497	23,087
Short-term investments	893,238	726,442	870,943	720,413
Securities	14,530	4,653	14,530	4,653
Trade receivables	666,970	552,742	641,616	548,664
	1,622,322	**1,310,340**	**1,572,586**	**1,296,817**

(ii) Liquidity risk

Arises from a possible decrease in the funds used to repay the Company's debts.

Management monitors the ongoing forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet its operating needs. In addition, the Company maintains balances in highly liquid short-term investments to cover possible mismatches between the maturity date of its contractual obligations and its cash generation.

The Company invests its cash surplus in interest-bearing financial assets (note 5) and chooses instruments with appropriate maturities or sufficient liquidity to create an adequate buffer, according to the forecasts referred to above.

At the balance sheet date, cash equivalents held by the Company are highly liquid and considered as sufficient to manage liquidity risk.

The amortization schedule of the non-derivative financial liabilities in the consolidated according to contractual conditions is shown below. The flow presented was not discounted and includes interest and inflation adjustment at the contractual indices based on the respective projected rates at the balance sheet date, published by the Focus Report of the Central Bank of Brazil:

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

	12/31/2021			
	Up to one year	One to three years	More than 3 years	Total
Trade payables	870,057	-	-	870,057
Payables for acquisition of businesses	5,878	3,146	13,372	22,396
Borrowings and financing	145,490	196,990	154,833	497,313
Payables for purchase of shares	-	-	37,936	37,936
	1,021,425	**200,136**	**206,141**	**1,427,702**

	12/31/2020			
	Up to one year	One to three years	More than 3 years	Total
Trade payables	685,022	-	-	685,022
Payables for acquisition of businesses	1,157	4,125	2,063	7,345
Borrowings and financing	151,575	228,417	121,535	501,527
	837,754	**232,542**	**123,598**	**1,193,894**

As at December 31, 2021, the Company maintains a loan agreement in the amount of US$9,095 with Citibank (US$16,364 as at December 31, 2020), indexed by the Libor rate, plus 2.16% p.a., maturing in April 2023, for which it has contracted a derivative (swap agreement), with notional value at the same amount, and the CDI used as the index, maturing on the same date of the agreement. Citibank is also the derivative counterparty. Also, the Company has entered into Currency Forward Contracts totaling US$54,564 to hedge its future cash flow against currency fluctuations. The Company does not make investments for speculative purposes and, except for the contract described above, there is no other derivative contract.

The Currency Forward Contracts have average term of 90 days between the contracting date and the maturity date, with the following counterparties:

	US$ - thousands
Citibank	18,086
Bradesco	15,096
Itaú	6,957
BTG	6,830
XP	5,911
CCB	1,171
HSBC	513
	54,564

(iii) Market risk

Arises from the possibility of fluctuations in the market prices of the inputs used in the production process, especially in the electric and electronic segment. These price fluctuations may significantly change the Company's costs. To mitigate these risks, the Company manages inventories by setting up the buffer inventories of this raw material.

Additionally, there is the agreement for the purchase of shares mentioned in note 11.f, which may vary depending on the attainment of certain goals related to the EBITDA of the Acquiree's operations.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

(iv) Interest rate risk

Arises from the possibility of the Company obtaining gains or incurring losses due to fluctuations in interest rates on its financial assets and liabilities. To mitigate this type of risk, the Company seeks to diversify its funding sources and, in certain circumstances, conducts hedging transactions to reduce the finance cost of its operations. As at December 31, Currency Forward Contracts and swap transactions were contracted to mitigate cash flow risks of contracts with suppliers and borrowing from Citibank, respectively, due to currency fluctuations.

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Instruments with floating interest rate				
Securities	14,530	4,653	14,530	4,653
Borrowings and financing	(442,098)	(497,265)	(442,098)	(497,265)
Forward contracts	(3,756)	(7,430)	(3,756)	(7,430)
Swap contract	4,835	1,414	4,835	1,414
Instruments with fixed interest rate				
Borrowings and financing	(1,596)	(4,262)	-	-

(v) Exchange rate risk

Arises from possible fluctuations in the exchange rates of the foreign currencies, mainly the US dollar, used by the Company to acquire inputs, sell goods, and contract financial instruments, in addition to other payables and receivables in foreign currencies. The Company constantly assesses the hedge transactions entered into to mitigate these risks.

As at December 31, 2021, the consolidated exposure was as follows (in Brazilian reais – R$):

	12/31/2021						12/31/2020					
	Foreign currency						Foreign currency					
	US dollar – US$	Euro - €	Pound - £	Yen - ¥	Ren ¥	Total	US dollar – US$	Euro - €	Pound - £	Yen - ¥	Ren ¥	Total
Assets												
Cash and cash equivalents	26,930	21	-	-	996	27,947	9,776	22		-	934	10,732
Trade receivables	5,859	-	-	-	-	5,859	4,229	9	-	-	-	4,238
Swap contract	4,835	-	-	-	-	4,835	1,414	-	-	-	-	1,414
Liabilities												
Trade payables	(709,620)	(402)	(75)	(1,021)	-	(711,118)	(627,848)	(58)	-	(4)	(5)	(627,915)
Borrowings and financing	(50,749)	(1,596)	-	-	-	(52,345)	(85,076)	(4,262)	-	-	-	(89,338)
Forward contracts	(3,756)	-	-	-	-	(3,756)	(7,430)	-	-	-	-	(7,430)
Net exposure	**(726,501)**	**(1,977)**	**(75)**	**(1,021)**	**996**	**(728,578)**	**(704,935)**	**(4,289)**	**-**	**(4)**	**929**	**(708,299)**

Management believes that the exposures to the foreign exchange risk are acceptable for its operations.

In order to verify the sensitivity of the exchange rate differences of trade receivables and trade payables in foreign currency to which the Company and its subsidiaries were exposed as at December 31, 2021, five different scenarios were defined with stresses of 25% and 50%, of decrease or increase in relation to the benchmark rate, the expected rate used for the next 12 months. Also, these stresses of 25% and 50% correspond to percentage rates used by Management in its management analyses.

The respective foreign exchange expense and income was calculated for each scenario. The portfolio base date used was December 31, 2021. The US dollar quotation used in the projection was R$5.60.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

	(Expense)/Income				
	Scenario I - 50%	Scenario II -25%	Probable scenario	Scenario III +25%	Scenario IV +50%
Cash and cash equivalents	49	73	98	122	146
Trade receivables	14	21	28	35	42
Trade payables	(1,242)	(1,864)	(2,485)	(3,106)	(3,727)
Borrowings and financing	(91)	(137)	(183)	(229)	(274)
Derivative instruments	2	3	4	5	6
Impact on profit or loss	**(1,268)**	**(1,904)**	**(2,538)**	**(3,173)**	**(3,807)**

(vi) Operational risk

Operational risk is the risk of incurring direct or indirect losses due to a series of reasons associated to the Company's processes, personnel, technology, and infrastructure, as well as external factors, except credit, market and liquidity risks, such as those arising from legal and regulatory requirements, and generally accepted corporate behavior standards. The operational risks arise from all Company's operations.
The Company's objective is to manage the operational risk to avoid any financial losses and damages to the Company's reputation.

Senior Management has the primary responsibility for developing and implementing controls over operational risks.

2. Financial instruments - fair value

Financial assets and liabilities adjusted at current market rates are shown below:

	Consolidated				
	12/31/2021		12/31/2020		
	Carrying amount	Fair value	Carrying amount	Fair value	Classification
Assets					
Cash and cash equivalents	19,673	19,673	15,798	15,798	Amortized cost
Cash and cash equivalents – foreign currency	27,947	27,947	10,732	10,732	Amortized cost
Short-term investments	893,238	893,238	726,442	726,442	Amortized cost
Securities	14,530	14,530	4,653	4,653	Amortized cost
Trade receivables	638,726	638,726	533,107	533,107	Amortized cost
Forward contract	-	-	-	-	Fair value through profit or loss
Swap contract	4,835	4,835	1,414	1,414	Fair value through profit or loss
Liabilities					
Trade payables	870,441	870,441	682,672	682,672	Amortized cost
Borrowings and financing – including charges	443,694	441,626	501,527	500,301	Amortized cost
Other payables - acquisition of subsidiary)	16,203	16,203	7,345	7,345	Amortized cost
Payables for purchase of shares	23,475	23,475	-	-	Fair value through profit or loss
Forward contract	3,756	3,756	7,430	7,430	Fair value through profit or loss
Swap contract	-	-	-	-	Fair value through profit or loss

Derivatives are measured according to the mark-to-market calculation at the reporting date.

Fair value measurement recognized in the financial statements
The table below shows an analysis of the financial instruments recognized at fair value, after initial recognition. These financial instruments are classified in levels 1 to 3, based on the level where their fair value is quoted:

Level 1: fair value measurement derives from quoted prices (unadjusted) in active markets, based on identical assets and liabilities;

Level 2: fair value measurement derives from other quoted inputs included in Level 1, which are quoted through an asset or liability, either directly (that is, such as prices) or indirectly (that is, derived from prices); and

Level 3: fair value measurement derives from valuation techniques that include an asset or liability without active market.

At the balance sheet date, Management adopted Level 2 to determine the fair values applicable to the Company's financial instruments, except for the payables for purchase of shares arising from Khomp's acquisition, as mentioned in note 11.f, for which Level 3 is used.

Criteria, assumptions and limitations used in fair value calculation
The estimated fair values of the Company's and its subsidiaries' financial assets and liabilities were determined as described below. The Company and its subsidiaries maintain a derivative contract (swap and non-deliverable forward contracts) as mentioned in this note. Except for this instrument, there are no other derivative instruments as at December 31, 2021.

Cash and cash equivalents and short-term investments
The carrying amounts of the balances in checking accounts held at banks approximate their fair values, and we believe that they are measured at fair value based on the probable realizable amount.

Trade receivables and trade payables
Arise directly from the Company's and its subsidiaries' operations, measured at amortized cost and recorded at their original amounts, less the allowance for losses and present value adjustment, when applicable.

Borrowings and financing – including charges
The fair values of these financing facilities are equivalent to their carrying amounts because they refer to financial instruments at rates that are equivalent to market rates and have exclusive features, arising from specific financing sources.

Limitations
The fair values were estimated at the balance sheet date, based on relevant market inputs. Changes in assumptions could significantly affect the estimates.

3. Qualitative and quantitative information on financial instruments

In order to verify the rate sensitivity in short-term investments to which the Company and its subsidiaries were exposed as at December 31, 2021, five different scenarios were defined. Based on the FOCUS report of December 2021, the projected SELIC / CDI rate for the 12-month period beginning December 31, 2021 was extracted and this was defined as the probable scenario; based on this, 25% and 50% stresses were calculated, which correspond to the percentage rates used by Management in its management analyses.

The gross finance income was calculated for each scenario, without taking into consideration taxes on income from short-term investments. The portfolio base date used was December 31, 2021, projecting indices for one year and verifying CDI sensitivity in each scenario.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

	12/31/2021				
	Scenario I +50%	Scenario II +25%	Probable scenario	Scenario III -25%	Scenario IV -50%
Short-term investments	25,530	21,275	17,020	12,765	8,510

In order to verify the rate sensitivity in debts to which the Company and its subsidiaries were exposed as at December 31, 2021, five different scenarios were defined. Based on the FOCUS report of December 2021, the projected CDI / IGP-DI / IGP-M / DOLLAR rates were extracted and based on the future curve of BM&F as at December 31, 2021, the projected LIBOR rate was extracted, within a 12-month period beginning December 31, 2021, thus defining them as the probable scenario; based on this, 25% and 50% stresses were calculated, which correspond to the percentage rates used by Management in its management analyses.

The gross finance costs were calculated for each scenario, without considering taxes on costs and the maturities of each contract scheduled for the 12-month period beginning December 31, 2021. The portfolio base date used was December 31, 2021, projecting indices for one year and verifying their sensitivity in each scenario.

	12/31/2021				
	Scenario I +50%	Scenario II +25%	Probable scenario	Scenario III -25%	Scenario IV -50%
Borrowings and financing	10,283	8,569	6,930	5,142	3,428

For derivatives it was estimated the expected quotation for 12 months beginning December 31, 2021, based on the actual notional value contracted.

	12/31/2021				
	Scenario I +50%	Scenario II +25%	Probable scenario	Scenario III -25%	Scenario IV -50%
Swap and currency forward contracts	2	3	4	5	6

4. Capital management

Capital includes common shares and other reserves attributable to controlling shareholders. The main objective of the Company’s capital management is to maximize the shareholder value.

The Company manages its capital structure and adjusts it taking into account the changes in economic conditions and financial covenants. To maintain or adjust its capital structure, the Company can adjust the payment of dividends to shareholders, return capital to them, or issue new shares. The Company monitors capital through the correlation of net debt (or net cash) and equity. The Company’s policy is to maintain a net cash position or, in case of net debt, the correlation between 20% and 40%. The Company includes in the net debt interest-bearing borrowings and financing, less cash and cash equivalents.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Interest-bearing borrowings and financing	443,694	501,527	442,098	497,265
(-) Cash and cash equivalents	(940,858)	(752,981)	(916,474)	(743,535)
Consolidated net debt	(497,164)	(251,454)	(474,376)	(246,270)
Equity	1,918,665	976,230	1,900,426	976,230
Correlation	(26%)	(26%)	(25%)	(25%)

To achieve this overall goal, the Company's capital management aims at, but not limited to, ensuring that it meets the financial commitments associated with borrowings and financing that define the capital structure requirements. Any breach of financial covenants would allow the bank to immediately require the settlement of borrowings and financing. There were no breaches of the financial covenants for any interest-bearing borrowings and financing in the year. No changes were made to the capital management objectives, policies or processes in the reporting periods.

22. Net operating revenue

The table below shows the reconciliation between gross revenue for tax purposes and revenue stated in the statement of income for the year:

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Sale of goods	4,093,017	2,781,210	3,998,474	2,750,851
Present value adjustment (PVA)	(37,020)	(24,654)	(37,020)	(24,654)
Commercial funds	(99,427)	(76,711)	(99,426)	(76,711)
Sales returns	(187,221)	(84,697)	(184,632)	(84,257)
Sales deductions:				
IPI (*)	(232,781)	(171,090)	(229,957)	(173,057)
ICMS	(189,281)	(107,188)	(191,116)	(105,741)
PIS	(46,144)	(32,321)	(45,595)	(31,971)
COFINS	(212,609)	(149,627)	(210,072)	(148,011)
ISS	(1,283)	(546)	(395)	(214)
Law 13,969/19	(79)		(79)	
Net operating revenue	**3,087,172**	**2,134,376**	**3,000,182**	**2,106,235**

(*) The increase in the balance in the IPI line item is due to the amendments to the law for the information technology and communication sectors. Up to March 31, 2020, the Company was eligible to tax benefits granted by the Federal IT Law No. 8,248/91, which provides for the qualification and competitiveness of the IT and automation sector. The right to the benefit is contingent on the compliance by the Company with the requirements and conditions established by the prevailing law, including, the annual investment of part of the gross revenue in the domestic market, arising from the sale of IT goods and services, in research and development activities to be carried out in Brazil.

Beginning April 1, 2020, the Company started to be classified under the provisions of Law 13,969/2019 which amended Law 8,248/91, whereby the Company starts to be entitled to Financial Credit to be offset against federal taxes in accordance with requirements similar to those set out in the aforesaid law, including the annual investment of part of its gross revenue in the domestic market arising from the sale of IT goods and services, in research and development activities to be performed in Brazil, the main change of which is the method of granting of the benefit, no longer being an IPI decrease but rather financial credit to be offset against federal taxes.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

23. Expenses by nature

The Company elected to present the statement of income by function. As prescribed by CPC 26 (R1) (IAS 1) – Presentation of Financial Statements, costs and expenses are broken down by nature as follows:

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Expenses by function				
Cost of sales and services	2,177,896	1,433,542	2,156,239	1,428,446
Selling expenses	356,114	260,663	340,175	253,352
General and administrative expenses	182,955	142,334	158,769	126,374
Other operating expenses (income), net	7,599	(88,537)	(14,017)	(89,894)
	2,724,564	1,748,002	2,641,166	1,718,278

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Cost of sales and services				
Raw material and resale	1,984,707	1,309,941	1,976,381	1,313,163
Fixed production costs	206,554	142,193	193,223	133,875
Present value adjustment (PVA)	(13,365)	(18,592)	(13,365)	(18,592)
	2,177,896	**1,433,542**	**2,156,239**	**1,428,446**
Selling expenses				
Personnel and benefits	169,137	121,128	157,047	115,142
Variable selling expenses	59,452	35,342	59,198	35,284
Freight	51,829	41,522	51,575	41,519
Marketing expenses	31,012	33,456	30,807	33,441
Outside services	14,717	8,473	13,775	7,863
Travels and representations	13,898	7,682	13,101	7,247
Maintenance and backup material	6,655	3,459	6,554	3,339
Utilities	5,161	4,187	4,733	4,092
Depreciation and amortization	4,829	3,381	4,697	3,355
Other	(576)	2,033	(1,312)	2,070
	356,114	**260,663**	**340,175**	**253,352**
General and administrative expenses				
Personnel and benefits	151,820	123,210	130,836	109,539
Outside services	14,817	6,811	12,754	5,539
Maintenance and backup material	7,420	5,417	6,941	4,752
Depreciation and amortization	5,701	4,820	5,093	4,632
Utilities	2,987	2,422	2,826	1,845
Other	210	(346)	319	67
	182,955	**142,334**	**158,769**	**126,374**
Other operating income (expenses), net				
R&D costs	102,110	70,478	83,575	66,341
Financial credit	(99,458)	(84,017)	(95,601)	(84,017)
Deduction of ICMS from PIS and COFINS tax basis	-	(73,579)	-	(73,579)
Allocation of surplus realization	9,541	-	-	-
Gain (loss) on investment in funds	(1,060)	(1,314)	(1,060)	(1,314)
Write-off of provision for foreign investment	(1,220)	(602)	(1,220)	(602)
Other	(2,314)	497	289	3,277
	7,599	**(88,537)**	**(14,017)**	**(89,894)**

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

24. Finance income (costs)

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Income from short-term investments	37,722	13,711	36,958	13,659
Interest (i)	3,579	64,840	3,330	64,773
Present value adjustment	28,603	25,639	28,603	25,639
Present value adjustment – call option	2,420	-	2,420	-
Other	536	(3,285)	488	(3,285)
Finance income	**72,860**	**100,905**	**71,799**	**100,786**
Exchange gains	72,928	176,906	72,928	178,216
Exchange gains - borrowings	11,195	16,019	11,195	16,019
Revenues on derivatives – SWAP	13,993	7,889	13,993	7,889
Revenues on derivatives – forward contracts	72,313	16,360	72,313	16,360
Income on exchange rate changes	**170,429**	**217,174**	**170,429**	**218,484**
Interest on financing and borrowings	(25,021)	(21,260)	(24,869)	(21,163)
Banking expenses	(7,078)	(4,394)	(6,097)	(3,901)
Expenses on advanced receivables	(15)	(52)	(15)	(52)
IOF on financial transactions	(828)	(902)	(743)	(847)
Present value adjustment	(16,760)	(20,730)	(16,760)	(20,730)
Other	(462)	(413)	(246)	(396)
Finance costs	**(50,164)**	**(47,751)**	**(48,730)**	**(47,089)**
Exchange losses	(94,465)	(295,809)	(94,469)	(295,843)
Exchange gains - borrowings	(13,269)	(25,934)	(13,269)	(25,934)
Expenses on derivatives – SWAP	(10,572)	(9,302)	(10,572)	(9,302)
Expenses on derivatives – forward contracts	(66,901)	(8,931)	(66,901)	(8,931)
Expenses on exchange gains (losses)	**(185,207)**	**(339,976)**	**(185,211)**	**(340,010)**
Finance income (costs), net	**7,918**	**(69,648)**	**8,287**	**(67,829)**

(i) As at December 31, 2020, the amount of R$62,851 related to the adjustment of the lawsuit filed to deduct the ICMS from the PIS and COFINS tax basis, after the final and unappealable decision, was recorded, as mentioned in note 9b.

25. Payroll, related taxes and profit sharing

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Payroll	11,857	10,278	11,105	9,663
Related taxes	10,712	7,895	9,452	7,386
Accrued vacation pay and related taxes	35,344	22,506	31,256	21,277
Profit sharing	44,213	61,402	42,004	60,456
Other	503	708	486	689
	102,629	**102,789**	**94,303**	**99,471**

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

26. Insurance coverage

The Company has a risk management program designed to minimize risks, seeking in the market coverage that is compatible with its size and operations. The insurance amounts are considered sufficient by Management to cover possible losses, taking into account the nature of the activities, the risks involved in operations and the advice of its insurance brokers.

The Company has the following main insurance policy taken with a third party effective from April 2021 to April 2022:

Insured risks	Insured amount	Deductible
Fire / disposal / riot / explosion / implosion	R$244,000	15% losses reimbursable at the minimum amount of R$270,000.00
Flood	R$2,000	10% losses reimbursable at the minimum amount of R$250,000.00
Electrical damages	R$1,000	10% losses reimbursable at the minimum amount of R$5,000.00
Loss of profits (P.I. 4 months)	R$145,000	5 days
Machinery breakdown	R$2,000	10% losses reimbursable at the minimum amount of R$25,000.00
Robbery and/or aggravated theft	R$2,000	10% losses reimbursable at the minimum amount of R$50,000.00
Windstorm, hurricane, cyclone, aircraft crash, impact	R$30,000	10% losses reimbursable at the minimum amount of R$250,000.00
Fire / disposal / riot / explosion / implosion	R$5,000	Reimbursable losses must be added to the losses of the original coverage for deduction of the respective deductible
Insured assets held by third parties	R$1,500	10% losses reimbursable at the minimum amount of R$10,000.00

27. Segment reporting

The segment reporting below is used by the Management of Intelbras to assess the performance of the operating segments and make decisions on the allocation of funds, the gross profit being the measurement used in the performance of its operating segments.

<u>Security</u>
Segment comprised of business lines related to electronic security, such as analog video surveillance equipment (CCTV), IP video surveillance (CCTV IP), alarms and sensors against invasion, alarms and sensors against fire and access control (controls and devices for building, residential and corporate use).

<u>Communication</u>
Segment comprised of business lines related to voice, image and data communication, as well as for network infrastructure. Equipment for corporate network, residential and fiber optic infrastructure, residential and corporate communication systems and related accessories is sold.

<u>Energy</u>
Segment comprised of business lines related to the supply of energy for electric and electronic equipment and consumers in general, in addition to power saving and no break devices for houses, companies and buildings. Power supplies, batteries, no breaks, light sensors, in addition to on-grid and off-grid solar power generators are sold.

The Company’s operations are carried out in Brazil and abroad, and there are no customers accounting for more than 10% of the revenue of each segment.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

	Consolidated			
	12/31/2021			
	Communication	Security	Energy	Total
Net operating revenue	917,976	1,620,093	549,103	**3,087,172**
Gross profit	239,315	552,164	117,797	**909,276**

	Consolidated			
	12/31/2020			
	Communication	Security	Energy	Total
Net operating revenue	772,713	1,147,074	214,589	**2,134,376**
Gross profit	230,099	418,635	52,100	**700,834**

The information on assets regularly generated and analyzed by the managers of the respective segments, comprising the following assets: trade receivables, property, plant and equipment and intangible assets, is shown below. Liabilities are comprised of trade payables. This data is regularly analyzed by Management to assess the investments and allocation of funds necessary for each segment. The Company improved the disclosure of reportable assets and liabilities, so as to present the balances comprising the adjustments to the accounting related to accounting standards CPC 47 (IFRS 15) – Revenue from Contracts with Customers and CPC 12 – Present Value Adjustment, and the allocation of the common areas proportionally.

	12/31/2021			
	Communication	Security	Energy	Total
Assets	397,230	464,038	148,524	**1,009,792**
Liabilities	132,974	457,257	280,210	**870,441**

	12/31/2020			
	Communication	Security	Energy	Total
Assets	357,069	446,222	74,792	**878,083**
Liabilities	242,761	371,817	68,094	**682,672**

28. Information on related-party transactions and balances

The Company is mainly engaged in the manufacture, development and sale of electronic security equipment and electronic surveillance and monitoring services, consumer voice and/or data communications devices and equipment, professional voice and/or data communications equipment, services and means, network equipment, data communications infrastructure means and solutions. The Company's subsidiaries are described in note 2.4.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Balance sheet transactions				
Assets				
Loans				
Loans granted - Prediotech	-	-	-	2,478
Loans granted - Décio	-	-	15,509	10,482
	-	-	15,509	12,960
Trade receivables				
Trade receivables – Khomp	-	-	16	-
Trade receivables – Décio	-	-	15	-
	-	-	31	-
Liabilities				
Trade payables				
Trade payables - Dahua	(263,219)	(202,754)	(263,219)	(202,754)
Trade payables - Décio	-	-	(522)	(343)
Trade payables - Ascent	-	-	(408)	(280)
Trade payables - Khomp	-	-	(14)	-
	(263,219)	**(202,754)**	**(264,163)**	**(203,377)**

	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Profit or loss transactions				
Sales made by Dahua to the Company	(514,719)	(339,875)	(514,719)	(339,875)
Sales made by Décio to the Company	-	-	(22,494)	(7,525)
Sales made by Ascent to the Company	-	-	(5,855)	(9,081)
Sales made by Khomp to the Company	-	-	(94)	-
Sales made by Ascent to the Dahua	4,559	-	-	-
Sales made by Decio to Khomp	-	-	435	-
Sales made by Khomp to Seventh	-	-	22	-
Sales made by the Company to Khomp	-	-	40	-
Sales made by the Company to Décio	-	-	12	-
Sales made by the Company to Seventh	-	-	10	-
Total related-party transactions recorded in profit or loss	**(510,160)**	**(339,875)**	**(542,643)**	**(356,481)**

Related-party transactions

Related-party balances refer to transactions under specific conditions agreed upon among the parties; balances in general are adjusted for inflation based on the Selic rate. Finally, the Company understands that related-party transactions have operating characteristics, thus the effects are recorded in operating activities in its statement of cash flows.

As at December 31, 2018, the Company entered into a cooperation agreement ("Cooperation Agreement") with Zhejiang Dahua Technology Co., Ltd., a company comprising the economic group of Dahua Europe B.V. Under the Cooperation Agreement, the Company grants to supplier Dahua priority in the supply of closed circuit television products comprised of electronic surveillance cameras and digital video recorders, subject to the compliance by supplier Dahua with certain conditions, as established in the Cooperation Agreement. Beginning November 2019, supplier Dahua acquired shares representing 10% of the Company's capital.

Collaterals

The Company offers collateral for the borrowings and financing described in note 15, which are granted to the financial institutions and comprise letter of guarantee and property, plant and equipment items.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

Compensation of key management personnel

Key management personnel includes the members of the Board of Directors and statutory and non-statutory officers, which duties involve the decision-making power and the control over the Company's activities. Compensation of key management personnel totaled R$37,328 during the year ended December 31, 2021 (R$10,037 as at December 31, 2020). This amount comprises short-term benefits consisting of: (i) management fees paid to the executive board and members of the Board of Directors; (ii) bonus paid to the executive board and (iii) other benefits, such as healthcare plan. The Company does not grant any post-employment and/or severance benefits to its officers and directors, other than those prescribed by the applicable law.

Key management personnel are not entitled to long-term benefits, such as pension plan, share-based compensation plan, etc.

Other related-party transactions

On February 25, 2021, the Company acquired a land located in the City of Tubarão, in Santa Catarina, to build a manufacturing plant. The land with 33,007.40m² was acquired at the amount of R$5,490 from Fazenda Revoredo Ltda, owned by the Company's controlling shareholders.

29. Non-cash items

Transactions in the year not affecting the Company's cash flows are as follows:

	Consolidated		Parent	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Items not affecting cash:				
Exchange rate differences on foreign subsidiary	181	626	181	626
Lease contracts recognized	7,306	-	3,866	-
Recognition of deferred tax liabilities on investee's acquisition	16,591	-	12,444	-
Call options of noncontrolling interests	25,896	-	25,896	-
Acquisition of property, plant and equipment in installments	(1,913)	(3,157)	(1,913)	(3,157)
Acquisition of property, plant and equipment using borrowings and financing - Finimp	-	(1,727)	-	-
Accrued dividends payable	33,151	54,736	33,151	54,736

30. Events after the reporting period

On February 15, 2022, the Company announced to the market that it has entered into an agreement, whereby it has agreed to acquire 100% of the shares of Renovigi Energia Solar S.A.. The acquiree operates in the solar power segment, and is recognized in the national market, supported by an extensive network of partners for the resale of its products. The acquisition will represent to the Company's several sales channels and partners a major business opportunity, expanding the availability of products in the local market and benefiting the entire chain. The Company will pay to the sellers the total estimated amount of R$334,336 depending on the attainment of certain goals. The transaction set forth in the agreement is subject to the compliance with certain conditions precedent to the usual closing in transactions of this nature, including, without limitation, the transaction approval by the Administrative Council of Economic Defense (CADE).