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

Intelbras S.A. - Indústria de Telecomunicação Eletrônica Brasileira

Individual and Consolidated
Interim Financial Information for the
Quarter Ended September 30, 2020 and
Report on Review of Interim Financial Information

Deloitte Touche Tohmatsu Auditores Independentes

Intelbras S.A. - Indústria de Telecomunicação Eletrônica Brasileira

Interim financial information

September 30, 2020

Contents

MANAGEMENT REPORT ON EARNINGS RELEASE FOR THE THIRD QUARTER OF 2020

Intelbras generates consolidated net revenue of R$637,601 thousand in 3Q20 and EBITDA of R$110,969 thousand.

São José (state of Santa Catarina), November 23, 2020 - **Intelbras S.A. - Indústria de Telecomunicação Eletrônica Brasileira** ("Intelbras" or the "Company") hereby discloses its consolidated earnings for the 3rd quarter (3Q20) and the nine-month period ended September 30, 2020. The amounts presented herein are compared to the 3rd quarter (3Q19) and the nine-month period ended September 30, 2019, unless otherwise stated. The results have been prepared in accordance with the Brazilian Corporation Law, as well as in compliance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS).

HIGHLIGHTS

- Net operating revenue in 3Q20 of **R$637,601 thousand** (up 42.1% YoY) and **R$1,463,152 thousand** in 9M20 (up 20.2% YoY);
- Gross profit of **R$227,249 thousand** in 3Q20 (up 47.0% YoY) and **R$535,066 thousand in 9M20** (up 26.8% YoY);
- EBITDA of **R$110,969 thousand** in 3Q20 (up 89.8% YoY) and **R$250,804** thousand in 9M20 (up 78.4% YoY);
- Net income of **R$94,542 thousand** in 3Q20 (up 162.0% YoY) and **R$121,210 thousand in 9M20** (up 2.6% YoY);
- CAPEX investments amounted to **R$40,481 thousand in 9M20**;
- ROIC was 54.1% in 3Q20 (up 8.7 p.p. YoY), and 49.7% in 9M20 (up 16.0 p.p. YoY).

KEY INDICATORS

In thousands of R$ (unless otherwise stated)	1Q20	2Q20	3Q20	9M20	1Q19	2Q19	3Q19	9M19
Total Net Revenue	446,122	379,429	637,601	1,463,152	362,885	406,035	448,590	1,217,510
Gross Profit	156,521	151,296	227,249	535,066	130,048	137,414	154,553	422,015
Gross Margin	35.1%	39.9%	35.6%	36.6%	35.8%	33.8%	34.5%	34.7%
EBITDA	67,104	72,731	110,969	250,804	44,791	37,318	58,466	140,575
EBITDA Margin	15.0%	19.2%	17.4%	17.1%	12%	16.9%	13.0%	11.5%
Net Income	(24,336)	51,004	94,542	121,210	39,452	42,599	36,091	118,142
Net Margin	-5.5%	13.4%	14.8%	8.3%	11%	10.5 %	8.0%	9.7%
Earnings per share	(0.864)	1.811	3.3572	4.3042	*1.40*	1.513	1.2816	4.1952

A MESSAGE FROM MANAGEMENT

The third quarter of 2020 saw a slow return to daily activities, after a long and severe period of social distancing in several cities. Although the economic and social activities have not been fully established yet, there was an increase in consumption by families and a growth in economic activities in various sectors of the economy.

Due to the characteristics of its products, the Company has not been affected by the pandemic. In the third quarter, due to increased demand after the flexibilization of social distancing, our results recorded expressive growth. In this quarter, all our segments had a performance of results above that recorded in the same period of the previous year, also surpassing the performance seen in the second and first quarters of the year.

Fluctuations in exchange rates in the quarter, as well as throughout the year, have challenged our business. Through permanent price monitoring, contracting of hedging instruments, strict cost and pricing controls, negotiations with suppliers and a dedicated sales team, we have managed to maintain the balance of prices for customers and keep our profit margins. Rigorous and constant control and monitoring of our inventories were also an important element in this scenario.

The pandemic is not over yet. It still requires care and attention from everyone, that is, the government, the citizens and the companies. We are attentively monitoring all aspects that involve the crisis, and maintaining security policies for our employees, partners, customers and suppliers. Our products play a significant role in this moment, being important to enable people to continue their business and activities despite the challenges imposed by the pandemic. We are aware of our responsibility in this context and will continue to contribute with innovative products that may add value to our customers.

Management

COMMENTS ON THE COMPANY'S PERFORMANCE DURING THE QUARTER

Key financial indicators

In thousands of R$ (unless otherwise stated)	3Q20	3Q19	Δ%	9M20	9M19	Δ%
Total Net Revenue	637,601	448,590	42.1%	1,463,152	1,217,510	20.2%
Gross Income	227,249	154,553	47.0%	535,066	422,015	26.8%
Gross Margin	35.6%	34.5%	1.1 pp	36.6%	34.7%	1.9pp
EBITDA	110,969	58,466	89.8%	250,804	140,575	78.4%
EBITDA Margin	17.4%	13.0%	4.4pp	17.1%	11.5%	5.6pp
Net Income	94,542	36,091	161.9%	121,210	118,142	2.6%
Net Margin	14.8%	8.0%	6.8pp	8.3%	9.7%	-1.4 PP

- **Revenue**

Net revenues amounted to R$637,601 thousand in 3Q20 (up 42.1% against 3Q19), and R$1,463,152 thousand in 9M20 (up 20.2% against 9M19). The growth in revenues is due to the increase in volumes sold in the period due to the high demand as a result of the pandemic. In the nine-month period ended September 30, 2020, our Network business unit recorded an increase of R$143,283 thousand in sales, while Solar Energy business unit's sales increased by R$69,398 thousand compared to the same period in 2019. The operations of Decio and Seventh carried out in 2019 have also contributed to the growth in revenues, and their sales in 2020 amounted to R$17,877 thousand.

- **Gross Profit**

In thousands of R$	3Q20	3Q19	Δ%	9M20	9M19	Δ%
Net operating revenue	**637,601**	**448,590**	**42.1%**	**1,463,152**	**1,217,510**	**20.2%**
Cost of goods sold	(410,352)	(294,037)	39.6%	(928,086)	(795,495)	16.7%
Gross Profit	**227,249**	**154,553**	**47.0%**	**535,066**	**422,015**	**26.8%**

The cost of goods sold totaled R$410,352 thousand in 3Q20, up 39.6% over 3Q19. The cost accrued in 9M20 amounted to R$928,086 thousand, up 16.7% compared to 9M19. The growth in costs was consistent with the company's sales performance. In the end of 2019, we adopted a strategy that consists of not transferring foreign exchange increases to end prices immediately, gaining scale. In 2019, we adjusted our prices gradually and managed to maintain sales volumes.

In 3Q20, the gross margin was 35.6% (34.5% in 3Q19), and in 9M20 it was 36.6% (34.7% in 9M19), showing a consistent recovery in our margins of 2 and 1 percentage point respectively.

- **Operating expenses**

In thousands of R$	3Q20	3Q19	Δ%	9M20	9M19	Δ%
Selling expenses	(67,606)	(60,009)	12.6%	(173,857)	(175,587)	-1.0%
Administrative and general expenses	(37,343)	(24,969)	49.6%	(79,098)	(72,948)	8.4%
Other revenue (expenses), net	(17,331)	(15,454)	12.2%	(47,776)	(45,487)	5.0%
Total	**(122,280)**	**(100,432)**	**21.8%**	**(300,731)**	**(294,022)**	**2.3%**

Selling expenses recorded a variation of +12.6% in 3Q20 against 3Q19, falling -1.0% in 9M20 against the same period in the previous year, in spite of the increase of 42.1% and 20.2% respectively. The variation in the quarter is due to the strong expansion in sales in the quarter, compared to the same period of the previous year. In the nine-month period, selling expenses fell mainly as a result of the reduction in costs with travel and on-site events.

Administrative and general expenses, in turn, increased by 49.6% in 3Q20, and 8.4% in 9M20 against the same periods in the previous year. This growth was due to the expansion in our structure due to the growth in our operations, and the structures of Decio and Seventh, which were purchased in the previous year. Compared to the same period in the previous year, there was also an increase in expenses with cleaning and security activities due to the special care relating to the COVID-19. Despite increasing against the previous year, administrative expenses remained at 5.9% in 2020 and 2019, compared to net selling revenues.

Other net operating expenses maintained their historical levels.

- **EBITDA**

In thousands of R$	3Q20	3Q19	Δ%	9M20	9M19	Δ%
Net Income	**94,542**	**36,091**		**121,210**	**118,142**	
(+/-) Income tax and social contribution	11,874	(2,911)		(22,145)	835	
(+/-) Financial income, net	(1,447)	20,941		135,270	9,016	
(+) Depreciation	4,712	3,433		12,644	9,873	
(+) Amortization	1,288	912		3,825	2,709	
EBITDA	**110,969**	**58,466**	**89.8%**	**250,804**	**140,575**	**78.4%**

EBITDA was R$110,969 thousand in 3Q20, up 89.8% against 3Q19. This same performance was recorded in 9M20, when EBITDA amounted to R$250,804 thousand, up 78.4% compared to 9M19. This performance is basically explained by the increase in sales volume and maintenance of the gross margin. Operating expenses recorded small expansion when proportionally compared to the growth in revenues.

EBITDA margin in 3Q20 and 9M20 was 17.4% and 17.1% respectively (13.0% and 11.5% in 3Q19 and 9M19, respectively), representing a gain of 4.4 p.p. in 3Q20, and 5.6 p.p. in 9M20 compared to the same period in the previous year.

- **ROIC**

In thousands of R$	3Q20	12.31.2019	Δ%
Operational income before financial income	290,271	183,929	
Income tax and social contribution	21,905	(1,075)	
NOPAT	**312,176**	**182,854**	
(Cash)/Net debt	(83,522)	(134,919)	
Shareholders Equity	749,163	724,859	
Capital Employed	**665,642**	**589,940**	
ROIC	**46.9%**	**31.0%**	15.9 p.p
ROIC pre-tax (1)	**43.6%**	**31.2%**	12.4 p.p

(1) calculated based on operating income before financial income (expenses) and without deducting taxes

ROIC is prepared based on the results achieved in the last four quarters.

The ROIC for 3Q20 was up 15.9 p.p. against 3Q19, reaching 46.9%, impacted by the increase in revenues in the quarter compared to the same period in the previous year.

- **Financial income**

In thousands of R$	3Q20	3Q19	Δ%	9M20	9M19	Δ%
Financial expenses	8,181	16,285	-49.8%	30,286	41,453	-26.9%
Financial revenues	(12,285)	(8,565)	43.4%	(34,256)	(24,884)	37.7%
Foreign Exchange variation	5,551	(28,661)	-119.4%	(131,300)	(25,585)	413.2%
Total	**1,447**	**(20,941)**	**220.7%**	**(135,270)**	**(9,016)**	**-16.7%**

Financial expenses and revenues maintained a constant level against the average level of loans and financing, as well as our cash position.

The foreign exchange component is most representative in the financing of our imports and accounts payable to foreign suppliers. This last component has the highest weight in the behavior of foreign exchange variation. A substantial portion of our manufacturing inputs are imported. On average, 90% of our balance of accounts payable to suppliers includes amounts due in dollars, representing approximately US$87,000 thousand on September 30, 2020 (US$102,000 thousand on December 31, 2019). The average term of payments is 130 days. The depreciation of the *real* against the dollar of approximately 40% in the period resulted in a negative foreign exchange variation of R$131,300 thousand.

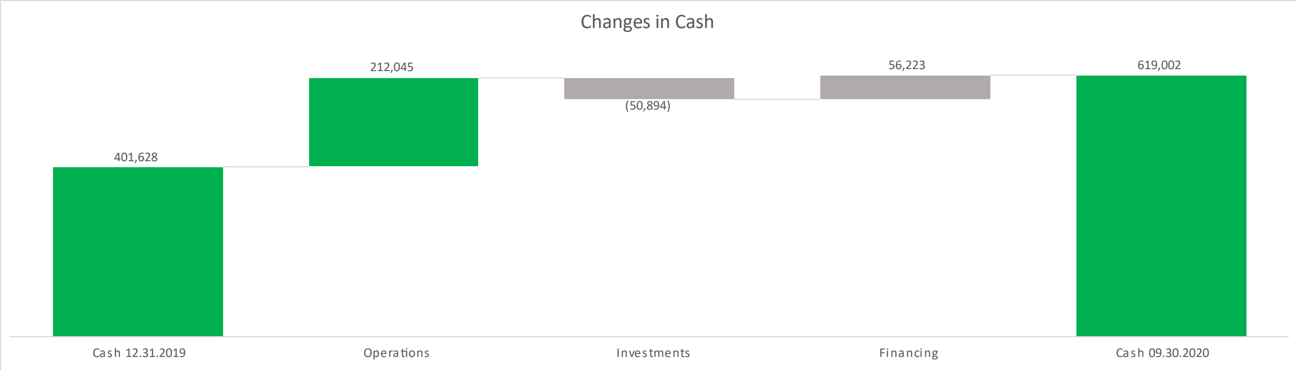
CAPITAL STRUCTURE

Cash and debt position

In thousands of R$	3Q20	12.31.2019
Loans and financing (current liabilities)	(162,099)	(41,293)
Loans and financing (non-current liabilities)	(315,942)	(225,416)
Gross indebtedness	**(478,041)**	**(266,709)**
Cash and cash equivalents	619,002	401,628
Net cash/(net debt)	**140,961**	**134,919**

We maintained our policy of a robust cash position in line with our capital management strategy. As of September 30, 2020, our cash position increased against that recorded in December 31, 2019 due to reinforcement of our cash as part of the measures we have taken to hedge against risks that may occur due to the pandemic. We intend to maintain a high cash position until the risks related to the Covid-19 decrease.

Changes in cash



Cash from operations comes from the result of the nine-month period ended September 30, 2020. As explained above, our gross margin and cash generation recorded significant expansion, particularly in 3Q20. Cash from operations was not higher due to the increase in working capital of approximately R$82,781 thousand compared to December 31, 2019.

Of the amount allocated to investments, R$40,481 thousand refers to property, plant and equipment, while the remaining amount was allocated to acquisitions of software and intangible assets.

Financing activities consisted of funding of R$260,329 thousand, repayment of principal and interest totaling R$183,686, and payment of dividends to shareholders of approximately R$20,420.

The funds raised surpassed those recorded in previous periods, since we contracted working capital loans to enable a more comfortable cash position and cover potential risks relating to the COVID-19 crisis.

ATTACHMENT I - Consolidated statement of income

	Consolidated									
	07/01/2020 to 09/30/2020	01/01/2020 to 09/30/2020	04/01/2020 to 06/30/2020	01/01/2020 to 06/30/2020	01/01/2020 to 03/31/2020	07/01/2019 to 09/30/2019	01/01/2019 to 09/30/2019	04/01/2019 to 06/30/2019	01/01/2019 to 06/30/2019	01/01/2019 to 03/31/2019
	3Q20	9M20	2Q20	6M20	1Q20	3Q19	9M19	2Q19	6M19	1Q19
Net operating revenue	637,601	**1,463,152**	379,429	**825,551**	**446,122**	448,590	**1,217,510**	406,035	**768,920**	**362,885**
Cost of goods sold and services provided	(410,352)	(928,086)	(228,133)	(517,734)	(289,601)	(294,037)	(795,495)	(268,621)	(501,458)	(232,837)
Gross profit	227,249	**535,066**	151,296	**307,817**	**156,521**	154,553	**422,015**	137,414	**267,462**	**130,048**
Operating income (expenses)										
Selling expenses	(67,606)	(173,857)	(46,038)	(106,251)	(60,213)	(60,009)	(175,587)	(61,412)	(115,578)	(54,166)
Administrative and general expenses	(37,343)	(79,098)	(22,569)	(41,755)	(19,186)	(24,969)	(72,948)	(27,255)	(47,979)	(20,724)
Employees' profit sharing							-			
Other operating income (expenses), net	(17,331)	(47,776)	(15,450)	(30,445)	(14,995)	(15,454)	(45,487)	(15,624)	(30,033)	(14,409)
	(122,280)	(300,731)	(84,057)	(178,451)	(94,394)	(100,432)	(294,022)	(104,291)	(193,590)	(89,299)
Operating income before financial income (expenses)	104,969	**234,335**	67,239	**129,366**	**62,127**	54,121	**127,993**	33,123	**73,872**	**40,749**
Financial income	8,181	30,286	11,303	22,105	10,802	16,285	41,453	12,904	25,168	12,264
Financial expenses	(12,285)	(34,256)	(10,306)	(21,971)	(11,665)	(8,565)	(24,884)	(7,388)	(16,319)	(8,931)
Foreign exchange variation, net	5,551	(131,300)	(22,169)	(136,851)	(114,682)	(28,661)	(25,585)	5,423	3,076	(2,347)
Income before taxes	106,416	**99,065**	46,067	**(7,351)**	**(53,418)**	33,180	**118,977**	44,062	**85,797**	**41,735**
Current income tax and social contribution	(430)	(1,264)	(438)	(834)	(396)	675	(3,120)	(354)	(3,795)	(3,411)
Deferred income tax and social contribution	(11,444)	23,409	5,375	34,853	29,478	2,236	2,285	(1,109)	49	1,158
Net income for the period	94,542	**121,210**	51,004	**26,668**	**(24,336)**	36,091	**118,142**	42,599	**82,051**	**39,452**

ATTACHMENT II – Assets

	Consolidated			
	09/30/2020	06/30/2020	03/31/2020	12/31/2019
Assets				
Current assets				
Cash and cash equivalents	619,002	618,233	490,257	401,628
Marketable securities	1,160	1,156	1,152	1,141
Trade accounts receivable	458,286	334,976	373,092	363,630
Inventories	496,774	463,897	517,773	434,776
Taxes recoverable	39,232	54,112	32,082	16,610
Derivative financial instruments	18,231	5,326	1,499	-
Other receivables	7,521	9,332	19,129	6,909
Total current assets	**1,640,206**	**1,487,032**	**1,434,984**	**1,224,694**
Non-current assets				
Marketable securities	3,480	4,626	4,606	4,563
Trade accounts receivable	3,391	2,294	3,147	2,325
Escrow deposits	11,750	11,695	11,576	11,509
Deferred taxes	30,494	41,938	36,563	7,085
Taxes recoverable	27,531	27,258	27,320	27,228
Other receivables	3,556	3,721	3,531	4,239
Investments	2,269	2,230	2,236	1,819
Property, plant and equipment	246,712	252,541	248,786	230,088
Intangible assets	85,957	86,560	87,396	87,975
Total non-current assets	**415,140**	**432,863**	**425,161**	**376,831**
Total assets	**2,055,346**	**1,919,895**	**1,860,145**	**1,601,525**

ATTACHMENT III – Liabilities

	Consolidated			
	09/30/2020	06/30/2020	03/31/2020	12/31/2019
Liabilities				
Current liabilities				
Suppliers	561,243	419,647	571,457	466,359
Loans and financing	162,099	242,001	172,494	41,293
Salaries, payroll charges and profit sharing	70,514	57,745	41,248	54,079
Taxes payable	24,851	20,171	(52)	8,311
Provision for warranty claims	13,623	13,177	12,968	12,719
Provision for tax, labor and civil contingencies	401	421	422	426
Interest on shareholders' equity/dividends	2,168			-
Other accounts payable	45,003	40,741	45,715	40,373
Total current liabilities	**879,902**	**793,903**	**844,252**	**623,560**
Non-current liabilities				
Loans and financing	315,942	349,514	290,884	225,416
Salaries, charges and profit sharing payable				
Taxes payable	11,205	11,200	11,192	11,197
Provision for tax, labor and civil contingencies	9,441	7,451	7,048	6,551
Investments in unsecured liabilities	-	-	-	-
Other accounts payable	9,621	10,993	11,046	9,942
Total non-current liabilities	**346,209**	**379,158**	**320,170**	**253,106**
Shareholders' equity				
Capital stock	350,000	350,000	350,000	350,000
Treasury shares				
Profit reserves	343,325	371,202	344,397	349,518
Equity valuation adjustments	25,681	25,750	25,818	25,887
Retained earnings	110,167	26,805	(24,267)	-
Cumulative translation adjustments	62	(118)	(225)	(546)
Total shareholders' equity	**829,235**	**746,834**	**695,723**	**724,859**
Total liabilities and shareholders' equity	**2,055,346**	**1,919,895**	**1,860,145**	**1,601,525**

Disclaimers

Some of the statements made in this document are based on hypotheses, assumptions and points of view of our management, taking into account data and information available as of the date of preparation of this document. Actual results, performance and events may differ significantly from those expressed herein, due to a number of factors, such as general and economic conditions in Brazil and other countries, exchange rates etc. Certain percentages and figures contained in this document may have been rounded up for disclosure purposes, and therefore totals in certain tables may not represent the arithmetic sum of the numbers that precede them and may differ from those presented in the financial statements. This performance report contains accounting and non-accounting data, such as operating and pro-forma financial data, and forecasts based on management's expectations. The non-accounting data have not been reviewed by our independent auditors.

EBITDA (earnings before interest, income tax and social contribution, financial income and expenses, depreciation and amortization) is not a financial performance measurement according to the accounting practices adopted in Brazil (BR GAAP). Since EBITDA does not consider expenses inherent to the business, it has limitations that affect its use as an indicator of profitability or liquidity. EBITDA should not be considered as an alternative to net income or cash flow from operations. In addition, EBITDA has no standardized meaning, and our definition may not be comparable to the definition adopted by other companies. Also, extraordinary results considered for the calculation of Adjusted EBITDA and Adjusted Net Income should not be considered as an alternative to EBITDA and net income under BR GAAP.

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Intelbras S.A. - Indústria de Telecomunicação Eletrônica Brasileira ("Company"), identified as Parent and Consolidated, respectively, included in the Interim Financial Information Form - ITR, for the quarter ended September 30, 2020, which comprises the balance sheet as at September 30, 2020 and the related statements of income and of comprehensive income for the three- and nine-month periods then ended, and the statements of changes in equity and of cash flows for the nine-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with technical pronouncement CPC 21 (R1) and international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities and Exchange Commission - CVM, applicable to the preparation of Interim Financial Information - ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and international standards on review of interim financial information (NBC TR 2410 and ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the interim financial information referred to above was not prepared, in all material respects, in accordance with technical pronouncement CPC 21 (R1) and international standard IAS 34, applicable to the preparation of the Interim Financial Information - ITR, and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission - CVM.

Other matter

Statements of value added

The interim financial information referred to above includes the individual and consolidated statements of value added - DVA for the nine-month period ended September 30, 2020, prepared under the responsibility of the Company's Management and disclosed as supplemental information for purposes of the international standard IAS 34. These statements were subject to review procedures performed together with the review of the Interim Financial Information - ITR to reach a conclusion on whether they were reconciled with the individual and consolidated interim financial information and 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. Based on our review, nothing has come to our attention that causes us to believe that these statements of value added were not appropriately prepared, in all material respects, in relation to the interim financial information taken as a whole.

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

Curitiba, November 24, 2020

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Otavio Ramos Pereira
Engagement Partner

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Intelbras S.A. - Indústria de Telecomunicação Eletrônica Brasileira

Balance sheets
as of September 30, 2020 and December 31, 2019
(Amounts in thousands of Brazilian reais – R$)

		Consolidated		Parent	
	Note	**09/30/2020**	**12/31/2019**	**09/30/2020**	**12/31/2019**
Assets					
Current assets					
Cash and cash equivalents	**5**	**619,002**	401,628	**610,545**	398,308
Securities	**6**	**1,160**	1,141	**1,160**	1,141
Trade receivables	**7**	**458,286**	363,630	**455,309**	360,921
Inventories	**8**	**496,774**	434,776	**494,860**	433,911
Recoverable taxes	**9**	**39,232**	16,610	**36,936**	16,513
Derivative instruments	**20**	**18,231**	-	**18,231**	
Other receivables		**7,521**	6,909	**7,011**	6,439
Total current assets		**1,640,206**	1,224,694	**1,624,052**	1,217,233
Noncurrent assets					
Securities	**6**	**3,480**	4,563	**3,480**	4,563
Trade receivables	**7**	**3,391**	2,325	**3,388**	2,325
Escrow deposits	**15.b**	**11,750**	11,509	**11,750**	11,509
Deferred taxes	**19**	**30,494**	7,085	**30,251**	7,085
Recoverable taxes	**9**	**27,531**	27,228	**27,531**	27,228
Related parties	**27**	**-**	-	**10,207**	2,014
Other receivables		**3,556**	4,239	**3,500**	4,022
Investments	**10**	**2,269**	1,819	**54,242**	55,288
Property, plant and equipment	**11**	**246,712**	230,088	**232,087**	218,764
Intangible assets	**12**	**85,957**	87,975	**47,162**	48,052
Total noncurrent assets		**415,140**	376,831	**423,598**	380,850
Total assets		**2,055,346**	1,601,525	**2,047,650**	1,598,083

	Note	Consolidated 09/30/2020	Consolidated 12/31/2019	Parent 09/30/2020	Parent 12/31/2019
Liabilities					
Current liabilities					
Trade payables	**13**	**561,243**	466,359	**560,548**	466,631
Borrowings and financing	**14**	**162,099**	41,293	**159,919**	40,448
Payroll, related taxes and profit sharing		**70,514**	54,079	**66,371**	52,504
Taxes payable		**24,851**	8,311	**24,039**	7,667
Provision for warranties		**13,623**	12,719	**13,623**	12,719
Provision for tax, labor and civil risks	**15.a**	**401**	426	**401**	426
Interest on capital/dividends		**2,168**	-	**2,168**	-
Other payables		**45,003**	40,373	**44,535**	40,377
Total current liabilities		**879,902**	623,560	**871,604**	620,772
Noncurrent liabilities					
Borrowings and financing	**14**	**315,942**	225,416	**314,328**	223,725
Taxes payable		**11,205**	11,197	**11,205**	11,197
Provision for tax, labor and civil risks	**15.a**	**9,441**	6,551	**9,341**	6,451
Investments on negative equity	**10**	**-**	-	**2,315**	1,137
Other payables		**9,621**	9,942	**9,622**	9,942
Total noncurrent liabilities		**346,209**	253,106	**346,811**	252,452
Equity					
Capital	**16.a**	**350,000**	350,000	**350,000**	350,000
Earnings reserves	**16.b**	**343,325**	349,518	**343,325**	349,518
Valuation adjustments to equity	**16.c**	**25,681**	25,887	**25,681**	25,887
Retained earnings		**110,167**	-	**110,167**	-
Cumulative translation adjustments	**16.d**	**62**	(546)	**62**	(546)
Total equity		**829,235**	724,859	**829,235**	724,859
Total liabilities and equity		**2,055,346**	1,601,525	**2,047,650**	1,598,083

The accompanying notes are an integral part of this interim financial information.

Intelbras S.A. - Indústria de Telecomunicação Eletrônica Brasileira
Statements of income
For the nine-month periods ended September 30, 2020 and 2019
(Amounts in thousands of Brazilian reais – R$, except earnings per share)

	Note	Consolidated				Parent			
		07/01/2020 to 09/30/2020	01/01/2020 to 09/30/2020	07/01/2019 to 09/30/2019	01/01/2019 to 09/30/2019	07/01/2020 to 09/30/2020	01/01/2020 to 09/30/2020	07/01/2019 to 09/30/2019	01/01/2019 to 09/30/2019
Net operating revenue	21	**637,601**	**1,463,152**	448,590	1,217,510	**630,533**	**1,443,360**	443,773	1,212,418
Cost of sales and services	22	**(410,352)**	**(928,086)**	(294,037)	(795,495)	**(408,074)**	**(924,521)**	(294,983)	(798,791)
Gross profit		**227,249**	**535,066**	154,553	422,015	**222,459**	**518,839**	148,790	413,627
Operating income (expenses)									
Selling expenses	22	**(67,606)**	**(173,857)**	(60,009)	(175,587)	**(65,599)**	**(168,551)**	(59,638)	(174,666)
General and administrative expenses	22	**(37,343)**	**(79,098)**	(24,969)	(72,948)	**(33,032)**	**(67,617)**	(18,843)	(64,076)
Share of profit (loss) of subsidiaries	10	**-**	**-**	-	-	**(2,701)**	**(3,281)**	(1,100)	(813)
Other operating expenses, net	22	**(17,331)**	**(47,776)**	(15,454)	(45,487)	**(16,732)**	**(46,595)**	(15,662)	(46,693)
		(122,280)	**(300,731)**	(100,432)	(294,022)	**(118,064)**	**(286,044)**	(95,243)	(286,248)
Operating profit before finance income (costs)		**104,969**	**234,335**	54,121	127,993	**104,395**	**232,795**	53,547	127,379
Finance income	23	**8,181**	**30,286**	16,285	41,453	**8,145**	**30,199**	16,267	41,434
Finance costs	23	**(12,285)**	**(34,256)**	(8,565)	(24,884)	**(12,076)**	**(33,813)**	(8,348)	(24,643)
Exchange gains (losses), net	24	**5,551**	**(131,300)**	(28,661)	(25,585)	**5,593**	**(131,136)**	(28,661)	(25,585)
Profit before taxes		**106,416**	**99,065**	33,180	118,977	**106,057**	**98,045**	32,805	118,585
Current income tax and social contribution	19	**(430)**	**(1,264)**	675	(3,120)	**(1)**	**(2)**	1,051	(2,728)
Deferred income tax and social contribution	19	**(11,444)**	**23,409**	2,236	2,285	**(11,514)**	**23,167**	2,235	2,285
Profit for the period		**94,542**	**121,210**	36,091	118,142	**94,542**	**121,210**	36,091	118,142
Basic and diluted earnings per share (in R$)	17								
Common			**4.30**		4.20				

The accompanying notes are an integral part of this interim financial information.

Intelbras S.A. - Indústria de Telecomunicação Eletrônica Brasileira

Statements of comprehensive income

For the nine-month periods ended September 30, 2020 and 2019

(Amounts in thousands of Brazilian reais – R$)

		Consolidated				Parent			
	Note	**07/01/2020 to 09/30/2020**	**01/01/2020 to 09/30/2020**	**01/07/2019 to 09/30/2019**	**01/01/2019 to 09/30/2019**	**07/01/2020 to 09/30/2020**	**01/01/2020 to 09/30/2020**	**01/07/2019 to 09/30/2019**	**01/01/2019 to 09/30/2019**
Profit for the period		**94,542**	**121,210**	36,091	118,142	**94,542**	**121,210**	36,091	118,142
Items that can be subsequently reclassified to the statement of income									
Other comprehensive income									
Exchange differences on foreign investments	10	**180**	**608**	80	80	**180**	**608**	80	80
Total comprehensive income		**94,722**	**121,818**	36,171	118,222	**94,722**	**121,818**	36,171	118,222

The accompanying notes are an integral part of this interim financial information.

Intelbras S.A. - Indústria de Telecomunicação Eletrônica Brasileira
Statements of changes in equity
For the nine-month periods ended September 30, 2020 and 2019
(Amounts in thousands of Brazilian reais – R$)

			Capital reserve	Earnings reserves						
	Note	**Capital**	**Treasury shares**	**Legal**	**Tax incentives**	**Retained earnings**	**Valuation adjustments to equity**	**Cumulative translation adjustments**	**Retained earnings (accumulated losses)**	**Total**
Balances as at December 31, 2018		350,000	(36,793)	37,315	268,640	-	26,161	(571)	(19,144)	625,608
Exchange differences on investments in foreign subsidiaries		-	-	-	-	-	-	80	-	80
Profit for the period		-	-	-	-	-	-	-	118,142	118,142
Allocations:										
Tax incentive reserves		-	-	-	1,026	-	-	-	-	1,026
Annual dividends		-	-	-	-	-	-	-	(68,439)	(68,439)
Balances as at September 30, 2019		**350,000**	**(36,793)**	**37,315**	**269,666**	**-**	**26,161**	**(491)**	**30,559**	**676,417**
Balances as at December 31, 2019		**350,000**	**-**	**46,785**	**271,178**	**31,555**	**25,887**	**(546)**	**-**	**724,859**
Realization of deemed cost, net of taxes		-	-	-	-	-	(206)	-	206	-
Exchange differences on investments in foreign subsidiaries	**10**	-	-	-	-	-	-	608	-	608
Profit for the period		-	-	-	-	-	-	-	121,210	121,210
Allocations:										
Tax incentive reserves		-	-	-	5,145	-	-	-	-	5,145
Dividends	**16.e**	-	-	-	-	(11,338)	-	-	(11,249)	(22,587)
Balances as at September 30, 2020		**350,000**	**-**	**46,785**	**276,323**	**20,217**	**25,681**	**62**	**110,167**	**829,235**

The accompanying notes are an integral part of this interim financial information.

Intelbras S.A. - Indústria de Telecomunicação Eletrônica Brasileira

Statements of cash flows

For the nine-month periods ended September 30, 2020 and 2019

(Amounts in thousands of Brazilian reais – R$)

	Note	Consolidated		Parent	
		09/30/2020	09/30/2019	09/30/2020	09/30/2019
Cash flows from operating activities					
Profit before taxes		**99,065**	118,977	**98,045**	118,585
Adjustments to:					
Accrued interest and exchange differences		**41,384**	(14,001)	**41,099**	(14,001)
Depreciation	**11**	**12,644**	9,873	**11,189**	9,858
Amortization	**12**	**3,825**	2,709	**2,664**	2,709
Share of profit (loss) of subsidiaries	**10**	**-**	-	**3,281**	813
Provision for tax, labor and civil risks	**15**	**2,865**	3,030	**2,865**	2,683
Allowance for expected credit loss	**7**	**914**	(3,134)	**758**	(3,134)
Allowance for inventory losses	**8**	**674**	629	**674**	329
Present value adjustment		**(2,409)**	5,964	**(2,408)**	5,849
Other provisions		**3,418**	3,316	**3,418**	3,316
Provision for warranties		**904**	1,655	**904**	1,676
Residual value of property, plant and equipment and intangible assets written off		**7,072**	1,529	**7,104**	1,534
		170,356	130,547	**169,593**	130,217
Changes in assets and liabilities					
(Increase) in trade receivables		**(95,712)**	(53,756)	**(95,286)**	(53,723)
(Increase) in inventories		**(61,834)**	(107,609)	**(60,785)**	(107,262)
(Increase) in recoverable taxes		**(22,925)**	(4,172)	**(20,727)**	(4,179)
(Increase) decrease in escrow deposits		**(217)**	299	**(217)**	299
(Increase) decrease in other assets		**1,135**	(7,580)	**1,014**	(8,394)
Increase in trade payables		**171,523**	226,695	**170,556**	227,730
Increase in payroll, related taxes and profit sharing		**16,435**	3,897	**13,867**	3,919
Increase (decrease) in taxes payable		**21,669**	(5,506)	**21,501**	(5,678)
Increase in other payables		**12,879**	6,368	**3,609**	8,280
Income tax and social contribution paid		**(1,264)**	(3,120)	**-**	(2,728)
Net cash provided by operating activities		**212,045**	186,063	**203,125**	188,481
Cash flows from investing activities					
Acquisition of investments in subsidiaries		**(7,962)**	(27,655)	**(7,962)**	(27,655)
Acquisition of property, plant and equipment items	**11;28**	**(40,481)**	(42,157)	**(37,488)**	(42,304)
(Acquisition) write-off of other investments	**10**	**(449)**	147	**(449)**	(4,121)
Cash from business combinations	**10**	**-**	3,450	**-**	-
Acquisition of intangible assets	**12**	**(2,002)**	(2,225)	**(1,969)**	1,896
Net cash used in investing activities		**(50,894)**	(68,440)	**(47,868)**	(72,184)
Cash flows from financing activities					
Borrowings	**14;28**	**260,329**	95,890	**260,329**	96,131
Borrowings paid (principal)	**14**	**(171,615)**	(65,933)	**(170,908)**	(65,933)
Borrowings paid (interest)	**14**	**(12,071)**	(9,260)	**(12,021)**	(9,260)
Interest on capital and dividends paid	**16;28**	**(20,420)**	(68,439)	**(20,420)**	(68,439)
Net cash provided by (used in) financing activities		**56,223**	(47,742)	**56,980**	(47,501)
Increase in cash and cash equivalents, net		**217,374**	69,881	**212,237**	68,796
Cash and cash equivalents at the beginning of the period		**401,628**	385,802	**398,308**	383,768
Cash and cash equivalents at the end of the period		**619,002**	455,683	**610,545**	452,564

The accompanying notes are an integral part of this interim financial information.

Intelbras S.A. - Indústria de Telecomunicação Eletrônica Brasileira

Statements of value added

For the nine-month periods ended September 30, 2020 and 2019

(Amounts in thousands of Brazilian reais – R$)

	Consolidated		Parent	
	09/30/2020	**09/30/2019**	**09/30/2020**	**09/30/2019**
Revenues	**1,718,016**	1,461,399	**1,697,047**	1,455,984
Sale of goods and services, net of returns	**1,703,921**	1,421,755	**1,682,796**	1,416,340
Other revenue	**15,009**	36,510	**15,009**	36,510
Allowance for expected credit loss	**(914)**	3,134	**(758)**	3,134
Inputs purchased from third parties	**(1,038,792)**	(926,973)	**(1,022,945)**	(922,183)
Cost of sales and services	**(765,252)**	(656,735)	**(768,346)**	(660,529)
Supplies, power, outside services and other	**(273,315)**	(270,013)	**(254,374)**	(261,429)
Loss / recovery of assets	**(225)**	(225)	**(225)**	(225)
Gross value added	**679,224**	534,426	**674,102**	533,801
Depreciation and amortization	**(16,469)**	(12,582)	**(13,853)**	(12,567)
Wealth created by the entity	**662,755**	521,844	**660,249**	521,234
Wealth received in transfer	**183,907**	81,831	**180,528**	80,999
Share of profit (loss) of subsidiaries	**-**	-	**(3,281)**	(813)
Finance income and exchange gains	**183,907**	81,831	**183,809**	81,812
Total wealth for distribution	**846,662**	603,675	**840,777**	602,233
Wealth distributed	**846,662**	603,675	**840,777**	602,233
Personnel	**180,952**	178,954	**179,373**	178,702
Salaries and wages	**152,641**	150,203	**151,166**	149,978
Benefits	**18,940**	19,713	**18,890**	19,704
Severance Pay Fund (FGTS)	**9,371**	9,038	**9,317**	9,020
Taxes, fees and contributions	**222,060**	213,218	**218,390**	212,274
Federal	**53,658**	66,970	**52,379**	66,337
State	**167,981**	145,981	**165,836**	145,741
Municipal	**421**	267	**175**	196
Lenders and lessors	**322,440**	93,361	**321,804**	93,115
Finance costs and exchange losses	**319,035**	90,890	**318,418**	90,649
Rentals	**3,405**	2,471	**3,386**	2,466
Shareholders	**121,210**	118,142	**121,210**	118,142
Interest on capital and dividends paid	**22,587**	68,439	**22,587**	68,439
Retained earnings in the period	**98,623**	49,703	**98,623**	49,703

The accompanying notes are an integral part of this interim financial information.

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, Santa Rita do Sapucaí – MG, and Manaus - AM. 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.

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 interim financial information.

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:

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.

Production and supply chain

Since the beginning of the pandemic our industrial production was suspended for no more than 20 days, by virtue of Decrees from State governments determining social distancing.

The Company operates in three (3) major operating segments. Because of the increased adoption of teleworking by companies and professionals during such period, our business segments 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. Some of our main suppliers are based in Asia. Some of these suppliers faced momentary production problems at the beginning of the pandemic, but these problems did not affect the supply of inputs for our activities. 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.

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.

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 interim financial information

2.1 Statement of compliance

The interim financial information has been prepared in accordance with IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) and with technical pronouncement CPC 21 - Interim Financial Reporting, and is presented in a manner consistent with the standards issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of Interim Financial Information (ITR).

The Company's Management applied technical guidance OCPC 7, approved by CVM Resolution No. 727/14, meeting the minimum requirements, while disclosing only relevant information that help readers to make decisions. Therefore, all relevant information used in managing the business is being disclosed herein.

2.2 Basis of preparation

The Company's individual and consolidated interim financial information has been prepared in accordance with accounting practices adopted in Brazil, 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").

The individual and consolidated interim financial information has been prepared based on historical cost, unless otherwise stated.

The individual and consolidated interim financial information has 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 interim financial information.

The individual and consolidated interim financial information is presented in thousands of Brazilian reais (R$) and all amounts are rounded to the nearest thousand, except if otherwise indicated.

This individual and consolidated interim financial information was approved for issue by the Executive Board on November 24, 2020.

2.3 Functional and presentation currency

The individual and consolidated interim financial information is presented in Brazilian reais (R$), which is the Parent's and all subsidiaries' functional and presentation currency.

The interim financial information of each subsidiary included in the consolidation is 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.

2.4 Use of estimate

In preparing the individual and consolidated interim financial information, it is necessary to use estimates to account for certain assets, liabilities and other transactions. Therefore, the interim financial information of the Company and its subsidiaries include the following main estimates: impairment loss on non-financial assets, provision for warranties, provision for taxes, provision for tax, civil and labor risks, allowance for inventory obsolescence, provision for discounts and commercial funds, allowance for expected credit losses for trade receivables and contract assets. As they refer to estimates, variations may occur due to the effective realization or settlement of the corresponding assets and liabilities.

2.5 Basis of consolidation

The consolidated interim financial information comprises the Company and its direct and indirect subsidiaries. Subsidiaries are consolidated from the date control is transferred to the Company and continue to be consolidated until the date control is no longer exercised. Control is achieved when the Company is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through the power exercised over the investee.

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

Specifically, the Company controls an investee if, and only if, it:

- Has power over the investee (that is, rights that ensure that the Company has current capacity to steer the investee's activities);
- 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.

Generally, there is a presumption that the majority of voting rights results in control. The Company considers all applicable facts and circumstances when assessing whether it has power over an investee to support this presumption and when the Company does not have the majority of the voting rights of an investee, including:

- The arrangement between the investor and other holders of voting rights;
- Rights arising from other arrangements; and
- The Company's voting rights and potential voting rights (investor).

The Company assesses whether it controls an investee or not if facts and circumstances indicate that there are changes in one or more of the three components of control mentioned above.

Assets, liabilities and profit or loss of a subsidiary acquired or disposed of during the period are included in the consolidated interim financial information from the date the Company obtains control until the date the Company ceases to control the subsidiary.

The profit or loss and each component of other comprehensive income are attributable to the Company's owners and noncontrolling shareholders, even if it results in loss to noncontrolling shareholders. Adjustments are made to the subsidiaries' interim financial information to align their accounting policies to the Company's accounting policies, if necessary. All assets and liabilities, profit or loss, income, expenses and cash flows from the same group, relating to intragroup transactions, are fully eliminated on consolidation.

The changes in the subsidiary's interest, without losing control, are accounted for as balance sheet transaction.

If the Company loses control over a subsidiary, the corresponding assets (including goodwill) and liabilities of the subsidiary are written off at their carrying amounts on the date control is lost and the carrying amount of any noncontrolling interests is written off on the date control is lost (including any components of other comprehensive income attributable to them). Any difference resulting as gain or loss is accounted for in profit or loss. Any investment held is recognized at its fair value on the date control is lost.

The consolidated interim financial information includes the equity interest held in the following companies:

		Equity interest (%)	
	Subsidiary	**09/30/2020**	**12/31/2019**
Indústria de Telecomunicación Eletronica Brasileña de México, S.A. de C.V.	Direct	100%	100%
Ascent Asia Limited	Direct	100%	100%
Ascent Trading & Consulation (Shenzhen) Company Limited	Indirect	100%	100%
Prediotech Consultoria e Projetos Tecnológicos Ltda.-ME.	Direct	100%	100%
Décio Indústria Metalúrgica Ltda.	Direct	100%	100%
Seventh Ltda.	Direct	100%	100%

The core activities of the Company's subsidiaries are summarized below:

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

Subsidiary located in Mexico (Mexico City), which was engaged in the commercial development of the Intelbras products in Mexico, through the retail and distribution channels. This subsidiary had a sales and customer support team (pre-sale, post-sale and training) and one administrative area that supported the entire operation. It also operated as a support area for the distributors in Central America. In December 2017 the Executive Board has decided to shut down the company's operations; the balances disclosed in the interim financial information are the residual balances and will be derecognized upon the full shutdown before the competent bodies.

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 company of Ascend Trading & Consulation (Shenzhen) Company Limited, based in Shenzhen, in Mainland China.

Ascend Trading & Consulation (Shenzhen) Company Limited

Subsidiary of Ascent Asia Limited, located in China (Shenzhen City), 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.

Prediotech Consultoria e Projetos Tecnológicos LTDA-ME.

Subsidiary located in Rio Grande do Sul (Porto Alegre); the Company acquired 100% of its stake in September 2018, at the amount of R$1,550. The acquiree operates in the IT sector, specialized in the development of systems for buildings and security companies.

Décio Indústria Metalúrgica Ltda

In September 2019 the Company acquired 100% stake in Décio Indústria Metalúrgica Ltda. The entity is located in the municipality of São José – SC and operates in the fine particle metallurgy industry for production of server structures.

Seventh Ltda

In July 2019 the Company acquired 100% stake in Seventh LTDA. The entity, located in Florianópolis – SC, is engaged in the production of peripherals for IT equipment, development and licensing of software, in addition to providing technical support, maintenance and other IT-related services for building security.

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

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

3. Significant accounting policies

In this case, the interim financial information is intended to provide update based on the most recent complete annual financial statements. Therefore, it focus on new activities, events and circumstances and does not duplicate information previously disclosed, except when Management considers important to maintain a specific information.

The individual and consolidated interim financial information disclosed herein has been prepared based on the accounting policies adopted in the preparation of the annual financial statements for the year ended December 31, 2019 (note 3).

There was no change of any nature in relation to these policies and estimation methods. As prescribed by CPC 21 (R1) (IAS 34) - Interim Financial Reporting, Management elected not to disclose again in details the accounting policies adopted by the Company. Accordingly, this individual and consolidated interim financial information must be read together with the annual financial statements for the year ended December 31, 2019.

4. Critical accounting judgments, estimates and assumptions

The preparation of the Company's individual and consolidated interim financial information requires Management to make judgments and estimates and adopt assumptions that affect the reported amounts of income, expenses, assets and liabilities, including contingent liabilities. The uncertainty inherent in such judgments, assumptions and estimates may give rise to results that require a significant adjustment of the carrying amount of the certain assets or liabilities in future years.

These judgments, estimates and assumptions are revised at each reporting date.

There was no change of any nature in relation to these significant accounting judgments, estimates and assumptions. As prescribed by CPC 21 (R1) (IAS 34) - Interim Financial Reporting, Management elected not to disclose again in details the accounting policies adopted by the Company. Accordingly, this individual and consolidated interim financial information must be read together with the annual financial statements for the year ended December 31, 2019.

5. Cash and cash equivalents

	Consolidated		Parent	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Cash at hand	**39**	28	**37**	27
Checking account	**22,267**	14,012	**18,825**	10,693
Short-term investments	**596,696**	387,588	**591,683**	387,588
	619,002	401,628	**610,545**	398,308

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 September 30, 2020 (91.6% to 101.8% as at December 31, 2019).

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

6. Securities

	Consolidated		Parent	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Short-term investments – Escrow account	**4,640**	5,704	**4,640**	5,704
Current	**1,160**	1,141	**1,160**	1,141
Noncurrent	**3,480**	4,563	**3,480**	4,563

Refers to an escrow account to secure the indemnity obligations of the sellers of Seventh Ltda (acquiree), and the respective deposit management is shared and requires authorization of both parties to be handled. The release of this amount on behalf of the sellers will be made in five annual installments.

7. Trade receivables

Trade receivables are broken down as follows:

	Consolidated		Parent	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Domestic – third parties	**476,282**	382,048	**473,032**	379,407
Foreign – third parties	**4,714**	3,086	**4,714**	2,903
	480,996	385,134	**477,746**	382,310
Allowance for expected credit loss	**(13,363)**	(12,449)	**(13,092)**	(12,334)
Present value adjustment (PVA)	**(5,956)**	(6,730)	**(5,957)**	(6,730)
	461,677	365,955	**458,697**	363,246
Current	**458,286**	363,630	**455,309**	360,921
Noncurrent	**3,391**	2,325	**3,388**	2,325

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, 5.66% p.a. as at September 30, 2020 (9.39% p.a. as at December 31, 2019).

The aging list of trade receivables is as follows:

	Consolidated		Parent	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Up to 360 days	**457,407**	352,957	**454,227**	350,393
More than 360 days	**6,173**	8,315	**6,173**	8,297
Up to 30 days past due	**4,669**	10,171	**4,631**	10,134
Up to 90 days past due	**1,470**	4,215	**1,463**	4,200
Up to 180 days past due	**1,284**	1,757	**1,278**	1,743
Up to 360 days past due	**2,008**	2,992	**1,992**	2,979
More than 360 days past due	**7,985**	4,727	**7,982**	4,564
Closing balance	**480,996**	385,134	**477,746**	382,310

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

Variations in the allowance for expected credit losses:

	Consolidated		Parent	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Opening balance	**(12,449)**	(7,438)	**(12,334)**	(7,438)
Recognition	**(1,357)**	(10,009)	**(1,200)**	(9,894)
Reversal	**443**	4,998	**442**	4,998
Closing balance	**(13,363)**	(12,449)	**(13,092)**	(12,334)

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	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Finished goods	**132,617**	165,406	**131,744**	165,170
Work in process	**27,832**	33,608	**27,832**	33,608
Raw materials and auxiliary materials	**121,160**	106,237	**119,738**	105,339
Imports in progress	**202,361**	114,131	**202,361**	114,131
Advances to suppliers	**18,875**	16,022	**18,844**	15,991
Other	**4,576**	10,183	**4,688**	10,183
	507,421	445,587	**505,207**	444,422
Allowance for obsolescence	**(4,758)**	(4,084)	**(4,458)**	(3,784)
Present value adjustment (PVA)	**(5,889)**	(6,727)	**(5,889)**	(6,727)
	496,774	434,776	**494,860**	433,911

Variations in the allowance for obsolescence:

	Consolidated		Parent	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Opening balance	**(4,084)**	(3,528)	**(3,784)**	(3,528)
Recognition	**(7,964)**	(4,423)	**(7,964)**	(4,423)
Reversal	**7,290**	3,867	**7,290**	4,167
Closing balance	**(4,758)**	(4,084)	**(4,458)**	(3,784)

9. Recoverable taxes

	Consolidated		Parent	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
State VAT (ICMS)	**2,707**	1,664	**1,386**	1,651
Financial credit – Law No. 13,969/19 (a)	**25,219**	-	**24,873**	-
Social contribution (CSLL)	**81**	2,755	**54**	2,728
Tax on revenue (COFINS) (b)	**25,750**	21,639	**25,321**	21,638
Tax on revenue (PIS) (b)	**5,606**	4,714	**5,513**	4,714
Withholding income tax (IRRF)	**2,907**	8,260	**2,827**	8,204
Federal VAT (IPI)	**1,173**	4,778	**1,173**	4,778
Social security contribution on gross revenue (CPRB)	**3,281**	-	**3,281**	-
Other	**39**	28	**39**	28
	66,763	43,838	**64,467**	43,741
Current	**39,232**	16,610	**36,936**	16,513
Noncurrent	**27,531**	27,228	**27,531**	27,228

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

(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 September 30, 2020, the Company has a credit in the amount of R$25,219, consolidated balance, which is being periodically offset against federal taxes. This balance is being recorded as a contra entry to “Sales returns” in profit or loss for the period.

See comment in note 18a.

(b) The Company challenges at court the ICMS exclusion from the PIS and COFINS tax basis since 2007. The Company did not record and offset against taxes any credit related to the period under discussion (2007 to 2017). However, based on a favorable court decision handed down by the STF, on general repercussion basis, on Extraordinary Appeal No. 574.706, on March 15, 2017, which corroborated the principle that “the ICMS should not be included in the PIS and COFINS tax basis”, deciding the matter favorably to taxpayers, the Company recorded the amount of R$26,336 in 2018. In relation to periods prior to 2017, the Company waited for the final and unappealable decision on the lawsuit filed in 2007 to recognize the credits. On October 8, 2020, a final and unappealable decision was handed down by the Regional Court of the 4th Region on the lawsuit filed by the Company guaranteeing the ICMS exclusion (see note 29). The credit was classified in noncurrent assets based on Management’s expectation of realization.

10. Investments

As at September 30, 2020, the Company’s investments are composed of equity interests in other companies, as well as other investments, as follows:

	Consolidated		Parent	
	09/30/2020	**12/31/2019**	**09/30/2020**	**12/31/2019**
Investments in subsidiaries	**-**	-	**4,890**	**5,603**
Surplus/(deficit) on business acquisitions (*)	**-**	-	**19,994**	21,956
Goodwill on expected future earnings (**)	**-**	-	**24,773**	24,773
Other investments (***)	**2,269**	1,819	**2,270**	1,819
	2,269	1,819	**51,927**	**54,151**

(*) Refer to the surplus on acquisitions of subsidiaries Decio and Seventh.
(**) The Company recognizes goodwill on the acquisitions of Prediotech, Decio and Seventh.
(***) Other investments refer to the investment at unit value in FUNDO SC - Fundo de Investimento em Empresas Emergentes Inovadoras, where the Company holds 10.07% interest and in Fundo de Investimento em Participação Sul Inovação, where it holds 7.69% interest.

	Equity interest			Parent	
Investee	**Control**	**09/30/2020**	**12/31/2019**	**09/30/2020**	**12/31/2019**
Intelbras Mexico	Subsidiary	100%	100%	**1,056**	883
Ascent	Subsidiary	100%	100%	**1,485**	960
Prediotech	Subsidiary	100%	100%	**(1,706)**	(1,137)
Seventh	Subsidiary	100%	100%	**4,664**	1,638
Decio	Subsidiary	100%	100%	**(609)**	3,259
				4,890	5,603
			Accounted for under the equity method	**7,205**	6,740
			Investment on negative equity	**(2,315)**	(1,137)

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

Variations in investments are shown below:

Investee	12/31/2019	Share of profit (loss) of subsidiaries	Exchange gains	Other	09/30/2020
Intelbras Mexico	883	-	173	-	1,056
Ascent	960	90	435	-	1,485
Prediotech	(1,137)	(569)	-	-	(1,706)
Seventh	1,638	3,026	-	-	4,664
Decio	3,259	(3,868)	-	-	(609)
Surplus	21,956	(1,960)	-	(2)	19,994
Goodwill	24,773	-	-	-	24,773
Other	1,819	-	-	451	2,270
	54,151	**(3,281)**	**608**	**449**	**51,927**
Investments	55,288				54,242
Negative equity	(1,137)				(2,315)

Investee	12/31/2018	Share of profit (loss) of subsidiaries	Surplus on investment*	Exchange gain/(loss)	Goodwill	Acquisition – initial recognition	Other	12/31/2019
Intelbras Mexico	815	-	-	68	-	-	-	883
Ascent	237	766	-	(43)	-	-	-	960
Prediotech	(27)	(1,110)	-	-	-	-	-	(1,137)
Seventh	-	(38)	-	-	-	1,676	-	1,638
Decio	-	812	-	-	-	2,447	-	3,259
Surplus	-	(1,395)	23,351	-	-	-	-	21,956
Goodwill	1,392	-	-	-	23,381	-	-	24,773
Other investments	2,316	-	-	-	-	-	(497)	1,819
	4,733	**(965)**	**23,351**	**25**	**23,381**	**4,123**	**(497)**	**54,151**
Investments	4,733							55,288
Negative equity								(1,137)

** includes income tax and social contribution impact*

The main information on the subsidiaries, which fiscal year also ends on September 30, 2020, is show below:

	09/30/2020						
Subsidiary	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Equity	Revenues	Profit (loss)
Intelbras Mexico	-	1,056	-	-	1,056	-	-
Ascent	2,139	49	703	-	1,485	5,752	90
Prediotech	677	297	412	2,268	(1,706)	1,341	(569)
Seventh	7,388	506	3,230	-	4,664	13,758	3,026
Decio	7,867	8,102	6,926	9,652	(609)	11,246	(3,868)

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. This subsidiary is dormant and the balance is disclosed in the interim financial information related to liabilities to be settled upon the completion of the company's liquidation processes with the competent bodies.

b) Ascent Asia Limited

Located in Asia, the company is engaged in business consulting, corporate and financial information management.

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

c) Prediotech Consultoria e Projetos Tecnológicos LTDA-ME.

Subsidiary acquired in 2018, located in Rio Grande Sul (Porto Alegre), operating in the IT sector, in the development of systems for buildings and security companies

The goodwill of R$1,391 was generated on the acquisition of the subsidiary, which is attributable to expected future earnings.

d) Seventh Ltda.

In July 2019, the Company acquired 100% stake in Seventh Ltda., for the amount of R$32,915, relating to the initial price of R$33,000 adjusted by the amount of expenses identified during the merger process related to the previous management. The acquiree is engaged in the development of electronic security technology and is specialized in the development of remote monitoring software. Together with the products already offered by Intelbras, such acquisition allows offering more complete solutions to customers.

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

The Company engaged a specialized independent appraiser for valuation at fair value in order to allocate the purchase price of the assets acquired and liabilities assumed. Valuation amounts are as follows:

On June 30, 2019	**Seventh**
Acquisition cost	32,915
Fair value of net assets	11,321
Equity	1,677
Surplus	9,644
Property, plant and equipment	269
Trademark	4,582
Software	8,248
Non-compete agreement	35
Relationship with customers	1,478
Deferred tax liabilities	(4,968)
Goodwill	21,594

Seventh Ltda was acquired in June 2019 and, therefore, the consolidated interim financial information includes the 2019 information on the subsidiary as from this period.

The balance of cash and cash equivalents totaled R$1,760 on the acquisition date.

e) Décio Indústria Metalúrgica Ltda.

In August 2019, the Company acquired 100% stake in Décio Indústria Metalúrgica Ltda., for the amount of R$10,000. The acquiree is engaged in the production of server structures, specialized on cabinets. With the acquisition, the Company strengthens its electronic equipment production capacity.

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

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

The Company engaged a specialized independent appraiser for valuation at fair value in order to allocate the purchase price of the assets acquired and liabilities assumed. Valuation amounts are as follows:

On August 31, 2019	**Décio**
Acquisition cost	10,000
Fair value of net assets	8,212
Equity	2,445
Surplus	5,767
Property, plant and equipment	7,037
Trademark	1,432
Software	119
Inventories	150
Deferred tax liabilities	(2,971)
Goodwill	1,788

Décio Indústria Metalúrgica Ltda. was acquired in August 2019 and, therefore, the consolidated interim financial information includes the 2019 information on the subsidiary as from this period.

The balance of cash and cash equivalents totaled R$1,690 on the acquisition date.

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

11. 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	-	-	712	8,268	311	1,237	2,205	26,947	(3,536)	36,144
Transfers	-	48,286	20,223	8,601	437	1,909	1,579	(81,035)	-	-
Write-offs	-	(4,267)	(820)	(2,515)	(333)	(359)	(742)	(740)	-	(9,776)
Balances as at September 30, 2020	**47,244**	**101,222**	**37,302**	**98,065**	**8,443**	**17,238**	**22,678**	**10,081**	**34**	**342,307**
Variations in depreciation										
Balances as at December 31, 2019	**-**	**(13,654)**	**(8,356)**	**(39,681)**	**(3,964)**	**(7,772)**	**(12,424)**	**-**	**-**	**(85,851)**
Depreciation	-	(982)	(1,274)	(6,183)	(513)	(1,728)	(1,964)	-	-	(12,644)
Transfers	-	-	-	(1)	-	1	-	-	-	-
Write-off	-	-	-	1,874	345	350	331	-	-	2,900
Balances as at September 30, 2020	**-**	**(14,636)**	**(9,630)**	**(43,991)**	**(4,132)**	**(9,149)**	**(14,057)**	**-**	**-**	**(95,595)**
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 September 30, 2020	**47,244**	**86,586**	**27,672**	**54,074**	**4,311**	**8,089**	**8,621**	**10,081**	**34**	**246,712**

(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	-	-	35	2,011	264	960	2,205	26,948	(1,001)	31,422
Transfers	-	48,286	20,223	8,601	436	1,908	1,579	(81,033)	-	-
Write-offs	-	(4,267)	(820)	(2,516)	(381)	(356)	(692)	(741)	-	(9,773)
Balances as at September 30, 2020	**45,288**	**97,641**	**36,550**	**89,062**	**8,086**	**16,458**	**22,524**	**10,079**	**35**	**325,723**
Variations in depreciation										
Balances as at December 31, 2019	-	(13,414)	(8,340)	(39,553)	(3,909)	(7,736)	(12,358)	-	-	(85,310)
Depreciation	-	(1,007)	(1,237)	(4,965)	(431)	(1,605)	(1,944)	-	-	(11,189)
Transfers	-	-	-	(1)	-	1	-	-	-	-
Write-off	-	-	-	1,874	345	349	295	-	-	2,863
Balances as at September 30, 2020	-	(14,421)	(9,577)	(42,645)	(3,995)	(8,991)	(14,007)	-	-	(93,636)
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 September 30, 2020	**45,288**	**83,220**	**26,973**	**46,417**	**4,091**	**7,467**	**8,517**	**10,079**	**35**	**232,087**

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

	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, 2018	**45,288**	**53,630**	**15,360**	**77,811**	**7,203**	**11,816**	**14,844**	**10,248**	**-**	**236,200**
Additions	-	-	187	2,143	479	1,935	1,606	64,460	3,381	74,191
Transfers	-	(10)	1,574	2,034	244	773	3,576	(8,191)	-	-
Write-offs	-	-	(6)	(1,022)	(113)	(521)	(599)	(1,608)	-	(3,869)
Property, plant and equipment arising from business combination	543	218	8	951	135	210	30	-	-	2,095
Surplus on business combination	1,413	3,365	64	1,794	80	238	179	-	189	7,322
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**
Variations in depreciation										
Balances as at December 31, 2018	**-**	**(12,300)**	**(7,055)**	**(33,891)**	**(3,433)**	**(6,164)**	**(10,069)**	**-**	**-**	**(72,912)**
Depreciation	-	(1,355)	(1,308)	(6,640)	(604)	(2,147)	(2,087)	-	-	(14,141)
Transfers	-	1	1	-	(18)	16	-	-	-	-
Write-offs	-	-	6	850	91	523	(268)	-	-	1,202
Balances as at December 31, 2019	**-**	**(13,654)**	**(8,356)**	**(39,681)**	**(3,964)**	**(7,772)**	**(12,424)**	**-**	**-**	**(85,851)**
Net depreciation balance										
Balances as at December 31, 2018	**45,288**	**41,330**	**8,305**	**43,920**	**3,770**	**5,652**	**4,775**	**10,248**	**-**	**163,288**
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**

(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, 2018	**45,288**	**53,632**	**15,357**	**77,811**	**7,157**	11,759	**14,847**	10,244	**-**	**236,095**
Additions	-	-	187	2,143	479	1,935	1,607	64,460	1,036	71,847
Transfers	-	(10)	1,574	2,034	244	773	3,576	(8,191)	-	-
Write-offs	-	-	(6)	(1,022)	(113)	(521)	(598)	(1,608)	-	(3,868)
									-	
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**
Variations in depreciation										
Balances as at December 31, 2018	**-**	**(12,299)**	**(7,055)**	**(33,891)**	**(3,427)**	**(6,152)**	**(10,069)**	**-**	**-**	**(72,893)**
Depreciation	-	(1,116)	(1,292)	(6,512)	(555)	(2,123)	(2,021)	-	-	(13,619)
Transfers	-	1	1	-	(18)	16	-	-	-	-
Write-offs	-	-	6	850	91	523	(268)	-	-	1,202
										-
Balances as at December 31, 2019	**-**	**(13,414)**	**(8,340)**	**(39,553)**	**(3,909)**	**(7,736)**	**(12,358)**	**-**	**-**	**(85,310)**
Net depreciation balance										
Balances as at December 31, 2018	**45,288**	**41,333**	**8,302**	**43,920**	**3,730**	**5,607**	**4,778**	**10,244**	**-**	**163,202**
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**

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

Depreciation in the nine-month period ended September 30, 2020 allocated to the cost of production and administrative expenses in the consolidated, totaled R$7,823 (R$6,239 as at September 30, 2019) and R$4,821 (R$3,634 as at September 30, 2019), respectively.

Certain property, plant and equipment items are pledged as collateral for financing and tax payment transactions (note 14).

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

Management tested its property, plant and equipment items for impairment in the year ended December 31, 2019, and did not identify the need to recognize an allowance for impairment losses on these assets. As at September 30, 2020, 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 our property, plant and equipment items.

12. Intangible assets

	Consolidated					
	Goodwill	**Trademarks and patents**	**Other**	**Projects in progress**	**Software**	**Total**
Average annual amortization rate					**20%**	
Variations in cost						
Balances as at December 31, 2019	58,140	6,014	1,694	4,124	41,683	111,655
Additions	-	-	-	1,441	561	2,002
Write-offs	-	-	-	(195)	-	(195)
Transfers	-	-	-	(729)	729	-
Balances as at September 30, 2020	58,140	6,014	1,694	4,641	42,973	113,462
Variations in amortization						
Balances as at December 31, 2019	-	-	(1,016)	-	(22,664)	(23,680)
Amortization in the period	-	-	(678)	-	(3,147)	(3,825)
Balances as at September 30, 2020	-	-	(1,694)	-	(25,811)	(27,505)
Net amortization balance						
Balances as at December 31, 2019	**58,140**	**6,014**	**678**	**4,124**	**19,019**	**87,975**
Balances as at September 30, 2020	**58,140**	**6,014**	**-**	**4,641**	**17,162**	**85,957**

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

	Parent				
	Goodwill on investees	**Other**	**Projects in progress**	**Software**	**Total**
Average annual amortization rate				**20%**	
Variations in cost					
Balances as at December 31, 2019	33,366	293	4,124	33,316	71,099
Additions	-	-	1,441	528	1,969
Write-offs	-	-	(195)	-	(195)
Transfers	-	-	(729)	729	-
Balances as at September 30, 2020	33,366	293	4,641	34,573	72,873
Variations in amortization					
Balances as at December 31, 2019	-	-	-	(23,047)	(23,047)
Amortization in the period	-	-	-	(2,664)	(2,664)
Balances as at September 30, 2020	-	-	-	(25,711)	(25,711)
Net amortization balance					
Balances as at December 31, 2019	**33,366**	**293**	**4,124**	**10,269**	**48,052**
Balances as at September 30, 2020	**33,366**	**293**	**4,641**	**8,862**	**47,162**

	Consolidated					
	Goodwill	**Trademarks and patents**	**Other**	**Projects in progress**	**Software**	**Total**
Average annual amortization rate					**20%**	
Variations in cost						
Balances as at December 31, 2018	34,758	-	-	2,327	32,551	69,636
Additions	23,382	-	-	2,426	345	26,153
Write-offs	-	-	-	(194)	(15)	(209)
Transfers	-	-	-	(435)	435	-
Surplus on business combination	-	6,014	1,694	-	8,367	16,075
Balances as at December 31, 2019	58,140	6,014	1,694	4,124	41,683	111,655
Variations in amortization						
Balances as at December 31, 2018	-	-	-	-	(19,153)	(19,153)
Amortization in the period	-	-	(1,016)	-	(3,525)	(4,541)
Write-offs	-	-	-	-	14	14
Balances as at December 31, 2019	-	-	(1,016)	-	(22,664)	(23,680)
Net amortization balance						
Balances as at December 31, 2018	**34,758**	**-**	**-**	**2,327**	**13,398**	**50,483**
Balances as at December 31, 2019	**58,140**	**6,014**	**678**	**4,124**	**19,019**	**87,975**

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

	Parent					
	Goodwill	Trademarks and patents	Other	Projects in progress	Software	Total
Average annual amortization rate					20%	
Variations in cost						
Balances as at December 31, 2018	33,366	-	-	2,327	32,551	68,244
Additions	-	-	293	2,426	345	3,064
Write-offs	-	-	-	(194)	(15)	(209)
Transfers	-	-	-	(435)	435	-
Balances as at December 31, 2019	33,366	-	293	4,124	33,316	71,099
Variations in amortization						
Balances as at December 31, 2018	-	-	-	-	(19,153)	(19,153)
Amortization in the period	-	-	-	-	(3,908)	(3,908)
Write-offs	-	-	-	-	14	14
Balances as at December 31, 2019	-	-	-	-	(23,047)	(23,047)
Net amortization balance						
Balances as at December 31, 2018	**33,366**	**-**	**-**	**2,327**	**13,398**	**49,091**
Balances as at December 31, 2019	**33,366**	**-**	**293**	**4,124**	**10,269**	**48,052**

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 evidence 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, 2019, no assets recorded at an amount higher than their recoverable amount were identified. We did not identify any factor that would indicate that there are risks of loss as at September 30, 2020. 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 our intangible assets.

The goodwill disclosed above is based on expected future earnings, supported by valuation reports, after allocation of the assets identified.

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$50,354 in the nine-month period ended September 30, 2020 (R$46,703 in 2019) were recognized as expenses in the period in “Other operating expenses, net”.

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

13. Trade payables

Inputs for the Company's production are acquired in higher volume through the import from foreign suppliers, accounting for around 97% of the outstanding balance as at September 30, 2020. The present value adjustment was calculated based on the rate of 2.77% p.a. as at September 30, 2020 (3.28% p.a. as at December 31, 2019), 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. These balances are broken down as follows:

	Consolidated		Parent	
	09/30/2020	**12/31/2019**	**09/30/2020**	**12/31/2019**
Domestic suppliers	**22,934**	30,906	**22,239**	31,178
Suppliers of imported goods - forfait	**279,245**	309,354	**279,245**	309,354
Suppliers of imported goods	**262,965**	129,203	**262,965**	129,203
	565,144	469,463	**564,449**	469,735
Present value adjustment (PVA)	**(3,901)**	(3,104)	**(3,901)**	(3,104)
	561,243	466,359	**560,548**	466,631

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

	Consolidated		Parent	
	09/30/2020	**12/31/2019**	**09/30/2020**	**12/31/2019**
Related parties				
Domestic suppliers	**-**	-	**1,397**	1,176
Suppliers of imported goods	**164,370**	153,386	**164,892**	153,386
Total due to related parties (note 27)	**164,370**	153,386	**166,289**	154,562
Unrelated	**400,774**	316,077	**398,160**	315,173
Total trade payables	**565,144**	469,463	**564,449**	469,735

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.

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.

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

14. Borrowings and financing

This note provides information on the contractual terms of interest-bearing borrowings, which are measured at amortized cost. Note 20 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**	**09/30/2020**	**12/31/2019**	**09/30/2020**	**12/31/2019**
FINEP	3% p.a. +TR	Apr/14	Apr/24	Bank guarantee	**83,529**	93,705	**83,529**	93,705
FINEP	3% p.a. +TR	Jun/19	Jun/29	Bank guarantee	**65,372**	64,885	**65,372**	64,885
PSI - Innovation 2018	1.1% and 2.61% p.a. + TLP and TR	Dec/19	Feb/27	Bank guarantee	**71,655**	50,187	**71,655**	50,187
PSI - Innovation 2016	1.86% p.a. + TJLP	Jun/17	Mar/23	Mortgage (properties-head office and SJ branch)	**49,719**	53,915	**49,719**	53,915
PSI - Innovation 2013	3.5% p.a.	Mar/14	Jan/20	Mortgage (properties-head office and SJ branch)	**-**	1,481	**-**	1,481
FINIMP D	3.7% p.a.	Oct/19	Oct/22	Officers' signature	**3,794**	2,536	**-**	-
Citibank Swap	CDI + 3.50% p.a.	Mar/20	Mar/23	Officers' signature	**102,599**	-	**102,599**	-
Itaú	CDI + 3.50% p.a.	Apr/20	Apr/22	Officers' signature	**101,373**	-	**101,373**	-
					478,041	266,709	**474,247**	264,173
Current					**162,099**	41,293	**159,919**	40,448
Noncurrent					**315,942**	225,416	**314,328**	223,725

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 September 30, 2020 (consolidated):

Property, plant and equipment	191,631
Letter of guarantee	218,131
	409,762

Variations in borrowings and financing are as follows:

	Consolidated		Parent	
	09/30/2020	**12/31/2019**	**09/30/2020**	**12/31/2019**
Opening balance	**266,709**	201,129	**264,173**	201,129
Borrowings	**348,230**	201,587	**346,500**	199,296
Interest and exchange rate differences	**46,788**	8,224	**46,503**	8,223
Repayment of principal	**(171,615)**	(131,819)	**(170,908)**	(131,819)
Payment of interest	**(12,071)**	(12,656)	**(12,021)**	(12,656)
Borrowing arising from business combination	**-**	244	**-**	-
Closing balance	**478,041**	266,709	**474,247**	264,173

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.

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 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.

PSI – Innovation 2013: The debt principal was repaid in 48 monthly and consecutive installments, the first maturing on February 15, 2016, and the last on January 15, 2020.

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.

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 September 30, 2020, the balances and dollars payable total US$18,000,000.

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 September 30, 2020.

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

The agreement entered into with Citibank determines that the Company must comply with the following financial ratio: Net debt (Total Net Bank Debt/EBITDA): (total financial debt, including bank debt and supplier financing, less cash and short-term investments), divided by operating income (expenses) before interest, income tax and social contribution, depreciation and amortization, lower than or equal to 2.5, at the end of the reporting period. The requirement is being fully met as at September 30, 2020.

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

	Consolidated		Parent	
	09/30/2020	**12/31/2019**	**09/30/2020**	**12/31/2019**
2021	**35,752**	33,259	**35,420**	32,413
2022	**114,866**	43,245	**113,292**	42,400
2023	**58,010**	39,209	**57,846**	39,209
2024	**30,372**	30,548	**30,372**	30,548
2025	**23,173**	23,992	**23,173**	23,992
2026	**23,173**	23,893	**23,173**	23,893
2027 to 2029	**30,596**	31,270	**31,052**	31,270
	315,942	225,416	**314,328**	223,725

15. 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.

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

	Consolidated		Parent	
	09/30/2020	**12/31/2019**	**09/30/2020**	**12/31/2019**
Labor	**1,927**	3,080	**1,927**	3,080
Civil	**2,294**	426	**2,294**	426
Tax	**5,621**	3,471	**5,521**	3,371
	9,842	6,977	**9,742**	6,877
Current	**401**	426	**401**	426
Noncurrent	**9,441**	6,551	**9,341**	6,451

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 matters of commercial nature, relating to consumers' complaints about the products provided by the Company. No civil lawsuit was considered individually relevant.

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

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. The other lawsuit is related to the understanding on the suspension of the IPI on the import of inputs based on SRFB Regulatory Instruction 948/2009 and the formal procedures related to the respective tax benefit.

Possible losses, not provided for in the balance sheet

No provisions were recognized for contingencies whose likelihood of loss is assessed by the Company's legal counsel as possible, as they do not represent probable losses for the Company. These contingencies involve matters of tax, civil and labor nature, totaling R$53,386 as at September 30, 2020 (R$36,956 as at December 31, 2019) in the consolidated. Of this total, tax lawsuits amount to R$45,482 as at September 30, 2020 (R$27,495 as at December 31, 2019) the main of which refer to: (i) partial tax credit maintained by the CARF which challenged the IRPJ and CSLL levied on the ICMS deemed credit; (ii) tax assessment notice related to the tax credit arising from the disallowance of the ICMS deemed credit granted by the State of origin; (iii) tax assessment notice challenging the tax classification of the import of LCD displays; (iv) tax assessment notice challenging the PIS and COFINS levied on the ICMS deemed credit. Civil lawsuits amount to R$3,803 as at September 30, 2020 (R$5,351 as at December 31, 2019) and labor lawsuits amount to R$4,101 as at September 30, 2020 (R$4,111 as at December 31, 2019); there are no lawsuits individually relevant for both areas.

Contingent assets, not recorded in the balance sheet

The Company, among the main contingent assets, claimed at courts the right to exclude the ICMS from the PIS and COFINS tax basis for years prior to the decision handed down by the Federal Supreme Court in 2017. A final and unappealable decision was handed down on these lawsuits in October 2020, as mentioned in note 29. The asset relating to these tax credits will be recognized in the fourth quarter of 2020, the date of publication of the final and unappealable decision. Currently, the Company is at the analysis and credit calculation stage. Based on the analysis and calculation currently made, which follows the court decisions handed down so far, the Company estimates that the credits amount to approximately R$136,430, of which R$73,579 refers to the historical amount and R$62,851 refers to inflation adjustment. In addition to the ICMS exclusion from the PIS and COFINS tax basis, the Company discusses the increase of the Siscomex rate due upon addition to the Import Statement in an amount higher than that prescribed by Law 9,716/98.

Variations in the provision

	Consolidated		**Parent**	
	09/30/2020	**12/31/2019**	**09/30/2020**	**12/31/2019**
Balance at the beginning of the period/year	**6,977**	4,452	**6,877**	4,452
Additional provision	**5,908**	9,316	**5,908**	9,216
Reversal/write-offs of provision	**(3,043)**	(6,791)	**(3,043)**	(6,791)
Balance at the end of the period/year	**9,842**	6,977	**9,742**	6,877

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

b. Breakdown of escrow deposits:

	Consolidated		Parent	
	30/09/2020	**31/12/2019**	**30/09/2020**	**31/12/2019**
Labor	**810**	592	**810**	592
Tax	**10,940**	10,917	**10,940**	10,917
	11,750	11,509	**11,750**	11,509

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 deposit related to tax lawsuits refers to the tax principle under discussion involving "IPI on Finished Goods". The Company has filed a lawsuit for the collection of the IPI on the resale of imported finished goods. The Company's legal counsel defends the principle of non-levy of the IPI on sales transactions carried out by the plaintiff involving imported goods on which the same tax was already collected upon customs clearance and which were not subject to any manufacturing process. The Company received a favorable decision at the lower and appellate courts (Federal Court in Florianópolis and TRF4 in Porto Alegre), but the federal government was able to reverse the decision through a special appeal filed with the STJ. The Company has filed Divergence Appeals as it believes that there are former court decisions favorable to the taxpayer. The Federal Supreme Court, in a general repercussion judgment, has decided that the collection of the IPI on the resale of imported goods is constitutional. The Company had already requested the conversion of the escrow deposits into payment to the federal government but the lawsuit was suspended and is not yet analyzed. The amount deposited in escrow totaled R$9,044, and the liability was recorded as taxes payable.

16. Equity

a) Capital

As at September 30, 2020 and December 31, 2019, the Company's capital is R$350,000, held as follows:

	Common		Total	
Shareholders	**Number**	**%**	**Number**	**%**
Jorge Luiz Savi de Freitas	6,336,250	22.50%	6,336,250	22.50%
Jane Savi de Freitas	6,336,250	22.50%	6,336,250	22.50%
Janete Savi de Freitas	6,336,250	22.50%	6,336,250	22.50%
Jadna Savi de Freitas	6,336,250	22.50%	6,336,250	22.50%
Dahua Europe B. V	2,816,111	10.00%	2,816,111	10.00%
Total shares	**28,161,111**	**100.00%**	**28,161,111**	**100.00%**

b) 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.

c) Valuation adjustments to equity

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

d) Cumulative translation adjustments

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

e) Payments to shareholders

On September 21, 2020, the Extraordinary General Meeting approved the payment of R$11,249 as interim dividends based on the profit for the six-month period ended June 30, 2020.

Dividends supplementary to the profit for 2019 were proposed in the nine-month period, in the amount of R$11,338.

17. 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.

	Period ended	
	09/30/2020	**09/30/2019**
Numerator:		
Profit for the period	**121,210**	118,142
Denominator (in thousands of shares):		
Weighted average number of common shares	**28,161,111**	28,161,111
Denominator (in thousands of shares):		
Denominator for basic and diluted earnings (loss) per share	**28,161,111**	28,161,111
Basic and diluted earnings per share (in Brazilian reais - R$)		
Basic and diluted earnings per common share	**4.30416**	4.19522

There are no equity instruments with capital dilutive effect as at September 30, 2020.

18. Tax incentives

a) Federal VAT (IPI)

Telephone and security equipment

The Company is 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, less the corresponding taxes levied thereon, as well as the amount of the acquisition of goods eligible to tax incentives as prescribed by the law, in research and development activities to be carried out in Brazil.

The IPI decrease benefits are broken down as follows:

Decrease of 80% in the IPI rate, up to March 31, 2020;
Decrease of 75% in the IPI rate, up to March 31, 2020;
Decrease of 70% in the IPI rate, up to March 31, 2020.

Portable microcomputers and manufactured goods

Beginning the 2nd half of 2011, the Company started to apply the 100% decrease on goods manufactured in Brazil, as provided for in Law No. 12,431/11. In order to be eligible to the benefits set forth in Law No. 8,248/91, companies that manufacture or produce IT and automation goods and services must annually invest in IT research and development activities to be performed in Brazil at least 4% of their gross revenue in the domestic market, arising from the sale of IT goods and services, eligible to tax incentives as prescribed by said Law, less taxes levied thereon, as well as the amount of acquisition of goods eligible to tax incentives as prescribed by the Law.

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 will be converted into federal credits, obtained through a multiplier on the investment in Research, Development and Innovation (RD&I) made by the computer goods industries and which will be effective up to December 31, 2029.

The amount of this benefit reflected in profit or loss for the period was R$57,797.

b) State VAT (ICMS)

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

(i) *State of Santa Catarina*

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 apply directly 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 Company also uses tax benefits set forth in regulation for goods imported from abroad.

The effective period of the benefits is indeterminate.

The amount of this benefit reflected in profit or loss for the period was R$58,972 (R$72,520 in 2019).

(ii) *State of Minas Gerais*

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 indeterminate.

The amount of this benefit reflected in profit or loss for the period was R$13,408 (R$18,612 in 2019).

(iii) *State of Amazonas*

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 indeterminate.

The amount of this benefit reflected in profit or loss for the period was R$37,778 (R$51,588 in 2019).

All conditions imposed to be eligible to the tax incentives are being fulfilled by the Company.

c) 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.

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

19. 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	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Temporary differences				
Provision for tax, civil and labor risks	**9,842**	6,877	**9,742**	6,877
Provision for warranties	**13,623**	12,719	**13,623**	12,719
Allowance for obsolete inventories	**4,758**	3,784	**4,458**	3,784
Allowance for expected credit losses (*)	**12,272**	8,110	**12,272**	8,110
Goodwill (**)	**(33,366)**	(33,366)	**(33,366)**	(33,366)
Surplus	**(19,994)**	(21,956)	**(19,994)**	(21,956)
Provision for IT Law	**3,869**	1,623	**3,869**	1,623
Difference between tax x accounting depreciation (useful life)	**(6,219)**	(3,865)	**(6,219)**	(3,865)
Deemed cost and review of the useful life of property, plant and equipment items	**(38,911)**	(39,222)	**(38,911)**	(39,222)
Effects of revenue recognition - CPC 47 (IFRS 15)	**40,581**	21,615	**40,581**	21,615
Accrued profit sharing	**18,029**	-	**18,029**	-
Accrued commercial funds	**13,906**	9,849	**13,906**	9,849
Other	**5,217**	10,824	**5,687**	10,824
PVA - trade receivables and trade payables	**7,944**	10,354	**7,944**	10,354
Total temporary differences	**31,551**	(12,654)	**31,621**	(12,654)
Combined deferred income tax and social contribution rate	**34%**	34%	**34%**	34%
Deferred income tax and social contribution on temporary differences	**10,727**	(4,302)	**10,751**	(4,302)
Income tax and social contribution loss				
Income tax loss	**50,079**	26,408	**49,295**	26,408
Deferred income tax rate	**25%**	25%	**25%**	25%
Deferred income tax on income tax loss	**12,520**	6,602	**12,324**	6,602
Social contribution loss	**80,521**	53,168	**79,735**	53,168
Deferred social contribution rate	**9%**	9%	**9%**	9%
Deferred social contribution on social contribution loss	**7,247**	4,785	**7,176**	4,785
Deferred taxes				
Deferred income tax	**20,408**	3,439	**20,229**	3,439
Deferred social contribution	**10,086**	3,646	**10,022**	3,646
Income tax and social contribution at statutory rate	**30,494**	7,085	**30,251**	7,085

(*) 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 of the Company's Management to settle them at their net amount.

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

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
	09/30/2020	**09/30/2020**
2020	14,444	14,444
2022	86	-
2023	181	-
2024 – 2026	5,056	5,056
	19,767	**19,500**

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:

	Consolidated		Parent	
	09/30/2020	**09/30/2019**	**09/30/2020**	**09/30/2019**
Profit before income tax and social contribution	**99,065**	118,977	**98,045**	118,585
Share of profit (loss) of subsidiaries	**-**	-	**3,281**	813
Tax incentives	**(167,956)**	(105,676)	**(166,126)**	(105,514)
Expenditures on technological research and innovation – Law No. 11,196/05	**(8,625)**	(7,329)	**(8,625)**	(7,329)
Other	**12,380**	(3,520)	**5,292**	(5,252)
	(65,136)	2,452	**(68,133)**	1,303
Combined income tax and social contribution rate	**34%**	34%	**34%**	34%
Income tax and social contribution at statutory rate	**22,145**	(835)	**23,165**	(443)
Statutory rate				
Current	**(1,264)**	(3,120)	**(1)**	(2,728)
Deferred	**23,409**	2,285	**23,166**	2,285
Income tax and social contribution at statutory rate	**22,145**	(835)	**23,165**	(443)

20. Risk management and financial instruments

a) 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.

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

As at September 30, 2020, the Company maintains a loan agreement in the amount of US$18,000,000 with Citibank, 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$26,706,000 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
Santander	213
Bradesco	12,802
CCB	3,887
	26,706

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.

(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 doubtful debts amounting to R$13,363 as at September 30, 2020 (R$12,449 as at December 31, 2019) in the consolidated and R$13,092 as at September 30, 2020 (R$12,334 as at December 31, 2019) 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.

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

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	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Checking account	22,267	14,012	18,825	10,693
Short-term investments	596,696	387,588	591,683	387,588
Securities	4,640	5,704	4,640	5,704
Trade receivables	480,996	385,134	477,746	382,310
	1,104,599	792,438	1,092,894	786,295

(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:

	09/30/2020			
	Up to one year	One to three years	More than 3 years	Total
Trade payables	561,243	-	-	561,243
Payables for acquisition of businesses	2,018	3,424	2,911	8,353
Borrowings and financing	187,722	257,415	118,854	563,991
	750,983	260,839	121,765	1,133,587

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

	12/31/2019			
	Up to one year	One to three years	More than 3 years	Total
Trade payables	466,359	-	-	466,359
Payables for acquisition of businesses	8,084	4,522	3,073	15,679
Borrowings and financing	55,589	146,077	124,459	326,125
	530,032	150,599	127,532	808,163

(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.

(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, 2019, there were no transactions of such nature. As at September 30, Currency Forward Contracts and swap transactions were contracted to mitigate cash flow risks due to currency fluctuations.

	Consolidated		Parent	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Instruments with floating interest rate				
Securities	4,640	5,704	4,640	5,704
Borrowings and financing	478,041	262,692	474,247	262,692
Forward contracts	8,901	-	8,901	-
Swap transactions	9,330	-	9,330	-
Instruments with fixed interest rate				
Borrowings and financing	3,794	4,017	-	1,481

The amount in US dollar of Currency Forward Contracts total US$26,706,000 (fair value of R$8,901) and the swap transaction totals US$18,000,000 (fair value of R$9,330) as at September 30, 2020.

(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.

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

As at September 30, 2020, the consolidated exposure was as follows (in Brazilian reais – R$):

	09/30/2020						12/31/2019					
	Foreign currency						Foreign currency					
	US dollar – US$	Euro - €	Pound - £	Yen - ¥	Ren - ¥	Total	US dollar – US$	Euro - €	Pound - £	Yen - ¥	Ren - ¥	Total
Assets												
Trade receivables	4,708	6	-	-	-	4,714	2,634	452	-	-	-	3,086
Forward transactions	8,901	-	-	-	-	8,901	-	-	-	-	-	-
ʋap transactions	9,330	-	-	-	-	9,330	-	-	-	-	-	-
Liabilities												
Trade payables	(542,202)	-	(3)	-	(5)	(542,210)	(438,525)	(30)	(2)	-	-	(438,557)
Borrowings and financing	(102,599)	(3,794)	-		-	(106,393)	-	-	-	-	-	-
Net exposure	(621,862)	(3,788)	(3)	-	(5)	(625,658)	(435,891)	422	(2)	-	-	(435,471)

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 June 30, 2020, 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.

The respective foreign exchange expense and income was calculated for each scenario. The portfolio base date used was September 30, 2019. The US dollar quotation used in the projection was R$5.26.

	(Expense)/Income				
	Scenario I -50%	**Scenario II -25%**	**Probable scenario**	**Scenario III +25%**	**Scenario IV +50%**
Trade receivables – US dollar	(159)	(239)	(318)	(398)	(477)
Trade payables – US dollar	18,270	27,406	36,541	45,676	54,811
Impact on profit or loss	18,111	27,167	36,223	45,278	54,334

(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.

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

b) Financial instruments - fair value

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

	Consolidated				
	09/30/2020		12/31/2019		
	Carrying amount	Fair value	Carrying amount	Fair value	Classification
Assets					
Cash at hand	39	39	28	28	Amortized cost
Checking account	22,267	22,267	14,012	14,012	Amortized cost
Short-term investments	596,696	596,696	387,588	387,588	Amortized cost
Securities	4,640	4,640	5,704	5,704	Amortized cost
Trade receivables	461,677	461,677	365,955	365,955	Amortized cost
Derivative instruments	18,231	18,231	-	-	Fair value through profit or loss
Liabilities					
Trade payables	561,243	561,243	466,359	466,359	Amortized cost
Borrowings and financing – including charges	478,041	483,000	266,709	272,000	Amortized cost
Other payables - acquisition of subsidiary)	7,336	7,336	15,109	15,109	Amortized cost

The measurement method used to calculate the fair value of financial instruments was the discounted cash flow method, considering the settlement expectations of these assets liabilities and current market rates, following the particularities of each instrument at the end of the reporting period. Derivatives are quoted based on similar instruments in the market.

Fair value measurement recognized in the interim financial information

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.

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 agreement (swap) as mentioned in note 20.a. Except for this instrument, there are no other derivative instruments as at September 30, 2020**.**

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

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 doubtful debts 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.

c) 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 September 30, 2020, five different scenarios were defined. Based on the FOCUS report of September 2020, the projected SELIC / CDI rate for the 12-month period beginning September 30, 2020 was extracted and this was defined as the probable scenario; based on this, 25% and 50% stresses were calculated.

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 September 30, 2020, projecting indices for one year and verifying CDI sensitivity in each scenario.

	09/30/2020				
	Scenario I +50%	**Scenario II +25%**	**Probable scenario**	**Scenario III -25%**	**Scenario IV -50%**
Short-term investments	13,903	11,586	9,269	6,951	4,634

In order to verify the rate sensitivity in debts to which the Company and its subsidiaries were exposed as at September 30, 2020, five different scenarios were defined. Based on the FOCUS report of September 2020, the projected CDI / IGP-DI / IGP-M / DOLLAR rates were extracted and based on the future curve of BM&F as at September 30, 2020, the projected LIBOR rate was extracted, within a 12-month period beginning September 30, 2020, thus defining them as the probable scenario; based on this, 25% and 50% stresses were calculated.

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

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 September 30, 2020. The portfolio base date used was September 30, 2020, projecting indices for one year and verifying their sensitivity in each scenario.

	09/30/2020				
	Scenario I +50%	**Scenario II +25%**	**Probable scenario**	**Scenario III -25%**	**Scenario IV -50%**
Borrowings and financing	31,784	26,486	21,189	15,892	10,595

For derivatives it was estimated the expected quotation for 12 months beginning September 30, 2020, based on the actual notional value contracted.

	09/30/2020				
	Scenario I +50%	**Scenario II +25%**	**Probable scenario**	**Scenario III -25%**	**Scenario IV -50%**
Swap and currency forward contracts	615	923	1,230	1,538	1,846

d) 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.

	Consolidated		**Parent**	
	09/30/2020	**12/31/2019**	**09/30/2020**	**12/31/2019**
Interest-bearing borrowings and financing	**478,041**	266,709	**474,247**	264,173
(-) Cash and cash equivalents	**(619,002)**	(401,628)	**(610,545)**	(398,308)
Consolidated net debt	**(140,961)**	(134,919)	**(136,298)**	(134,135)
Equity	**829,235**	724,859	**829,235**	724,859
Correlation	**(17%)**	(19%)	**(16%)**	(19%)

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 period. No changes were made to the capital management objectives, policies or processes in the reporting periods.

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

21. Operating revenue

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

	Consolidated		Parent	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019
Sale of goods	**1,821,171**	1,552,764	**1,799,719**	1,547,225
Present value adjustment (PVA)	**(17,337)**	(24,650)	**(17,337)**	(24,650)
Commercial funds	**(49,299)**	(52,864)	**(49,299)**	(52,864)
Sales returns	**(57,470)**	(51,782)	**(57,144)**	(51,659)
Sales deductions:				
Federal VAT (IPI)	**(53,134)**	(55,876)	**(54,486)**	(56,001)
State VAT (ICMS)	**(62,197)**	(46,502)	**(61,173)**	(46,424)
Tax on revenue (PIS)	**(20,934)**	(18,422)	**(20,680)**	(18,369)
Tax on revenue (COFINS)	**(97,243)**	(84,889)	**(96,070)**	(84,642)
Service Tax (ISS)	**(405)**	(269)	**(170)**	(198)
Net operating revenue	**1,463,152**	1,217,510	**1,443,360**	1,212,418

The IPI amount is recorded at the net amount of the offsets of the Financial Credit of the IT Law, recorded pursuant to Law No. 13,969/2019; further information in note 9 above.

Decree No. 10.356/2020 sets forth that these Financial Credits must comprise the gross profit of the beneficiary legal entity. Accounting pronouncement CPC 07 (R1) (IAS 20) – Accounting for Government Grants and Disclosure of Government Assistance defines that the grant must be matched to the expense against which it will be offset. The grant can be alternatively disclosed in the statement of income as deduction of the related expense. The related expenses refer to the taxes offset, that is, the Financial Credit must be recorded in the statement of income in the group of line items according to its nature.

22. Costs and expenses

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	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019
Expenses by function				
Cost of sales and services	**928,086**	795,495	**924,521**	798,791
Selling expenses	**173,857**	175,587	**168,551**	174,666
General and administrative expenses	**79,098**	72,948	**67,617**	64,076
Other operating expenses, net	**47,776**	45,487	**46,595**	46,693
	1,228,817	1,089,517	**1,207,284**	1,084,226
Expenses by nature				
Cost of inputs and materials	**765,252**	656,735	**768,346**	660,529
Power, outside services and other	**273,315**	270,013	**254,374**	261,429
Expenses on payroll and employee benefits	**180,952**	178,954	**179,373**	178,702
Depreciation and amortization	**16,469**	12,582	**13,853**	12,567
Other revenue	**(7,171)**	(28,767)	**(8,662)**	(29,001)
	1,228,817	1,089,517	**1,207,284**	1,084,226

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

23. Finance income (costs)

	Consolidated		Parent	
	09/30/2020	**09/30/2019**	**09/30/2020**	**09/30/2019**
Income from short-term investments	**10,584**	17,239	**10,559**	17,231
Interest	**1,876**	1,051	**1,816**	1,040
Present value adjustment	**18,112**	23,881	**18,112**	23,881
Other	**(286)**	(718)	**(288)**	(718)
Finance income	**30,286**	41,453	**30,199**	41,434
Interest on borrowings and financing	**(15,472)**	(6,955)	**(15,415)**	(6,955)
Banking expenses	**(3,112)**	(1,960)	**(2,781)**	(1,722)
Expenses on advanced receivables	**-**	(1,587)	**-**	(1,587)
IOF on financial transactions	**(735)**	(350)	**(696)**	(348)
Present value adjustment	**(14,638)**	(13,926)	**(14,638)**	(13,926)
Other	**(299)**	(106)	**(283)**	(105)
Finance costs	**(34,256)**	(24,884)	**(33,813)**	(24,643)
Finance income (costs)	**(3,970)**	16,569	**(3,614)**	16,791

24. Exchange gains (losses)

	Consolidated		Parent	
	09/30/2020	**09/30/2019**	**09/30/2020**	**09/30/2019**
Exchange gains	153,030	39,523	153,019	39,523
Exchange losses	(284,330)	(65,108)	(284,155)	(65,108)
	(131,300)	(25,585)	(131,136)	(25,585)

25. 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 January 2020 to January 2021:

Insured risks	Insured amount	Deductible
Fire / disposal / riot / explosion / implosion	R$130,000	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$107,000	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

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

26. 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.

SECURITY

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).

COMMUNICATION

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.

ENERGY

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 nobreak devices for houses, companies and buildings. Power supplies, batteries, nobreaks, 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.

	Consolidated			
	09/30/2020			
	Communication	**Security**	**Energy**	**Total**
Net operating revenue	543,673	777,029	142,450	**1,463,152**
Gross profit	179,696	315,844	39,526	**535,066**

	Consolidated			
	09/30/2019			
	Communication	**Security**	**Energy**	**Total**
Net operating revenue	420,932	725,325	71,253	**1,217,510**
Gross profit	133,588	269,049	19,378	**422,015**

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

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. Other segments refer to assets and liabilities common to all Company's areas, including administrative, not corresponding to reportable segments. Eliminations represent adjustments to the accounting regarding the accounting standards related to CPC 47 (IFRS 15) – Revenue from Contracts with Customers and CPC 12 – Present Value Adjustment.

	09/30/2020					
	Communication	**Security**	**Energy**	**Other segments**	**Eliminations**	**Total**
Assets	319,438	348,144	43,737	249,886	(166,858)	**794,347**
Liabilities	238,329	276,342	41,028	10,504	(4,960)	**561,243**

	12/31/2019					
	Communication	**Security**	**Energy**	**Other segments**	**Eliminations**	**Total**
Assets	235,934	316,957	32,152	197,238	(98,262)	**684,019**
Liabilities	141,602	285,644	32,717	20,329	(13,933)	**466,359**

27. 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 2.5.

	Consolidated		**Parent**	
	09/30/2020	**12/31/2019**	**09/30/2020**	**12/31/2019**
Balance sheet transactions				
Assets				
Loans				
Loans granted - Prediotech	**-**	-	**2,267**	1,314
Loans granted - Décio	**-**	-	**7,940**	700
	-	-	**10,207**	2,014
Liabilities				
Trade payables				
Trade payables - Dahua	**(164,370)**	(153,386)	**(164,370)**	(153,386)
Trade payables - Décio	**-**	-	**(1,397)**	(1,176)
Trade payables - Ascent	**-**	-	**(522)**	-
	(164,370)	(153,386)	**(166,289)**	(154,562)
	09/30/2020	**09/30/2019**	**09/30/2020**	**09/30/2019**
Profit or loss transactions				
Sales made by subsidiary Décio to the Company	**-**	-	**3,588**	407
Sales made by subsidiary Ascent to the Company	**-**	-	**5,752**	4,568
Purchase made by the Company from Dahua	**(223,661)**	-	**(223,661)**	-
Total related-party transactions recorded in profit or loss	**(223,661)**	-	**(214,321)**	4,975

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

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, there is a commitment of acquiring exclusively from supplier Dahua 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 14, which are granted to the financial institutions and comprise letter of guarantee and property, plant and equipment items. There are no collaterals granted to third parties.

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. Short-term compensation of key management personnel totaled R$15,095 as at September 30, 2020 (R$11,227 as at December 31, 2019). 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.

28. Non-cash items

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

	Consolidated		**Parent**	
	09/30/2020	**09/30/2019**	**09/30/2020**	**09/30/2019**
Exchange rate differences on foreign subsidiary	**608**	80	**608**	80
Payment for property, plant and equipment acquired in installments	**(6,067)**	**-**	**(6,066)**	-
Acquisition of property, plant and equipment using borrowings and financing - Finimp	**1,730**	**-**	**-**	-
Payment of trade payables using borrowings and financing - Finimp	**86,171**	53,037	**86,171**	53,037
Acquisition of property, plant and equipment in installments	**-**	4,657	**-**	4,657
Proposed dividends but not settled in the period	**2,167**	-	**2,167**	-

29. Events after the reporting period

Final and unappealable decision on the ICMS exclusion from the PIS and COFINS tax basis

As mentioned in note 9, the Company filed a lawsuit claiming the right to exclude from the PIS and COFINS tax basis the ICMS levied on its sales. On October 8, 2020, a final and unappealable decision was handed down by the Regional Court of the 4th Region on the lawsuit filed by the Company guaranteeing it the ICMS exclusion. The Company estimates the amounts of the corresponding tax credits at approximately R$136,430, of which R$73,579 refers to the historical amount and R$62,851 to inflation adjustment.